

Health Insurance Reform and Small Businesses
U.S. Senate Committee on Small Business and Entrepreneurship
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Thank you, Chair Landrieu, Ranking Member Snowe and members of the Committee. It's an honor to testify before you on the importance of health insurance reform for America's small businesses.

For decades, surveys of small business owners have shown that access to affordable health care is their number-one concern. For example, since 1986 the NFIB survey has ranked health insurance costs at the top of a list of 75 issues facing small businesses.

Thanks to the hard work of members of this Committee and others in Congress, we're closer than ever to putting reforms in place that have the potential to benefit millions of entrepreneurs, small business owners and their employees.

In my first six months, I've traveled around the country and I've heard their stories first-hand. Small business owners are struggling to provide health insurance for their employees, who they often think of as members of their own family.

This much we know: the status quo is not an option.

Small businesses that offer coverage today pay up to 18 percent more than large firms for the same coverage. Higher administrative costs combined with weak bargaining power are behind these high costs, which have forced more and more small businesses to reduce and drop coverage.

Today, less than half of small employers with three to nine workers offer health coverage. Fully 13 million of America's uninsured workers are employed by businesses with fewer than 100 employees. It's clear that we can't help our nation's uninsured without addressing the need for access to affordable health insurance for small businesses.

In addition, there are countless Americans who have the skills and know-how to start or join a small business, but they're in "job lock." They can't leave their job for fear that they will lose insurance for their families. This impedes our ability to innovate and to compete globally.

I, like many of you, have seen both the personal cost and the commercial cost of this problem.

A couple of months ago, I visited a small business in Paterson, New Jersey called Form, Fit, and Function Engineering – F3. F3 is run by a couple who have about 30 employees. The company contracts with the U.S. Navy. They said that providing health insurance is expensive but necessary in order to keep their quality workforce.

For the second time in just a few years, they were forced to switch carriers and reduce coverage in order to save money on their premiums. Today, they are once again worried because they suspect that they might see their premiums jump again by 20 or 30 percent in just a few years. Then, they'll have to go looking again, and they may not find a solution.

As the Chair has said recently, these kinds of situations are “unacceptable and unsustainable.” And “we must find ways to stabilize costs for our innovators, entrepreneurs and job creators.”

Again, we're closer than ever due to the care, thought, and time that many of you on this Committee have contributed to this process. As a result, there are a number of provisions in these bills that will reduce costs, expand access, and increase security and stability of coverage for small business.

For example, under proposed legislation, small businesses will be able to purchase insurance through an exchange where they can compare the price, quality, and services of a wide variety of plans. I know that Senator Snowe and others have been working to create the broadest possible access to this exchange for small businesses.

In addition, current legislation will prohibit insurance companies from denying coverage due to pre-existing conditions. This is crucial to provide security and stability for workers who want to strike out on their own and pursue the American Dream.

In closing, we know that more than half of Americans own or work for a small business. We know they drive the majority of new private sector jobs each year. And we know it is small businesses that are the foundation stone that will allow America to be competitive in a 21st-century global economy.

Thank you again for your efforts in health insurance reform to help these small businesses. I look forward to hearing your comments and questions.

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