

**Senator Olympia J. Snowe**  
**Senate Committee on Small Business and Entrepreneurship**  
**“Solving the Small Business Health Care Crisis: Alternatives for Lowering Costs**  
**and Covering the Uninsured”**  
**April 20, 2005**

**Good morning and welcome to today’s hearing focused on the health care crisis facing small businesses. I appreciate Secretary Chao for being here today and for championing solutions such as the creation of association health plans to further the rights of hardworking people across America. I also welcome Administrator Barreto, who, as a former small business owner, knows all too well the difficulty of acquiring affordable health care for his employees. Finally, thanks to the small business representatives who will testify on the serious challenges and possible alternatives to reduce health care costs and expand coverage.**

**As you may recall, we examined this issue two years ago during the very first hearing I conducted as Chair of this Committee and regrettably, since then the problem has only grown worse. Today, I want to probe deeper into solving this crisis, and hopefully *jump start* real action by Congress to enact solutions this year.**

**This hearing will focus on association health plans - “AHPs” - which I *strongly* believe can play a *major* role in addressing this country’s health care crisis. *Touted* by President Bush and *supported* by over 80 million Americans ... AHPs will bring necessary reform to insurance markets that have long trapped small businesses and their employees in a vicious cycle of escalating premium costs and fewer coverage options. AHPs are crucial to solving the small business health care crisis because they represent a *fair, fiscally sound, and tested approach* to reducing the ranks of the uninsured in this country at nominal cost to the federal government.**

**Of the nearly 45 million uninsured Americans, 62 percent of the uninsured are either employed by a small business or dependent on someone who is. If we**

want to get *serious* about helping the uninsured, *which I think is long overdue*, we should start by focusing on small business.

The *USA Today* recently identified health insurance costs as the number one issue facing small business employers across the country – a fact confirmed in the National Federation of Independent Business’s Small Business Economic Trends monthly report from March. Almost 30 percent of the small business owners surveyed responded that cost and availability of insurance was the single most important problem facing small businesses today. This was *far and away their most pressing concern* and it’s one I’ve heard time and time again.

Indeed, these surveys and studies mirror *what we hear everyday* from small business owners across the country. Today we will hear from Doug Newman, a concrete company owner from Hallowell, Maine, who has described premium increases of close to 65 percent since 2000.

The time has come for action, not words, to deliver small business owners relief from this crisis. AHPs do this, with a common sense approach that allows small employers to join together through bona fide associations to buy health coverage. AHPs will level the playing field of employer health coverage by giving participating small employers the advantages of federal law currently enjoyed by larger employers and unions.

AHP’s have the strong support of President Bush, as he has said in his last two State of the Union addresses, and the Majority Leader, Senator Frist, has indicated he would like to see floor action on AHPs this year and I appreciate his support. AHPs are supported by a coalition representing over 12 million employers and 80 million individuals. And significantly, for the first time ever, tomorrow in the HELP Committee, Chairman Enzi is hosting its first hearing on AHPs.

Moreover,, a recent snapshot poll in the *USA Today* asked 2,076 CEOs, “What changes to health care policies could be made that would have the greatest impact on your business?” The number one response, at 56 percent, was consolidated group rates – pooling, just as is recommended in my AHP legislation – for small businesses.

Today, I want to examine the truths and realities involved with AHPs, and to finally – *once and for all* – drive a stake into the myths that opponents have put forth about AHPs over the years.

AHPs allow small businesses to pool their employees together to receive the same bulk purchasing and administrative efficiencies *already* enjoyed by large employers and unions. It builds on the success of the ERISA self insurance plans used by large employers and the Taft-Hartley plans available to union employers, which currently provide health benefits for 78 million people, more than half of the people who receive health insurance from their employer.

Our aim is to inject *competition* in the marketplace and offer alternatives to small businesses trapped in the current system. Associations will be able to administer one national plan, with lower administrative costs.

And reducing costs for small businesses is *why we are here today*. Studies by both the GAO and the Small Business Administration’s Office of Advocacy concluded that small businesses currently absorb a greater portion of their plans’ administrative costs, paying as much as 20 to 30 percent more in total premiums than larger health plans. As a result, small business receive *less generous benefits* than larger employers while paying the same level of premiums. On both counts, small businesses and their employees lose.

The Kaiser Family Foundation recently reported that between the spring of

2003 and spring of 2004, health insurance premiums increased 11.2 percent. This marked the *fourth consecutive year of double digit increases!* As you can see from this chart, health insurance premiums saw annual increases since 2000 of 10.9 percent, 12.9 percent, and 13.9 percent, respectively – a growth that far outpaced inflation and erased wage gains.

AHP legislation will also provide a full range of benefits similar to what many states currently require. In many cases, large employers and unions, which are exempt from state benefit mandates, offer the most generous plans. Not surprisingly, many employees actually choose to stay in their jobs only to maintain that higher level of coverage. Like these larger plans, this bill's extensive new safeguards will ensure that the health care coverage is available when employees need it, as well as prevent fraud.

*Contrary* to opponents of this bill who claim it would lead to “cherry picking” of only the young and healthy, this AHP bill *specifically* require that associations plans must be open *all* members. And *each* employer who participates in the plan *must* offer the plan to *every* eligible employee – at the risk of fines and even imprisonment of up to 5 years.

Finally, critics claim that the Department of Labor could not handle its responsibilities under this bill. Frankly, I cannot imagine an agency *better prepared* than the Labor Department which currently oversees *300,000* similarly structured plans. We rarely hear complaints about these plans failing and leaving subscribers without coverage. AHPs would not add an unmanageable burden to DOL, and as the Secretary of Labor will testify, sufficient resources would be available to ensure that the Department fulfilled its obligations.

AHP legislation is one excellent reform among myriad solutions to the

healthcare crisis but it is one that should be available to start making a difference *immediately* – this is *not* radical new policy we’re talking about here! We should also examine ways to use the tax code as a mechanism for increasing access to health care, and that is why I recently introduced a bill with Senators Bond and Bingaman to enable more small business owners to offer a choice of a “cafeteria plan” to allow employees to purchase health insurance with tax-free dollars. Currently, many small employers’ hands are tied by arbitrary rules that restrict cafeteria plans based on the size of a business. Our bill would simplify those rules and give more small businesses greater flexibility to meet the healthcare needs of their employees – and that, after all, is our goal.

And with that in mind, this morning we will also review alternatives including those put forth by the Administration and my colleagues in the Senate. These ideas include proposals for refundable tax credits and expanded health savings accounts – and when we’re facing a problem of this scope and urgency, I think we all certainly welcome consideration of any possible solution.

I look forward to hearing from the witnesses today and working with the President and my colleagues to reduce the ranks of uninsured Americans. Let me emphasize that while I believe that passage of AHP legislation is an indispensable step toward resolving the small business health care crisis and indeed the broader crisis of the insured, *I am eager and willing to work with colleagues to address concerns about this legislation and craft the best possible solution.*

Senator Kerry, do you have any remarks you would like to make?