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February 17, 2022

The Honorable Mark DeSaulnier
Chairman
Subcommittee on Health, Employment, Labor, &
Pensions
U.S. House of Representatives
503 Cannon House Office Building
Washington, D.C. 20515

The Honorable Rick Allen
Ranking Member
Subcommittee on Health, Employment, Labor, &
Pensions
U.S. House of Representatives
570 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman DeSaulnier and Ranking Member Allen:

On behalf of NFIB, I write to share comments in response to the committee's hearing entitled *Exploring Pathways to Affordable, Universal Health Coverage*.

NFIB is the nation's leading small business advocacy association, representing members in Washington, D.C., and all 50 state capitals. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses. NFIB proudly represents approximately 300,000 members nationwide from virtually every industry and sector of the U.S. economy.

Health insurance is an important benefit that many small businesses offer for the care of their employees and as a tool to recruit and retain a qualified workforce. Research has shown that small businesses are leaders in offering high quality health benefits that often provide a better value to their workforce as compared to their large peers.¹ Unfortunately, small employers continue to face a severe challenge in providing affordable health insurance coverage.

For over 30 years, NFIB members have identified the cost of health insurance as the number one small business problem with 50% ranking it as a critical problem.² This committee acknowledged the seriousness of this issue when marking up H.R. 3200, the predecessor of the Affordable Care Act (ACA), noting that "rising healthcare costs have had a negative impact on business, especially small employers. Over just the last 15 years, the percentage of small businesses offering health insurance dropped from

¹ See Gary Claxton et. al, *Employer Health Benefits 2021 Annual Survey*, KFF, available at <https://files.kff.org/attachment/Report-Employer-Health-Benefits-2021-Annual-Survey.pdf> (noting that 29% of covered workers in small firms are in a plan where the employer pays the entire premium for single coverage, compared to only 5% of covered workers in large firms).

² Holly Wade & Andrew Heritage, NFIB Research Center, *Small Business Problems and Priorities*, 2020, <https://assets.nfib.com/nfibcom/NFIB-Problems-and-Priorities-2020.pdf>.

61% to 38%.”³ Unfortunately, since the ACA’s passage, the average employee-only premium for employers with less than 50 employees has increased 42%,⁴ the average family policy premium has increased 47%,⁵ and the number of small businesses offering coverage has dropped further to just 31%.⁶

The ACA increased federal regulation and cost burdens on small employers. To make matters worse, the principal ACA provisions to help small employers offer coverage, the Small Business Healthcare Tax Credit and the Small Business Health Options (SHOP) Exchange Marketplace, failed to deliver savings. The SHOP has been extremely unpopular with SHOPS non-operational in more than half of states.⁷ The Congressional Budget Office (CBO) estimated that the Small Business Healthcare Tax Credit would peak at \$6 billion in utilization.⁸ Instead, data on the credit from the IRS shows that utilization peaked at around \$555 million in its early implementation before steadily declining to just \$30 million in the last year data is currently available from Treasury.⁹

The principal solution to affordability proposed by the 117th Congress in the *Build Back Better Act* is increased ACA subsidization of the individual market by extending enhanced Advanced Premium Tax Credits (APTCs) first implemented by the American Rescue Plan. While enhanced APTCs assist those Americans who qualify for the program, this policy does not address the underlying issues that are driving cost growth, nor does it offer help to small business owners who desire to offer employer sponsored insurance (ESI) but cannot afford to do so. Unsurprisingly, CBO projects that this policy will result in a substantial decrease in employer sponsored insurance offer rates, which could further deteriorate the small group market. The *Build Back Better Act* also seeks to address affordability by shifting additional costs to employers in modifying the affordability test for ESI and by allowing additional individuals to obtain Exchange Marketplace subsidized coverage even if they have an offer of affordable coverage by their employer. These policies will likely raise prices on employers, further exacerbate problems in the employer sponsored insurance system, and lead to continue declines in ESI coverage.

Facing ever growing costs and declining offer rates, some propose that the ultimate solution for small businesses in health insurance is to simply jettison ESI and transform the American health insurance system into a single payer model. NFIB members overwhelmingly reject that approach with 75% indicating opposition to a single-payer solution in a recent member ballot.¹⁰ As multiple analyses have

³ U.S. House, Committee on Education and Labor, *Report to Accompany H.R. 3200, America’s Affordable Health Choices Act of 2009*, H. Rept. 111-299 (Oct. 2009).

⁴ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), *Average total family premium (in dollars) per enrolled employee at private-sector establishments that offer health insurance by firm size and selected characteristics, 2010 to 2020*, available at <https://datatools.ahrq.gov/meps-ic>.

⁵ *Id.*

⁶ Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey (MEPS), *Percent of private-sector establishments that offer health insurance by firm size and selected characteristics: United States, (2020)*, https://meps.ahrq.gov/data_stats/summ_tables/insr/national/series_1/2020/tia2.htm.

⁷ See Vanessa C. Forsberg, Congressional Research Service, *Overview of Health Insurance Exchanges*, (updated Feb. 16, 2021) (noting for plan year 2021 “there are no insurers offering medical plans in SHOP exchanges in more than half of states.”).

⁸ Congressional Budget Office, Letter to the Hon. Nancy Pelosi, *An Estimate of the Direct Spending and Revenue Effects of H.R. 4872*, (March 20, 2020), <https://www.cbo.gov/sites/default/files/111th-congress-2009-2010/costestimate/amendreconprop.pdf>.

⁹ Internal Revenue Service, *Small Business Health Care Tax Credits Filed in Tax Years 2010–2016*, <https://www.irs.gov/pub/irs-soi/17acasmallbusiness.xls>.

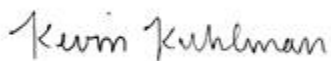
¹⁰ NFIB Member Ballot, vol. 575, “Should Congress create a federal, single-payer health insurance system?” (Yes: 13% No: 75% Undecided: 12%) (August 2019).

confirmed, single payer would be financially unsustainable for the federal government and lead to a costly tax system that small business owners cannot afford.¹¹

Rather than double down on the existing ACA structure or seeking to transition to a single payer system, Congress should continue to work towards innovative approaches to lower health costs to benefit small businesses and all Americans under the existing model of private health insurance. This should include work by this committee to level the playing field between large self-funded employers operating under the Employee Retirement Income Security Act (ERISA) and small businesses who face excessive ACA and state mandates. Congress should work to provide innovative payment solutions for small businesses, such as enhancing the ability of businesses to offer Health Reimbursement Arrangements that offer predictable costs and give employees the opportunity to choose the health insurance plan of their choice. Moreover, Congress should build upon the important work of increasing price transparency in medical services and insurance, while combatting provider consolidation and other cost drivers in the health insurance system.

In short, NFIB appreciates the committee's willingness to tackle affordability in today's hearing. We stand ready to assist Congress in the important task of helping to provide affordable coverage for small business owners and their employees.

Sincerely,

A handwritten signature in blue ink that reads "Kevin Kuhlman". The signature is written in a cursive, slightly slanted style.

Kevin Kuhlman
Vice President, Federal Government Relations
NFIB

¹¹ See, e.g. Kenneth E Thorpe, *An Analysis of Senator Sanders Single Payer Plan* (Jan. 27, 2016), <https://www.healthcare-now.org/296831690-Kenneth-Thorpe-s-analysis-of-Bernie-Sanders-s-single-payer-proposal.pdf> (finding Senator Sanders' Medicare for All Plan would require up to a 14.3% payroll tax, as well as a 5.7% income-related premium a combined 20 percent tax on income).