

SUMMARY OF TESTIMONY

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Small business has been primarily concerned about the cost of health insurance to American small employers and considers it a major reason for the increasing coverage problem. The Committee draft appears not to address the cost problem to the extent necessary, and typically cannot expect results until well after substantial new demand is placed on the system. For example, NFIB does not consider the public option a means to control the increase in prices. Similarly, the concept of medical loss ratios, while designed to address an important problem for smaller firms may prove counter-productive, if for no other reason than administrative personnel assigned to ferret out waste and fraud, can reduce net costs rather than increase them. Electronic records are fine as are other committee recommended measures, but there are more including built in cross-subsidies that foul prices signals, reimportation of prescription drugs that mean Americans subsidize the prescriptions of consumers in other developed countries, medical liability that yields unnecessary tests and procedures, and a host of others.

Small business and NFIB have consistently opposed the employer mandate. We have two principal reasons for opposition, though there are others. The first is that employees ultimately bear the cost of their health insurance through lower employment, depressed wages, and the loss of economic opportunities. So, the Congress must ask itself: do we want an employer mandate that effectively requires low wage employees to indirectly and opaquely pay for their own health insurance? Or, do we want to face the problem directly and transparently and provide subsidies for the low income to purchase it? The second reason NFIB has consistently opposed the employer mandate is that the initial costs, costs before they can be transferred to employees, are bourn by employers. In effect, employers must “front” or initially lend the money for employees to purchase their health insurance. Many simply cannot do that.

NFIB supports, and helped develop, the SHOP Act sponsored by Senators Durbin, Snowe, and Lincoln. The committee’s draft captures the essence of SHOP in its market reform provisions, most prominently guaranteed issue and renewal, the disallowance of medical underwriting, and modified community rating. In addition, the Gateway/Connector concept is a positive step to facilitate small employers increasing their provision of employee health insurance. Gateways perform a clearinghouse function, part of a small employer’s HR function, and insurance information functions. All substantially ease the small employer’s search, information, and transaction costs, directly addressing the actuarial value of small group plans. Its Section 125 capabilities also bring efficiencies and equity to affected employers and employees.