

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE
NATIONAL FEDERATION OF INDEPENDENT BUSINESS



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Committee on Health, Education, Labor, and
Pensions

Making Health Care Affordable Again: Healing a Broken
System

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National Federation of Independent Business
555 12th Street NW, Suite 1001
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Chairman Cassidy, Ranking Member Sanders, and distinguished members of the Committee,

Thank you for the opportunity to testify today on behalf of the millions of small business owners and individuals across America who, like me, are passionate about building stronger, healthier communities. My name is Marcie Strouse, and I am a partner and benefits consultant at Capitol Benefits Group in Des Moines, Iowa.

For over two decades, I've worked with small business owners to help them navigate the complex health care benefits landscape and design the best packages to ensure a competitive and healthy workforce. I've sat across the table from small business owners who lie awake at night wondering how they'll continue to afford employee benefits. As a small business owner, I've experienced first-hand the burdens of an uneven playing field that sometimes keeps small businesses from growing.

In addition, I am the mother of twins with a neuromuscular disease, so I personally understand the complexities of navigating the healthcare system for individuals with complex health needs. This experience gives me a unique perspective on the challenges families and businesses face in accessing affordable, high-quality care.

The Health Coverage Crisis Small Business Owners Face

Small businesses are the foundation of the American economy. They make up 99.9% of all businesses in the United States and account for 43.5% of our nation's gross domestic product (GDP).¹ Small business owners serve their communities every day, whether it is being there when disaster strikes to lend a helping hand or coaching the little league team that bears the name of their business on the back of a tee baller's jersey. They hire hardworking men and women, and outside of providing them with a paycheck, they hope to pave a path to their overall well-being.

At the core of their promise to their employees is employer-sponsored healthcare. This single benefit is a large tool in the belt of main street business's ability to attract and retain their workforce. Most everyone in the United States receives their healthcare

¹ Small Business Administration, Office of Advocacy, Frequently Asked Questions About Small Business, 2024. <https://advocacy.sba.gov/2024/07/23/frequently-asked-questions-about-small-business-2024/>.

from their employer, but sadly that may not be the case for small business owners much longer.²

According to NFIB, the number one problem that small business owners have faced for the last four decades has been providing affordable health insurance to their employees.³ This is because they have seen their health insurance premiums skyrocket more than 120% since the turn of the century, while the amount of insurance providers who even offer small group plans has been reduced significantly.⁴

To say healthcare affordability for small business owners is a concern would be an understatement. It is a full-blown crisis. This is proven by a study that found that 98% of small business owners fear they will be unable to afford coverage in the next few years.⁵

The underlying problem with our healthcare system is structural. For far too long, government regulations and industry middlemen have dictated coverage options. Today, nine out of every 10 dollars spent on healthcare flows through a third party.⁶ This has left employers and their employees with limited ability to shop for and tailor health care plans that meet the needs of them and their families.

It is now time for Congress to step up to the plate and enact real, longstanding reform that restores consumer and employer control. This could be accomplished by enacting CHOICE arrangements, reforming Association Health Plans, codifying Short-Term, Limited Duration Insurance Plans, expanding Health Savings Accounts, and repealing one-size-fits-all Obamacare mandates. This approach will allow the healthcare market to deliver more options at lower prices for our nation's small business owners.

² <https://www.kff.org/health-policy/101-employer-sponsored-health-insurance/?entry=table-of-contents-why-is-employer-sponsored-health-insurance-so-dominant>

³ Holly Wade & Madeleine Oldstone, Small Business Problems and Priorities, 2024 NFIB Research Center, 2024 <https://strgnfibcom.blob.core.windows.net/nfibcom/2024-Small-Business-Problems-Priorities.pdf>.

⁴ NFIB, Addressing the Health Insurance Affordability Crisis for Small Businesses, 2025. <https://www.nfib.com/wp-content/uploads/2025/02/Health-Care-Coverage-Policy-Paper-07.pdf>

⁵ Health insurance survey - 2023 - <https://strgnfibcom.blob.core.windows.net/nfibcom/Health-insurance-surveyNFIB.pdf>

⁶ Centers for Medicare and Medicaid Services, National Health Expenditure Fact Sheet, 2023. <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/nhe-fact-sheet#:~:text=Historical%20NHE%2C%202023%2C%2012%20percent%20of%20total%20NHE.>

Enacting CHOICE Arrangements

Individual Coverage Health Reimbursement Arrangements (ICHRAs) remain a valuable tool that gives employers the ability to offer benefits that fit within their budget and provide flexible options to their employees. This is an intriguing option for small businesses who are facing an annual healthcare premium that matches the price of a new car.⁷

However, to fully embrace the potential this tool could provide, we must enact the Custom Health Option and Individual Care Expense (CHOICE) Act, introduced by Senator Sheehy. This will codify ICHRAs and rebrand them as CHOICE arrangements, while also making changes that expand what the funds could be spent on, such as individual marketplace premiums. The bill would also provide a tax credit for small businesses offering CHOICE arrangements to encourage private investment in employee health coverage.

Reforming Association Health Plans

Allowing small businesses to join across industries and trades to purchase health coverage, whether through AHPs or other ERISA-regulated pooling arrangements, would give them the same negotiating power that large employers enjoy. This can result in lower premiums, stronger networks, fewer regulatory burdens, and better plan options. We should level the playing field by lifting unnecessary restrictions that prevent small businesses from pooling together, simply because they operate in different industries.

Codifying Short-Term, Limited Duration Insurance Plans

Congress could further open up more flexible options to small businesses by codifying and removing the time restrictions on short-term, limited duration (STLD) insurance plans. These plans provide basic medical coverage and catastrophic-type protection. The key to their affordability is that they exist outside of the regulations of the Affordable Care Act (ACA). From here, a consumer could fill the day-to-day needs of their healthcare by enrolling in a Direct Primary Care (DPC) practice.

Expanding Health Savings Accounts

⁷ <https://kffhealthnews.org/news/article/workplace-health-insurance-premiums-family-plans-kff-survey/>

Congress should reform Health Savings Accounts (HSAs) to give consumers more control over their health care dollars. Current contribution limits prevent families from using HSAs as long-term health investment tools. Raising or suspending these limits would let individuals save more for unexpected medical expenses.

HSAs should also be allowed to pay for small group premiums, giving small businesses a flexible, market driven way to lower costs and improve coverage. Everyone – whether an individual or part of a small business should have the ability to set aside funds for healthcare, encouraging smarter choices and better health outcomes.

Modernizing ACA Health Coverage: Meeting Individual Needs and Managing Healthcare Costs

Some of today's biggest health care cost-drivers come from rigid Obamacare mandates such as essential health benefits (EHBs), the medical loss ratio (MLR), community rating and the removal of the lifetime limits. These regulations failed to consider tools that could help control healthcare costs. Instead, they imposed limitations and reporting burdens on individuals and small employers, fueled industry consolidation, restricted access to coverage, and contributed to skyrocketing costs. This shifted control away from consumers and placed decision-making authority in the hands of regulators, applying a one-size-fits-all approach to problems that require flexibility.

EHBs impose a uniform mandate, requiring businesses to provide a fixed set of 10 benefits regardless of the actual needs of their workforce. For example, a company composed entirely of single men must still cover pediatric dental, vision, and maternity care – services that are rarely used by employees yet still add to costs. Many individuals do not actively engage with these benefits, and there are few incentives to encourage healthier choices, leaving both businesses and individuals paying for coverage that does not align with their actual needs.

The Medical Loss Ratio (MLR) cap limits insurers to spending only 20% of revenue on administrative expenses and profit. However, because this percentage is calculated based on the claims costs that come in, higher claims allow insurers to retain more revenue, which can drive overall premiums higher and does not create an atmosphere to negotiate lower costs for services. This structure has also pressured smaller insurers and local carriers out of the market, accelerating industry consolidation and the growth of middlemen like pharmacy benefit managers. Today, a few large insurers dominate,

leaving small businesses with less choice and higher costs. Eliminating the MLR would encourage more competition, giving employers better options while helping control costs.

Community Rating currently limits premium variation by age to a 3:1 ratio, which limits the ability to accurately price in a market. The result is significantly higher costs for younger employees and individuals in the Marketplace. This makes it difficult for younger employees to afford coverage, and has contributed to younger, lower-risk individuals exiting the Marketplace, further increasing overall risk and premiums. Expanding the ratio to 5:1 would better align premiums with actual risk while still protecting older employees and Marketplace participants who have higher healthcare needs.

The removal of lifetime limits has allowed the costs of care to climb to unprecedented levels, with no parameters restricting what providers across the health care industry can charge. All of these rigid mandates result in exploding costs with no relief in sight.

Conclusion

Like many American families, small business owners must carefully budget each year to provide affordable healthcare for their employees. Rising premiums have made this increasingly difficult, leaving them feeling trapped. Innovators are already developing solutions – such as international drug sourcing, biosimilar programs, and negotiated surgery and imaging services – that reduce costs while protecting employees. However, rigid government mandates are thwarting innovation that could reduce costs, increase choices and empower consumers. When government restrictions and red tape are minimized, these flexible, effective and pragmatic solutions can benefit not only larger employers but also individuals and small businesses including groups with fewer than 25 employees, ensuring broader access to high-value, affordable healthcare.

Thank you for the opportunity to share my testimony. I look forward to answering your questions.