



March 13, 2019

The Honorable Joaquin Arambula  
Chair, Assembly Budget Subcommittee 1 on Health and Human Services  
State Capitol, Room 6026  
Sacramento, CA 95814

The Honorable Richard Pan  
Chair, Senate Budget Subcommittee 3 on Health and Human Services  
State Capitol, Room 5019  
Sacramento, CA 95814

*RE: Support for Affordability in Healthcare Coverage in State Budget 2019-2020*

Dear Assemblymember Arambula and Senator Pan

As a representative of the 28 million small businesses in America and the more than 3.5 million in California, Small Business Majority writes today to urge the California legislature to include funding in the 2019-2020 State Budget for healthcare solutions that will expand access to affordable coverage. Through its budget, California can take immediate steps to protect its small business community by enacting practical, achievable reforms that will strengthen California's marketplaces and control healthcare costs.

Small Business Majority is a national small business advocacy organization with multiple offices throughout California, founded and run by small business owners to ensure America's entrepreneurs are a key part of a thriving and inclusive economy. We actively engage small business owners and policymakers in support of public policy solutions, and deliver information and resources to entrepreneurs that promote small business growth and drive a strong, sustainable job-creating economy.

Over the past eight years, the Patient Protection and Affordable Care Act (ACA) has provided healthcare to 24 million individuals nationwide who otherwise couldn't access coverage, many of whom work for small employers or are themselves business owners or self-employed individuals. In California alone, more than [five million](#) people now have insurance thanks to the healthcare law and the state's efforts to promote robust insurance marketplaces. The healthcare law has been particularly important for small businesses and solo entrepreneurs—in fact, 8.1% self-employed Californians enrolled in a plan through Covered California with subsidies in 2015, compared to just 2.9% of all workers.

Despite these gains, 2.9 million Californians still do not have insurance. Of those who are uninsured, [1.8 million are employed](#), with one in six self-employed ([roughly 324,000](#) solo entrepreneurs) and 44% working at a small business with fewer than 50 employees. Affordability is a major barrier for those without insurance. For example, about half (1.5 million) live under 200% of the federal poverty level (FPL) and about a quarter (24% or 685,000 people) make between 200 and 400% of the FPL, the current threshold for receiving premium assistance. The last quarter make more than 400% of the FPL, with many individuals just missing the cutoff for premium subsidies.

California can address its remaining uninsured rate and promote more affordability for entrepreneurs and small business employees through common-sense policies to expand access. This includes but is not limited to enacting an individual mandate at the state, which could raise an estimated \$500 to 700 million by encouraging more Californians to enroll in health coverage. However, this needs to be supplemented by additional support from the general fund to ensure funding for measures that will make health insurance more affordable. With that in mind, we respectfully request that the 2019-2020 State Budget provide for the following:

- **Increasing affordability by providing additional assistance to those making less than 400% of FPL:** While individuals making below 400% of the federal poverty level are eligible for some federal financial assistance, many still spend a significant portion of their income on premiums and other healthcare costs. California’s budget should offer supplementary assistance to ensure that no Californian is unable to use their health insurance because of costs. By ensuring no one spends more than 8% of their income on health insurance, we can promote a more robust small business economy by reducing job lock and making small businesses more competitive when they seek to hire talent. Our [scientific opinion polling](#) found 73% of California small business owners support expanding support for those in this income category.
- **Increasing affordability for adults who make more than 400% FPL, but who still struggle with their monthly healthcare costs.** Currently, individuals making above 400% of the federal poverty level (\$48,560 annually for an individual, or \$65,840 for a married couple) are ineligible for federal financial assistance, which affects an estimated 495,000 Californians. According to the U.S. Small Business Administration, the median income in California for self-employed individuals with an incorporated business was [\\$57,420 in 2016](#), indicating that many solo entrepreneurs likely just miss the cut-off for federal assistance with health insurance premiums. Yet these individuals can struggle to afford expensive annual deductibles that can top \$15,000. Our recent polling found 7 in 10 California small business owners support extending premium subsidies for those making up to 600% of the FPL.
- **Extending MediCal access to all income-eligible adults, regardless of immigration status:** Extending this coverage would drastically decrease the number of remaining uninsured in the state, as roughly 1.5 million undocumented Californians are without healthcare coverage (more than half of the total uninsured). These people, many of whom run or work for small businesses, are accessing our healthcare system in an inefficient manner, without any way to pay for their care, thereby adding to the instability of the system. When people access healthcare without insurance, it increases our uncompensated care costs, which in turn increases healthcare costs for everyone else.

These steps could help California’s remaining uninsured receive coverage while also extending significant affordability assistance to California’s families. Addressing affordability and protecting the integrity of California’s healthcare marketplaces would in turn help promote a more robust small business economy by reducing job lock, allowing workers who previously felt tied to their job by their large employer-benefits package to strike out on their own or join thriving small businesses. What’s more, increasing affordability will make small businesses more competitive when they are seeking to hire talent since small firms are more likely to be unable to afford to offer employer-sponsored health insurance. By expanding affordability of marketplace coverage, we can ensure more workers at the smallest firms can gain inexpensive coverage, which would also level the playing field for small businesses so they can continue to serve as California’s top job creators.

California’s small businesses look forward to the day when one’s employment and income status don’t govern access to quality, affordable care. To continue the progress made under the ACA, we urge you to include these budget provisions and ensure all Californians have access to affordable, comprehensive health insurance.

Sincerely,



Mark Herbert, California Director  
Small Business Majority