

July 16, 2025

The Honorable Bill Cassidy
Chair
Committee on Health, Education, Labor, and
Pensions
U.S. Senate
Washington, D.C. 20510

The Honorable Bernie Sanders
Ranking Member
Committee on Health, Education, Labor, and
Pensions
U.S. Senate
Washington, D.C. 20510

Dear Chair Cassidy, Ranking Member Sanders and members of the U.S. Senate Committee on Health, Education, Labor, and Pensions:

As a leading representative and advocate on behalf of America's 34 million small businesses, Small Business Majority writes in strong opposition to S. 1847, the Association Health Plans Act, which would destabilize the healthcare insurance market for small businesses through the broad expansion of Association Health Plans (AHPs). AHPs, while offering lower coverage options at the surface, are inadequate to support the needs of small business owners and their employees, especially those with pre-existing conditions, and these plans shift costs to other small businesses who chose not to enroll in an AHP. Instead, we urge Congress to bolster the Affordable Care Act by maintaining the subsidies for plan options expanded through the American Rescue Plan Act, which are up for expiration at the end of this year and will undoubtedly hurt small businesses and Main Street communities across the nation.

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. From our 12 offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enables us to educate stakeholders about key issues impacting America's entrepreneurs, with a special focus on the smallest businesses and most under-resourced small businesses.

Rising healthcare costs are a top concern for small businesses, but AHPs fall short of providing reliable coverage options

The rising cost of healthcare continues to be a leading barrier to sustainability and growth for small businesses nationwide. In national polling conducted in 2024 by Small Business Majority, small business owners that offer healthcare coverage to their employees reported that the cost of insurance premiums (78%), deductibles (57%), copays (60%), prescription drug copays (60%), and hospital visits (59%) have increased.¹ These rising healthcare costs have forced business owners to make difficult decisions regarding their ability to continue providing coverage to their employees. In fact, 51% of business owners responded to increasing healthcare costs by increasing employee contributions to plans, 47% transitioned to an insurance plan offering more limited coverage and 29% of business owners had to cut other employee benefits just to maintain healthcare coverage for their employees. Notably, 24% of small businesses were forced to drop healthcare coverage altogether.

While lowering the cost of healthcare is a shared priority of policymakers, advocates, industry stakeholders and small businesses, it is critical that the quality and reliability of healthcare coverage is not sacrificed in pursuit of lower costs. AHPs may lower healthcare costs for the small businesses that choose

¹ "Opinion poll: Small businesses struggling with rising healthcare costs, support bipartisan policy solutions." Small Business Majority. February 21, 2024. <https://smallbusinessmajority.org/sites/default/files/research-reports/poll-small-businesses-struggling-with-healthcare-costs.pdf>

to enroll in them, but these plans are not required to offer many of the consumer safeguards and coverage options that plans regulated under the Affordable Care Act (ACA) are required to comply with. This includes essential health benefits like maternity care, mental health services, and prescription coverage. Since AHPs are not required to comply with ACA standards, these plans are able to offer lower premium costs, often benefitting businesses with younger, healthier employees while leaving older employees and those with pre-existing medical conditions with inadequate coverage. While these plans may seem more advantageous economically, small businesses and their employees often end up paying much more out of pocket to cover their basic healthcare needs when compared to coverage under the ACA.

Expanding access to AHPs, as proposed by S. 1847, will make it easier for small employers and sole proprietors to enroll in riskier coverage options, leading to disruptions in the small group markets. When healthier customers exit the small group market in large numbers, they create a risk imbalance that results in major premium spikes for small firms that remain in the small group market. This will result in a segmented market where businesses with young, healthy workers enroll in cheap AHP plans, while businesses who hire older workers remain in ACA plans with higher premiums. Many employees who need robust healthcare services may eventually be priced out as a result, which can create an uneven, inaccessible market that consists of plans that are too costly for businesses to offer their employees.

Efforts to undermine and weaken the ACA will devastate the small business community

The enactment of the ACA expanded access to affordable, reliable healthcare coverage for not only smaller firms that once struggled to provide coverage to their employees, but millions of self-employed entrepreneurs and small business employees that do not have access to employer-sponsored coverage options. In fact, more than half of all Marketplace enrollees are small business owners, self-employed entrepreneurs, or small business employees.² In 2022 alone, 2.7 million small business owners and 1.7 million self-employed entrepreneurs received coverage through the Marketplace, accounting for 28% of all Marketplace enrollees.³ Small business owners and self-employed entrepreneurs are three times more likely to rely on Marketplace coverage than other working-age Americans, highlighting the vital role of the ACA in enabling job creators to focus on growing their business and the economy, rather than being burdened by rising health insurance costs.⁴

The increase in ACA Marketplace enrollment among the small business community has largely been a result of the temporary enhancements made to the ACA's premium tax credits (PTCs), which help eligible individuals and families cover the cost of health insurance purchased through the Marketplace. These enhanced PTCs, which were first enacted in 2021 through the American Rescue Plan Act (ARPA) and later extended through 2025 by the Inflation Reduction Act (IRA), expanded eligibility to individuals with income levels above 400% of the federal poverty line, an income level into which many small business owners fall. In 2022, over 2.7 million small business owners and self-employed entrepreneurs claimed the PTC.⁵

As the Committee continues to pursue efforts to expand access to riskier and inadequate coverage options like AHPs, Small Business Majority urges Congress to instead prioritize the extension of the ACA's enhanced PTCs which will help keep premium costs down for not only Marketplace enrollees but small and large group markets. A failure to extend these enhanced subsidies will cause 4.2 million individuals, including small business owners and employees, to lose healthcare coverage.⁶ Eligible Marketplace enrollees could see their monthly premium costs increase by 25% to 100%, significantly raising out-of-

² "Small businesses see significant gains from the ACA." Small Business Majority. October 16, 2018.

<https://smallbusinessmajority.org/our-research/healthcare/small-businesses-see-significant-gains-aca>

³ "Affordable Care Act Marketplace Coverage for the Self-Employed and Small Business Owners." U.S. Department of the Treasury Office of Tax Analysis. September 20, 2024. <https://home.treasury.gov/system/files/131/ACA-Mkt-Coverage-Self-Employed-Small-Business-Owners-09232024.pdf>

⁴ Ibid.

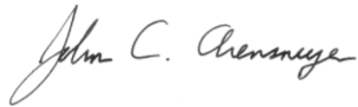
⁵ Ibid.

⁶ "Estimated Effects on the Number of Uninsured People in 2034 Resulting From Policies Incorporated Within CBO's Baseline Projections and H.R. 1, the One Big Beautiful Bill Act." The Congressional Budget Office. June 4, 2025. <https://www.cbo.gov/publication/61463>

pocket expenses for millions of entrepreneurs.⁷ This would force entrepreneurs to choose between maintaining health coverage and continuing to invest in the growth of their enterprises.

While Small Business Majority strongly opposes S. 1847 and efforts to expand access to non-ACA compliant plans, we also urge careful consideration of how such proposals could simply shift costs onto other small businesses, further destabilizing health insurance markets, particularly when combined with expected premium spikes if the enhanced PTCs are allowed to expire. Thank you for your consideration, should you have any questions, please contact Alexis D'Amato, our Government Affairs Director, at adamato@smallbusinessmajority.org.

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer". The signature is written in a cursive, flowing style.

John Arensmeyer
Founder & CEO
Small Business Majority

⁷ "Enhanced Premium Tax Credits for ACA Health Plans: Who They Help, and Who Gets Hurt If They're Not Extended." The Commonwealth Fund. February 18, 2025. <https://www.commonwealthfund.org/publications/explainer/2025/feb/enhanced-premium-tax-credits-aca-health-plans>