

**WRITTEN STATEMENT FOR THE RECORD BEFORE THE U.S. SENATE
COMMITTEE ON FINANCE**

**“LOWER HEALTH CARE COSTS FOR AMERICANS: UNDERSTANDING THE
BENEFITS OF THE INFLATION REDUCTION ACT”**

September 17, 2024

John Arensmeyer

Founder & CEO, Small Business Majority

Chairman Wyden, Ranking Member Crapo and members of the U.S. Senate Committee on Finance,

As a leading representative of America’s 34 million small businesses, Small Business Majority is pleased to provide written testimony to the U.S. Senate Committee on Finance on the healthcare benefits of the Inflation Reduction Act (IRA) and their importance for small businesses and entrepreneurs nationwide.

Small Business Majority is a national small business organization that empowers America’s diverse entrepreneurs to build a thriving and equitable economy. From our ten offices across the country, we engage a 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 keys issues impacting America’s entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities.

For small businesses that offer health coverage, rising costs continue to hurt their bottom lines and threaten their growth

Small employers make up nearly half of the nation’s private workforce, yet they continue to struggle to provide affordable healthcare coverage to their employees. A recent Small Business Majority national poll found that most small business owners who offer health 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 risen over the past few years.¹ This data underscores that even though small businesses are willing to provide quality benefits, the current healthcare coverage landscape has become too costly for most small innovators to keep up.

As prices continue to increase across the board, small business owners are left to make difficult decisions regarding their ability to continue providing healthcare coverage to their employees. Employers who have seen healthcare costs increase were most likely to respond by increasing employee contributions to health plans (51%), moving to an insurance plan offering more limited coverage (47%) and cutting other employee benefits (29%). Notably, nearly one-quarter (24%) of these small businesses dropped health coverage altogether, underscoring an urgent need for reform.² These decisions can be crippling for small businesses and their ability to attract and retain a quality workforce, which is paramount to the success and growth of a business long-term.

¹ “Opinion poll: Small businesses struggling with rising healthcare costs, support bipartisan policy solutions.” Small Business Majority. February 21, 2024. <https://smallbusinessmajority.org/our-research/healthcare/small-businesses-struggling-rising-healthcare-costs-support-bipartisan-policy-solutions>

² Ibid.

Small business owners and their workers disproportionately rely on the individual marketplace and healthcare subsidies to access affordable health insurance

For the millions of small business owners and employees who do not have the ability to obtain health insurance through employer-sponsored coverage plans, health insurance subsidies, including the premium tax credits (PTC), are essential in helping people afford the individual or family health insurance plans offered through the Affordable Care Act (ACA) Marketplace. As the cost of providing healthcare skyrockets, many small business owners are unable to offer employer-sponsored group plans to provide coverage to themselves and their employees. This issue is compounded for sole proprietorships that largely rely on the individual markets, including the ACA Marketplace, to access coverage. In fact, more than half of all ACA Marketplace enrollees are small business owners, solo entrepreneurs or small business employees.³ Recent data from the U.S. Department of the Treasury also found that small business owners and self-employed workers are three times more likely to rely on the ACA Marketplace for coverage.⁴

In 2010, the ACA established PTCs to help individuals and families with incomes between 100% and 400% of the federal poverty line (FPL) purchase health insurance on the ACA Marketplace. In 2021, the American Rescue Plan Act (ARPA) temporarily increased the amount of these tax credits for those who were already eligible while also expanding eligibility to individuals with income levels above 400% of the FPL, an income level into which many small business owners fall. The Inflation Reduction Act (IRA) later extended the temporary exception through the 2025 tax year. These enhanced subsidies have cut premium payments by an estimated 44% (\$705 annually) for marketplace enrollees who claim the PTC.⁵

Improvements to the PTC have not only cut premium payments nearly in half, saving individuals hundreds of dollars annually, but have also expanded access to the credit and healthcare coverage overall. In 2024, a record 19.7 million people qualified for PTCs and 21.4 million people signed up for ACA Marketplace coverage.⁶ Additionally, the uninsured rate of small business employees and self-employed individuals dropped to record lows in 2022 thanks in part to PTC improvements and the expansion of Medicaid.⁷

Congress must make the tax credit improvements included in the IRA permanent before their expiration in 2025 to avoid price hikes for small businesses

To ensure millions of Americans, including small business owners, entrepreneurs and their employees, can continue to access lower premium costs through the PTC infrastructure, Small Business Majority urges Congress to make the tax credit enhancements included in the IRA permanent before they expire in 2025. If Congress fails to act, small business owners and their employees will shoulder the brunt of this burden as the majority of marketplace enrollees own or work for a small business. Small business owners are still struggling to recover from the pandemic and the last thing they need now is to be hit with a large increase in healthcare costs. The permanency of the IRA's premium assistance will continue to cut health insurance premium costs and expand access to coverage through the ACA Marketplace for entrepreneurs, providing them with the increased capacity to grow and expand their enterprises. We appreciate the

³ "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>

⁴ "Affordable Care Act Marketplace Coverage for the Self-Employed and Small Business Owners." U.S. Department of the Treasury. September 2024. <https://home.treasury.gov/system/files/131/ACA-Mkt-Coverage-Self-Employed-Small-Business-Owners-09232024.pdf>

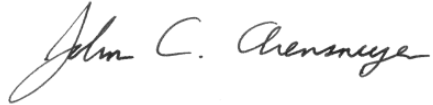
⁵ "Inflation Reduction Act Health Insurance Subsidies: What is Their Impact and What Would Happen if They Expire?" KFF. July 26, 2024. <https://www.kff.org/affordable-care-act/issue-brief/inflation-reduction-act-health-insurance-subsidies-what-is-their-impact-and-what-would-happen-if-they-expire/>

⁶ "Health Insurance Costs Will Rise Steeply if Premium Tax Credit Improvements Expire." Center on Budget and Policy Priorities. June 4, 2024. <https://www.cbpp.org/research/health/health-insurance-costs-will-rise-steeply-if-premium-tax-credit-improvements-expire>

⁷ "ACA Drove Record Coverage Gains for Small-Business and Self-Employed Workers." Center for Budget and Policy Priorities. July 17, 2024. <https://www.cbpp.org/blog/aca-drove-record-coverage-gains-for-small-business-and-self-employed-workers>

Committee for holding this important hearing and examining how the IRA has lowered healthcare costs for millions of entrepreneurs and their employees nationwide. For any questions or additional information, please contact Government Affairs Director, Alexis D'Amato at adamato@smallbusinessmajority.org.

Sincerely,

A handwritten signature in cursive script that reads "John C. Arensmeyer". The signature is written in black ink and is positioned below the word "Sincerely,".

John Arensmeyer
Founder & CEO
Small Business Majority