



**WRITTEN STATEMENT FOR THE RECORD BEFORE THE U.S. HOUSE COMMITTEE ON  
WAYS & MEANS**

**Health Subcommittee Hearing on Why Health Care is Unaffordable**

**March 23, 2023**

**JOHN ARENSMEYER**

**FOUNDER & CEO, SMALL BUSINESS MAJORITY**

Dear Chairman Smith and members of the Subcommittee on Health:

My name is John Arensmeyer, and I am the founder and CEO of Small Business Majority, a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy.<sup>1</sup> We engage our network of more than 85,000 small businesses and 1,500 business and community organizations to advocate for public policy solutions and deliver resources to entrepreneurs that promote equitable small business growth. As a leading representative of America's 32 million small businesses, Small Business Majority is pleased to submit written testimony on the importance of building upon the Affordable Care Act (ACA) to combat high healthcare costs for small businesses.

Small Business Majority has been a long-standing advocate for small businesses that have historically struggled to access quality health coverage due to costs and whose employees have represented a disproportionate share of uninsured workers. We are uniquely positioned to offer several policy solutions to overcome current challenges and submit suggestions to ensure that small business owners can access affordable healthcare in the long term.

This week marks the 13<sup>th</sup> anniversary of the enactment of the ACA. It's important to note the strong impact this law has had on narrowing healthcare disparities and expanding affordable healthcare coverage. The ACA has been nothing short of a game changer for small business owners, their employees and solo entrepreneurs. More than half of small business employees are enrolled in the ACA marketplaces nationwide, and more than half of all ACA marketplace enrollees are small business owners, self-employed or small business employees.<sup>2</sup>

Before the ACA passed, small business owners paid, on average, 18% more than their big business counterparts. Since 2010, the increase in small business healthcare costs has been at the lowest level in years, following regular double-digit increases prior to the law's enactment. The ACA has also eliminated "job lock," allowing workers who once felt tied to their job by their benefits package to seek out their own entrepreneurial path or join thriving small businesses. Entrepreneurs with pre-existing conditions are now more comfortable pursuing their American dream because the ACA has increased healthcare options for small business owners and created opportunities that were not previously available. This access to coverage is particularly important in light of the record number of new businesses created in 2022.

The ACA has been further strengthened by the American Rescue Plan, which included provisions to significantly increase the size of healthcare premium tax credits and expanded eligibility to those making more than 400% of FPL. The Inflation Reduction Act (IRA) law further solidified this boost to small business owners by extending these important tax credits set to expire in 2022 through 2025. Without the IRA, healthcare premiums would have soared, leaving small business owners plagued with worry on how to pay for quality healthcare amid rising premiums and prescription drug costs.

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<sup>1</sup> <https://smallbusinessmajority.org>

<sup>2</sup> <https://smallbusinessmajority.org/our-research/healthcare/small-businesses-see-significant-gains-aca>

Unfortunately, despite the tremendous achievements of the ACA, small businesses and their employees continue to struggle to afford health insurance and obtain quality healthcare. We are currently dealing with challenges related to ongoing rises in inflation, supply chain disruptions, and workforce shortages. These issues have created barriers for smaller firms that cannot keep up with increased healthcare costs and are being priced out of health insurance. Making healthcare more affordable is critical to small businesses and it is an issue that remains top of mind for small business owners.<sup>3</sup>

### **Addressing costs**

While the ACA has made great strides in expanding affordable coverage to more small business owners and their workers, more needs to be done to address costs. Premiums are still too high, and more than half of small businesses are unable to offer health coverage for their employees. The smallest businesses have the toughest time affording coverage. In fact, only 39% of firms with 3-9 workers offered coverage in 2022, according to Kaiser Family Foundation.<sup>4</sup> Contrast this with firms with 200 or more workers; 99% of them provided coverage in 2022.

However, efforts to chip away at the ACA will only serve to disrupt the marketplace and, in turn, harm small business owners, their employees and self-employed individuals. For instance, using association health plans (AHPs) to lower healthcare costs for small businesses is structurally flawed. AHPs raise rates in the small group market by splitting the small business owners into two different pools: one pool for businesses with young, healthy workers that want bare-bones plans and one for firms that need more comprehensive coverage. This leads to significant spikes in premiums—particularly for those small businesses with older or sicker workers.

Additionally, AHPs are also not subject to all of the ACA's benefits and offer fewer consumer safeguards. AHPs are permitted to use age, gender, industry, occupation or other demographic factors to set premiums for member employers nor do they require coverage for basic services like maternity care, emergency services or hospitalization. If a plan subscriber needs costly care, the entire plan could be canceled. We cannot support small businesses saving money by shifting their costs to other small businesses. We must have a system that lowers prices across the board.

### **Policy solutions**

While we believe more should be done to lower healthcare costs, undermining the ACA would eradicate hard-won benefits for America's entrepreneurs, causing a rapid rise in healthcare costs and creating economic instability. Instead, we encourage Congress to advance legislation that would stabilize healthcare marketplaces and protect the robustness of coverage options for small business owners and their employees. Some of those solutions include the following:

- Make the expanded tax credits provided by the IRA permanent. Ensure that the millions of sole proprietors, small business owners and their employees who count on these essential savings can continue to access low premiums and affordable healthcare coverage when needed.
- Pass policies that stop hospitals from engaging in anti-competitive practices, large mergers, and abusive hospital pricing, which are driving up healthcare costs dramatically.
  - Block anti-competitive hospital business practices.
    - Stop abusive hospital pricing by banning predatory billing practices that are not disclosed and justified.
    - Create a cost commission to set reasonable hospital reimbursement rates based on quality and outcomes.

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<sup>3</sup> <https://smallbusinessmajority.org/our-research/small-business-and-state-union>

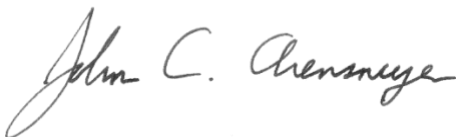
<sup>4</sup> <https://files.kff.org/attachment/Report-Employer-Health-Benefits-2022-Annual-Survey.pdf>

- There is bipartisan support for cracking down on egregious practices, like hospitals requiring insurers to contract with affiliated hospitals rather than letting the insurers contract with lower-cost, higher-quality hospitals.<sup>5</sup>
  - **Block hospital mergers and acquisitions that are likely to increase patient costs while not improving medical quality or outcomes.** Ensure vertical integration between hospitals and physicians is done to improve patient outcomes, not to bolster profits and market power.
    - Hospital consolidation has played an outsized role in making healthcare less affordable for consumers and employers. Evidence suggests that consolidation leads to higher hospital and provider prices and higher total expenditures—all while having little to no impact on improving the quality of care for patients, reducing utilization, or improving efficiency.<sup>6</sup>
- Create a “public option” or a standardized plan to help drive down the cost of hospital and physician services.
  - A public option will be open to small business owners and their employees. This would infuse the healthcare marketplace with new plan options and would force insurance companies to be more competitive.
- Calculate marketplace premium tax credits based on the cost of a gold-level plan (80% actuarial level) instead of a silver-plan (70% actuarial level).
- Extend Medicare pharmaceutical drug inflation rebates under the IRA to the private market, which penalizes drug manufacturers for raising prices faster than inflation. This will also discourage manufacturers from increasing prices in the commercial market to offset lower prescription drug prices negotiated by Medicare.
- Immediately expand Medicaid in states that have refused to do so. For states that continue to refuse to expand Medicaid for ideological reasons, pass the “Medicaid Saves Lives Act” to allow consumers in those states to buy coverage in the individual marketplace.

## Conclusion

Small businesses are slowly rebuilding from the pandemic and remain optimistic about their business operations. However, the lack of access to affordable and quality healthcare, especially for those small businesses in under-resourced and rural communities, can create barriers to entrepreneurial success. We urge policymakers to address high healthcare costs, but we must do so in a responsible way. There are policies in place that can be expanded and shored up to create sustainable and equitable solutions to healthcare affordability challenges. Repealing or ignoring those policies will be a disservice to our nation’s job creators. I appreciate the opportunity to comment on these critical issues.

Sincerely,



John Arensmeyer  
 Founder & CEO  
 Small Business Majority

<sup>5</sup> <https://www.fiercehealthcare.com/hospitals/new-bill-aims-to-clamp-down-hospital-anti-competition-tactics-like-all-or-nothing>

<sup>6</sup> <https://www.kff.org/health-costs/issue-brief/what-we-know-about-provider-consolidation/>