

**STATEMENT OF THE HONORABLE THOMAS M. SULLIVAN
CHIEF COUNSEL FOR ADVOCACY
U.S. SMALL BUSINESS ADMINISTRATION**

**National Women's Business Council
Roundtable Discussion on Affordable Health Care
February 27, 2003**

Thank you Marilyn Carlson Nelson, for allowing me to first listen to women business owners, and now to present this statement on behalf of the Office of Advocacy.

I am Tom Sullivan, Chief Counsel for Advocacy at the Small Business Administration. The Office of Advocacy independently pursues a small business agenda; the agenda of business owners like the women leaders who are assembled here this morning. We pursue this agenda with a team of attorneys who enforce the requirement that government not impose one-size-fits-all rules on small business. We also pursue a small business agenda with a team of economists and researchers who document the importance of small business to the economy. That function is what brings me here this morning.

I echo, but will not repeat, the comments of Administrator Barreto. I commend his and the President's leadership on the issue of access to healthcare, a matter of critical importance to small employers throughout the nation.

Last month my office released a research study entitled, "*The Administrative Costs and Actuarial Values of Small Health Plans*." The study flushed out why health care premiums are so high, especially for small employers. A research summary of the report is attached to this statement.

Most of the report points out the obvious. Sometimes detailing the obvious can influence the debate, and that is my intention.

Ask any small business on Main Street if you could negotiate a better price with one person or a group of people. Then, ask whether the process of purchasing becomes easier with a group of folks pitching in versus one person doing all the work. Basically, the details of that simple analogy are explained in our report and some solutions to the problem are discussed as well.

Our study documents that administrative expenses for insurers of small health plans make up 25-27% of premiums and 33-37% of claims. This compares with approximately 5-11% of claims for large companies' self-insured plans.

The report goes further, and cites Association Health Plans (AHPs) as a possible solution. AHPs can address the high administrative costs detailed in my office's study.

I commend the National Women's Business Council for convening this discussion and for endorsing AHPs as one possible solution to help small employers gain access to affordable and reliable health care for their employees.