

SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP



Small Business Health Care Press Conference

July 29, 2009 at 10:00 a.m.

(As Prepared)

As Chair of the Senate Small Business Committee, I have heard one primary concern over and over again – health care costs are spiraling out of control and they are hurting our businesses.

We have heard stories from around the country, but let me take a moment to share one from Louisiana.

Charlie Kursweig is the owner of the Diamond Paper Company in New Orleans. The company has been in business since 1910. Charlie took over the business from his father in 1978. Charlie is one of millions of business owners struggling to provide health care coverage for his employees and still run a viable business. Charlie employs 33 people. His company pays 80% of health care premiums and his employees pay the 20%. This is about \$900 per employee every month.

Unfortunately for Charlie and his employees, premiums have gone up 9% to 15% a year. These costs are just too expensive for some of his employees, even with the company paying 80%. Many have chosen to be uninsured. If every employee opted for health insurance, it would cost Charlie's company an additional \$260,000 a year.

Charlie is forced to absorb these skyrocketing costs, which negatively impact his bottom line in an already struggling economy. Charlie cannot pass this added cost along to his customers: given the nature of the paper business, he cannot raise products high enough and still be competitive.

At this point, Charlie has not laid off any workers, but he fears that day is coming soon if health care costs continue to increase under the status quo.

Beyond the personal stories, the statistics are staggering.

Health insurance premiums for small businesses increase by 8% to 16% annually on average, with smaller firms often having the highest increases.

Premiums for single policies increased by 74% for small businesses from 2001 to 2008, according to the Kaiser Family Foundation.

Of the 46 million Americans living without health care -- about 60 percent -- work for small businesses, according to the nonprofit Employee Benefit Research Institute.

Since 1999, the cost of employer-provided health insurance has risen 120 percent, or four times faster than prices generally, according to the 2008 Kaiser Family Foundation Employee Health Benefits Survey.

In 1993, just 16 years ago, 61% of small companies offered health coverage. That number declined to 41% in 2007 and was down to 38% in 2008, according to the National Small Business Association.

Overall, small businesses and their employees pay an average 18% more for the same level of health insurance benefits as large businesses.

These stories and statistics confirm one thing we all can agree on: **The status quo is simply not unacceptable.**

Small businesses want to provide coverage, but because of skyrocketing premiums, when owners are faced with the choice of cutting employees or cutting health insurance, the insurance is the first to go.

This hurts small businesses' ability to compete with large businesses – it affects their bottom line and makes it difficult to compete for the best talent.

In reforming our health care system, small businesses need:

- a quality, affordable health insurance option.
- stable insurance costs.
- secure choices.
- An organized marketplace that works for everyone.

I have recently led a roundtable on small business healthcare to get feedback from small businesses across the country who will be affected by the changes we're making here in Washington.

What was made clear is that small businesses have grave concerns about future health care costs.

Here are some of the ways Congress can achieve cost containment:

- **Insurance exchange** that works.
 - Pooling small firms together through an insurance exchange would give employees access to what big businesses already have: more choices and stability for less money.
 - The exchange system gives employees access to the help and advice they need to choose the plans best for their business.

- **Tax equity, including a tax credit** for businesses that provide insurance.
 - Right now, small, low-wage firms cannot deduct premiums as a business expense, as larger firms do, forcing them to pay nearly 2,000 more a year in self-employment taxes.
 - The House and HELP bills both include a tax credit for small businesses. We need to ensure these small, low-wage firms are also benefitting.

- **An individual mandate.**
 - The proposals on the table today contain a “pay or play” system where businesses that don’t provide health insurance need to pay a penalty.
 - In the House bill companies with a payroll under \$250,000 would be exempt, which makes up 77 percent of small businesses.
 - In the HELP bill firms with 25 or less employees would be exempt, making up 96 percent of small businesses.
 - I know that these penalties are a concern for small businesses and I will work with my colleagues to ensure small businesses are not harmed by this pay to play regime.

These are several concrete steps Congress can take to help small businesses contain the cost of health care. Unfortunately, many proposals do not sufficiently address these challenges facing small businesses. While we have made some progress, there is still more work to do as we take an *appropriate pause*. I look forward to working with my Senate colleagues to improve existing proposals to ensure the right kind of reform for our small businesses.