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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

October 24, 2007

Chairman Max Baucus
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Ranking Member Charles Grassley
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman Baucus and Ranking Member Grassley:

As Chairman and Ranking Member of the Senate Committee on Small Business and Entrepreneurship, we are committed to ensuring that small business owners and their employees have access to quality, affordable health care options. Building on the work of the Committee in previous years, we held a hearing in February of 2007 on the Committee's top priority: Finding new solutions to the small business health insurance crisis. Among the topics discussed by the Committee were tax-based approaches to making health coverage more affordable for small businesses and self-employed sole proprietors, as well as the use of existing programs – such as S-CHIP – to bring a range of insurance options to small firms. As senior members of the Finance Committee, we applaud your longstanding leadership on this issue, and we appreciate your holding this week's Committee hearing.

Small firms face distinct challenges in the health care marketplace due to insufficient access to a broad choice of quality insurance options and the bargaining and risk-sharing limitations of small group size. According to the Kaiser Family Foundation, health insurance premiums have increased by an astounding 87 percent since 2000 – more than four times the growth in wages. Only 45 percent of firms with fewer than 10 employees are now offering health insurance– down from 56 percent in 1999. Of the nearly 47 million uninsured Americans today, 23 million work for small businesses.

We believe that, after the reauthorization and strengthening of S-CHIP, addressing the distinct health insurance access and affordability challenges facing small employers and their workers is the next necessary step on the path toward comprehensive health care reform.

We therefore submit to you the following principles that we believe should guide effective legislation in the Finance Committee to bring more quality, affordable health care options to small business owners and their employees.

Specifically, we support federal tax incentives provided to small businesses to help:

- 1) Increase health insurance coverage of small business owners and their employees by stabilizing and enhancing the ability of small employers to provide quality and affordable group health insurance options. For example, targeted employer-based tax credits which would improve coverage for small firms that currently cannot afford to offer health care;

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- 2) Encourage robust and fair pooling mechanisms that empower small employers to obtain or provide health insurance to their employees while protecting vulnerable firms and their workers from being priced out of the market;
- 3) Increase the choices of quality health coverage options available to small firms by promoting competition and cost-containment in the small group health insurance marketplace; and
- 4) Provide the self-employed and sole proprietors with additional opportunities to purchase meaningful health coverage.

We look forward to working with you and our colleagues in the Finance Committee to ensure that these principles are met, and that they form the foundation of what will be a targeted response to the escalating costs and unstable market conditions facing small firms and their employees.



John F. Kerry
Chairman

Sincerely,



Olympia J. Snowe
Ranking Member