

**Statement of Senator James M. Talent (R-MO)**  
***“The Time to Act on AHPs is NOW”***

Bipartisan, Bicameral Press Conference with the Honorable  
Elaine L. Chao, U.S. Secretary of Labor

February 11, 2003

Good morning. I would like to thank my former House colleagues for holding this important event, and for inviting me to participate to share the message of Association Health Plans to provide hundreds of thousands of uninsured Americans with affordable access to quality health care.

I would like to begin my remarks by saying something we can all agree on: A major concern facing small business owners is access to quality, affordable health care. Of the 39 million Americans who lack health insurance,<sup>1</sup> more than 80% are workers and their families.<sup>2</sup> The lack of health insurance in America disproportionately affects workers in small businesses.<sup>3</sup> About 6 of every 10 uninsured Americans are in families headed by workers who are self-employed or who work at firms with fewer than 100 employees.<sup>4</sup> Workers at the smallest firms are far less likely to be covered on the job, and far more likely to be without insurance from any source.

Association Health Plans empower small business owners, who otherwise cannot afford health insurance, to offer “Fortune 500” company quality health insurance to their employees. AHPs allow national trade and professional associations, from the National Federation of Independent Business to the Missouri Farm Bureau, to respond to the needs of their membership and sponsor health care plans. In other words, AHPs are a solution to a problem that does not discriminate by locale – it helps the small business owner in cities and towns as well as the farmer and rancher. Any small business owner can buy into these plans for themselves, their employees, and their dependents.

Association Health Plans would cover large groups, enjoy large economies of scale, and have the option to offer self-funded plans that would not have to provide any profit margin for insurance company profits. Importantly, AHPs would expand health care coverage to millions of Americans at no cost to taxpayers.

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<sup>1</sup> Robert J. Mills, “Health Insurance Coverage: 2000,” *Current Population Reports* P60-215, U.S. Bureau of the Census, September 2001.

<sup>2</sup> Ken McDonnell and Paul Fronstin, *EBRI Health Benefits Databook* (Washington, DC: EBRI, 1999).

<sup>3</sup> “Association Health Plans: Improving Access to Affordable Quality Health Care for Small Businesses,” U.S. Department of Labor, released September 13, 2002, at 4.

<sup>4</sup> National Association for the Self-Employed, “Affordable Health Care: Conditions Critical for Self-Employed, Study Shows,” Press Release, June 18, 2002.

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### **Background**

Association Health Plan legislation was first introduced in the 104<sup>th</sup> Congress to give small businesses the same health care advantages of cost and efficiency as large single employers and unions. Since its inception, AHP legislation has been improved to strengthen solvency requirements and state enforcement provisions.

During and since my tenure as Chairman of the House Committee on Small Business, I have championed AHP legislation as a means to reduce the number of uninsured in Missouri and across the country. AHP legislation was included in the bipartisan Patients' Bill of Rights legislation that passed the House last Congress. In the Senate, my colleague from Missouri, Senator Bond, has made AHPs a frequent subject of his remarks as the Chairman and then Ranking Member of the Small Business Committee. The new Chairwoman of the Small Business Committee, Senator Snowe, is continuing to build momentum on this issue, and I commend her for her leadership in emphasizing the value of AHPs to small employers and their millions of employees nationwide.

Now is the time to enact AHP legislation. Not only does it have bipartisan support in the legislative branch of government, but President Bush has voiced his strong support as well. Specifically, President Bush has stated:

“I strongly support association health plans. That means that small businesses will be able to pool together and spread their risk across a larger employee base. It makes no sense, no sense in America, to isolate small businesses as little health care islands unto themselves. We must have association health plans.”<sup>5</sup>

Given the bipartisan, bicameral support in favor of AHP legislation to solve the health care crisis facing small business owners and their families, there is no reason not to act this Congress to make Association Health Plans a reality. AHP legislation will not only save small businesses their hard-earned dollars, it will save lives.

### **A Solution to the Health Care Crisis**

There are approximately 600,000 uninsured Missourians.<sup>6</sup> Of these people, there are approximately 66,000 children who are uninsured. The number of uninsured in Missouri represents approximately 10% of my state's population – and this is unacceptable.

AHPs are a part of the solution to help create access to health care. The Congressional Budget Office (CBO) has estimated that small businesses obtaining insurance through AHPs will

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<sup>5</sup> “Women Entrepreneurship in the 21<sup>st</sup> Century Summit,” March 19, 2002. U.S. Department of Labor, September 13, 2002.

<sup>6</sup> Census Bureau, 2002 Population Survey.

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enjoy premium reductions of 13% on average.<sup>7</sup> The average reduction amount ranges from 9% to as much as 25%.<sup>8</sup> Because insurance will be more affordable, more small firms will provide it to their employees and families.

According to the CBO, an additional 330,000 (and as many as 2 million) American workers and their families would obtain health insurance through AHPs.<sup>9</sup> But these predictions may be too conservative. Among 600 small businesses responding to a recent survey, less than one-third currently offer insurance, but about three-fourths said they would be “very” or “somewhat likely” to participate in an AHP that offered lower prices, more choices, or less paperwork.<sup>10</sup> And, offering an alternative to red tape and reams of paperwork to provide insurance on an individual or a small group basis is another benefit of AHPs.

### **Breaking Insurance Monopolies**

Perhaps it comes as no surprise that insurance companies like Blue Cross and Blue Shield (BCBS) do not like AHPs. One would guess that these insurers would welcome AHPs as an opportunity to make a lot of money by selling possibly tens of thousands more policies. However, that does not seem to be the case. And why not? Because insurers have a monopoly on health insurance through their ironclad grasp of market share. Insurers have no incentive to change the status quo and conduct business otherwise because they are exempt from antitrust laws. In other words, the largest insurers may choose to maintain their monopolies and resist change to the detriment of small businesses and their families.

I share the opinion of many of my colleagues that health insurers are motivated by profit, not consumer concern. The General Accounting Office has found that the five largest carriers, when combined, represent 75% or more of the market in 19 of the 34 states GAO reviewed, and they represented more than 90% in seven states.<sup>11</sup> Moreover, 25 of 37 states identified BCBS as the largest carrier offering health insurance in the small group market.<sup>12</sup> In addition, the median market share of all the BCBS carriers in the 34 states supplying information was about 34%.<sup>13</sup> In Missouri the five largest carriers have a 51.8% market share, and all BCBS carriers have a 32.2% market share.<sup>14</sup>

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<sup>7</sup> “Increasing Small-Firm Health Insurance Coverage Through Association Health Plans and HealthMarts,” CBO, January 2000.

<sup>8</sup> “Association Health Plans,” at 5.

<sup>9</sup> “Increasing Small-Firm Health Insurance Coverage Through Association Health Plans and HealthMarts.”

<sup>10</sup> “Affordability in Health Care Survey: Trends in American Micro-Business,” a survey conducted for the National Association for the Self-Employed by Research USA, Inc., released June 2002.

<sup>11</sup> GAO letter to the Hon. Christopher S. Bond, “Private Health Insurance: Number and Market Share of Carriers in the Small Group Market,” March 25, 2002.

<sup>12</sup> Id.

<sup>13</sup> Id.

<sup>14</sup> Id.

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The CBO estimates that AHPs will offer health insurance premium reductions of between 9% and 25%.<sup>15</sup> That's about \$450 to \$1,250 per covered employee.<sup>16</sup> Clearly, these reductions are going to hurt the bottom line of insurance companies and reduce their stranglehold on small business purchasing options.

I believe in free market principles of competition, and health insurance companies appear unwilling to play by any rules except the ones they set. That's not the American way, but that's why health insurers like the status quo – to protect their monopolies.

### **Now is the Time to End the Crisis**

Now is the time to end the health care crisis in this country by enacting AHP legislation. Health insurance costs are hitting companies' bottom lines. The situation is bleakest for the smallest companies, whose costs are highest and rising most quickly. Their premiums increased 16.5% on average in 2001.<sup>17</sup> And premiums are likely to grow more quickly this year than last.

AHPs will make more affordable insurance options available to small businesses. As mentioned, CBO has estimated that small businesses obtaining insurance through AHPs will enjoy premium cuts averaging between 9% and 25%. The smallest firms stand to save the most from AHPs since they face the highest administrative expenses and have little buying power and few affordable options. AHPs will give small firms administrative savings, more purchasing power, and new, more affordable choices. Importantly, AHPs will unburden small business owners from worrying about how to provide health care to their employees to doing what they do best – running their businesses.

Again, I thank my former House colleagues for holding this important event, and for allowing me the opportunity to share important arguments in favor of AHP legislation. Now we need to take the next step toward making this goal a reality for small businesses. I urge my colleagues to support efforts toward passing AHP legislation to make health care affordable for millions of uninsured Americans.

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<sup>15</sup> "Increasing Small-Firm Health Insurance Coverage Through Association Health Plans and HealthMarts."

<sup>16</sup> Assumes premiums of \$5,000 per employee. "Association Health Plans," at 6. Mercer Foster Higgins reports that health benefits cost \$4,924 per employee on average in 2001. Id.

<sup>17</sup> "Association Health Plans," at 6.