

House Committee on Small Business

"Small Business Access and Alternatives to Health Care"

March 5, 2003

Opening Statement of Ranking Member Nydia Velazquez (NY-12), U.S. House Small Business Committee

Thank you, Mr. Chairman.

Today, we are facing a health care crisis. It is astounding that in the U.S. – the only remaining superpower, the country with the largest GNP and the world's economic driver – there are 44 million Americans who cannot afford health care. That is outrageous.

Nowhere is this health care gap more striking than in our nation's small businesses. More than 60 percent of the 33 million adults and 11 million children without health insurance are small business owners, their employees or their families.

Small businesses bear the brunt of the health insurance crisis because of the two "c's" – choice and cost. These are the two things that keep affordable, quality health care out of reach for small businesses.

Small employers face few options when it comes to health insurers and benefits. The market has become so skewed that in many parts of the country, small businesses have only one or two providers to choose from when trying to meet the health care needs of themselves and their employees.

In fact, a recent report by the SBA's Office of Advocacy revealed insurers of small health plans have a higher administrative burden than those that insure large companies. These high administrative costs drive down the number of small health plan insurers, narrowing the field even more, and giving small business even less choice than they already have.

Cost is another barrier. Many small businesses are simply unable to afford health insurance. Those that can saw premiums increase 15 percent in 2002. Year after year, we see double-digit spikes in insurance costs causing small firms to drop coverage. For example, coverage rates for firms with fewer than 50 employees are below 50 percent, while coverage rates for large employers are almost 90 percent. Once again, it's big business that wins and small business that loses.

Small businesses that can afford health care pay as much as 30 percent more for policies similar to those offered by large corporations. While corporate giants can marshal accounts worth thousands of new customers and can negotiate health premiums on their own terms, small businesses are left with a "take it or leave it" attitude from insurers.

As the state of health care for small business reaches a critical stage, President Bush should be paying attention to it. But he isn't. The president certainly knows how to talk the talk –

health care was on his small business agenda, released a year ago this month. But to date, we have seen no real action.

One solution that could go a long way is allowing small businesses to band together through Association Health Plans. AHPs will enable small businesses to harness their purchasing power while bringing equity to the insurance market. This is what we allow Corporate America to do, and if it is good enough for Corporate America, then it should be good enough for small business.

While it is important to help small businesses, it is critical that the price we pay is not with diminished employee health care. That is why for AHPs to work, we must have strong solvency requirements, adequate enforcement dollars and a system that does not discriminate based on health care needs. These protections, coupled with increased access and cost savings, will begin to turn the tide for the small business uninsured.

I want to take a moment to commend former House Small Business Committee Chairman, Senator Jim Talent for his leadership on this issue, Mr. Dooley, Mr. Fletcher, and Mr. Johnson. Working together we recently introduced AHP legislation, H.R. 660, the Small Business Health Fairness Act, which will go a long way in helping many small businesses.

Small businesses, like health plans, come in all sizes and span industry sectors. There are private and self-insured plans, state sponsored cooperatives, and now AHPs. AHPs alone won't solve all the health care dilemmas of small business, but in combination with other alternatives, they can provide small businesses with two things they have not had before – more choice and lower costs.

Nowadays when I talk to small businesses, their top concern is health care. We need to stop talking about the health care crisis facing small business and start doing something about it. Large corporations shed jobs and wreak havoc during times of recession. Yet they have access to quality, affordable health care.

On the other hand, small businesses are the backbone of our economy, they create 75 percent of all new jobs, and make up a large percentage of individuals in the U.S. who don't have health coverage. Something is wrong with this picture. It's backwards, and I want to do something about it. I look forward to working with you all on this.