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United States Senate Committee on Small Business & Entrepreneurship “The Small Business Health Care Crisis: Possible Solutions”

Feb. 5, 2003

Testimony of Terry Neese, President
Women Impacting Public Policy

Good morning Madame Chairman and members of the Committee. My name is Terry Neese, President of Women Impacting Public Policy representing over 300,000 women business owners nationwide. We represent women and minority (African Americans, Hispanics, Native Americans, Alaskan Natives, Pan Asians) business owners and they support this testimony. I am also CEO of Terry Neese Personnel Services, with headquarters in Oklahoma City, Okla.

Because WIPP is a small business association and the majority of its members are women and minority-owned businesses, we are uniquely qualified to speak on the devastating impact the lack of affordable health care has on its member businesses, on the working people of this nation, and on our economy. Over 22 million small businesses in America drive our economy, create nearly three-quarters of the net new jobs and employ more than 50 percent of the workforce. Women business owners number 6.2 million and employ 9.2 million, according to the Center for Women's Business Research. Congressman John Boehner of Ohio raised the alarm in citing the following appalling statistics: “Nearly 130 million Americans – almost 80 percent of all workers – get their coverage through their workplace. Another 43 million have no health coverage at all.” Why is this appalling? Because premium rates for small plans, 3 to 9 employees, increase 12–16 percent per year, according to the Kaiser Family Foundation, with some small businesses experiencing up to a 50 percent increase. WIPP members are experiencing anywhere from 12–72 percent increases in their premiums this year. For example, Terry Neese Personnel Services just received a 12 percent increase in our premiums. A WIPP member in Virginia, Dot Wood, president and CEO of J D & W Inc., just received a 72 percent increase in her insurance premiums. Many small businesses can no longer afford to provide this vital benefit.

Another WIPP member, Dr. Karen McGraw from Marietta, Ga., told us the lack of reasonable health insurance costs has been the major barrier to her growth and ability to hire good people. “We are a small, certified woman-owned business with two full-time employees. We have operated as a sole proprietorship for 13 years and as an LLC for the past two years. We have used independent contractors and teaming with other small businesses to complete projects. Due to

growth and contracts won during the last two years, we had planned to hire two key mid-level individuals. Because this would require that we be able to offer good benefits, we investigated group health insurance and were stunned by what we found. Our broker indicated that most firms didn't even want to talk to firms our size, especially since the two owners are husband-wife. The two quotes we received were well beyond what we felt we could afford (\$1,100 per month, just for the husband-wife owners). We have work, and we need help, but we put our hiring plans on hold hoping that legislative action could improve things for us."

In a recent survey to WIPP members, providing this benefit is the most important benefit they can give to their employees – for both moral and economic reasons. With the drastic premium increases, few can provide it fully and less and less can provide it even on a shared payment arrangement. Therefore many small business employees – and the employees' families – are becoming uninsured. Those employees who are able are fleeing to larger companies that provide the benefits. And the small businesses? They are losing critical staff and worse are unable to replace quality employees. Small business must be able to provide Fortune 500 benefits to their employees.

Hewitt Associates, a prominent benefits firm, estimates that the annual amount employees will pay in premiums and other costs will rise by an average of \$342 to \$1,753. Employee raises are being eaten up by the rise in premiums, leaving them less disposable income to spend on goods and services – and that is bad news for the economy. If consumers aren't spending on goods and services, small business will not see any reason to expand, and the economy will further stall.

Not only is the U.S. health care system in crisis, but the most important and viable hope for economic recovery – the small business owner – is also in crisis.

Not only are premium increases a problem, but also finding a provider, having choices, managing high administration costs, growth in litigation, and fraud and abuse are problematic. According to the SBA, insurers of small health plans have higher administrative expenses than those who insure larger companies. Administrative expenses for insurers of small health plans make up 25–27 percent of premiums and 33–37 percent of claims. This compares with about 5–11 percent of large companies' self-insurance plans.

We need to focus on providing affordable health care and ensure that employers who provide health benefits to their employees are not forced to drop their coverage because of rising premiums and high administrative costs. WIPP proposes and supports Association Health Plans that allow small businesses to pool their resources with other small businesses to purchase insurance at better rates. AHPs have the potential to lower insurance premiums for small firms by freeing employers from direct and indirect state taxation, some mandated benefits, and the cost of compliance with multiple state regulations. In terms of job growth, with the potential lowering of premium costs to the business owner, the possibility of using those costs savings to create one job in every small business would be huge!

The states have not been able to solve the health insurance crisis surrounding the small business

marketplace. Current AHPs under labor unions and Fortune 500 companies operate under ERISA regulations, so why can't small businesses have the same access, the same options, and the same opportunity? Indeed, in recently speaking with the Oklahoma Insurance Commissioner, he supports Association Health Plans because of the lack of solutions coming from the states.

Women Impacting Public Policy would like to be able to offer Association Health Plans as a benefit to our members. We want to increase our membership, we sure do NOT want to cause any harm to our members and we believe AHPs are one key to increase membership and get more people off the uninsured list.

Madame Chairman and members of the Committee, the momentum for AHPs has picked up dramatically and WIPP is hopeful that the 108th Congress will enact Association Health Plan legislation.