

Opening Remarks Committee on Small Business and Entrepreneurship
Senator Olympia J. Snowe
February 5, 2003

“Good morning and welcome to the first hearing of the Small Business and Entrepreneurship Committee in the 108th Congress. Before I begin, I especially want to thank and acknowledge Senator Bond for his years of exemplary leadership of this Committee. I cannot think of a more stalwart champion of small business, and as I convene my first hearing as Chair I am deeply grateful for his example, the standards he set and his myriad contributions to small business in America. Thank you, Kit.

“I also want to thank Senator Kerry for his stewardship of the Committee, and for his longstanding commitment to small businesses. John, I know you continue to be a strong advocate for this vital sector of our economy. As some of you may know, John is also ranking member on the Oceans and Fisheries Subcommittee that I also chair, so unfortunately for him he is going to see a lot more of me than he ever bargained for, I'm sure! Sorry, John!

“I also have new members of the committee who I would like to welcome: Senator Coleman, Senator Bayh and Senator Pryor. We are immensely fortunate to have the benefit of their insights and knowledge, and I know you will provide an invaluable service to this committee.

“Finally, before I get started on today's hearing, I want to recognize and welcome Senator Talent to the dais today. Jim, I know you were very active with your chairmanship in the House, especially in sponsoring and leading legislation to create AHPs. You've been a great defender and proponent of small business, and we're fortunate to have you here this morning.

“Having served on the Committee throughout my tenure in the Senate, and earlier on its House counterpart, I am eager to begin an ambitious agenda to address the wide-ranging challenges small businesses face. In that light, it is no coincidence we've focused our very first hearing on a challenge that is not only a matter of urgency for small businesses, but is also of dual significance to our nation at a time when we are both exploring opportunities to help boost the economy and ways to reduce the stunning number of uninsured in America.

“Knowing that small businesses are creating up to 75 percent of net new jobs in America...Knowing that they contribute 42 percent of all federal revenues (while the SBA only consumes 4/100ths of a percent of the federal budget, I might add) can there be any doubt our investment in small business—whether financial assistance, loan guarantees, or helping to reduce overall cost burdens—pays tremendous economic dividends for the country?

“At the same time, with a shocking 56 percent of the 41.2 million uninsured in this country already either working a full-time, full-year job or depending on one who does, we have an obligation to ensure that more of these individuals can receive insurance through their employers. So when the Kaiser 2002 Employer Health Benefits Survey reports that only 61 percent of all small businesses are offering health benefits and that's down from 67 percent just three years ago, is there any question that we're headed in exactly the wrong direction? This is a crisis, and it's even worse in businesses with fewer than 50 employees. Of those, only 47 percent currently provide health insurance benefits...and the Department of Labor reports that only 24 percent of small businesses that employ low-wage workers offer health plans.

“So this is an emergency, but there should be no mistake, it’s not because small businesses don't want to provide these benefits. If there's one thing I've heard time and again in meetings with small business owners and representatives here and in my home state of Maine, it's that the costs have skyrocketed to the point of being prohibitive. I've heard of premiums rising 50, 60, 70 percent!

“The fact is, with more than two-thirds of all Americans relying on their employer for health insurance, we can't afford to continue the disturbing trend identified by Kaiser, where monthly premiums for employer-sponsored health insurance on average rose 11 percent from 2000 to 2001, and then 12.7 percent from 2001 to 2002 – the second straight year of double digit increases. As a result, 22 percent of all firms increased employee deductibles in 2002, and 32 percent told Kaiser they are likely to do so this year.

“The problem is all the more acute for small businesses. For those with fewer than 10 workers, the employer and employees together pay on average about 8 percent more in premiums than the amount paid by larger companies. And for all firms under 200 employees, 84 percent indicated to Kaiser that cost was an important factor in not offering health care. The result of all this isn't hard to predict.

“Businesses can and clearly are dropping health benefits. Others struggle onward in providing coverage, but only at the cost of the growth of the business, or offering packages with higher premiums, or a combination of both. We simply can't go on like this, and I plan to introduce legislation to level the playing field between large and small businesses through Association Health Plans.

“We want to give small businesses the same strength as unions and large employers to negotiate better rates. And let there be no doubt there would be cost savings. Indeed, a 2000 CBO report estimated that, on average, premiums paid by small firms that purchase health insurance through an AHP or similar arrangement would be about 13 percent lower than premiums they would otherwise pay. In fact, reductions could range from 9 to 25 percent.

“Now, I realize there is no single answer to this multi-faceted problem. There are those with a divergent view and different ideas, including Medical Savings Accounts, Flexible Spending Arrangements, and tax credits to help defray the costs of getting health insurance. But I do believe AHPs would be a major step in the right direction, and I'm pleased we have an opportunity to hear from a number of individuals who may have differing ideas on how to approach the problem, but who all have experience, expertise, and informed opinions on this pressing matter of national concern.

“We're privileged to have with us first Secretary of Labor Elaine Chao, who is providing strong leadership on the President's behalf on this issue as exemplified by a report DOL issued on AHP plans, as well as letters she sent last September to Senate leaders in support of AHPs. Obviously, this is a critical labor issue as well as a challenge for small business, and I thank her for her steadfast commitment to improving the lives of America's workers.

“Of course, no one knows better than our second witness, SBA Administrator Hector Barreto, just how crucial this issue is for small businesses. I know the health benefits crisis is of tremendous concern to the Administrator, and I thank him for his dedication and for being here today. I look forward to what I'm certain will be many insightful comments.

“Our third panel includes representatives of the small business community who believe this issue is so vital to their future that they've taken time from their busy schedules to share their views and

experiences with us, and I want to especially acknowledge two small business owners from Maine! Ms. Kathie Leonard and Ms. Anne Valentine who will help lend perspective on what this issue means in a state where 97 percent of all business employ fewer than 20 people!

“And for our fourth panel, we will hear from those with a different perspective on approaching this crisis, and I thank them for contributing their thoughts and for appearing here today.

“So I want to thank you all and, with that, Senator Kerry, do you have any remarks you would like to make?”

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