



Testimony in Support of SB162 by Mr. Daniel Murray
Kansas State Director, National Federation of Independent Business
Senate Assessment and Taxation Committee
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Good morning Chairman Donovan and members of the Committee. My name is Dan Murray and I am the State Director of the National Federation of Independent Business/Kansas. NFIB is the state's leading small business organization representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its roughly 4,000 members in Kansas.

I am pleased to be here in strong support of SB162, which would allow small business employers the ability to contribute to the insurance premiums of their employees' individually underwritten health plans. The arrangement contemplated in SB162 will allow employees to maintain their individual plans, if they prefer, providing flexibility and portability. Further, the bill should benefit small employers because the contributions would be made to tax-sheltered health reimbursement arrangements (HRAs). Note: The bill would require that any contribution to an HRA for individually underwritten health insurance policies be equal to the amount the employer would have contributed had the employee elected to participate in the small employer's group plan.

Since 1986, the National Federation of Independent Business' members have said that healthcare costs are their No. 1 concern. In a recent NFIB poll, nearly 81% of small business owners say that finding affordable healthcare for themselves and their employees is a challenge. Fifty percent of small business owners say they anticipate having difficulty keeping up with the cost of healthcare over the next four years. And, of the nearly 46 million Americans without healthcare, more than 26 million are small business owners, employees and their dependents.

Small businesses do not have the purchasing power and large pools to spread experience that big business does. In fact, small businesses, on average, pay about 18 percent more for health insurance than their larger counterparts for the same group of services. Such data suggests that small employers either pay more for the same services or receive less (in terms of services) for their health insurance. In either case, the point remains that health insurance is more expensive for small businesses. Additionally, the negative impact of several new taxes contained in the federal PPACA, most notably the tax on fully insured health insurance products, will slide directly down to the small group and individual market further exacerbating the cost and tax disparity between large and small employers.

Finally, some may contend that SB162 will encourage adverse selection death spirals in the Kansas small group market. That is, healthy, lower risk policy holders might choose individual plans leaving only high risk members in the small group. We have two main responses to this criticism: 1) SB162 is permissive. The bill will not require an employer to do anything. If a small business determines that the model described in the bill damages their group, they will rationally choose not to pursue it; and 2) The Small Group Market is already broken. According to the Kaiser Family Foundation, the percentage of small firms (3-24 employees) offering health benefits in 2000 was 50 percent. In 2011, that percentage had dropped to 38 percent. Clearly, the current paradigm is failing.

With the rising cost of providing healthcare benefits, an increasing number of employers are looking for innovative ways to stretch their healthcare dollars. Additionally, many small businesses which do not currently offer health insurance benefits are looking for ways to actually provide insurance to their employees. As you know, health benefits are a key tool to recruit and retain qualified employees. The proposal contained in SB162 represents a market-driven reform which aims to insure more individuals and employees and equalize the tax treatment for small businesses who want to offer health benefits. NFIB urges your support of SB162.