



Statement of Women Impacting Public Policy

**Submitted to
House Committee on Small Business**

**"Reimagining the Healthcare Marketplace for America's Small
Business"**

February 7, 2017

Women Impacting Public Policy (WIPP), a national nonpartisan public policy organization advocating on behalf of women entrepreneurs, is pleased to submit testimony on the important topic of the future of healthcare.

First, we commend the Committee for holding this hearing. WIPP appreciates the bipartisan efforts of this Committee to advance the agenda of women entrepreneurs, including accessing capital, accessing federal markets, and providing a business-friendly environment.

This hearing touches on an issue of great importance to our members: affordable and accessible healthcare. Access to health insurance plans and the ability to maintain coverage is just as important as being able to afford the coverage. Since offering health insurance remains important to attracting and retaining employees, Congressional action on this topic is essential to the continued growth of our nation's biggest job creators—small businesses.

While no single legislative path has been outlined for improvements to healthcare for small businesses, we urge Congress to ensure there is a workable plan for the small group market. Prior to the ACA, 60 percent of all uninsured Americans were employed by a small business or were a dependent of someone employed by a small business.¹ As of 2015, just 20 percent of those employed by a small business were uninsured.² It would be a travesty to return to the challenges of obtaining insurance in the past.

The Importance of a Pooling Mechanism

Ensuring there is a strong small business health insurance marketplace should be partisan—small business owners employ far too many Americans to leave these important decisions to partisanship. Women entrepreneurs are focused on results and success. Our interest is in a small group market, which gives small business owners a choice of plans at an affordable price.

The primary issue for small businesses is maintaining their ability to band together to purchase health insurance. Prior to the ACA, which established SHOP exchanges giving small businesses the ability to pool their buying power, employers with a small number of employees often lacked coverage and were subject to astronomical price increases if one employee suffered an illness.³ Furthermore, there were not many options for coverage, especially in smaller states with lower populations. Time after time, WIPP members told us that their insurance simply was dropped

¹ WIPP Economic Blueprint: 2009 Special Inaugural Edition at <http://c.ymcdn.com/sites/www.wipp.org/resource/resmgr/Docs/EconomicBlueprintInauguralEd.pdf>. January 2009.

² Lueck, Sarah. "Health Coverage Gains for Small Business Workers at Risk." Center on Budget and Policy Priorities at <http://www.cbpp.org/blog/health-coverage-gains-for-small-business-workers-at-risk>. January 9, 2017.

³ Fronstein, Paul. "Sources of Health Insurance Coverage: A Look at Changes Between 2013 and 2014 from the March 2014 and 2015 Current Population Survey." Employee Benefit Research Institute. October 2015.

without explanation, leaving their employees to fend for themselves. Many small business groups, including WIPP, told Congress that the system before the ACA was unworkable and pleaded for a remedy.

With respect to healthcare reform, Congress, in the past, considered several ways to structure a pooling mechanism for the small group market. Prior to the ACA, WIPP supported both the concept of Association Health Plans (AHPs) and bipartisan legislation sponsored by Senators Enzi and Nelson, which proposed Small Business Health Plans. These solutions would have allowed small businesses to pool their buying power through associations to purchase healthcare across state lines on regional or a national basis.⁴

The ACA established the SHOP exchanges which pool small businesses but only on a statewide basis. In our view, Congress should revisit the ability to shop for insurance across state lines. While we supported the mechanism of state exchanges contained in the ACA, we urge the Congress to consider structuring the pools to maximize small business participation by adopting this change.

The only solution for small businesses and their employees, as we see it, is to arrive at a practical, not partisan, mechanism for pooling. We do not claim to be experts on how to structure these pools, but we are relying on Congress and the Department of Health and Human Services to create and implement a mechanism that works.

Affordable Costs

Our members often cite concerns about rising premiums in today's SHOP exchanges. If they continue to rise, insurance will become a luxury for small businesses instead of an expected benefit. Health Reimbursement Arrangements (HRAs) are a practical solution to hefty costs for employer-provided health insurance. These allow employees to shop in the individual market for plans that best fit their needs and budget. The business reimburses employees for their partial or entire premiums. Prior to the ACA, this was a popular method used by small businesses for which company-wide insurance plans were prohibitively expensive. The ACA, however, and its interpretation by the IRS, created stiff penalties (up to \$500,000) for businesses using HRAs.

Legislation passed in December 2016 that reversed that interpretation, making clear that such plans are acceptable, penalty free.⁵ Employers, by law, can now offer up to \$4,950 per employee per year (\$10,000 for employees with dependents) and employees must show they used funds on medical purposes, including premiums. Companies must have 50 or fewer employees and offer the benefit to all employees to be eligible.

WIPP strongly urges the Committee to work with the U.S. Department of Health and Human Services (HHS) and the IRS to expedite the reinstatement of HRAs as soon as possible. As we understand it, the regulatory process needs to be completed for this important change to go into effect. While we understand the emphasis on freezing regulations, in this case, it will delay implementation.

⁴ Health Insurance Marketplace Modernization Act of 2006. S. 1955, 109th Cong. (2005).

⁵ 21st Century Cures Act. H.R. 6, 114th Cong. (2016).

WIPP also requests that the committee work with HHS and the IRS to provide guidance documents, not only for the benefit of federal officials, but for small business owners so they have a clear understanding of the options before them. WIPP has long advocated on this issue and is prepared to assist and work with the Committee to make the reimplementation of HRAs an expeditious process.

Change 30-Hour Work Week to 40-Hour Work Week

Under the ACA, full-time workers, for eligibility purposes, are defined as those who work at least 30 hours per week. WIPP previously supported the Forty Hours is Full-time Act, bipartisan legislation cosponsored by Senators Collins and Donnelly amending the 30-hour requirement to 40 hours.⁶ Changing the definition of a full-time employee (FTE) back to 40 hours per week would eliminate the incentive for employers to reduce workers' hours, as most employees working 40-hour weeks would already receive health insurance.

As is the case with many government definitions, compliance requirements vary with different laws. In the interest of simplifying compliance and encouraging employers to hire as many full-time workers as possible, WIPP recommends changing this definition from 30 to 40 hours per week.

Conclusion

WIPP recognizes that changing the healthcare system is difficult at best. As our testimony states, the ACA was not perfect. We cite both the definition of the work week and disallowing HRAs as examples of changes necessary to the existing law. On the other hand, women entrepreneurs cannot afford to go back to pre-ACA days when small businesses were largely left out of the healthcare marketplace. Although the Congress is poised to repeal the ACA, a repeal without replacing the state exchanges will throw the small group market into chaos. Having a mechanism in place to allow businesses to pool their buying power to purchase health plans is critical to providing continuity for employees who depend on small businesses' ability to provide health insurance. The ACA did not allow for exchanges to go across state lines, but we urge the Congress to rethink that limitation. We ask the Congress in its deliberations of repealing and replacing the ACA, to keep the challenges of the marketplace for small businesses in mind. It is time to adopt a practical, nonpartisan approach. Women entrepreneurs depend on it.

⁶ Forty Hours is Full Time Act of 2015. S. 30, 114th Cong. (2015).