



**National Association
for the Self-Employed**

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“Reimagining the Health Care Marketplace for America’s Small Businesses”

U.S. House of Representatives
Small Business Committee
Full Committee

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Chairman Chabot, Ranking Member Velazquez, and members of the House Small Business Committee, thank you for the opportunity to join you today to share with you the opinions and thoughts of the National Association for the Self-Employed (NASE) – representing millions of America’s self-employed and micro-business owners throughout the country -- on this incredibly important topic. Before we begin, I think it is worth acknowledging today’s hearing title, “*Reimagining the Health Care Marketplace for America’s Small Businesses*.” The use of the word “reimagining” resonates with the members of our association, as I believe it acknowledges the unique and dynamic population we are addressing today. Our members, who include self-employed and micro-business owners numbering over 27 million, are constantly reimagining themselves, exploring new opportunities, and are more adept at dealing with change due to their experience in maintaining and growing their small business. The self-employed population is unique in that they capture the “can do” spirit of America, but I also think that today’s use of “reimagining” speaks to the difficulty of the current situation. There is significant opportunity to reimage the health care marketplace for America’s smallest businesses, but it will take great imagination and a significant “can do” effort to get it done.

The NASE is the nation’s leading advocate and resource for America’s over 27 million self-employed and micro-businesses, offering a broad range of benefits to help entrepreneurs succeed and to drive the continued growth of this vital segment of the American economy. For over 35 years, we have supported, encouraged, advocated on behalf of, and motivated the millions of Americans who have chosen self-employment. It is also worth noting in today’s testimony that the NASE sponsored an association group health care plan prior to the Affordable Care Act (ACA), solely because the process of securing a comprehensive and affordable health insurance plan was nearly impossible for the self-employed business owner. It is important to understand that our members view their health insurance purchase as a business decision and unfortunately the self-employed and micro-business owners currently do not receive the same tax incentive as other businesses. Therefore, the self-employed business owner is caught in the middle because they don’t typically qualify for subsidies, while also not receiving the same favorable tax treatment as other businesses.

Today we are focused on solutions and we certainly appreciate the opportunity to provide our commentary on the current climate and how legislative action could both stabilize and foster a robust health care system that is rooted in three principles: quality, accessibility, and affordability.

Quality

It is important to acknowledge that in many aspects the ACA got it right and the good public policy initiatives that make sense should be championed and included in any ACA reform legislative vehicle. The NASE would like to highlight two such initiatives:

Protection against pre-existing conditions exclusion

For our members, prior to the ACA, the number one reason for denial of coverage was due to a pre-existing condition. This caused many of our members to either forgo health insurance or purchase a catastrophic health care plan that was a poor safety net. We support the language included in Speaker Ryan's, "*A Better Way: Our Vision for a Confident America*," which is one of many proposals that continues to prohibit a pre-existing conditions exclusion.¹ In December 2016, the Kaiser Family Foundation released a new study that estimated nearly 52 million Americans have a pre-existing condition that would disqualify them from coverage under pre-ACA market conditions.²

Essential Health Benefits/Preventative Health Services

Another key area for our members is the well-intended inclusion of the essential health benefits and preventative health services required by each health insurance plan offered to meet qualified health care plan status. The challenge for many carriers as it relates to meeting the essential health benefits requirements was the ability for states to require their own, additional benefits, which drove costs up in those markets unfairly burdening the consumer. This is an area that we believe has an opportunity for reform. The Trump Administration has signaled that they will use the regulatory process to redefine the required benefits that each health insurance plan must offer.³ The NASE supports common sense reform in this area.

¹ https://abetterway.speaker.gov/_assets/pdf/ABetterWay-HealthCare-PolicyPaper.pdf

² <http://kff.org/health-reform/issue-brief/pre-existing-conditions-and-medical-underwriting-in-the-individual-insurance-market-prior-to-the-aca/>

³ https://www.washingtonpost.com/powerpost/obama-to-huddle-with-democrats-on-protecting-his-signature-health-care-law/2017/01/04/34b655e8-d1f9-11e6-945a-76f69a399dd5_story.html?utm_term=.50aee7bc7e5a

Accessibility

For definition purposes, we define accessibility as how our members purchase health insurance and access the benefits of those plans. It is a fact that the number of health insurance plans offered in the marketplace has drastically declined, severely limiting competition and choice for the consumer. In 2017, it is estimated that there will be 65 less providers in the marketplace. Additionally, consumers in 687 counties will only have one approved ACA insurer, compared to the 182 counties in 2016.⁴

Permit Sale of Insurance Across State Lines

A key component of nearly all ACA reform proposals include providing insurance across state lines. In fact, a main objection of the NASE during the ACA debate was the restriction of consumers to shop across state lines. Allowing for the sale of insurance across state lines will immediately boost competition which will help drive costs down, all benefitting the consumer.

Access to Care

In our analysis of the numerous proposed reforms to the ACA, not a single one addresses the issue of access to care. Anecdotally, our members have reported 1) increasing wait times to see primary care physicians and specialists, 2) shrinking provider networks, especially as it relates to specialists, and 3) losing access to their life-long family doctor. Currently, we have a system that is struggling with the influx of millions of Americans who previously were uninsured who are now seeking the benefits of those plans. The estimated 11 million Americans who now have insurance under the ACA are straining a health care system that was previously struggling to provide basic services in underserved and underpopulated communities. Given the political landscape, we believe this is an area of reform that could elicit bi-partisan support, specifically, proposals around job training, promotion of non-doctoral medical professionals such as nurse practitioners and certified physician assistants, are several areas in which Congress and the Administration could work together in ensuring every American has the access to care they need.

⁴ <http://www.vox.com/a/obamacare-competition-2017>

Affordability

For NASE members, the single greatest driver in their evaluation and decision in purchasing health insurance is affordability. In our view, the ACA has proven that consumers are not prioritizing essential health benefits or lifetime limits, but are instead solely fixated on the bottom line costs of purchasing health insurance.

Health Insurance Deductibility

Unique to the self-employed business community is the restriction of a self-employed individual from deducting their health insurance premiums. Under the ACA, the profile of the self-employed business owner is no different than any other segment of America as to subsidies, age-bands, exchange options, and ultimate cost. However, the ultimate cost is not treated the same for tax purposes. The bottom line is that the self-employed business owner pays up to 15.3% more for the cost of health insurance simply because those health insurance premiums are not treated the same for taxes as for everyone else. The NASE will continue to advocate for the equitable treatment of all businesses, including for the ability of the self-employed to deduct the costs associated with their health insurance the same way in which other businesses are currently allowed,. Until the tax code can be adjusted to a level playing field, it will be difficult to truly address affordability.

Expansion of Consumer Driven Health Products

The NASE has been a passionate advocate for consumer drive health products, specifically, health reimbursement arrangements. Unfortunately, for the past three years the NASE has been locked in a regulatory battle with the Departments of Treasury and Health and Human Services over technical guidance issued over the use of health reimbursement arrangements, even though the ACA did not address HRAs. While we found some level of relief through the *21st Century Cares Act*, HRAs still have a number of limitations placed on how they can be used by the self-employed and micro-business community. We hope that as Congress deliberates on ACA reforms that they will remove all restrictions on HRAs.

For the NASE, having a robust health insurance marketplace is a significant factor for the long-term growth of the self-employed sector. This is important and virtually every single one of the 27 million self-employed Americans will be affected by what you decide. We hope we have adequately expressed our opinions on quality, access, and affordability, but equally important is expressing our support and commitment to working together in finding solutions to these complicated issues. The current chaotic marketplace is causing real uncertainty for our members and their families. Our formal request is that the solutions that are agreed upon will treat the self-employed business owner on an equal standing with our larger, corporate counterparts. Quality should be the same. Access should be the same. And affordability should be the same. We believe this country is supported by the unique creativity and intuitive problem solving nature of the American entrepreneurial spirit. Give us the system, give us the plan, and we will work within that plan. But we humbly ask that the rules be the same for our businesses as it is for big businesses. We believe there is a path forward that allows for lawmakers and the Administration to stabilize the marketplace while drafting a comprehensive reform package that *reimagines the health care marketplace for America's small businesses*.