

# THE HILL



March 23, 2017

## Job creators need relief: Reform small business healthcare

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While all eyes are on the Republicans' proposed comprehensive healthcare reform bill, another recently introduced healthcare bill that seeks to reduce costs and improve quality for small businesses is quietly gaining support.

The Small Business Health Fairness Act (H.R. 1101), introduced by U.S. Reps. Sam Johnson and Tim Walberg, would dramatically expand Association Health Plans (AHPs), which allow small businesses to band together to bring down their sky-high health costs. Congress is scheduled to vote on this legislation this week.

AHPs were a widely used tool for small businesses before the Affordable Care Act's (ACA) coverage mandates essentially outlawed them. In Washington state, for instance, AHPs were heavily used by small businesses in the 1990s after the state health insurance marketplace nearly collapsed.

Roughly half a million state residents relied on them for their insurance. But from the start they were continually under attack from state regulators who saw them as insufficient. The ACA's stringent federal guidelines dramatically reduced their use.

The Small Business Health Fairness Tax lays out a framework for AHPs' widespread reintroduction. This is good news for American small businesses which have been among the hardest hit by the ACA-induced cost increases because of their lack of market leverage and lack of human resource departments necessary to navigate ACA complexity. In fact, small business health care premium costs have risen by 15 percent in just the last two years, according to the Kaiser Family Foundation.

According to a National Federation of Independent Business survey, the most severe problem facing small businesses right now is the cost of health insurance. These costs are contributing to the continuing slowdown of small businesses. The share of businesses less than a year old has plummeted by one-third and their employment share by half since the 1980s.

AHPs would bring down costs for small businesses by offering them access to larger insurance pools made up of other small businesses. This would put a downward pressure on cost for two reasons. First, larger pools spread the insurance risk across a greater number of people, so that younger and healthier people subsidize the cost for the older and sicker. Second, larger pools provide more pricing leverage with insurers to cut administrative fees and generate other economies of scale savings.

Access to AHPs would therefore help fix the healthcare competitive disadvantage that small businesses face with their big business competitors. This would bring better healthcare options to small businesses and their employees. And it would allow small businesses to invest more of their earnings in hiring, expansion, and their communities.

The Small Business Health Fairness Tax parallels another small business relief measure currently before Congress. The Bring Small Businesses Back Tax Relief Act (H.R. 1435), recently introduced by U.S. Reps. Randy Hultgren (IL) and Jason Smith (MO), would lower tax rates and complexity on the nation's small business job creators. While the tax debate is currently centered on comprehensive reform, this bill would provide immediate relief to small businesses who pay some of the highest tax rates in the world and are forced to take significant time away from work each year to deal with tax complexity.

While comprehensive healthcare and tax reform are worthy goals, smaller and more targeted bills like the ones discussed here that address hurdles faced by major demographics like small businesses can also bring major societal benefits — not to mention be much easier to pass politically.

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