

NFIB CARRIES THE VOICE OF SMALL BUSINESS TO CAPITOL HILL: Small-Business Health Plans



NFIB supports legislation to allow associations to offer health insurance to their small-business members through Small-Business Health Plans (SBHPs). These plans would offer small businesses the ability to offer accessible and affordable health care, as the health plans of large corporations and labor unions currently do.

- Small-Business Health Plans will provide small businesses the opportunity to band together through bona fide trade and professional associations to purchase affordable health benefits. By joining together, small employers will enjoy greater bargaining power, economies of scale and administrative efficiencies. In this way, Small-Business Health Plans will level the playing field and give participating small employers the same advantages as Fortune 500 companies and unions.
- Small businesses have little buying power and few affordable options—five or fewer insurers control at least three-quarters of the small-group market in most states (GAO, 2002). This lack of competition is contributing to double-digit rate increases for many small businesses and resulting in a rise in the number of small-business employees who are uninsured. Additionally, premiums continue to see increases year in and year out: 2006 premium increases averaged 7.7 percent. In fact, premiums have increased 87 percent over the last six years (Kaiser Family Foundation, 2005).
- Small-Business Health Plans will provide more choice in the health insurance marketplace. While providing strong consumer protections, SBHPs will also provide lower costs options through a health care plan that operates across state lines.
- More consistent federal regulation of Small-Business Health Plans will help small businesses lower overall costs. In addition, Small-Business Health Plans that are operating on a national level will be able to receive more favorable treatment from insurers due to greater uniformity and flexible benefits.
- Small-Business Health Plans will make health insurance more affordable for small business through reduced premiums. According to Mercer Oliver Wyman, proposed SBHP legislation (Health Insurance Marketplace Modernization and Affordability Act of 2006) would result in aggregate health insurance premiums decreasing by 12 percent for small employers nationwide.
- The smallest firms stand to save the most from Small-Business Health Plans because their administrative costs, which account for a significant percentage of their expenses, will decrease. A January 2003 Small Business Administration actuarial report shows that administrative expenses for insurers of small health plans make up 33 to 37 percent of claims. This compares with about 5 to 11 percent of claims for large companies' self-insured plans.
- Because insurance will be more affordable, more small firms will provide it to their employees and families. According to some models, SBHP legislation will result in a decrease of nearly 1 million members who are uninsured. This represents an 8 percent decrease in the uninsured in the small employer market (Mercer Oliver Wyman). Some estimates maintain that as many as 8.5 million previously uninsured workers would receive coverage with enacted SBHP legislation (CONSAD Research Corporation).

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