

## Small Business Coalition for Equitable Health Insurance

November 17, 2003

The Honorable Judd Gregg  
Senate Health, Education Labor and Pensions Committee  
United States Senate  
Washington, DC 20515

Dear Chairman Gregg:

As you move forward in your discussions with the recently formed Senate Republican taskforce on the uninsured, we'd like to urge your serious consideration of the long-term impacts of any legislative solution you entertain. With the ranks of the uninsured increasing daily and small businesses bearing the brunt of increasing costs, your understanding of the many challenges facing America's small businesses will be especially important in the coming months. Though some in the business arena have touted the potential benefits of Association Health Plans (AHPs), the Small Business Coalition for Equitable Health Insurance, has serious concerns you should be aware of.

The Small Business Coalition for Equitable Health Insurance is comprised of local, regional and state Chambers of commerce and small business associations representing approximately 140,000 small businesses nation-wide, and affiliated with nearly 250 other Chambers and small business groups. We have very diverse backgrounds, yet we all know the important and difficult task you face in working to insure millions of Americans. Senate Majority Leader Frist has wisely chosen you and the other members to deal with the difficult issue of America's uninsured, we hope that your taskforce will be entrepreneurial in the development of solutions and go beyond the rhetoric of AHPs.

As you know, the Small Business Health Fairness Act of 2003 (S. 545) would allow associations of employers or individual professionals to offer health coverage to their members free of almost all current state regulation. Because AHPs could circumvent state laws, they would have the ability to make their plans very unattractive to less health populations. Through product design and pricing techniques, AHPs would build insurance programs that are unattractive to older and sicker populations, leading to a drastically segmented market. These insurance schemes would be attractive to the healthy population leaving the less-healthy population in the state-regulated markets, and eventually without insurance altogether as the state markets implode due to adverse selection.

A study released in June 2003 by Mercer Risk, Finance & Insurance Consulting found that, over a short period of time, this market segmentation would have disastrous consequences on the small business community. Premiums for those outside the AHP market would go up an additional 23 percent and lead to an additional 1 million uninsured on top of the 43.6 million currently uninsured. The minimal price savings reaped through AHPs would come from attracting healthier participants and depleting benefits that are currently mandated by the states. The full report can be found on [www.sbhealthequity.org](http://www.sbhealthequity.org)

An earlier study conducted by the Congressional Budget Office found that most of the enrollment in AHPs would come from businesses that already provide insurance. Of the estimated 4.6 million people expected to participate in AHPs, only 330,000 people, or 1 in 14, would be newly insured. Clearly, AHPs are not a solution to the uninsured.

Most states have created laws and regulations to curtail risk-selection, but not all have. This bill would enable AHPs to domicile in states that allow these practices, thereby allowing them to use those states' rules (or lack thereof) in the rest of the country. The State Insurance Commissioners would not have the authority to enforce their own rules in their own states on plans offered by an out-of-state AHP.

If this hastened train-wreck is what occurs from AHPs, matters will not be politically or economically sustainable unless Congress embarks on exactly the kind of national mandate setting and market regulation that all 50 states are addressing right now (and that AHPs are a rebellion against). Many would not welcome such an outcome.

Most important, AHPs do absolutely nothing to address the fundamental factors driving health insurance costs. Not one provision in the AHP legislation makes any mention of cost-containment, and tossing a leaking life-vest to a drowning system is simply irresponsible. We urge you to seek real solutions to the enormous health insurance problems that face the small business community, and reject S. 545.

We appreciate your time and consideration in this matter and welcome any questions you may have.

Sincerely,

The Small Business Coalition for Equitable Health Insurance

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Arizona Small Business Association  
Association of Washington Business  
Cleveland Growth Association (COSE)  
Denver Metro Chamber of Commerce  
Detroit Regional Chamber  
Grand Rapids Area Chamber of Commerce  
Greater Akron Chamber of Commerce  
Greater Albuquerque Chamber of Commerce  
Greater Cincinnati Chamber of Commerce  
Greater Columbus Chamber of Commerce  
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