

**Small Business Health Insurance Hearing
Senate Finance Committee
Senator Richard J. Durbin Testimony
April 6, 2006**

Everywhere I go in Illinois, the number-one concern I hear from business owners – large and small – is the high cost of health care.

No matter how hard they work, or what kinds of innovations they develop, much of their revenue is consumed by ever-increasing health insurance costs. Rising premiums are even making it difficult to hire new workers or purchase new equipment.

According to the U.S. Agency for Healthcare Research and Quality, Americans with employer-sponsored health insurance paid 79% more for coverage in 2003 than in 1996.

Hewitt Associates, a respected human resources consulting group, conducted a survey of insurers rates last August and found that even HMO premiums for 2006 rose four times the rate of inflation.

Small businesses are especially hard hit because they don't have the negotiating power of large businesses. The limited number of

people small businesses employ hinders their ability to command discounts, or to access choice in the insurance marketplace.

We all agree that small businesses need relief from double digit annual increases in health insurance premiums.

I believe we agree on some fundamental principles:

- 1) We should make premiums more affordable by giving small businesses a way to pool their purchasing power;
- 2) We should encourage competition among health plans on the basis of quality, efficiency and value; and
- 3) We should help reduce the administrative and transaction costs in the small group market.

Unfortunately, insurance is an extremely complicated field and it is the details that will make or break the effectiveness of a new insurance framework.

There are some key details that need to be addressed in a small business insurance proposal.

Most Important: Do No Harm

Health benefit mandates and rating rules were implemented by states to improve the availability of insurance coverage for small firms and to stabilize a quickly deteriorating small group market. States also wanted to address the discriminatory practices that insurers were using toward small groups.

In our effort to provide small businesses with some relief, we should not undo the progress states have made in protecting insurance consumers. Health insurance isn't much good if it isn't there when you need it.

We also shouldn't deny progress to groups outside of the small group market, which some in the Senate would like to do.

Bottom line: we shouldn't make anyone worse off in this process.

SEHBP

Senator Blanche Lincoln and I have introduced a bill that we believe achieves the twin goals of lowering cost while maintaining adequate oversight and benefits.

The Small Employers Health Benefits Plan is modeled after the

successful federal employees plan, which insures more than eight million federal employees and their families. SEHBP would allow small businesses to band together nationwide and choose from plans that would bid to offer coverage in the pool.

This year, 278 different insurance plans will offer coverage in the FEHBP pool. Imagine if small businesses could have access to those kinds of choices.

Plans participating in SEHBP would be subject to strict regulatory and solvency standards, and would be audited annually by the Office of Personnel Management.

Plans in SEHBP will be required to offer state-mandated benefits.

Finally, small employers would receive an annual tax credit to defray part of the employer contribution for low-income workers.

Senator Lincoln and I believe SEHBP is a common sense approach to lowering health insurance costs for small businesses while affording them adequate consumer protections and I hope the Committee will consider the bill.

Our bill is supported by the American Medical Association, American College of Family Physicians, National Association of Community Health Centers, National Osteopathic Association, American College of Pediatrics, National Mental Health Association, National Association of Women Business Owners, Small Business Majority, Federation of American Hospitals and the American Diabetes Association.