

Statement of Senator Jim DeMint of South Carolina
Senate Finance Committee
Small Business Healthcare Hearing
Thursday, April 6, 2006

I'd like to thank the Chairman and Ranking Member for holding a hearing on this important issue.

The difficulty small businesses have providing healthcare to their employees has always been an important concern to me. Before I ran for Congress, I was a small business owner myself, and experienced personally how difficult, expensive, and – at times impossible – it is for small business owners to offer healthcare to their employees.

It's no secret that healthcare costs have exploded and are continuing to rise. While I believe that the current employer-based healthcare system has done a relatively good job with meeting the needs of workers and businesses alike, skyrocketing healthcare costs strain businesses that provide health insurance to their employees. The higher the cost of health insurance goes, the more employers will be forced to increase payroll deductions or to drop coverage altogether.

Health Savings Accounts (HSAs) have been the critical first step down the long road to bringing down the cost of providing healthcare in America.

Americans spend \$1.7 trillion annually on healthcare. That money is primarily spent by large employers through full-coverage health insurance plans. HSAs have been able to redirect control of healthcare dollars to individuals. Even if a business contributes to an employee's HSA, the individual makes the decision about how and where to spend that money. Primarily, the accounts have empowered patients to be more cost conscious and sensible in their use of medical services, thus helping to reign-in out of control healthcare costs. Furthermore, HSAs create a new dynamic where healthcare providers compete to earn individuals' business.

When HSAs took effect January 1, 2004, consumers were ready. Since their introduction, millions of individuals and thousands of small businesses have found relief from soaring healthcare costs through these tax-free savings accounts.

HSAs are already providing more Americans with access to affordable healthcare. Critics claimed HSAs would appeal to only the young, healthy, and wealthy. But, so far, the demographics of those opting for HSAs tell a different story. The average HSA owner is 47 years old with one or more children. Almost a quarter of all HSA purchasers have incomes below \$35,000, and more than one-third of those individuals and families were previously uninsured. And 18 percent of all HSA purchasers have at least one pre-existing health condition. There are, however, ways to broaden HSAs' reach.

Yesterday, I introduced legislation that would further expand the use of HSAs. The Health Savings Account Affordability Act (S. 2549) allows for the use of health savings accounts for the payment of high-deductible health insurance premiums.

Under current law, individuals can use their HSAs to pay for out-of-pocket expenses, but they are unable to use them to buy insurance. My legislation would allow small business owners across the nation to provide tax-free contributions to their employees that could be used to purchase health insurance that is affordable, flexible, and portable. This would help level the playing field for those who currently do not have access to employer healthcare plans, including the self-employed, unemployed, and workers for companies that don't offer health insurance.

Americans should be able to take their health insurance with them when they change jobs, move, become self-employed, or leave the labor force. Americans should not have to worry about changing doctors, learning a new insurance bureaucracy, having their premiums go up if a family member is sick, losing their insurance tax advantage when leaving employment-based plans, or being subject to more costly mandates. The lack of portability can lead to "job lock" in which workers are hesitant to leave their job if anyone in the family is in less-than perfect health.

Since I came to Congress, I have fought against any move to a government-run healthcare system as a means to solving our healthcare woes. I am especially opposed to making millions of small business employees dependent on the federal government for their healthcare. According to a proposal (S.637) sponsored by U.S. Senator Dick Durbin (D-Illinois), small businesses could pool together as part of a government-run healthcare program to offer health coverage to their employees. The program, which is estimated to cost \$73 billion over the next 10 years, would be paid for by American taxpayers through subsidies in the form of tax credits for employers.

Aside from the obvious problem that this would create an enormous tax increase for the American people, the Durbin proposal – if adopted – would eliminate competition in the healthcare market and prevent Americans from accessing the health benefits they truly need.

Proponents of the Durbin proposal argue that it would be similar to current health insurance program for federal employees. However, the proposed model is completely different from the federal employee program, which has a fixed pool that is known and can be properly rated. The pool envisioned by the Durbin bill is an open, voluntary pool that is completely unknown to the Office of Personnel Management, which would be required to regulate the program.

We need to stop relying on the federal government to answer our healthcare problems. It is through government regulations, price fixing and complex billing codes, that the federal government is controlling and undermining the delivery of healthcare in America.

One concept is Chairman Enzi's bipartisan proposal for Small Business Health Plans. This bill would allow small business owners to band together across state lines to purchase health insurance options for their employees.

A recent study found that the Enzi/Nelson proposal would reduce employer premiums by 12 percent and will reduce the number of uninsured Americans by 1 million.

These are important statistics and a good step in the right direction toward the goal of ensuring that every American has a personal health insurance policy.

The Durbin proposal undermines that goal by turning healthcare decisions over to Washington bureaucrats, instead of allowing American consumers to select the plan that best fits their needs.

But while the Enzi/Nelson bill would reduce the uninsured by 1 million, we need to look beyond small business solutions to address the other 44 million uninsured.

Last year, I introduced the Health Care Choice Act, a bill that would help Americans afford health insurance by allowing individuals to shop for health insurance the same way they do for other insurance products – online, by mail, over the phone, or in consultation with an insurance agent in their hometown. The Health Care Choice Act empowers consumers by giving them the ability to purchase an affordable health insurance policy with a range of options.

Consumers would no longer be limited to picking only those policies that meet their state's regulations and mandated benefits. Instead, they would be able to examine the wide array of insurance policies qualified in one state and offered for sale in multiple states.

Consumers should be able to choose a policy that best suits their needs, and their budget, without regard to state boundaries. The Health Care Choice Act would allow individuals looking for basic health insurance coverage to choose a low-cost policy with few benefit mandates. On the other hand, consumers with an interest in a particular benefit, such as infertility treatments, would be able to purchase a policy which includes that benefit.

The Health Care Choice Act would help the uninsured find affordable health insurance, while providing Americans with more and better health insurance choices. This concept harnesses the power of the marketplace to allow Americans to tailor their insurance choices to their individual needs.

For nearly 15 years, Congress has been debating health insurance affordability. The time has come for the Senate to *pass* reforms that work to the overall goal of reducing the uninsured. The time to act is NOW.

Thank you.

