



Committee On Finance

Max Baucus, Ranking Member

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**Opening Statement of U.S. Senator Max Baucus (D-Mont.)
Health Care Coverage for Small Businesses: Challenges and Opportunities
Hearing Before the Senate Finance Committee**

Today we discuss ideas to address the health insurance crisis facing small businesses. And as we do, we will see that what Lord Tennyson wrote of men and women is equally true of people covered by insurance. He wrote: "They rise or sink together."

America has a unique, fragmented system of health coverage. America is the only industrialized country without universal health insurance. Most Americans get their health insurance through their work.

Our employment-based system is a relic of World War II. Wartime wage controls prevented employers from competing for new workers by raising salaries. So instead, employers competed for workers by offering health insurance. For 60 years since, employer-based insurance has dominated America's health coverage.

But now, the employer-based system is struggling. Today, only 60 percent of workers are offered coverage by their employers. That's down from 68 percent, just 5 years ago. And like Medicare and Medicaid, the employer-based health system is struggling under rising health costs and an aging America.

This is particularly true of small employers. Administrative costs are a greater burden for small businesses than for big business. Small employers run a greater risk of being priced out of affordable coverage when even one worker falls ill. In Montana, only about 40 percent of the smallest businesses are able to offer coverage to their workers. These small businesses simply don't have the wherewithal to insure their employees as large corporations do.

At some point, God willing, we as a society will deal with health care costs and the uninsured. We spend twice what many industrialized countries do on health care. And yet our outcomes are worse. And 1 in 6 Americans have no health insurance. Our system simply cannot hold out in its current form over the long haul. I suspect we'll have to make significant changes.

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The current system is unfair and inefficient. And it is hobbling American competitiveness. American companies face a competitive disadvantage relative to firms whose governments insure their employees. Moreover, America suffers lost productivity when workers miss days because they are sick.

So what do we do about these problems?

Creating a new national pool for small employers like the Federal Employees' Health Benefit Plan sounds like a good place to start. It would provide a big pool for spreading risk among lots of small businesses and the self-employed. It would get more of us in one pool, together. If it's good enough for Members of Congress, it ought to be good enough for small businesses. It is a privately-run system that benefits from free-market forces to encourage better value for enrollees.

Tax credits or other subsidies are also important. Pooling can lower administrative costs and improve the quality of coverage small businesses can buy. But that may not lower costs enough to make coverage affordable. Studies have shown some small businesses would need a dramatic reduction in costs to join.

Targeting subsidies to help the neediest families also seems like a good idea. Nearly a quarter of the uninsured are in families making less than \$25,000 a year. Why not help those most in need first?

Another good place to start would be not making the problem worse. In other words, we should "first, do no harm." Unfortunately, some of the bills before us in the Congress may well do more harm than good.

As we consider reforms, we must let the rising tide lift all boats. Insurers should not be allowed to "cherry pick" out the health and leave the less healthy, older workers behind. We must ensure that any final proposal does not undermine protections for consumers and states' ability to oversee insurers.

Finally, I am concerned that many proposals — like health savings accounts — follows the "ownership society" model of putting more risk on individuals to solve society's problems. The idea is that society will benefit if we only give individuals more stake in their future.

To a large extent, I agree with this philosophy. I am a free trader, and I believe in the ethic of individualism. The invisible hand can produce remarkable results.

But I'm not sure the individualist ethic can be cleanly extended to health insurance. The nature of health insurance is shared risk. We all pay into the pool. And we benefit from that pool when we need help. I am concerned that the AHP concept generally — like health savings accounts — will lead to the healthiest individuals leaving that pool. And I am concerned that this phenomenon will leave the sicker, older, and least-able to pay behind.

In the end, what Tennyson said was good insurance policy: We "rise or sink together." Let us seek a solution for small business health care needs that does not simply move the healthy out of the pool. Let us find ways to aid small business that do not sink the sicker and the older among us. And let us all try to rise together.