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Opening Statement of Sen. Chuck Grassley
Hearing, “Small Business Health Insurance: Building a Gateway to Coverage”
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As we all know, health care reform has been elusive over the past two decades. That is, neither Congress nor the sitting President has been able to agree on ways to improve our health care system. It is imperative that Congress gets serious, puts partisan politics aside, and reforms our health care system today, not tomorrow. But, unfortunately, it’s the same old song. That song is that the status quo is working and Congress doesn’t need to act until there is a crisis.

We hear this when we talk about reforming Social Security and Medicare. Whether you agree or disagree with these points, the numbers speak for themselves. The Census Bureau recently reported that 47 million Americans are uninsured – up from nearly 45 million in 2005 and approximately 38 million in 2000. The percentage of employers offering health coverage to their employees has declined from about 68% in 2000 to about 60% today. Health insurance premiums continue to grow at a rate that is approximately two times the rate of inflation and the growth of workers’ earnings. So what we are seeing is that health insurance is becoming more expensive and less affordable. Employers are dropping coverage. And as a consequence -- since 2000 -- a total of almost 9 million more Americans are now uninsured.

The problem of the uninsured is most acute among small business. On average, about two in five small businesses do not offer health insurance. This means that a substantial percentage of small business employees are without employer-provided health coverage. And those small business employees that are forced to purchase insurance on the individual market find it expensive. As a result, they often can’t afford health coverage. In the end, the small business employee -- and often times his or her spouse and dependents -- are not covered by health insurance.

So how can we address this problem without disrupting the coverage most people have through their employer? One way to improve our current health care system is by changing the tax treatment of health insurance. There is consensus among Republicans and Democrats that Congress should level the playing field. This can be done by addressing the tax inequities between taxpayers who receive health coverage through their employer and those workers who do not receive employer-provided coverage or folks who are not employed.

For those taxpayers who receive employer-provided coverage, the current exclusion for such health

coverage is regressive. That is, low-income workers with no tax liability get no benefit from the exclusion, and the exclusion is more valuable to taxpayers in higher tax brackets as compared to lower- to middle-income workers. There are sound policy reasons for change. Congress could also use the revenue to pay for tax preferences for health insurance that may be targeted to low-income workers. Congress must tread lightly, however. Changes in the tax treatment of health insurance must be done in a way that does not disrupt the current employer-based system.

Another way to make coverage more accessible is to create a competitive marketplace through which employees and individuals can buy affordable health care coverage. Such a competitive marketplace could be created through the establishment of what some states call an exchange and what Massachusetts calls a “connector.” Chairman Baucus and I like to call such a mechanism a “gateway.” A gateway could serve as a clearinghouse through which insurance companies would offer health insurance policies to employees and individuals. The gateway could take the form of a website or a structured organization offering one-stop shopping that which would allow employees and individuals to easily compare various health insurance options.

The Massachusetts Health Connector performs some of these functions -- it allows one-stop shopping for employers offering coverage and individuals can get their coverage through the Connector as well. I look forward to hearing from our witnesses just how useful the Massachusetts Connector has been -- and how useful it is expected to be. I also look forward to hearing from our witnesses about other efforts states have made to improve access to health insurance for small employers and their employees.

I want to take a step back and explain to my colleagues that broader, more systematic health care reform could dramatically change our health care system. I support broader health care reform and have recently joined Senator Wyden to work toward innovative solutions that can work. But we must recognize that substantial reforms may take years to negotiate and years to implement. Therefore, incremental health care reform is a logical and realistic first step that could be made while a broader health care reform package is debated. Such an incremental reform approach can begin in the small business context. There is a way to apply health care reform principles to small businesses. These incremental reforms could be implemented without disrupting the current employer-based system. Congress can learn from the incremental changes and then build on them in the future. But most importantly, Congress can provide much-needed relief to small businesses by expanding access to affordable health insurance for employees of small businesses. This needs to be done today, not tomorrow.