

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE
NATIONAL FEDERATION OF INDEPENDENT BUSINESS

NFIB
The Voice of Small Business.®

Testimony of

Ms. Holly Wade,
Director of Research and Policy Analysis

before the

Senate Finance Committee

on the subject of

The Affordable Care Act at Five Years

on the date of

March 19, 2015

Good morning Chairman Hatch, Ranking Member Wyden and members of the Senate Finance Committee. Thank you for the opportunity to testify today on “The Affordable Care Act at Five Years”.

The NFIB Research Foundation recently published the second of a three-part health insurance longitudinal survey titled, “Small Business’s Introduction to the Affordable Care Act Part II”. The objective of the three surveys is to measure the impact of the Affordable Care Act (ACA) on small business owners and the small group health insurance market. The following are a few highlights from the survey.

The cost of health insurance is the most critical issue facing small business owners. It is the main reason owners do not offer employer-sponsored health insurance and the main reason owners discontinue providing the benefit. And for those offering, many owners annually confront the arduous task of adjusting profit expectations, insurance plans, cost-sharing and other mechanisms to help absorb often erratic changes in total premium costs.

Unfortunately, the ACA does little to alleviate these problems five years into its implementation, and in most cases contributes to the ongoing frustrations small employers face in offering health insurance.

The survey found that the ACA exacerbates market turmoil evidenced by large numbers of policy cancellations, shifting renewal dates to obtain better rates, changes in employer cost-sharing, and adoption of different, though not necessarily more desirable, health insurance plans.

Small business owners have also encountered repeated delays and confusion over major components of the law including the SHOP exchange marketplaces, the small business health insurance tax credit, the employer mandate and financial reimbursement options.

All of the above are generating an uncertain and costly environment for many small business owners navigating health insurance options for themselves and their employees.

Two of the ACA’s hallmark small business provisions, the SHOP exchange marketplaces and small business health insurance tax credit were established to provide cost relief and to offer a transparent, competitive marketplace for employers purchasing in the small group market. Unfortunately, both have provided little relief for those offering, or an incentive to offer, for those who do not.

Currently, only a few states have fully operational SHOP exchange marketplaces and for those states that do, they are finding little interest among small employers or their insurance agents. Small employers typically find no reason to visit the websites. Just 13 percent of small employers visited the HealthCare.gov website to look for individual insurance, 4 percent for business insurance and 8 percent for both.

The small business health insurance tax credit is a targeted approach to help curb health insurance costs for offering small employers and was intended to provide an incentive for those that do not, to start offering. However, the tax credit was largely ineffective on both fronts as its design is exceedingly restrictive, complicated, and only offers temporary relief to a larger small business cost problem. The tax credit now serves as a windfall for the few who qualify and take the time, or pay an accountant, to file for it.

While most small employers believe they are generally familiar with the healthcare law, many are still discovering new ways in which law impacts them. For instance, the law prohibits employers from reimbursing or otherwise providing financial support to employees in order to help them pay for individually purchased insurance plans. However, our survey found that about 18 percent of small employers offered this benefit last year and are now in violation of the law. NFIB continues to receive calls from owners, generally after having talked to their CPA or insurance agent, confused about the new rules prohibiting the practice and the subsequent harsh penalties.

In conclusion, the ACA's potential benefits for small employers have not materialized five years into enactment. Instead, the small employer experience more often consists of increased levels of uncertainty and frustration related to changes in the small group health insurance market and rules associated with the employer mandate.

Thank you for the opportunity to summarize the findings of our survey. I look forward to answering any questions you might have.