



July 27, 2009

The Honorable Stephanie Herseth Sandlin
Blue Dog Co-Chair for Administration
331 CHOB
US House of Representatives
Washington, DC 20515

The Honorable Charlie Melancon
Blue Dog Co-Chair for Communications
404 CHOB
US House of Representatives
Washington, DC 20515

The Honorable Baron Hill
Blue Dog Co-Chair for Policy
223 CHOB
US House of Representatives
Washington, DC 20515

The Honorable Heath Schuler
Blue Dog Whip
512 CHOB
US House of Representatives
Washington, DC 20515

Dear Reps. Herseth Sandlin, Hill, Melancon, and Shuler:

On behalf of the National Small Business Association (NSBA), I would like to extend our appreciation to you and your colleagues in The Blue Dog Coalition for remaining committed to amending the *America's Affordable Health Choices Act of 2009* (H.R. 3200) to benefit the nation's small businesses, their employees and their families.

NSBA is the nation's oldest small-business advocacy group representing employers in every state. As an organization, we represent all sectors and industries of the U.S. economy from retail to trade to technology—our members are as diverse as the economy which they fuel. More than one in two people in the U.S. private workforce—70 million—work for or run a small business, according to data from the U.S. Small Business Administration Office of Advocacy and U.S. Census Bureau. Small business comprises 99.7 of all U.S. private employers, or 26.8 million businesses, and creates more than half of U.S. gross domestic product. Without the necessary reforms, H.R. 3200 could prove to be worse than the status quo and detrimental to small businesses.

The fundamental barrier for small business is simply the cost of health care. The cost of health insurance premiums has increased by 119 percent since 2001, far-outpacing inflation, which was increased 29 percent during that period. According to a recent NSBA survey, 97 percent of small businesses were subject to increased premiums since 2005. The impact from the rising costs resulted in 57.9 percent of employer respondents freezing employee compensation, 38.6 percent holding off on new hires, and 12.1 percent laying off an employee. In addition, survey results indicate that 51.6 percent of employer respondents are considering increasing employee's contributions, while 11.1 percent are considering dropping coverage.

H.R. 3200 does not do enough to reduce and contain the health care costs that plague our current health care system. Congressional Budget Office (CBO) Director Douglas Elmendorf recently noted that "in the legislation that has been reported we [CBO] do not see the sort of fundamental changes that would be necessary to reduce the trajectory of federal health spending by a significant amount. And on the contrary, the legislation significantly expands the federal

responsibility for health care costs.” Clearly more must be done to bend the health care costs curve so that small businesses can benefit from health care reform.

NSBA members consistently rank health care reform number one or number two on the list of priorities for small-business owners, and the issue continues to be among the top challenges facing the future growth and survival of their businesses. Sixty-nine percent of small businesses surveyed in 2008 said they want to offer health insurance, however only 38 percent were able to do so—down from 67 percent in 1995. The ability to offer health insurance is creating a significant competitive disadvantage for small firms, as 99 percent of large businesses offered health insurance in 2008.

While small business struggle with the current economy and rising health care costs, it is incomprehensible that Congress would mandate employers to provide health insurance at the levels specified in H.R. 3200. NSBA has been engaged in the challenges facing small businesses for decades, and in 2003 published *Small Business Health Care Reform—A Long-Term Solution for All*. This broad reform proposal of the health care system seeks to achieve universal coverage, focus on individual responsibility and empowerment, the creation of the right market-based incentives, and a relentless focus on improving quality while driving out unnecessary, wasteful, and harmful care. Positive reforms to address cost, quality and access can be achieved without mandating business to provide something that they currently can not afford. NSBA has significant concerns with the employer mandates, including the percentage contribution levels required to meet “acceptable health coverage” and whether the Health Benefits Advisory Council will truly define a basic benefit package.

Your efforts to fully ascertain the impact H.R. 3200 will have on small businesses, their employees and their families before hastily moving the legislation along must be commended. Our nation’s health care system is extremely complex. Simply changing the health care system without regard to ensuring that the changes provide meaningful and appropriate reforms is unsound. There are several provisions in H.R. 3200 that make major structural changes to our nation’s health care system and a complete understanding of their repercussions must be fully understood. Reforming the health care system is a goal we all share; however, let’s make sure we get it right the first time. I look forward to working with you to address the provisions that will allow small business to thrive and lead our country out of the current recession.

Thank you for your hard work on behalf of our nation’s small businesses. Ideally, with your help, we can achieve success on health care reform that will provide quality, affordable care to all Americans. Please contact me with any questions, or if we can be of assistance in any way.

Sincerely,



Todd O. McCracken
President

Cc:
Blue Dog Coalition Members