



September 29, 2009

The Honorable Harry Reid  
Majority Leader  
US Senate  
522 Hart Senate Office Building  
Washington, DC 20510

The Honorable Nancy Pelosi  
Speaker  
US House of Representatives  
H-232 US Capitol  
Washington, DC 20515

Dear Senator Reid and Madam Speaker Pelosi:

On behalf of the National Small Business Association (NSBA), I am writing to emphasize the need for legislative language identifying small-business representation and consultation on an anticipated independent commission or health benefits advisory council created under pending comprehensive health care reform legislation. These councils or commissions would recommend and develop an essential benefits package or minimum credible coverage package sold to small-business owners, their employees and their dependents; thus, it is imperative that small businesses have an ongoing role in this regulatory process and subsequent deliberations.

NSBA is the nation's oldest small-business advocacy group representing employers in every state. As a strictly non-partisan organization, we represent over 150,000 employers in 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. We pride ourselves on being a constructive voice in the public policy arena, and we look forward to continuing that tradition to achieve comprehensive health care reform this year for our nation's 29.6 million small businesses.

Health care reform has dominated the member-driven legislative priority agenda at NSBA for years. For this reason, NSBA has been engaged in health care policy for decades, and in 2004 published *Small Business Health Care Reform—A Long-Term Solution for All*. This proposal for broad reform 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. NSBA has been persistent in outlining these goals over the years, and particularly over the last several months as members of Congress have considered their proposals.

While many of the health care reform proposals currently before Congress incorporate elements of NSBA's policy, more work is needed to meet the needs of our nation's small business owners, their employees, and their dependents. Central to these needs is the affordability of health insurance. In a September 2009 survey by NSBA, 92 percent of small-business owners are planning for an increase in their premiums in the coming year. While the

average expected increase is 13 percent, one-fifth anticipates premium increases of more than 20 percent next year.

There are nearly 40 million Americans who work for small businesses that employ fewer than 50 employees. The importance of entrepreneurship to our nation's economy can not be lost amidst the deliberations on health care reform. The economic imperative for immediate health care cost containment has frequently been cited as a motivating force for health care reform; however, the premise of reforming the health care system as a catalyst to economic recovery and long-term economic stability largely relies on the implications that the health care reforms will have on small business. Since 1989, small business has created 93.5 percent of all net new jobs, totaling 21.9 million new jobs in the past 20 years—or 4,000 jobs per day. The U.S. Small Business Administration Office of Advocacy recently noted that small businesses account for half of non-farm, private real GDP and half of all private sector employment. Furthermore, small businesses have historically been responsible for creating jobs and leading our country out of recessions.

Any reforms to the U.S. health care system must give significant consideration to their impact on small businesses. Approximately half of new employer firms survive only five years. In 2008, an estimated 627,200 new employer firms began operations and 595,600 firms closed. Coupling the volatile nature of starting and running a small business with the soaring cost of health insurance creates a delicate balance for comprehensive health care reform from a small business perspective. If these economic and health care goals are to converge in a meaningful way, there must be careful consideration given to the impact to our nation's small businesses.

Many proposals before Congress seek to address these issues; however, Congress can do more by including legislative language identifying small-business representation and consultation on an anticipated independent commission or health benefits advisory council created under pending comprehensive health care reform legislation. Small business plays an integral role in our nation's economy and in the lives of so many people. It would be untenable to implement policies with the tremendous impact that health care reform will have on small business without small business present during the regulatory process.

According to the Commonwealth Fund, over 29 million individuals without health insurance work for small businesses. Since a goal of comprehensive health care reform is universal coverage, including the enrollment of the uninsured working for small businesses, NSBA strongly encourages legislative language that specifically identifies small business representation and consultation on any panels that have jurisdiction over policy and regulatory development impacting small businesses. National and state-based small business membership associations serve as direct conduits to small business owners, their employees, and their dependents. These associations can be consulted on a national and state level to ascertain the impact of various policies on small business.

In particular, NSBA is pleased that Senate Finance Committee Chairman Baucus's mark-up document contains language that requires small business consultation in the development of the national health care plans. In addition, though there is a lack of clarity absent legislative language, NSBA can deduce that Small Business Health Option Program (SHOP) exchanges

included in the Chairman's mark will follow the small business representation model outlined in the stand-alone SHOP Act of 2009 (S. 979). In any proposal that is advanced, NSBA feels it is imperative to specifically include legislative language giving small business stakeholders a voice at the table. In addition – and following this logic – NSBA strongly believes legislative language requiring an ongoing actuarial cost-benefit analysis is necessary to gather the essential information to ascertain the impact these reforms have on small business.

NSBA appreciates the opportunity to provide a small-business perspective to the pending health care reform legislation in the House of Representatives and the Senate. We hope to continue to work with you and your staff on these issues as they are considered and negotiated in the coming days and weeks. Please do not hesitate to contact me or my staff to provide additional information or insight into the health care challenges faced by our nation's small businesses.

Sincerely,



Todd O. McCracken  
President

Cc:

The Honorable Mitch McConnell, US Senate Minority Leader  
The Honorable Richard Durbin, US Senate Majority Whip  
The Honorable Jon Kyle, US Senate Minority Whip  
The Honorable John Boehner, House Minority Leader  
The Honorable Steny Hoyer, House Majority Leader  
The Honorable Eric Cantor, House Minority Whip  
The Honorable Max Baucus, Chairman, Senate Finance Committee  
The Honorable Charles Grassley, Ranking Member, Senate Finance Committee  
The Honorable Tom Harkin, Chairman, Senate Health, Education, Labor, and Pensions Committee  
The Honorable Mike Enzi, Ranking Member, Senate Health, Education, Labor, and Pensions Committee  
The Honorable Charles Rangel, Chairman, House Ways and Means Committee  
The Honorable Dave Camp, Ranking Member, House Ways and Means Committee  
The Honorable Henry Waxman, Chairman, House Energy and Commerce Committee  
The Honorable Joe Barton, Ranking Member, House Energy and Commerce Committee  
The Honorable George Miller, Chairman, House Education and Labor Committee  
The Honorable John Kline, Ranking Member, House Education and Labor Committee