



May 31, 2011

The Honorable Marsha Blackburn
217 Cannon House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Blackburn:

On behalf of the National Small Business Association (NSBA), the nation's oldest nonpartisan small business advocacy group reaching more than 150,000 small businesses nationwide, I am writing in opposition to the *Health Care Choice Act* (H.R. 371).

NSBA opposes H.R. 371 because across state line purchase of health insurance is not a panacea for controlling health care costs. In fact, while the healthy and young could enjoy lowered health care costs, many small businesses, their employees, and their families would be negatively impacted by insurance market reforms that allowed insurers to sell insurance across state lines.

First, it must be noted that NSBA opposed the *Patient Protection and Affordable Care Act* [PPACA, P.L. 111-148], as amended by the *Health Care and Education Reconciliation Act of 2010* [HCERA, P.L. 111-152]. The recent health care law places extraordinary new pressures on small businesses to both offer and pay for employee health insurance, starting in the earliest stages of reform. However, the provider-level reforms that could contain costs and enable small businesses to afford this commitment will not be fully effective for many years—if at all. We justifiably expect that small companies caught between these twin pressures will see their ability to grow, prosper, and create jobs greatly diminished.

Unfortunately, H.R. 371 does not provide an acceptable alternative to the new health care law. NSBA has been a long-time opponent of legislation that allows across state line sale of insurance without certain protections. In fact, NSBA has hired outside consultants to assess the impact of similar legislation in the past and found it would result in segmentation and destabilization of the small group market that would drive average premiums higher and cause fewer employers to be insured.

The insurance industry competes based largely upon each company's ability to attract better (healthier) participants. Under H.R. 371, insurers are likely to fall into that same pattern and build insurance programs that are unattractive to older and sicker populations. This risk selection would lead to a drastically segmented market, with the healthy

population gaining health care at a cheaper rate and the unhealthy population slowly watching their insurance premiums increase out of reach.

Many states have created laws and regulations to prevent medical underwriting, however not all have. This bill would enable health insurers to domicile in a state that allows this practice, and allow them to use that state's rules in the rest of the country. It is safe to assume that many insurers would domicile in states where medical underwriting is allowed – or rating rules are non-existent – thereby circumventing many state laws and opening the door to enormous levels of risk selection. For these reasons, NSBA opposes H.R. 371.

Nonetheless, we look forward to an opportunity to work with you to find real solutions to the unsustainable health insurance problems faced by small businesses. I appreciate the opportunity to provide NSBA's insights into H.R. 371 and welcome any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd O. McCracken". The signature is stylized and includes a horizontal line extending to the right.

Todd O. McCracken
President

Cc:

House Education and Workforce Committee Chairman Fred Upton
House Education and Workforce Committee Ranking Member Henry Waxman