



May 25, 2011

The Honorable Jon Kyl  
730 Hart Senate Office Building  
U.S. Senate  
Washington, D.C. 20510

Dear Senator Kyl,

On behalf of the National Small Business Association (NSBA), I am writing in support of S. 1049 – legislation you introduced to repeal the annual fee on health insurance providers enacted by 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 annual fee, or tax, on health insurers was included in PPACA as a revenue raising provision that provides over \$87 billion to fund other spending provisions. Unfortunately, while the tax may have been politically expedient for proponents of the bill at the time the bill was passed, it actually runs contrary to the original impetus to reform the health care system, namely to lower the costs of health care and health insurance.

According to the Congressional Budget Office (CBO), the annual tax on health insurers “would ultimately raise insurance premiums” for individuals and families in the fully-insured market; that is, primarily small businesses, their employees, and their families. CBO asserts that the tax on insurers, which starts in 2014, will simply be passed down to consumers in the fully-insured market in the form of higher premiums.

Small businesses, their employees, and their families already pay more for less in health insurance than others. The annual tax on health insurers will only worsen the health insurance problems small businesses have faced for years. Former CBO Director Douglas Holtz-Eakin noted in a recent study that the anticipated impact is as much as three percent or nearly \$5,000 per family over a decade. NSBA opposed this provision throughout the health care reform deliberations.

Small businesses number one priority in health care reform was to reduce the costs of health insurance. S. 1049 would correct the misguided effort to raise revenue by levying a tax on health insurers by simply repealing the provision from PPACA. NSBA fully supports efforts to lower the costs of health insurance for their employees and families and thus supports S. 1049.

NSBA is the nation's oldest small-business advocacy group representing employers in every state. As a strictly non-partisan organization, we reach more than 150,000 small businesses representing 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.

NSBA's members have continually voted health care reform among the top one or two priorities for the Association for the last decade. In response, NSBA has advocated for a broad reform proposal developed in 2003 that seeks to: achieve universal coverage; focus on individual responsibility and empowerment; create the right market-based incentives; and focus on improving quality while driving out unnecessary, wasteful, and harmful care.

Regardless of the health care reform law, small businesses continue to report dire consequences of rising insurance costs. The annual tax on health insurers only serves to exacerbate this trend. According to NSBA's 2010 Year-End Economic Report, when asked how the cost of their health insurance had changed since the law passed, 46 percent reported increases of more than 11 percent, among those, 18 percent experienced an increase in excess of 20 percent. To address these costs, small businesses have been forced to increase deductibles, hold off on employee compensation increases, increase employee's share of the premium, reduce employee benefits, hold off on hiring new employees, or foregoing investing in growth strategies.

Thank you for your efforts to lower the cost of health care for small businesses, their employees, and their families. NSBA enthusiastically supports the S. 1049, and we look forward to working with you to achieve its passage.

Sincerely,



Todd O. McCracken  
President