



*Small business owners. Small business values.*

Wednesday, March 8, 2017

Chairwoman Virginia Foxx  
2262 Rayburn House Office Building  
Washington, DC 20515

Ranking Member Bobby Scott  
1201 Longworth House Office Building  
Washington, DC 20515

Dear Chairwoman Foxx, Ranking Member Scott, and Members of the House Education and Workforce Committee:

On behalf of the Main Street Alliance, I write to express opposition to the “Small Business Health Fairness Act” (H.R. 1101). The Main Street Alliance is a national network of small business owners across the country. Access to affordable, high-quality health coverage has been a core concern for small businesses for years, and slowing the skyrocketing rate increases continues to be a top priority for our membership. Unfortunately, the proposed legislation would erode important gains in premium stabilization while causing our business owners to assume unnecessary financial risks.

As you may know, prior to the Affordable Care Act (ACA) small business owners paid substantially more on average for health coverage and received fewer comprehensive benefits than larger companies. They also experienced broad unpredictability in costs, with premiums varying wildly from year to year. One employee’s expensive illness could cause the insurance rates for the whole firm to spike in subsequent years.

Critical market reforms instituted through the ACA addressed many of these concerns. Insurance companies in the individual and small-group market—including association health plans—can no longer charge small firms higher premiums based on their business sector, an employee’s health status, age, or gender. Nor can they offer sub-par plans that exclude essential services, such as maternity care or pediatric care. Instead, they must now base their pricing on the cost of covering *all* individuals in the market, not just one firm. **Participating in this larger risk pool means that small business owners, like their larger counterparts, are no longer vulnerable to sharp swings in their rates based on the health of a few employees. It also means that they can expect a basic quality assurance with any health plan they select.**

**H.R. 1101 would undermine these protections by allowing small employer groups and individuals to join together to obtain health insurance through an unregulated association health plan (AHP).** These plans would be exempt from the ACA reforms identified above, along with any state laws. This would allow them to “cherry pick” good risk through the design of the benefit package or choice of service area. AHPs could also have limited risk simply due to the types of businesses that belong to the association. While AHPs may save money in the short-term by avoiding costs of consumer protections, enrollees would receive less robust coverage and may be left without important protections right when they need them the most.

**Furthermore, the bill would destabilize the small group and individual market by exacerbating adverse selection, driving up costs for the most vulnerable enrollees.** Under the proposed legislation, AHPs would compete with other small group and individual market plans. The proposed legislation would allow employers with younger, healthier workforces to withdraw their employees from a state's small group market, thus leaving behind small businesses with older and sicker employees. While the rates may drop for those businesses that belong to associations, which offer health coverage, premiums will increase for the remaining. This adverse selection would make it harder for higher-cost individuals or groups to obtain coverage.

**Finally, the proposed legislation could expose employers and employees to financial ruin.** The proposed legislation would allow certain AHPs to self-insure and accept insurance risk. Because of the current regulatory void, AHPs are not subject to state solvency requirements that are in place to ensure insurance companies have sufficient resources to avoid financial failure. As with unregulated multiple employer welfare arrangements, AHPs could experience bankruptcies-- leaving millions of small employers and workers without health coverage due to insolvencies.

In short, H.R. 1101 would result in higher premiums and poorer coverage for the most vulnerable small business owners, would destabilize the small group market, and would lead small business owners and employees to assume unnecessary financial risks. The Main Street Alliance strongly urges you to oppose the legislation.

Please feel free to contact Michelle Sternthal, Policy Director for the Main Street Alliance, with any questions at [michelle@mainstreetalliance.org](mailto:michelle@mainstreetalliance.org) or 202-263-4529.

Sincerely,



Amanda Ballantyne  
National Director  
Main Street Alliance