



November 4, 2009

U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative:

The National Association for the Self-Employed (NASE) and our 250,000 member businesses strongly support reforming our current health care system. Continually escalating health insurance costs, along with our struggling economy, have put the squeeze on our nation's over 22 million self-employed. It is imperative that health reform address their needs, and affordability is at the top of their list. The NASE is concerned that there are limited provisions in the Affordable Health Care for America Act (H.R. 3962) that would provide the self-employed and micro-businesses with the immediate relief from high health costs that is critical to their survival.

According to NASE's June 2008 study, *Health Coverage: A Micro-Business Perspective*, one-third of self-employed individuals are currently uninsured, with cost being the primary reason for their lack of insurance. Furthermore, we found that 71 percent of self-employed individuals had gone uninsured at some point in their lives. We also saw a massive drop in employer-sponsored coverage amongst micro-businesses, those businesses with fewer than ten employees. In 2008 only 18.6 percent offered health insurance to their employees, down from 46.2 percent in 2005. The primary reason for dropping group health coverage was again, cost.

We strongly support the individual and small employer tax credit, the national Exchange and the market reforms such as prohibiting insurance rating based on health status or pre-existing conditions that have been included in H.R. 3962. However, the NASE fears that new benefit requirements coupled with minimal cost relief provisions in the Affordable Health Care for America Act could leave micro-businesses and the self-employed paying more for health insurance after reform than they are currently.

According to the Congressional Budget Office (CBO), the average premium that citizens would pay based on the three lowest-cost plans under the House bill would be \$5,300 for an individual (single) policy and \$15,000 for a family policy, which is greater than what a number of NASE members are currently paying for health coverage. While we feel it is important that self-employed business owners have access to meaningful health coverage, if Congress is going to mandate that all Americans purchase insurance, they must also ensure that coverage is affordable.

We urge Congress to consider including the following provisions, which would provide the self-employed and their workers with immediate relief from high health costs.

- **Creation of a temporary health tax credit to be available from 2010-2012.** The tax credits in H.R. 3962 are the only quantifiable item in the bill that would benefit the bottom line of micro-businesses. Yet, this critical tax credit does not begin until 2013, leaving the self-employed to

grapple with high health costs for another three years. While we understand the goal is to incentivize the new Exchange, we feel it is imperative to provide micro-businesses, the self-employed and their workers with premium assistance now. We support the creation of a temporary refundable and advanceable health tax credit of \$1,000 for individuals, \$2,000 for married couples, and \$500 per dependent up to \$3,000 per family, available to those making below 400 percent of the federal poverty level. The credit would be available from 2010 through 2012 to assist in lowering health costs, and would end in 2013 once the Exchange and tax credit mechanism set forth in H.R. 3962 is operational.

*Estimated bottom line cost savings to the self-employed: \$1,000 - \$3,000*

- **Make tax treatment of health care fair for all employers.** Sole proprietors, which represent over 22 million of our nation's smallest businesses, are the only business entity that does not receive a full deduction for health insurance costs. This inequity results in the self-employed paying 15.3 percent in additional taxes and must be fixed. We urge Congress to incorporate the Equity for Our Nation's Self-Employed Act (H.R. 1470) into the larger health reform bill to level the playing field and lower health costs for the self-employed.

*Estimated bottom line cost savings to the self-employed: \$738 for individual coverage and \$2,046 for family coverage, based on Kaiser Family Foundation's 2009 average costs of family and individual coverage in the United States.*

- **Expansion of Health Reimbursement Arrangements (HRAs).** HRAs are a flexible benefit option that allows small business owners to reimburse employees tax free for out-of-pocket medical costs, including health insurance premiums. A key benefit of an HRA is that they do not require the business owner to purchase a group health plan. Thus, setting up an HRA can offer some financial assistance to employees of micro-businesses that are unable to afford group health insurance. Additionally, since cost is such a crucial factor for the self-employed, an HRA gives the owner consistency and stability in health benefit costs. At present, sole proprietors are not eligible to participate in a Health Reimbursement Arrangement; an inequity that negatively impacts millions of business owners and employees. Improving HRAs to allow the self-employed business owner to participate in the plan would increase the number owners and employees of micro-businesses receiving health benefits and financial assistance with medical costs. Why is this so important to health reform? Due to their size, micro-businesses will be exempt from the employer mandate included in health reform legislation. HRAs would be a great way for them to receive and provide to their employees some financial assistance for health care costs.

*Estimated bottom line cost savings to the self-employed: \$1,052 for individual coverage and \$2,073 for family coverage, based on Kaiser Family Foundation's finding of average annual employer contribution to HRAs in their 2009 Employee Health Benefits Survey.*

We know that Congress is facing tough decisions in this difficult budget climate when it comes to health reform. Yet, if America's self-employed and micro-businesses are expected to remain the backbone of our economy and lead us into economic recovery, they need a health reform plan that provides them with tangible, bottom line relief from high health costs.

We hope that you will continue to keep the special needs of the self-employed in mind, and we look forward to working with you on this most important matter. Should you have any questions or comments, please contact Kristie Arslan, Executive Director of NASE's Legislative Offices, at 202-466-2100 or via e-mail at [karslan@naseadmin.org](mailto:karslan@naseadmin.org).

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Hughes", with a long horizontal flourish extending to the right.

Robert Hughes  
NASE President