

September 17, 2015

The Honorable Orrin Hatch
Chairman
Finance Committee
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Ron Wyden
Ranking Member
Finance Committee
U.S. Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Lamar Alexander
Chairman, Committee on
Health, Education, Labor & Pensions
U.S. Senate
428 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Patty Murray
Ranking Member, Committee on
Health, Education, Labor & Pensions
U.S. Senate
428 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Committee Chairmen and Ranking Members:

The undersigned organizations write to encourage you to work together to pass bipartisan legislation in 2015 to provide small businesses relief from rising health costs and regulatory red tape.

Small businesses are the engines of the American economy, but soaring health costs are negatively impacting their ability to compete and offer affordable health coverage. From 2009 to 2014, premiums for small firms increased 25 percent. Additional premium increases, resulting from rising medical costs, benefit mandates and new Affordable Care Act (ACA) rules, are expected to continue unabated in the years ahead. In 2016 alone, we expect 10 to 20 percent increases on average. Many businesses will experience steeper rate increases.

We cannot allow this to persist. To provide much-needed relief, we strongly encourage you to support and move the following bills through the legislative process.

1. Protect and Preserve the Small Group Market

- Beginning in 2016, a technical provision in the ACA will change the definition of the small group market to include employers with up to 100 employees – an increase from the current definition of up to 50 employees. This change will force many companies, which have historically been defined as a "large group," into the "small group market." According to an Oliver Wyman analysis, premiums could increase by 18 percent as a result.
- We support the Protecting Affordable Coverage for Employees Act (S. 1099/H.R. 1624). This bipartisan, common-sense legislation would provide states with flexibility to increase the small group market from 50 to 100 if they choose, but remove the requirement that forces states to change the small group definition.

2. Allow Small Businesses to Continue to Offer HRAs for their Employees

- Many small business owners reimburse employees for medical care and services through Health Reimbursement Arrangements (HRAs). Beginning July 1, 2015, small businesses who do not offer a group health plan with the HRA will be fined \$100 per day, per employee. That totals \$36,500 per employee up to \$500,000 in total, or 18 times more than the \$2,000 employer mandate penalty for not providing any coverage. These small businesses are trying to help their workers, but the IRS rules say their effort is not good enough. As a result, these businesses will not offer any assistance, and employees will lose.
- We support the Small Business Healthcare Relief Act (S. 1697/H.R. 2911), which is bipartisan legislation that would allow small businesses to offer HRAs to employees for the payment of premiums or qualified medical expenses associated with insurance coverage without facing an outrageous fine.

3. Simplify Onerous and Time Consuming Reporting Requirements

- New regulations under the ACA require businesses to report to the IRS very detailed and specific information about the health insurance coverage offered to employees and any potential sources of other coverage, including information the employer may not possess or even need to access except for these onerous requirements. Small businesses simply do not have the resources and personnel to dedicate to these types of time-consuming compliance matters.
- We support the Commonsense Reporting Act of 2015 (S. 1996) and the Commonsense Reporting and Verification Act of 2015 (H.R. 2712), which are bipartisan bills that would reduce reporting burdens on small businesses by streamlining the process. The bills would create a voluntary prospective reporting system and simultaneously take steps to improve the privacy of individuals and families. Under this system, small employers could voluntarily report to the IRS pertinent information about their health plan offerings for the current year. A process would also be established for the appropriate agency to contact the employer should more specific employee information be required. In addition, the measures require a General Accountability Office (GAO) study on the functionality of the prospective reporting system, including the accuracy of information collected, the number of employers electing to report, and any challenges that have occurred.

Thank you in advance for your consideration of these bipartisan, responsible small business health care bills. We look forward to working with you to advance these vital bills, which will provide small businesses with important and necessary relief from rising health costs and bureaucratic red tape.

Sincerely,

American Hotel & Lodging Association
American Rental Association
American Supply Association
Associated Builders and Contractors
Auto Care Association

Communicating for America, Inc.
Council for Affordable Health Coverage
Healthcare Leadership Council
International Franchise Association
National Association of Home Builders
National Association of Manufacturers
National Association for the Self-Employed
National Association of Wholesaler-Distributors
National Club Association
National Federation of Independent Businesses
National Restaurant Association
National Retail Federation
Retail Industry Leaders Association
Small Business & Entrepreneurship Council
Society of American Florists
The Latino Coalition

Cc: The Honorable Mitch McConnell
The Honorable Harry Reid
Members of the Senate Finance Committee
Members of the Senate HELP Committee