

The Agenda for America's Entrepreneurs: Healthcare



Small Business Majority has created a national and state policy agenda to ensure entrepreneurship is at the center of a thriving and inclusive economy. Healthcare is one of our seven topics of focus.

Over the past eight years, the Patient Protection and Affordable Care Act (ACA) has strengthened the small group market and more importantly, has provided healthcare to millions of small business owners, their employees and self-employed entrepreneurs. But, much more needs to be done to expand coverage and rein in costs.

Prior to the law's enactment, small businesses and their employees comprised a disproportionate share of the working uninsured, while those with coverage paid [18% more](#) on average

than larger companies. Since 2010, however, the increase in small business healthcare costs has been at the lowest level in years. Meanwhile, the number of uninsured small business employees (those working at firms with fewer than 50 workers) dropped by [more than four million](#) between 2013 and 2015 and their uninsured rate [fell from 27.4% to 19.6%](#). Additionally, [more than half](#) of all ACA marketplace enrollees are small business owners, self-employed or small business employees.

In short, we must (1) strengthen healthcare markets and (2) expand health coverage, while (3) simultaneously turning our attention to reducing drug prices and containing other inefficient underlying costs in the system.

We must also do everything we can to convince our federal appellate courts that the recent district court decision supposedly invalidating the ACA is not only recklessly unconstitutional, but threatens grave harm to our nation's 60 million small business owners, their employees and independent entrepreneurs. (See our [amicus brief](#) filed in the *Texas v. U.S. district court* case.) Other policy solutions follow.

Improve market stability. Strong individual and small group healthcare marketplaces are vitally important to America's entrepreneurs. In particular a robust, competitive individual marketplace is essential for owners and employees of small businesses that aren't able to offer group coverage, and for self-employed individuals who have no options in the small group market. What's more, a robust marketplace reduces job lock, allowing workers who previously felt tied to their job by their large employer-benefits package to strike out on their own entrepreneurial path or join thriving small businesses. Specific policy solutions to stabilize and strengthen the marketplaces include the following:

- Block the extension of short-term, limited duration insurance plans. These plans are intended to fill gaps in an individual's coverage in the event of job loss or other life changes, but are not required to cover essential health benefits like prescription coverage or mental health treatment and can come with hefty deductibles. Leaving them in place will cause younger and healthier people to leave the marketplaces and create an unbalanced risk pool that raises costs for everyone else remaining in the individual marketplaces.
- Oppose efforts to implement association health plans (AHPs), which would encourage younger, healthier groups to purchase inadequate coverage, thus increasing costs for most of the small group market and potentially cause a market death spiral. At the state level, we recommend highly regulating AHPs by preventing self-employed individuals from accessing the small group marketplace for the purpose of joining an association health plan, as was done last year in

California with [SB 1375](#). This will allow states to maintain a healthy risk pool and a stable, competitive individual market that helps keep premiums low.

- Guarantee payments to insurers for cost-sharing subsidies, which will help many entrepreneurs and small business employees afford health coverage. This can be done by passing bipartisan legislation such as a bill put forth by Senators Alexander and Murray in 2017 that would ensure payments and add \$100 million in funding for outreach and enrollment activities for two years.
- Strengthen risk adjustment for carriers in order to keep costs down for consumers and incentivize insurers to remain in the federal health insurance marketplaces. This will improve existing healthcare markets so insurers can be profitable and competitive as part of a robust healthcare system.
- Create a reinsurance program, which would help stabilize premiums in the individual marketplaces by providing support for insurers facing high financial losses. For example, Senators Collins and Nelson proposed legislation in 2017 that would have provided \$4.5 billion in reinsurance funding over two years to help lower insurance premiums by compensating insurers for their most expensive customers. States such as Maryland, New Jersey, Maine and others have been approved to implement their own reinsurance programs to protect their states' marketplaces.
- Reinstate the ACA's risk corridor program to help protect against carriers overpricing or underpricing their products to keep premiums low and insurance markets sustainable.
- Enact individual mandates at the state level to encourage more Americans to enroll in health insurance in order to maintain balanced risk pools and keep costs down, particularly in light of the repeal of the federal individual mandate penalty.

Expand access to coverage. It's critical that small business owners, employees and self-employed entrepreneurs have access to quality, affordable coverage options. This includes both maintaining the quality of coverage provided under the ACA and promoting affordability through sufficient competition in the individual and group marketplaces. Specific policy solutions include:

- Maintain health protections for individuals with pre-existing conditions. This provision has enabled many would-be entrepreneurs to leave traditional jobs to start their own small businesses since they can access affordable, quality health coverage on their own through the individual marketplaces.
- Close the coverage gap by continuing to expand Medicaid, a program that has provided coverage to 14 million more Americans under the ACA, including nearly two million small business employees who gained coverage under Medicaid expansion. Roughly [616,000 small business employees](#) could gain coverage if all remaining states expanded Medicaid.
- Provide additional options for consumers by allowing them to buy in to Medicare or Medicaid. For example, Congress could enact legislation such as the Medicare at 55 Act, introduced in Congress in 2017, which would allow individuals aged 55 to 64 to buy into Medicare. The State Public Option Act, also introduced in 2017, would allow individuals who are eligible to enroll in the marketplace and not concurrently enrolled in other health coverage to buy into a state Medicaid plan. Similarly, states should enact laws allowing consumers to buy into Medicaid.
- Ensure that Section 1332 "state innovation" waivers uphold the ACA's principles and do not encourage people to sign up for less comprehensive coverage or destabilize the insurance markets.
- Promote robust enrollment marketing and outreach and reinstate the November 15-February 15 enrollment period. This would ensure entrepreneurs and small business employees have the information and time needed to enroll in the individual marketplaces.
 - Support legislation such as the Expand Navigators Resources for Outreach, Learning, and Longevity (ENROLL) Act that would allocate hundreds of millions of dollars towards navigator programs and outreach, and provide assistance to communities that promote

quality health plans and important information needed to make decisions about healthcare coverage and finances.

- Ensure access to reproductive healthcare and birth control, which our polling shows is [critical to women entrepreneurs](#) as they launch and grow their businesses.

Aggressively address underlying issues of cost and affordability. Small businesses have historically paid more for healthcare than their larger counterparts, and these high healthcare costs are routinely cited in our polling as a top concern of entrepreneurs. While the ACA has slowed the rate at which healthcare costs are rising, more should be done to guarantee small businesses have access to affordable coverage. Proposed policies include the following:

- Address the rising costs of prescription drugs, as these costs are [hurting small business owners' bottom lines](#).
 - For example, the Transparent Drug Pricing Act would mandate drug manufacturers to disclose information that influences drug prices, such as manufacturing and marketing costs, in an effort to bring about more transparency.
 - Allow Medicare to negotiate prices with drug companies. We urge Congress to pass legislation such as the Medicare Drug Price Negotiation Act that allows for the negotiation of lower drug prices under Medicare Part D.
 - In the absence of federal policies, states can consider their own proposals to increase transparency for consumers. For example, California passed a [law in 2016](#) that requires pharmaceutical companies to notify insurers at least 60 days before the price of a drug is expected to increase by at least 16%.
- Protect consumers from surprise billing by limiting patient cost-sharing to the amount they would owe to an in-network provider, setting a payment standard regarding what insurers owe providers in these situations and prohibiting providers from balance billing patients, as proposed in the Protecting Patients from Surprise Medical Bills Act introduced in Congress last year.
- Create more transparency on pricing and quality to allow patients to make informed decisions about where they receive care, which will benefit the healthcare system overall.
- Enact delivery system reforms to ensure healthcare is provided in the most efficient and affordable way possible. This includes ensuring providers are compensated on value rather than volume and using new technology to improve outcomes and lower costs.
- Pass legislation limiting health provider consolidation where there is no demonstrated benefit in health or cost outcomes. This includes enacting legislation to curb wasteful and unfair hospital contracting practices, much of which occur as a result of too much hospital consolidation and less competition. For example, California [considered legislation](#) in 2017 to implement hospital contracting reform to drive down costs.
- Strengthen the current system of subsidies that has helped make healthcare more affordable for many entrepreneurs to build their businesses without fear that they might lose their healthcare. For example, last year California [introduced legislation](#) that would have offered additional cost sharing to those who are otherwise eligible for premium tax credits and have incomes below 400% of the federal poverty level (FPL). Moreover, we should consider expanding subsidies to people making up to 500% of FPL, a group that includes many small business owners and independent entrepreneurs.
- Fix the so-called "family glitch" to ensure more children and adults have access to affordable coverage. States can address this by considering a state subsidy for spouses and dependents who are currently unable to receive a subsidy through the marketplaces due to the fact that the primary insured family member meets the employee "affordability" standard under the law.

- Simplify and expand the small business tax credit so more small businesses can afford to offer coverage to their employees. This could include expanding the tax credit to small businesses that offer any ACA-compliant plan now that online enrollment through the federal SHOP marketplace is unavailable. Lawmakers could also consider simplifying Form 8941 for claiming the credit and expanding the eligibility thresholds so more small businesses can take advantage of it.
- Pass healthcare tax equity for the self-employed so that freelancers can deduct their healthcare expenses from their FICA tax obligations-just like other business entities.