

**Testimony of Karen Kerrigan before the U.S. House Ways and Means Committee
“Why Healthcare is Unaffordable: The Fallout of Democrats’ Inflation on Patients and
Small Businesses”**

March 23, 2023

My name is Karen Kerrigan and it is an honor to be a part of this important Committee hearing today to discuss the ways we can strengthen and improve affordable health coverage and options for entrepreneurs, small businesses and their employees. Similar to the importance that small business owners and entrepreneurs place on access to health care, our organization is passionate about access to quality health care and wellness for all Americans. Indeed, when asked to identify the biggest benefit of offering health insurance coverage, small business owners say it is to promote the health and well-being of their employees.¹ That is, providing access to health care and health coverage is the right thing to do.

I serve as president & CEO of the Small Business & Entrepreneurship Council (SBE Council), a nonprofit advocacy, research and education organization dedicated to promoting entrepreneurship and protecting small business. SBE Council’s network of small business owners and entrepreneurs stretches across all sectors of the economy and all areas of the country – from urban to exurban, suburban to rural. As you are well aware, small businesses are the backbone of the U.S. economy, employing 61.7 million Americans totaling 46.4% of private sector employees.² Their resiliency over the past three years or more in the face of unprecedented challenges has been extraordinary, and it is critical that policies and programs meet their evolving needs to ensure local economies – and our national economy – remain vibrant, competitive and resilient. Helping small businesses with their human capital needs is critical to that end, which is why SBE Council is highly engaged with our business allies on many fronts, including the [Critical Labor Coalition](#), [Small Business Roundtable](#) and [Council for Affordable Health Coverage](#), among other collaborative efforts.

Since our founding more than 28 years ago, SBE Council has worked to strengthen and improve the ecosystem for healthy startup activity and small business growth. Access to - and the cost of - health care and health coverage have remained core issues for our network of small business owners since our founding. In good economic times and in bad, the cost of health care has remained a top issue of concern for America’s small business and self-employed sector. Obviously, the sting of higher costs is felt more acutely during challenging periods, or times of high inflation and economic uncertainty, as we are currently experiencing.

Inflation and higher costs are hitting small businesses hard, and these increases stretch across inputs, including health coverage costs. Inflationary pressures have been a drag on small businesses over the past year or more and recent surveys of small businesses show that “inflation” continues to rank as top concern. For example:

¹ SBE Council/Morning Consult Survey, “Small Business Health Care Benefits,” June 30, 2021, [PowerPoint Presentation \(sbecouncil.org\)](#)

² U.S. SBA Office of Advocacy, “Frequently Asked Questions About Small Business 2023,” March 7, 2023, [Frequently Asked Questions About Small Business 2023 – SBA’s Office of Advocacy](#)

- In a recent Upswell Small Business Owners Sentiment Survey, over 47% of small business owners cite inflation as their top concern (17 points higher than a year ago) – “73% of small businesses experienced increased costs in 2022 and 68% of those businesses passed some or all of those increases on to their customers.”³
- A February 2023 Goldman Sachs 10,000 Small Businesses survey reported that inflationary pressures worsened for small businesses over the past three months for 72% of business owners polled.⁴

Higher health coverage costs are adding to the pressures of small business owners.

These cost pressures come on top of the challenges small business owners are facing when it comes to finding and retaining workers, and upward pressure on labor costs in general. Indeed, next to inflation being ranked as a top challenge for small businesses, filling job openings ranks as a close second or on par with inflation for most small businesses. That is why small business owners view benefit offerings, such as health coverage, as a competitive necessity in their efforts to attract and retain employees. In SBE Council’s Morning Consult survey with the U.S. Hispanic Chamber of Commerce, we found that next to promoting the health and well-being of their employees, small business owners say that offering health coverage is critical to retaining current employees and reducing turnover and helping them attract employees in the competitive job market.⁵ But again, coverage costs are steep and prices continue to rise.

According to the Kaiser Family Foundation in its 2022 Employer Health Benefits Survey released in October of 2023, “The average annual premium for single coverage for covered workers in small firms (\$8,012) is similar to the average premium for covered workers in large firms (\$7,873). The average annual premium for family coverage for covered workers in small firms (\$22,186) is similar to the average premium for covered workers in large firms (\$22,564).”⁶

For 2023, prices have gone higher.⁷ Many of our small business members have reported increases in the range of 5%-15%. This is unsustainable, especially in the current environment.

Steep costs and rising premiums are why many small businesses simply cannot afford health insurance benefits for their employees. According to SBE Council’s survey on health coverage, more than half (55%) of small business owners cited high costs as a barrier to offering health

³ Upswell Small Business Sentiment Survey, February 2023, [2023SMDSentimentSurvey.pdf \(hubspotusercontent-na1.net\)](#)

⁴ Goldman Sachs/10,000 Small Businesses Survey, “Small Business Owners Give the Federal Government Low Grades for Effectiveness of Programs, Services and Tax Credits Available to Small Businesses,” Feb. 6, 2023, [Goldman Sachs | 10,000 Small Businesses Voices: Survey: Small Business Owners Give the Federal Government Low Grades for Effectiveness of Programs, Services, and Tax Credits Available to Small Businesses](#)

⁵ Ibid, page 1.

⁶ Kaiser Family Foundation, “2022 Employer Health Benefits Survey,” October 27, 2022, [Section 1: Cost of Health Insurance – 10020 | KFF](#)

⁷ Jacqueline Neuber, “As Health Insurance Costs Rise, Employers Weigh the Risks of Offering Too Little,” Crains New York, October 28, 2022, [As health insurance costs rise, employers weigh the risks of offering too little | Crain's New York Business \(crainsnewyork.com\)](#)

insurance benefits. Therefore, and not surprisingly, it is estimated that 97% of businesses with more than 50 employees provide coverage for their workers while the offer rate is only 31% for businesses with less than 50 employees.

Small business owners want elected officials and government policies to get this right.

The small business community has been promised lower costs and more choices in the past. For most small business owners, the opposite has occurred. Only one-in-five (17%) of small business owners in our Morning Consult survey strongly agree that the health care solutions available to them have kept up with changing times.⁸ They want policies that provide them with choices, relief and incentives, not more government mandates that restrict choices or drive prices higher. In our survey, 72% of small business leaders agree that employers and employees, not government, should decide which health plan to offer workers.⁹

With 89% of small business owners reporting that their full-time employees are very/somewhat satisfied with the health insurance options offered by their place of employment, and 87% reporting that their employer-provided health insurance has a positive impact on reducing employee health care costs, it is SBE Council's view that policies should support and be targeted toward helping more small businesses access private coverage.¹⁰ This is the "sweet spot" for reform. We believe this approach will be more cost-effective for the taxpayer and provide small business employees with better access to health care.

In terms of affordable options for small businesses, Congress can look to existing programs, options and policies and make targeted improvements that would lead to increased small business coverage. For example:

Health Care Tax Credits: Restrictive rules governing the Affordable Care Act's tax credit for small businesses have produced poor uptake and utilization. Loosening wage restrictions, making the credit permanent and less complex, and allowing the tax credit to be used outside of the Small Business Health Option Program (SHOP) – for private coverage – is the type of reform that would produce meaningful results for small businesses and their employees, and is one supported by small business owners in SBE Council's surveys.

The Self-Employment Tax: Self-employed individuals should be fully allowed to deduct the cost of their health insurance premiums. Currently they cannot, which results in an additional 15.3% tax that no other business owner or worker pays.

Health Savings Accounts (HSAs) and Flexible Savings Accounts (FSAs): The arbitrary limits on Health Savings Accounts and Flexible Spending Accounts need to be reformed and expanded. We support allowing HSA funds to be used to pay premiums and direct primary care expenses. SBE Council supports reforms that would allow individuals to open and contribute to an HSA without the requirement that the individual be covered under a high deductible health plan (HDHP).

⁸ Ibid, page 1.

⁹ Ibid.

¹⁰ Ibid.

Qualified Small Employer HRAs (QSEHRAs), Individual Coverage (ICHRAs): The key drawback in these plans is that neither resulted in a tax-free way to provide additional funds to purchase insurance. The value of the premium tax credit (for those who qualified) decreases via the amount received by the employer. This can be fixed by making QSEHRA and ICHRA funds that small businesses provide additive to the premium tax credits that employees receive in the individual marketplace. The result is more affordable insurance for employees and more incentive for small businesses to offer HRA funds. Business owners should be allowed to participate in these HRA plans.

SBE Council believes there are reform approaches that can be embraced on a bipartisan basis. Our organization looks forward to exploring all of these ideas and more – including how telehealth, immersive technologies and Web3 – can play a role in delivering quality care in cost-effective and innovative ways.

Obviously, the health and well-being of all of our citizens is critical to the competitiveness of our nation. Certainly, this is a vital issue that drives the viability of so many of our Main Street businesses and firms. I look forward to our discussion today, and follow up conversations in the future that will lead to meaningful reforms for small businesses.