

April 24, 2006

Dear Dr. Muscarella:

Thank you for contacting me regarding health insurance for small businesses. I appreciate hearing from you and having the benefit of your views. I have heard from many constituents in person and by mail, phone, and email, who have passionately expressed understandable frustration with regard to the escalating costs of insurance to small employers. I recognize the importance of lowering the costs of health care for Pennsylvania's hard working small businessmen and women, and their families, so they can continue to serve as the engine of the Commonwealth and our nation's economy. I remain committed to passing legislation that will help provide needed relief to Pennsylvania's small businessmen and women without jeopardizing patient access to necessary medical care.

As your correspondence references, on November 2, 2005, Senator Mike Enzi of Wyoming introduced S. 1955, the Health Insurance Marketplace Modernization and Affordability Act of 2005, which seeks to expand healthcare access and reduce healthcare costs through the creation of small business health plans (SBHPs). After months of careful consideration, in March 2006, the Senate Health, Education, Labor, and Pensions Committee approved this legislation, which now awaits further review by the full Senate.

Under S. 1955, SBHPs would be group health plans sponsored by trade, industry, professional, chamber of commerce, or similar business associations that meet the Employee Retirement Income Security Act of 1974 (ERISA) certification requirements. The establishment of SBHPs would allow small business owners to come together to leverage the same bargaining power that larger employers have in negotiating contracts with insurers, reducing the burdensome administrative challenges small employers continue to face in seeking out, contracting with, and administering health benefits. However, S. 1955 would preserve the states' traditional role in overseeing health insurance by requiring the Secretary of Labor to consult with the state regarding the Secretary's exercise of authority over SBHPs.

As you likely know, the cost and complexity of more than 1,800 state mandates have made it nearly impossible to have uniform and affordable health benefit packages on a regional or national basis. Under S. 1955, SBHPs would be allowed to offer a basic benefit plan that would be exempt from all states' benefits requirements as long as the SBHP also offers an enhanced benefit option to participating employers. This measure would require that the enhanced benefit option include at least those covered benefits, services, and categories of providers as are covered by a state employee health benefit plan in one of the five most populous states: California, Texas, New York, Florida, and Illinois.

I understand that some individuals have expressed concern that under S.1955 employees would have a limited choice in their health plan options, and that the plan would be structured such that benefits currently offered by many health plans today would not be covered. As you may know, the vast majority of health plans cover many services and supplies regardless of whether or not the plans are subject to state mandated coverage. Like any employer plan, SBHPs would have a strong incentive to offer the best policy possible for their members-otherwise they risk losing employees to employers that offer better coverage. SBHPs would have a vested interest in structuring their benefit design such that their members have access to healthcare services that improve their overall health, helping to reduce healthcare expenditures. Moreover, when comparing SBHPs, small business owners would be weighing their loved ones' healthcare needs since these plans would cover themselves and their families. Just as small businessmen and women would not accept inadequate coverage for their employees, they would not stand to jeopardize the health of their family.

Over half of the estimated 46 million uninsured Americans work for, or are family members of employees who work for, small employers-a formidable constituency that could leverage significant competition and choice within the health insurance market, and would demand high-quality coverage. As the full Senate considers S. 1955, or other legislation related to helping to make health insurance more affordable for America's small businessmen and women, I will be sure to keep your concerns in mind.

There is no universal remedy for the rising costs of health care; however, I will continue to support legislative proposals that expand access to quality and affordable health care for Pennsylvanians. If I can be of further assistance to you with this or any other matter, please do not hesitate to call on me again.

Sincerely,

Rick Santorum

United States Senate