United States Senate

WASHINGTON, DC 20510

April 20, 2005

Association Health Plans: Why Shouldn't Small Businesses Have the Same Health Care Options as Big Businesses and Unions?

Dear Colleague:

On February 16, we introduced "The Small Business Health Fairness Act of 2005" (S. 406), a bipartisan proposal to lower the costs and improve access to health insurance for small businesses.

Over 45 million Americans are without health insurance, and **62 percent of the uninsured are either employed by a small business or dependent on someone who is.** Workers in the smallest businesses that do provide health insurance pay, on average, **17% more** for health benefits than workers employed by large companies. Alarmingly, this crisis is only growing worse. While health insurance premiums for small businesses increase at double-digit rates, choices for health insurance and benefits continue to decrease.

A GAO survey found high levels of market concentration among large insurance companies in the state small group markets. The five largest insurance companies combined have **75% or more of the market** in a majority of states supplying information, and more than **90% market share** in several of these states.

The Small Business Health Fairness Act of 2005 will create new national-based Association Health Plans (AHPs) that can help remedy this growing small business problem. AHPs will **empower** small entrepreneurs with the **same tools that large employers and unions use** to make health coverage affordable for working families **with virtually no cost to the federal government**:

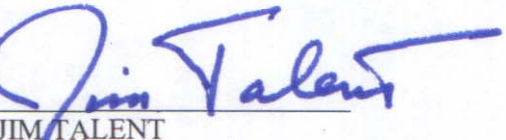
- AHPs can **reduce health insurance costs by 15% - 30%** by allowing small businesses to join together nationwide to obtain the same economies of scale, bargaining clout, and administrative efficiencies now available to employees in large employer and union health plans;
- New coverage options for the self-employed and small business workers will promote **greater competition and choice** in health insurance markets; and
- Tough **new solvency standards** will protect patients' rights and ensure benefits are paid.

President Bush made his support for AHPs clear in his State of the Union Address: "To make our economy stronger and more productive, we must make health care more affordable, and give families greater access to good coverage. I ask Congress to move forward on association health plans for small businesses and their employees."

Please join us in co-sponsoring The Small Business Health Fairness Act of 2005. Contact Alex Hecht of the Small Business and Entrepreneurship Committee staff at 224-5175.

Sincerely,

OLYMPIA J. SNOWE
United States Senator



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