



# Statement for the House Ways & Means Subcommittee on Health

March 30, 2023

Why Health Care is Unaffordable: The Fallout of  
Democrats' Inflation and High Health Care Costs on  
Patients and Small Businesses

Submitted by  
National Association of Benefits and Insurance  
Professionals



I am writing on behalf of the National Association of Benefits and Insurance Professionals (NABIP), formerly NAHU, a professional association representing over 100,000 licensed health insurance agents, brokers, general agents, consultants, and employee benefits specialists. The members of NABIP help millions of individuals and employers of all sizes purchase, administer, and utilize health plans of all types.

The health insurance agents and brokers that NABIP represents are a vital piece of the health insurance market and play an instrumental role in assisting employers and individual consumers with choosing the health plan or plans that are best for them. Eighty-two percent of all firms use a broker or consultant to assist in choosing a health plan for their employees<sup>1</sup> and eighty-four percent of people shopping for individual exchange plans found brokers helpful -- the highest rating for any group assisting consumers.<sup>2</sup> During the 2023 open enrollment period, agents and brokers assisted 71 percent of those who enrolled through HealthCare.gov or a private direct enrollment partner's website. Additionally, premiums are 13 percent lower in counties with the greatest concentration of brokers.<sup>3</sup> Consequently, the NABIP membership has a vested interest in ensuring that consumers enjoy affordable health coverage that is the correct fit for their clients.

More than 175 million Americans, over half of the country's total population, are enrolled in health insurance coverage from their employer. Recent surveys indicate that most adults are satisfied with their current health coverage, with 63 percent those enrolled in employer-sponsored coverage "extremely satisfied" with their benefits.<sup>4</sup> Further, 76 percent of workers see health insurance as a primary or important factor for continuing to work at their current employer.<sup>5</sup>

While employer-sponsored coverage remains one of the most popular forms of health insurance in the United States, one in three employees saw their healthcare costs increase over the last two years. As a result of higher healthcare costs, surveys show that some employees have reduced their contributions to retirement savings plans and delayed going to the doctor, among other cost issues.<sup>6</sup> Thankfully, there are actions that Congress can take to control costs for employers and employees and, more broadly, preserve the popular employer-sponsored system.

One method of keeping healthcare costs low – especially for those covered by their employer – is to maintain the employer tax exclusion. The employer-based system is highly efficient at providing workers and their families with affordable coverage options through group purchasing and its associated economies of scale by spreading risk and avoiding adverse selection. The success of this system is

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<sup>1</sup> Kaiser Family Foundation. [Employee Health Benefits Annual Survey](#). October 2013.

<sup>2</sup> Blavin, Fredric, et al. [Obtaining Information on Marketplace Health Plans: Websites Dominate but Key Groups Also Use Other Sources](#). Urban Institute. June 2014.

<sup>3</sup> Karaca-Mandic, Pinar, et al. [The Role of Agents and Brokers in the Market for Health Insurance](#). National Bureau of Economic Research. August 2013.

<sup>4</sup> Employee Benefit Research Institute. [Worker Satisfaction with Health Benefits is Higher, but Costs Remain a Concern](#). 6 January 2022.

<sup>5</sup> Accenture. [Employer Beware: Workers Demand Health Coverage](#). June 2015.

<sup>6</sup> Employee Benefit Research Institute. [Worker Satisfaction with Health Benefits is Higher, but Costs Remain a Concern](#). 6 January 2022.

possible because of the preferential tax treatment of employer-sponsored insurance coverage, where employer-paid contributions for an employee's health insurance are excluded from that employee's compensation for income and payroll tax purposes.

While eliminating or capping the exclusion would increase federal revenue, it would also eliminate most of the benefits of employer-sponsored insurance. Employers and individuals would lose many group purchasing efficiencies, and there would no longer be an effective means for spreading risk among healthy and unhealthy individuals. Healthier individuals would be likely to forego coverage if faced with a new tax burden, leading to adverse selection and a death spiral for those remaining in the insured pool. Small business owners would be especially hard-hit, finding themselves paying thousands of dollars in new taxes on their insurance premiums, making it even more difficult to offer comprehensive coverage for their employees. It is likely that, if a small business owner is compelled to drop coverage due to costs, over one-third of their workforce may quit within 12 months.<sup>7</sup> Workers would also be less likely to have their employer as an advocate in coverage disputes, and employers would be less likely to involve themselves in matters of quality assessment and innovation for their employees. At a time where employers are burdened by high inflation and high healthcare costs, eliminating this tax exclusion would be a grave mistake.

Regarding the viability of small businesses amid high inflation, tax credits are as crucial as ever. Certain small employers can qualify for the small business healthcare tax credit (SBTC); the SBTC was included as part of the Affordable Care Act to encourage small employers to provide health insurance to their employees, as roughly half of small employers offered health benefits to their workers at the time. Employers who purchase health insurance through the program may get a tax credit of up to 50 percent of their premium contributions. Unfortunately, many employers have been unable to claim the SBTC due to the current eligibility limitations. Presently, credits are only available to eligible small employers of up to 25 full-time equivalent employees that pay an average annual wage of less than an average of \$50,000. Full credits are available to eligible small employers of up to 10 full-time employees with an average annual wage of \$27,000 or less. As of 2014, small business owners can only claim the credit for two consecutive years in a row.

As a result of these limited qualification parameters, many employers who wanted to access the SBTC simply do not qualify, resulting in fewer employers claiming the credit. Most small employers who have not claimed the credit said it was due to the stringent wage eligibility standards, while others cited the overly complicated process for calculating the credit, which discouraged many from even applying. Sixty-three percent of small businesses feel that their business lacks the proper resources for handling tax credits.<sup>8</sup>

Another factor in high healthcare costs is the lack of site neutrality among providers. Currently, providers that own multiple facilities can charge different amounts for the same care depending on where care was received. For example, the price of an X-ray or MRI in a free-standing facility can differ substantially from the price of the same test in a hospital-based outpatient department (HOPD), and a

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<sup>7</sup> Accenture. [Employer Beware: Workers Demand Health Coverage](#). June 2015.

<sup>8</sup> Omega Accounting Solutions. [Survey Finds Small Business Owners Lack Resources for Handling Tax Credits](#). December 2022.

test received in a HOPD can differ substantially from a test received in a physician office – even when the same entity owns all providers in question.

The lack of site-neutral payment reform to ensure that prices remain the same regardless of where the service is received results in higher healthcare costs for patients and employers. Recent research indicates that employer-based insurance is typically paying three times more for clinical lab tests when billed by HOPDs compared to identical tests billed by physician offices and independent labs. In seven states, the markup for lab tests in HOPDs was over six times the median price for the same tests in physician offices. Overall spending on clinical lab tests in HOPDs has grown over 30 percent from 2016 to 2019, due almost solely to price growth.<sup>9</sup>

It is also common for hospitals to charge “facility fees” when patients receive care at a facility that the provider owns, even if the facility is a great distance from the hospital. Facility fees are believed to be the primary factor in the rapid growth in emergency healthcare costs that we have seen over the last two decades. On average, from 2004 to 2021, facility fees increased a staggering four times faster (531 percent) than professional fees (132 percent) for emergency department evaluation and management services.<sup>10</sup>

Additionally, an analysis released earlier this month found that private health insurance premiums and out-of-pocket payments would decrease by over \$152 million over the next ten years if site-neutral reform were passed.<sup>11</sup> NABIP supports site-neutral rules to deter these facility fees and location-based gaming of coverage; enacting site-neutral payment reform will help decrease healthcare costs for individuals and employers alike.

When it comes to the impacts of inflation and high healthcare costs, rural communities have suffered the most. Since 2005, 190 rural providers have closed; of those 190 providers, 136 of them closed between 2010 and 2021.<sup>12</sup> The patient-to-primary care physician ratio in rural areas is only 39.8 physicians per 100,000 people, compared to 53.3 physicians per 100,000 in urban areas,<sup>13</sup> so those who live on farms, ranches, and reservations often travel long distances to reach a provider. Greater distances between hospitals also result in longer wait times for rural emergency medical services. For specialists, the data is only starker; for example, as of 2022, fewer than 50 percent of rural counties have a healthcare facility with an obstetrical unit.<sup>14</sup> In addition to the lack of providers, compared with urban areas, rural populations have lower median household incomes, a higher percentage of children living in poverty, fewer adults with postsecondary educations, more uninsured residents under age 65, and higher rates of mortality.<sup>15</sup>

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<sup>9</sup> Morning Consult. [Coverage and Reforming the System](#). February 2023.

<sup>10</sup> Schwartz, Hope, et al. [How do facility fees contribute to rising emergency department costs?](#) *Kaiser Family Foundation*. 27 March 2023.

<sup>11</sup> Ellis, Phillip. [Estimated Savings from Adopting Site-Neutral Payment Policies for Medicare](#). February 2023.

<sup>12</sup> The Cecil G. Sheps Center for Health Services Research. [Rural Hospital Closures](#).

<sup>13</sup> Hing, E, Hsiao, C. U.S. Department of Health and Human Services. [State Variability in Supply of Office-based Primary Care Providers: United States 2012](#). NCHS Data Brief, No. 151, May 2014.

<sup>14</sup> Frankhauser, Margaret. [Health Disparities in Rural America](#). *JSI*. 16 November 2022.

<sup>15</sup> The Cecil G. Sheps Center for Health Services Research. [Rural Health Snapshot \(2017\)](#). NC Rural Health Research Program. May 2017.



Another vital area of discussion is how to reduce healthcare costs for individuals covered by high-deductible health plans (HDHPs). While HDHPs are the best fit for some individuals, it can result in high out-of-pocket costs, with total yearly out-of-pocket expenses as high as \$7,050 for an individual or \$14,100 for a family.

Due to the pandemic, rules related to all aspects of telehealth were loosened, resulting in an immense increase in the use of telehealth services, enabling cross-state care which has been critical to underserved areas and rural communities. One of the most crucial telehealth flexibilities were for those covered by HDHPs. The Coronavirus Aid, Relief, and Economic Security Act created a safe harbor allowing a HDHP to cover telehealth and other remote care services without a deductible, or with a deductible below the minimum annual deductible otherwise required by law. Telehealth and other remote care services also are temporarily included as categories of coverage that are disregarded for the purpose of determining whether an individual who has other health plan coverage in addition to an HDHP is an eligible individual who may make tax-favored contributions to their health savings account.

While this safe harbor originally expired on December 31, 2021, it has since been extended on two occasions – most recently in the Consolidated Appropriations Act of 2023, where it was renewed for plan years 2023 and 2024. However, NABIP recommends making this safe harbor permanent. NABIP also recommends taking this logic one step further and allowing individuals covered by HSA-qualified HDHPs to receive primary care before application of the deductible. Enacting both reforms would result in decreased costs for rural patients, as well as any patients covered by HDHPs and the employers who offer them.

We appreciate the opportunity to provide these comments and would be pleased to respond to any additional questions or concerns of the committee. If you have any questions about our comments or if NABIP can be of assistance as you move forward, please do not hesitate to contact me at either (202) 595-0639 or [jtrautwein@nabip.org](mailto:jtrautwein@nabip.org).

Sincerely,

A handwritten signature in black ink, reading "Janet Stokes Trautwein". The signature is written in a cursive style with a large, looping initial "J".

Janet Stokes Trautwein  
CEO, National Association of Benefits and Insurance Professionals