

Statement Of

The NATIONAL ASSOCIATION of REALTORS®

Before The United States House

**Workforce, Empowerment and Government Programs
Subcommittee of the
Committee on Small Business**

Regarding

***Healthcare and Small Business: Proposals That Will Help Lower
Costs and Cover the Uninsured***

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Chairwoman Musgrave, Ranking Member Lipinski and members of the Subcommittee, my name is Ed Lawler and I am a REALTOR® with ReMax Alliance located in Fort Collins, Colorado. I am happy to be here today representing the NATIONAL ASSOCIATION OF REALTORS® (NAR). I would like to commend the subcommittee for holding this hearing and appreciate the opportunity to share NAR's thoughts regarding the health care challenges facing small businesses.

NAR is the nation's largest professional trade association with over 1.2 million members who belong to over 1500 REALTOR® associations and boards at the state and local levels. NAR membership includes brokers, salespeople, property managers,

appraisers and counselors as well as others engaged in every aspect of the real estate industry.

Typically when we have been asked to testify before this committee or others, it has been with regards to issues or legislation that enhance the ability of Americans to own property and/or advance our members' business interests. In this particular case, though, our interest in the hearing topic is a more personal one and my reason for being here is a simple one. NAR's members have been telling the association loudly and clearly that the current health insurance system is not working for them as self-employed individuals or small business owners. They tell us that the existing health insurance delivery system is broken.

Today 28 percent of REALTORS[®] - more than one in four of the nation's 1.2 million REALTORS[®] - do not have health insurance coverage. For comparison purposes, the percent of the U.S. population without health insurance coverage was estimated to be 15.7 percent in 2004. The percentage of uninsured REALTORS[®] is almost double that of the nation as a whole.

It's not surprising then that the number one question asked by members who call NAR's Information Central call center is "What can NAR offer me as a member in the way of affordable health insurance coverage?"

Right now, unfortunately, the answer to that question is that we can offer them very little more than what they can find for themselves in the individual market.

As you can imagine, that answer isn't very satisfactory to the typical caller. Their immediate response is "Why can't an organization the size of the NAR offer its members the kind of quality health insurance plans that my neighbor's corporate employer or

sister's trade union offers them? With a million-plus members, NAR should be able to provide its members with access to a comparable group health insurance plan!"

The fact is that the complexity and administrative burden of offering a program that meets the requirements of the fifty states and four territories within which NAR's members reside makes it impossible to do so – even with a million-plus members.

We now work with one of the nation's largest third party administrators of association insurance programs to provide our members with access to a large number of fine companies. Even making use of a national broker, we find the premiums offered our members are not what we believe we would be able to offer if we were able to negotiate on behalf of the membership and offer a single, uniform national health insurance program.

It is for this reason that NAR has strongly support legislative efforts to enact small business health plan legislation. We believe that a small business health plan would allow NAR to offer its members an affordable alternative source of health insurance coverage. The ability to offer a uniform national insurance program will allow NAR to effectively use the bargaining power and administrative efficiencies that having a large membership creates. We are committed to using that expertise to negotiate for and provide the type of affordable coverage package that Americans have come to expect and deserve. NAR has already demonstrated its ability to deliver a wide array of lower cost services and goods to our members. We firmly believe that NAR can do so in this arena also.

The REALTOR® Health Insurance Profile

While the current number of members uninsured just cited is problematic, NAR's leadership is equally troubled by what we have found to be (1) the reasons for the lack of coverage, (2) the types of coverage enjoyed by those who have insurance and (3) what we believe will be the future percentage of uninsured REALTORS® if nothing is done.

Reasons for Lack of Coverage. In order to determine our members' current health insurance coverage and concerns, NAR surveyed a random and representative sample of its members. As indicated earlier, 28 percent or roughly 336,000 REALTORS® have no health insurance coverage. When asked why they were uninsured, the overwhelming majority (84 percent) surveyed indicated that cost was the primary reason.

Knowing the structure of the real estate sales industry, it is not unexpected that real estate professionals would be very sensitive to premium costs. Like all self-employed and commission-based workers, real estate licensees have no employer who contributes to the cost of health insurance, no guaranteed monthly income and significant monthly business expenses that continue even in those months when there is no sale, and therefore, no income. These factors, together with the fact that in most states independent contractors are forced to find coverage in the individual market and do not have access to less expensive group plans, make it difficult for real estate licensees to afford monthly premiums that can easily reach \$1200 or \$1400 per couple or family per month.

I would note that only seven percent of all respondents indicated that they did not have coverage because they had been denied coverage due to a pre-existing condition that made them ineligible.

Sources of Coverage Concerns. We are concerned that this high percentage of uninsured is likely to grow in future years. Our concern stems from the typical sources of insurance coverage among those who are insured and what we know to be likely future trends in each of these insurance market segments.

Among those who have health insurance coverage, REALTORS[®] are most likely to obtain their coverage from their spouse's employer (25 percent). We expect this source of coverage to decline in future surveys as more and more employers reconsider whether to continue to offer insurance coverage to employee's spouses and dependents. We anticipate that more will drop extended coverage to employees' families.

Group coverage does provide coverage for 23 percent of the membership. In the past, this type of coverage was typically held by an agent who was engaged in real estate as a second career and had health insurance as part of their retiree benefits. Today, however, outside of a few states that require insurers to group the self-employed with other small businesses, group coverage is more likely to be held by either a new agent who continues to work two jobs as they transition from a prior career or an established agent who takes a second job simply because that job provides the agent with health insurance benefits.

We believe that future surveys will show that those who hold group coverage will decline in number. Those in real estate as a second career will likely not have health benefits from an earlier job as retiree insurance benefits become a thing of the past for a new generation of workers. For those working two jobs – real estate sales and a second job that provides benefits - there comes a point when decisions have to be made as to which job offers the worker the mix of job fulfillment and benefits that are essential to a

healthy life. For those who cannot do without health insurance coverage, real estate is likely not to be the final choice. We have anecdotal evidence from our surveys and member call logs that this choice is already facing many of our members.

Of those NAR members who have health insurance coverage, roughly five percent are covered through COBRA (Consolidated Omnibus Budget Reconciliation Act) policies which give workers and their families who lose their health benefits the right to continued coverage for limited periods of time under certain circumstances. Given the rapid growth in the number of new agents who have moved in recent months into the real estate sales industry, it is not surprising to us that COBRA coverage would be a source for a significant numbers of new agents. However, these members will eventually have to find alternative coverage or go without insurance.

Most indicative of the changes that have occurred in the eight years since NAR last surveyed the member's health insurance coverages is a final statistic. Today 18 percent of REALTORS[®] with insurance obtain coverage through individual policies. This category was not even included in our earlier 1996 health insurance member survey – so insignificant was this source of insurance coverage.

Individual coverage is also the most problematic and unaffordable coverage option according to our members. During visits to our Colorado senators last month, the Colorado Association of REALTORS[®] president delivered a two-inch thick binder of emails from Colorado REALTORS[®] that chronicled their health insurance stories. Many report that their monthly insurance premiums now exceed their home mortgages. One Aurora, Colorado member shared his not uncommon experience – a 93 percent increase in health insurance premiums between 2003 and 2006 for his family of 5. As he put it, “I

have only been able to continue this coverage because of a nest egg and not because of the income from my fledgling business. Unfortunately, I am now in a position where I must pursue employment with a company that has group health care because I can no longer afford these healthcare expenses.”

For all of these reasons, we expect the number of uninsured members to continue to grow. In the past seven years, for example, the number of uninsured NAR members has doubled, going from approximately 13% of the membership in 1996 to 28% in 2004. For the reasons cited earlier – lapsing COBRA coverage, changing employer insurance benefit policies, sensitivity to costs – we are most concerned that our now high percentage of uninsured members will grow larger over time as the cost of health insurance increases.

REALTORS® Support for SBHPs

As a result of the increasing challenges that NAR’s members are facing as they look for affordable health insurance and our own experience in providing our members with quality member services, the NATIONAL ASSOCIATION OF REALTORS® has been a strong supporter of efforts to allow small businesses and the self-employed to join together and negotiate for health insurance coverage through their professional trade associations. For this reason, we have supported HR 525 and S. 406, the Small Business Health Fairness Act, and their underlying recognition of the important role that professional trade organizations can play in increasing the array of health insurance coverage options available to their members.

Most recently, we have also been very actively involved in the efforts that Senators Mike Enzi and Ben Nelson have undertaken in the Senate to advance their compromise small business health plan alternative, S. 1955, the Health Insurance Marketplace Modernization and Affordability Act. NAR was pleased to be able to participate along with National Association of Insurance Commissioners (NAIC), insurers, and the small business community in an incredible process that resulted in the amended version of S. 1955 that was approved by the Senate Health, Education, Labor and Pensions (HELP) Committee last month.

The amended bill addresses longstanding concerns which have repeatedly stymied past measures that have been approved by the House but which have stalled in the Senate HELP Committee. As amended, S. 1955 will:

- Require small business health plans (SBHPs) to be fully insured and avoid the potential problems created by a self-insured approach;
- Tighten the requirements for what type of association can sponsor an SBHP;
- Require insurers working with a sponsoring trade association to be licensed in every state in which the SBHP enrolls association members;
- Give regulatory oversight over SBHP insurers to the state insurance commissioners in each state;
- Make SBHPs subject to all state laws with the exception of mandate and small group market premium rating rules explicitly addressed in S. 1955;
- Preserve state consumer protection or unfair trade laws since S. 1955 does not preempt these laws;

- Subject an insurer offering an SBHP to the same financial safety and soundness laws governing any other state licensed insurer;
- Require an SBHP that offers policy options that do not comply with state mandates to also offer at least one enhanced plan option that complies either with state law or matches the coverages offered to state employees in one of the five most populous states; and
- Not force an employer to choose an SBHP but gives them the option to choose the SBHP or state regulated insurance product that best meets the firm's needs.

An actuarial analysis of S. 1955 by the Mercer Group was recently released. Using the same econometric model used in their earlier and very critical study of association health plan (AHP) legislation, the group found that S. 1955 would reduce small employers health insurance costs by 12% and increases the number of insureds in the small group market by approximately 900,000. The study concluded that *"These results indicate that SBHP legislation may be part of a multi-faceted solution to rising health care premiums for small employers"*.

Small Business Owners and Public Support for SBHPs

Madam Chair, Americans believe in equal treatment and "playing fair". The current system that allows unions or large firms to offer a health insurance program unhampered by the need to comply with 50 sets of state mandates and regulations – while professional trade organization can't offer their members the same type of program - just isn't viewed as fair or right by our members.

As it turns out, our members' perceptions aren't that much different from the general public's view of the matter either. In each of the past two years, NAR has sponsored a national public opinion survey on the topics of health care and small business health plans. In 2005, a widely respected polling firm, Public Opinion Strategies, did both focus group work and a national survey. In 2006, we asked an equally respected Democratic pollster, Celinda Lake of Lake Research Partners, to work with Public Opinion Strategies on a second national survey of likely voters on the topic of small business health plans.

In the 2005 voter focus groups, we found that many people were surprised that a national trade organization like the NAR couldn't offer their members a uniform, national insurance program. They knew that large firms and unions were able to do so but were surprised to find out that large corporations and unions were subject to one set of rules and small businesses and the self employed were subject to a second, more restrictive set of rules.

The general public also perceived a disparity in the current system and believed that small businesses should be able to band together through their trade organizations to obtain access to a single, uniform program unhampered by differing sets of rules and regulations.

Both the 2005 and 2006 voter surveys found that the American public share NAR's members support for small business health plans (SBHPs), as authorized by HR. 525, S. 406 and S. 1955.

In both the 2005 and 2006 telephone interviews, the individual was asked about their general views on the state of health insurance and their own level of satisfaction

with the current system. The concept of small business health plans was also explained and discussed. The individual was then asked if this concept was something that they would favor or oppose. The arguments in favor and those against SBHPs were also shared with the individual and their level of support or opposition again solicited.

Not surprisingly, we found that across all groups and in both years, cost is a major health care concern. For consumers, costs are impacting their personal budget through higher premiums, co-pays and drug prices. For some, a decision to take one job over another or to take a job over being self-employed was driven by the need to have affordable health insurance benefits. Small business owners indicated that they are having significant difficulties affording employee health coverage. Additionally, these same owners indicated that they may not be able to continue to offer coverage and recognize that their inability to provide benefits comparable to those offered by larger firms is affecting their ability to attract and retain skilled workers.

When the survey work turned to the concept of allowing the creation of small business health plans, both voters and small business owners were very supportive in both years. In 2006, when small business health plans are described to voters, 89% favored the concept; even after the harshest of opposition arguments were shared and explained, 86% continued to support the concept.

Also, of interest, the results show that support for the small business health plans crosses party lines with very high approval percentages for Republicans (93%), Democrats (88%) and Independents (88%).

When asked if they would be likely to participate in a plan like this if available, 77% of small business owners in 2005 said they would be likely to participate in a plan like this, including 41% who indicated that they would be very likely to do so.

It is clear, however, that small business owners are very aware of the need to choose a quality health plan for their workers so as to continue to attract quality workers. In this way, small business owners and the trade organizations that represent them are in step with each other.

NAR's leadership, for example, is very aware that if we are able to provide a small business health plan to our members it will need to be the very best program possible. We're a volunteer organization. Our members can decide not to join just as easily as they join. We can't afford to alienate our members by providing them with a second class, stripped-down coverage plan. That would just not be in the best interests of our members nor of the Association itself.

Conclusion

Finally, I would like to close by saying that we know that this bill is not the silver bullet that will solve the nation's health insurance problems. We do believe, however, that it is an approach that can provide a viable alternative source of health insurance coverage for a significant component of the nation's uninsured small businesses and our own self-employed, independent contractor members.

Last year testifying before the Senate Small Business Committee on our support for S. 406, NAR's then president, Al Mansell, stated that he believed that it was time for

all parties – supporters and opponents – to sit down together and figure out how to address the issues that were contentious.

He said, “If there were concerns that the bill’s solvency provisions are too lax, then let’s talk about what a more acceptable level of reserves would be. If there is confusion over the degree of oversight that the Department of Labor and the state insurance commissioners would have over self-insured versus fully insured small business health plans, let’s clarify. If the definition of what it takes to be “bona-fide” professional or trade association eligible to offer a small business health plan is too open-ended, let’s discuss how that definition could be modified to avoid the problems that some contend will exist.”

We are heartened by the fact that this is exactly the approach that Senators Enzi and Nelson have taken this last year. Citing his belief that Republican and Democratic opposition to the traditional AHP bill was sufficiently strong to prevent the bill from moving successfully through the Senate, Senator Enzi began work with Senator Nelson on what came to be introduced as, S. 1955, the Health Insurance Marketplace Modernization and Affordability Act.

The Senators then asked the major stakeholder interest groups – insurers, insurance commissioners and the small business community –to submit their concerns with the bill as introduced. All of those concerns - and others identified as discussions continued - were then discussed over the course of months until alternative language that each of the stakeholders could agree on was found. Additional changes were then made as others weighed in on the original draft and pointed out additional points that needed to be considered.

Obviously, there are groups who have been very vocal about their continue opposition to SBHPs and believe that SBHPs will – take your pick - “cherry pick” only the good risks, fail due to adverse selection, offer only bare-bones coverages, offer enhanced plans that are be too expensive, provide insurance coverage to too few individuals, attract too many participants from state regulated plans, cause prices to increase, cause individuals to loose their coverage, etc. despite the intentions and best efforts of the sponsors and their staffs to draft a bill that prevents these unintended consequences. These are serious charges and need to be considered. It has been our experience that the bill’s cosponsors have been willing and are continuing to work on addressing these concerns.

But I think, too, that it is also important to look at who is not saying that SBHPs will do these things. Many of the most vocal and credible opponents of small business health plans – including those who have the expertise to properly evaluate the impacts of changes to the insurance regulatory system – those who have put their lobbying “muscle” and resources behind efforts to derail earlier bills – have not opposed S. 1955. They have expressed “concerns” and continue to work with the sponsors on changes that could address their concerns. But the formal oppose positions and biting letters of opposition that are part of the record in the past are not there this time.

It would be easy for those who are not insurance experts, whose staffs are not experts and who want to do no harm to be hesitant to support a measure that could have unintended consequences. That’s understandable. But as we testified last year, it’s simply time to take this issue seriously, do the careful analysis necessary, and ask the

tough questions of the cosponsors – one of whom as a former state insurance commissioner and governor is an insurance expert.

The current health insurance system is broken. The current system “cherry-pick” those are fortunate enough to have the financial resources it takes to purchase the current state regulated insurance products. The self-employed and small business owners need someone negotiating on their behalf. We need the leverage that our combined numbers give us. We need the ability to spread the risk that we represent over a large pool than is now possible.

We can't wait for major health reform; we can't wait for yet another session of Congress to come and go without action. We need small business health plan legislation enacted this year and we are committed to working with both chambers to make this happen. I can tell you that when this legislation is adopted, the NATIONAL ASSOCIATION of REALTORS® will be one of the first to be actively involved in discussions with the nation's insurers to work out a quality health insurance coverage package that we can work together to provide REALTORS® nationwide.

I thank you for giving me the opportunity to share our thoughts with you. I'll be happy to take any questions that you might have.