



NATIONAL ASSOCIATION OF REALTORS®

*The Voice For Real Estate®*

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March 10, 2009

The Honorable Frank Pallone  
237 Cannon Office Building  
Washington, D.C. 20515-3006

Dear Chairman Pallone:

On behalf of the 1.2 million members of the National Association of REALTORS® (NAR), I want to thank the Health Subcommittee of the House Energy and Commerce Committee for holding its March 10, 2009 hearing on “Making Healthcare Work for American Families: Designing a High Performing Healthcare System.” We are heartened that the health reform debate that is critical to our members’ wellbeing has begun in earnest.

The debate on health insurance in recent years has focused almost exclusively on the relationship between employers and employees, the deduction that employers receive for providing health insurance coverage and the exclusion from employees’ income of health insurance benefits. A fair amount of attention has also been given to the challenges of small businesses that would like to provide health insurance, but are unable to do so. A third group in the work force, however, has been consistently overlooked: the self-employed.

The needs of the self-employed are particularly acute, as those workers must fend for themselves in the individual insurance market. We believe that the plague of uninsured workers will persist *unless and until* there are corrections to the dysfunctions in both the individual and small-group health insurance markets. That market presents itself as one in which there is no negotiating, no leverage, no economies of scale and absolutely no efficiency.

Since 2003, self-employed individuals have been permitted to deduct from gross income the cost of their health insurance premiums. Regrettably, this provision benefits only those who can actually find and afford the insurance offered in the small group and/or individuals markets. We note, however, that tax benefits, no matter how thoughtfully crafted and designed cannot provide *access* to affordable insurance. A deduction is helpful, but only if insurance is available.

Real estate agents, realty firm owners, their employees and other self-employed individuals will struggle to find health insurance coverage unless there are significant reforms to the individual and small group insurance markets. We do believe, however, that tax incentives for this segment of workers, coupled with mechanisms that would create insurance coverage gateways and/or

additional pooling mechanisms would create a far more rational and effective system than current law.

### Research Findings

While NAR is currently in the process of updating our survey of the health insurance coverage of NAR's REALTOR members, our 2006 survey showed that 28% of our members have had no health insurance coverage from any source.<sup>1</sup> By contrast, in 1996, only 13% of our membership had no coverage. In 1996 and in 2006, more than three-quarters of our members who had no health insurance reported that they were simply unable to afford what coverage they could find.

A real estate brokerage firm is built on a model of a broker/owner and sales agents. Under Code Section 3508, the broker/owner may treat the sales agents as independent contractors, so long as certain tests are satisfied. Thus, the broker/owner is often a self-employed person whose business is conducted by other self-employed persons.

To underscore the challenges our members who own realty firms have with finding health insurance, note that in 1996, 34% of real estate firms offered health insurance to their salaried employees. By 2006, this number had declined to only 13% of real estate firms. For these small businesses, as with individuals, the primary barrier to providing health insurance has been its cost.

The General Accountability Office estimated that independent contractors and self-employed workers comprised 30 percent of the American workforce in 2000. Some experts estimate that by 2010, 41 percent of the U.S. workforce will be so-called "free agent" workers. We fear this shift in the composition of the workforce will be accompanied by increases in the number of the uninsured. Finding a solution to the insurance problem must become a top priority.

### Recommendations

NAR does not have the particular expertise that would enable us to provide a full-blown individual market reform model. The work we have done over the past six years and the reports our members have provided about their experience in the individual and small group health insurance markets do, however, furnish a basis for several recommendations.

*The self-employed must be able to enjoy the benefits of pooled risks, much as large group plans provide.* Downsizing, changes in the economy and increases to the cost of coverage will likely deprive more and more workers any benefit of employer-provided insurance, thus forcing them into the individual market. Today, employer-provided group coverage is extended to groups of people whose sole common denominator is their employer. Enhanced risk-pooling opportunities in the individual market would facilitate greater market efficiency by combining groups of people whose sole common denominator is that they work for themselves. Pooled risk for individuals will also enhance economies of scale as insurance providers are able to consolidate and manage the expenses of administration, marketing and advertising.

*Whatever the name used – gateway, coordinator, connector, etc. - a mechanism is needed to bring insurers and self-employed workers and small businesses together.* We believe that a private, public or joint private/public venture must be developed to put self-employed persons in

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<sup>1</sup> As soon as the 2009 survey data are compiled, we will share it with the Committee

a position where they can compare apples to apples in their analysis of a more complete range of insurers and insurance products.

We do not seek a single-payer insurance system, nor do we seek a new entitlement. We *do* seek an official, reliable, regulated, information source (or sources) that will facilitate insurance market access for self-employed individuals. These workers need some sort of menu that could include information such as comparisons of available coverage options, identification of vendors that can provide various options and where to find those vendors, as well as some sort of approximate cost comparison data (current and/or historic).

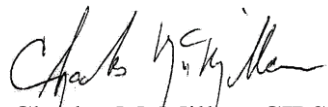
*Stakeholders including (but not limited to) insurers, regulators, legislators, health policy advocates and consumers must grapple with the question of essential coverage. No single policy or list of mandates can satisfy the competing tensions between (a) assuring all desired (or desirable) coverage and (b) creating affordable products. We believe that it is difficult, but not impossible, for the stakeholders to come up with categories or guidelines that might distinguish among an array of coverage options. Such a drive toward consensus may provide consumers, including self-employed individuals, with the information necessary to make informed judgments and leverage to encourage insurers and regulators to provide or require an effective array of benefit coverage choices.*

### Conclusion

Congress must address the challenges that the self-employed face in finding access to affordable health insurance. Maintaining a sensible tax regime for health insurance must remain an integral part of health insurance policy, but the only lasting resolution for health care access will come through reforming the individual and small firm insurance markets.

Thank you for your attention, time and efforts on this most important issue. NAR and its members stand ready to work with you in the coming months to enact meaningful health care reform.

Sincerely,



Charles McMillan, CIPS, GRI

2009 President

National Association of REALTORS®