

**Testimony before House Taxation Committee  
House Bill 2717- Tax Treatment for Insurance Contributions  
Presented by Eric Stafford, Senior Director of Government Affairs**



**Wednesday, February 29, 2012**

Mister Chairman and members of the committee:

My name is Eric Stafford and I am the Senior Director of Government Affairs for the Kansas Chamber. The Kansas Chamber is pleased to support House Bill 2717, which equalizes tax treatment for employers who offer financial contributions toward an employee's individually owned health insurance policy.

Each year in our annual CEO poll, respondents are asked what is most important to profitability. The second most common response this year was "managing health care costs" finishing behind "lower taxes on business." There is growing concern across the nation by businesses over rising health care costs and their ability to continue offering coverage as a benefit to their employees.

The Affordable Care Act was supposed to take care of the rising costs. That hasn't happened yet, and many of the new taxes to pay for the law have not gone into effect (over \$430 billion in expected new revenue from employer penalties). We aren't holding our breath. While it was a bold initiative to address the affordability of health care, the ACA does nothing to address the skyrocketing costs.

In order to address rising costs of health care, we need to look at our current system. The employer-provided coverage model became popular in the 1940's and 50's. A majority of Americans receive health insurance through their employer (60% of non-elderly Americans). This bill would allow employers to set a defined contribution toward health insurance which would help them budget health care costs and it would encourage more of the uninsured employees to purchase a policy. Those employees will have a broad choice of plans and ownership of their policies.

As we look for ways to improve our health care system, we need the focus to be on the consumer through consumer control, accountability, and portability. When the policy is not "theirs," what is the incentive to lose weight or quit smoking?

HB 2717 takes a much needed step for employers who want to contribute toward employees' health insurance, but can't meet the high cost and participation requirements of small group plans. It gives an employer and employees a federal/state tax deduction through the health reimbursement arrangement. We feel efforts like these must be taken to restore individual responsibility and accountability if we truly wish to tackle rising health care costs.

Thank you for the opportunity to speak in support of House Bill 2717.



*The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.*



*I have not hired any employees since the recession. I do not have a clear idea of what the impact for federal tax and healthcare programs will have on my small business. I cannot afford the current burden of reporting and tax let alone the assumed increase.*

- Vaughn Business Systems

*We are a small company in Kentucky. We have only 10 employees, six (6) of which are covered under our health insurance plan with Anthem. We just received our renewal notice. Our premium has gone up 43% in one year! Our broker says in his 40+ years of experience, this is the largest increase in premiums he has ever seen! This means the cost of insurance for every employee covered has doubled! Makes me want to hire more people. NOT! The real kicker is we cannot make any changes in our policy, increase deductibles, or such, without losing our Grandfathered Right to keep this private insurance.*

- "Angry in Kentucky"

*We just received our renewal package from Independence Blue Cross with an astounding 53.83% increase. This is absolutely ridiculous and it seems like there is nothing I can do about it. I am ready to...show (not tell) show these elected officials, most of which never ran a company, how their decisions are hurting our nation's economic engine – small business owners!*

- Larry

Source: <http://www.uschamberssmallbusinessnation.com/take-action/issue/health-care>

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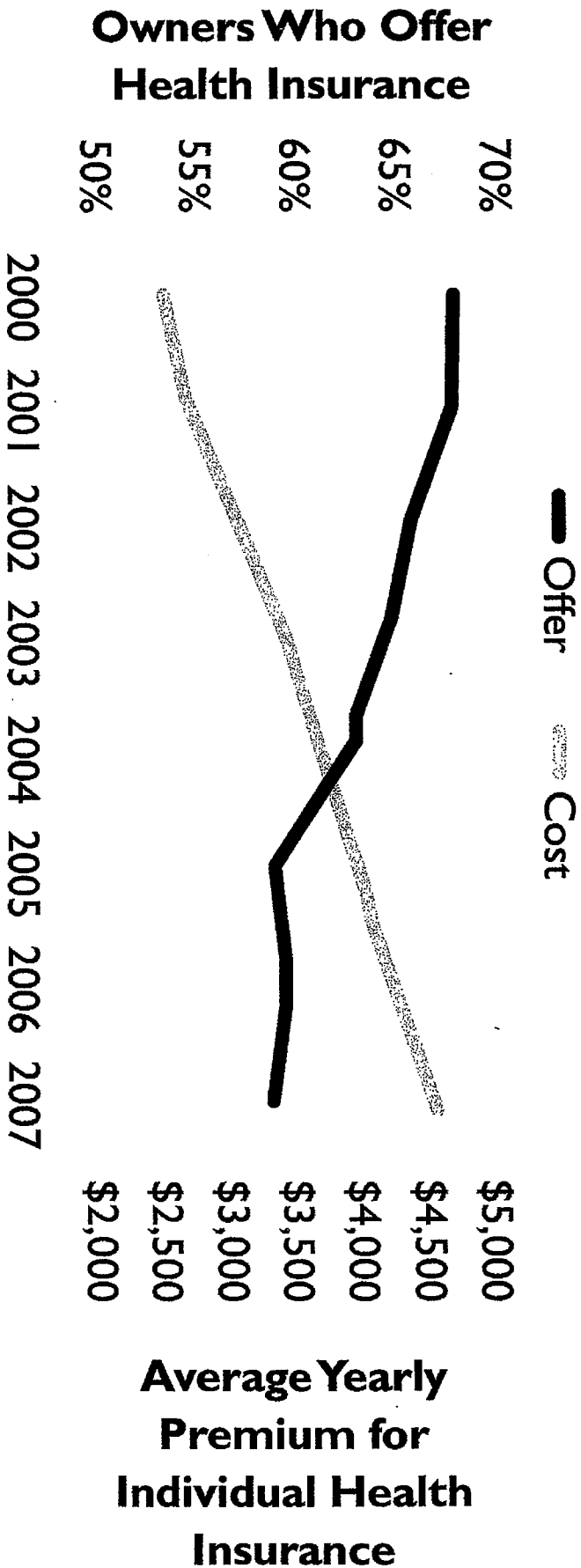
### Small Business Owners IN THEIR OWN WORDS

*We need the government to advocate for the small business owners so we can afford healthcare for our families and employees. If we are unable to offer health care benefits, we are unable to attract or retain good employees. Currently, due to the fact that I cannot afford benefits for my employees, I have none. We are not asking for a government handout, we are simply asking that someone doesn't keep moving the finish line.*

- Curtis, small business owner in Urbana, IA

Source: <http://www.healthreform.gov/reports/helpbottomline/>

**CHART I**  
**HEALTH INSURANCE OFFER RATES AND AVERAGE YEARLY PREMIUMS**  
**FOR BUSINESSES WITH 3 - 199 EMPLOYEES, 2000 - 2007**



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, various issues