

**Testimony before Senate Assessment and Taxation
Senate Bill 162- Tax Treatment for Insurance Contributions
Presented by Eric Stafford, Senior Director of Government Affairs**



Tuesday, February 26, 2013

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 Senate Bill 162, which equalizes tax treatment for employers who offer financial contributions through a health reimbursement arrangement 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. This year, "managing health care costs" finished tied with "lower taxes on business" as the top concern of business owners. 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, and we aren't holding our breath. 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). While it was a bold initiative to address the affordability of health care, the ACA does nothing to that effect.

In order to address rising costs of health care, we need to look at the structure of 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 to focus on the consumer through personal control, accountability, and portability. When the policy is not "theirs," individuals have less incentives and concern over the cost of health care.

SB 162 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. SB 162 takes the first steps necessary to restore individual responsibility and accountability in consumer health care.

Thank you for the opportunity to speak in support of Senate Bill 162.



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.