

**Statement of the
NATIONAL ASSOCIATION OF REALTORS®
To the Senate Health, Education, Labor and Pensions Hearing on
“Addressing Insurance Market Reform in National Health Reform”
March 24, 2009**

The debate on health insurance reform as it applies to the American workforce has traditionally 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. However, the problems facing a third group within the work force - the self-employed - have been, for the most part, overlooked.

The challenges facing 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 would 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.¹ 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

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

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, i.e. consultants, freelancers, independent contractors, etc. 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 problems facing this component of the American workforce must become a top priority.

Recommendations

NAR does not have the particular expertise that would enable us to provide a full-blown individual health insurance 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 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 access to 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) if they are to make informed choices.

The American health insurance system should enhance health and well being by providing continuous coverage, as well as preventive and chronic disease management services.

Prevention and disease management must be a component of any eventual health insurance reform measure. Prevention, along with ensuring that individuals have continuous coverage, i.e. no gaps in their coverage, are necessary components for an effective, efficient and cost-effective health care delivery system.

Cost containment must be a core component of health reform. Rising costs have been a major problem for the health delivery system. If the health insurance system is to be affordable and sustainable for society, cost containment must be a component of any reform effort.

Stakeholders including (but not limited to) insurers, regulators, legislators, health policy advocates and consumers must grapple with the question of what constitutes quality and 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 would be difficult, *but not impossible*, for the stakeholders to identify guidelines that might distinguish among an array of appropriate coverage options. Such a drive toward consensus would 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.