

**Statement Of
The NATIONAL ASSOCIATION of REALTORS®
Before The United States Senate
Committee on Small Business and Entrepreneurship
Regarding
The Health Insurance Challenges Facing Small Businesses
&
The Small Business Health Fairness Act of 2005
April 20, 2005**

Chairwoman Snowe, Ranking Member Kerry and members of the Committee, my name is Al Mansell and I am the president of the NATIONAL ASSOCIATION OF REALTORS® (NAR). I would like to commend the committee for holding this hearing and appreciate the opportunity to share NAR's thoughts regarding the health insurance challenges facing small businesses and the S. 406, Small Business Health Fairness Act of 2005.

First let me say that the NATIONAL ASSOCIATION OF REALTORS® strongly supports S. 406. I want to thank the Chair and each of her fellow cosponsors of the Small Business Health Fairness Act for the leadership they have shown by introducing the Act this Congress. I especially appreciate their recognition of the vitally important role that professional trade organizations can play in increasing the array of health insurance coverage options available to their memberships. NAR's leadership and staff are committed to working with Congress to advance this bill.

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.

Unlike other pieces of legislation that NAR's members support because the bills enhance the ability of Americans to own property and/or advance our members' business interests, our interest in S. 406 is a very personal one. Let me explain why this is so.

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 15.6 percent in 2003. 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 or sister's corporate employer or 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 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 strongly supports the Small Business Health Fairness Act. We believe that the small business health plan construct creates a vehicle that will allow NAR to offer 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, we are 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 many states independent contractors do not have access to less expensive small group plans, can make it difficult for real estate licensees to afford monthly premiums that can reach over \$1000 per couple or family.

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. As employers face the steady rise in the cost of providing health insurance coverage, 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. Working two jobs is stressful for any period of time. Eventually, decisions have to be made as to which job offers the worker the mix of 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 if current conditions continue.

Five percent of NAR's members today have coverage through COBRA (Consolidated Omnibus Budget Reconciliation Act) which gives 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. One agent recently commented to our CEO that he had been told that his family insurance premium was going to increase forty percent this next year despite having had no changes in health status that would seem to warrant such an increase. If past annual premium increases continue into the future, I would expect to see more of our members who are dependent upon individual policies move from the insured category to the uninsured category in any future surveys we may do.

→ **A Growing Number of Uninsured REALTORS®.** We expect the number of uninsured members to continue to grow for the simple reason that our survey results indicate that this has been the trend. 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®, Small Business Owners and Public Support for SBHPs**

Madam Chair, even though I well understand the factors that currently limit the ability of NAR to provide members with coverage and can explain to my members these regulatory barriers, it is very difficult to explain to the membership why their trade organization isn't allowed to use its collective bargaining expertise to provide a national, uniform health insurance plan in the same manner that large employers or trade unions are able to use their collective size to negotiate a quality, uniform national health plan for their employees or union members regardless of where they live.

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 their trade organization can't offer them the same type of program - just isn't viewed as fair or right.

As it turns out, our member's perception isn't that much different from the general public's view of the matter either. In March, we undertook a major survey of REALTORS® and the general public, including small business owners and male and female voters. NAR commissioned a series of focus groups and two national surveys by a nationally respected independent polling firm.

In voter focus groups, for example, 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 perceives a disparity in the current system and believes 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.

Our survey found that the American public and small business owners share NAR's members support for the small business health plans (SBHPs), sometimes referred to as association health plans, authorized by S. 406.

The first survey included a representative sample of 800 registered voters; a second poll surveyed a national sample of small business owners of firms with fewer than 50 employees and/or those who were self-employed. In these 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, 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. When small business health plans are described to voters, 89% favored the concept; even after arguments in opposition were shared and explained, 88% continued to support the concept. Among small business owners, 87% favored the concept initially and 81% continued to support the concept even after a discussion of arguments in opposition.

Also, of interest, the results show that support for the small business health plans crosses party lines with almost equal percentages of Republicans, Democrats and Independents supporting the concept.

When asked if they would be likely to participate in a plan like this if available, 77% of small business owners 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.

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.

■ 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.

The debate over the concept has been ongoing for some time now. We've all heard the arguments for why this should or shouldn't be done. As one company analyst put it, "We've had dueling Myths and Fact papers circulating for some time."

I believe that it is now time for all parties – supporters and opponents – to sit down together and figure out how to address the issues that are contentious. If there are 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 - especially a self-insured plan - is too open-ended, let's discuss how that definition could be modified to avoid the problems that some contend will exist.

It's simply time to stop the broadsides and begin a constructive discussion. My members and those who belong to the nation's other trade organizations need someone negotiating with insurers on their behalf. They need alternative sources of health insurance coverage now. They can't wait for yet another session of Congress to come and go without action.

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