

**Testimony of  
David E. Edman  
Risk Management Partners LLC**

**Before the  
Senate Finance Committee  
Harrisburg, PA  
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Mr. Chairman and members of the committee, my name is David Edman. I am the owner of Risk Management Partners LLC, a healthcare consulting and brokerage firm in Delaware County. We help employers maximize the value of their healthcare purchasing dollars; in other words, help them get the most bang for their buck. I am here today because I am a member of the small-business group, the National Federation of Independent Business (NFIB).

I want to thank you for inviting me to appear before the committee to speak to you about Senate bills 1182 and 1189, two proposed tax credits that will directly benefit small-business owners who provide health insurance for their employees.

Health-care costs are the number one concern for small businesses in Pennsylvania and around the country. Nearly two-thirds of working Pennsylvanians with no health insurance are in some way tied to a small business. Additionally, the small-business community pays, on average, 18-percent more in health insurance premiums for the same benefits as those in the largest firms. Over the last several years, NFIB members have reported premium increases of 25-50 percent from the previous year.

For these reasons, healthcare reform has become the top priority for small business owners as we all believe the system needs to address the critical issues of access to quality care, affordability, predictability, and consumer choice.

At some point the steadily increasing cost of health insurance leads a small-business owner to make a difficult decision: cut benefits, shift costs to their employees or outright drop coverage. SB 1189 and 1182, as introduced by Senator Folmer, would assist small-business owners who face these difficult choices.

Small-business owners view Health Savings Accounts as an excellent mechanism to provide health-care coverage for their employees -- oftentimes preferable to traditional health insurance.

HSAs have proven to be a more efficient and less expensive way for small businesses to provide needed health benefits to their employees, and an effective way to reduce wasteful healthcare spending. And, HSAs are not just for the healthy and wealthy. We see daily how they benefit employees at all income levels. About half are over the age of 40 and over 40-percent had incomes below \$50,000. Our research also shows that one-in-five small business owners who initiate health savings accounts for their employees previously offered no coverage.

We've also learned that consumers with HSAs are more engaged in wellness programs, more likely to plan and save for Healthcare expenses and are more engaged in their health-related decision making.

A recent study by the Blue Cross and Blue Shield Association found that 63-percent of HSA consumers tracked their healthcare expenses - compared to only 43% of consumers with traditional plans. Also, 47-percent of HSA consumers saved for future medical expenses while just 18-percent of consumers with traditional plans did the same.

More importantly, the BCBS survey found that HSA consumers were about twice as likely to exercise, participate in stress management, smoking cessation and diet and nutrition programs than their counterparts with traditional health plans.

In 2006, with the support of this committee, Pennsylvania made health savings accounts a permanent and tax-free option for consumers. Further tax incentives for small businesses to provide health savings accounts for their employees will encourage more participation in the market. By spending less on health care compared to traditional health insurance, small businesses have more working capital necessary to operate their businesses and provide more jobs which will benefit us all.

Thank you for the opportunity to appear before you today. We stand ready to assist you on this critical small-business issue. If we can fix healthcare for small business, we'll be fixing it for all Pennsylvania.

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