



May 8, 2019

Senator Dr. Richard Pan
State Capitol, Room 5114
Sacramento, CA 95822

RE: Legislation pending on instituting individual healthcare mandate in California (SB 175)

Dear Senator Pan,

As a representative of the 28 million small businesses in America and the more than 3.8 million in California, Small Business Majority writes today in support of SB 175, which would require California residents to maintain a minimum level of health insurance coverage. We believe this bill will work to prevent premium increases and reduction in insurance rates that are at risk due to federal actions.

Small Business Majority is a national small business advocacy organization with multiple offices throughout California, founded and run by small business owners to ensure America's entrepreneurs are a key part of a thriving and inclusive economy. We actively engage small business owners and policymakers in support of public policy solutions, and deliver information and resources to entrepreneurs that promote small business growth and drive a strong, sustainable job-creating economy. A key component of our work involves outreach and education to small business owners on key small business issues, including healthcare, retirement security, access to capital and more.

Over the past eight years, the Patient Protection and Affordable Care Act (ACA) has provided healthcare to 24 million individuals nationwide who otherwise couldn't access coverage, many of whom work for small employers or are themselves business owners or self-employed individuals. In California alone, more than [five million](#) people now have insurance thanks to the healthcare law and the state's efforts to promote robust insurance marketplaces. The ACA is the first meaningful healthcare reform to help address these needs and disparities for small businesses, and it's been particularly important for reducing healthcare costs.

A key component of the ACA's cost containment was its individual mandate for coverage, requiring that each individual maintain a minimum level of coverage in an ACA-compliant plan or face fines. The 2017 Tax Cuts and Jobs Act reduced this fine to \$0, effectively repealing the mandate, despite evidence from the Congressional Budget Office that such a zero-dollar penalty would significantly reduce coverage. [University of California](#) researchers estimated that between 150,000 and 450,000 fewer Californians will have insurance by 2020 due to the zero-dollar penalty. Researchers also estimate that zeroing out the mandate penalty will greatly increase premiums for health coverage. Indeed, a study published in [Health Affairs](#) estimated that premiums in California could increase by 4% to 7% just from this elimination of the mandate.

SB 175 would reinstate a penalty for lacking coverage in California and grant Covered California the ability to set this penalty amount. This will prevent the predicted increases in healthcare costs and uninsured rates in California, directly benefitting small businesses who struggle to keep up with the high costs of healthcare. What's more, California small business owners support this proposal. Our [recent opinion polling](#) found 7 in 10 small business owners agree that all individuals should be required to maintain a basic level of health insurance in order to reduce healthcare expenses by ensuring emergency care is covered and by increasing risk pools.

To continue the progress made under the ACA, we urge you to support SB 175 to ensure affordability of healthcare in California.

Sincerely,

Mark Herbert, California Director, Small Business Majority