

**Statement Prepared for Pat Vredevoogd Combs  
On the Health Insurance Challenges Facing Small Business  
Before the United States Senate  
Health, Education, Labor and Pensions Committee  
“Health Care Coverage and Access: Challenges and Opportunities” Roundtable  
January 10, 2007**

Chairman Kennedy, Ranking Member Enzi, and Members of the Committee, thank you for holding this roundtable and giving me the opportunity to talk with you about the challenges that face the nation’s small business community as they search for accessible and affordable health insurance coverage.

My name is Pat Vredevoogd Combs. Until recently, I was the broker/owner of AJS Realty in Grand Rapids, Michigan. My company had 35 independent contractor sales associates affiliated with the firm as well as 4 salaried employees. I also have the honor of serving as the 2007 President of the National Association of REALTORS®.

As a practicing real estate professional for more than 30 years, I know very well how hard it is to find and keep health insurance when you have no employer-provided coverage. I also know how hard it is to find affordable health coverage for your employees when you’re the boss.

Having had both responsibilities, I can also tell you that while governors, state insurance commissioners, and insurance industry executives may talk about how well their state regulations or insurance products serve the public’s needs, those of us in small businesses who are “on the ground” looking for health insurance don’t see the health insurance market in quite the same light. I sometimes wonder if these officials and company executives were forced to shop for their own insurance policy or a small group policy for their staff, would they still feel the same?

My experience is shared not only by my real estate colleagues but by the rapidly growing number of small businesses and self-employed Americans who are part of every sector of our economy.

The real estate sales professionals' search for health coverage is a perfect example of the challenges that the self-employed and small business face today. Real estate agents are not employees of the realty office with which they are affiliated. They are independent contractors, a separate legal business entity - the smallest of small firms. Real estate firms, the offices with which these independent agents are affiliated, typically has fewer than five salaried employees – a receptionist, office assistant, or, perhaps, a transaction coordinator.

Today, in most states, real estate agents, other independent contractors and even small firms are forced to look for insurance in the individual insurance market – a market where you basically take or leave whatever coverage is offered. There is no negotiating. There is no leverage. In many cases, a small firm may also find the terms of insurance coverage in the small group market no more favorable than those offered in the individual market.

As the result of this industry structure and the current state of health insurance regulations and industry practices, today 28 percent of the nation's 1.3 million REALTORS® do not have any health insurance. In a seven year period, this uninsured percentage doubled– going from a level of 13 percent in 1996 to 28 percent in 2004. That's over 336,000 uninsured working REALTORS®. If we add the number of associated, and likely uninsured, REALTOR® family members to that total, the total number of uninsured individuals affiliated with the REALTOR® organization is 886,000.

In the case of real estate firms, few firms offer health insurance coverage to salaried employees. In 2004, only 13 percent of firms offered coverage to salaried workers. In 1996, the percentage was 34 percent.

It's interesting to note that the percentage of uninsured REALTORS® is almost double that of the nation as a whole. In 2004, for example, the percent of the U.S. population without health insurance coverage was estimated to be 15.7 percent.<sup>1</sup>

Finding a solution to the problem of the uninsured needs to be a top priority for this nation. It is a problem that affects over 46 million Americans today. Half of these individuals are the owners and employees of small firms or the self-employed.<sup>2</sup> These same small operations have been widely recognized as the largest creators of new American jobs. We believe that without change, problems with the availability and affordability of small business health coverage will increasingly threaten what has been the main source of job growth in this nation.

At the same time, as corporations have downsized and the economy has evolved, the share of the U.S. workforce that is self-employed, individual proprietors has grown. The Ford Foundation estimated in 1999 that the number of freelance, independent contractors and temporary workers totaled 37 million individuals.<sup>3</sup> More recently, the General Accounting Office (GAO) estimated that 30% of the American workforce in 2000 was comprised of these "non-traditional" workers.<sup>4</sup> By way of comparison, the

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<sup>1</sup> Carmen DeNavas-Walt, Bernadette D. Proctor, and Cheryl Hill Lee, U.S. Census Bureau, Current Population Reports, P60-229, *Income, Poverty, and Health Insurance Coverage in the United States: 2004*, U.S. Government Printing Office, Washington, DC, 2005.

<sup>2</sup> Employees Benefit Research Institute, "The Working Uninsured: Who They Are, How They Have Changed, and The Consequences of Being Uninsured," EBRI Issue Brief No. 224 (August 31, 2000).

<sup>3</sup> Elena Cabrel, "Building Safety Nets for the New Workforce," Ford Foundation Report (Spring/Summer 1999).

<sup>4</sup> General Accounting Office, "Contingent Workers: Incomes and Benefits Tend to Lag Behind Those in the Rest of the Workforce," report no. HEHS-00-76 (June 30, 2000).

GAO estimated that manufacturing employment totaled 18 million workers while an additional 20 million worked for some government entity in this same year.

Some have estimated that by 2010, 41% of the US workforce will be what David Pink has labeled “free agent” workers.<sup>5</sup> In this new world, a health coverage system of employer- provided health insurance will be even less successful at providing American workers with access to affordable care than it is currently.

It is for this reason that I urge you to include representatives of the small business community in any discussions or efforts to address the solutions to the health care coverage crisis. These discussions must include those familiar with each of the key constituencies that will be impacted by any recommended changes.

I would like to close and let you know that finding a solution to the health insurance access problem a priority issue for the small business community and the National Association of REALTORS®. As the 2007 president of NAR, I can pledge to you that NAR stands ready to do whatever we can to assist you in your efforts to address this very important and growing problem.

Thank you for giving me the opportunity to share my thoughts. I am happy to take any questions.

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<sup>5</sup> David H. Pink, *Free Agent Nation*, (New York: Warner Books, 2001).