

**FULL COMMITTEE HEARING ON  
LIMITED HEALTH CARE OPTIONS  
FOR SMALL BUSINESSES IN THE  
SMALL GROUP MARKET**

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**COMMITTEE ON SMALL BUSINESS  
UNITED STATES HOUSE OF  
REPRESENTATIVES**

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# **FULL COMMITTEE HEARING ON LIMITED HEALTH CARE OPTIONS FOR SMALL BUSINESSES IN THE SMALL GROUP MARKET**

**Wednesday, January 23, 2008**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,  
*Washington, DC.*

The Committee met, pursuant to call, at 10:00 a.m., in Room 2360 Rayburn House Office Building, Hon. Nydia Velázquez [chairman of the Committee] presiding.

Present: Representatives Velázquez, Cuellar, Clarke, Ellsworth, Chabot, Akin, King and Gohmert.

## **OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ**

Chairwoman VELÁZQUEZ. This hearing on limited options for small businesses in the small group market is now called to order.

It is clear that our economy is facing many challenges, and small businesses know this better than anyone. Whether it is finding access to adequate capital during a credit crunch or dealing with today's overall uncertainty, small businesses are confronting many obstacles to success. Despite the growing list of concerns, something that continues to top that list is access to affordable health insurance.

Since 2001, small businesses have been confronted with annual price increases for health insurance ranging from six percent to over ten percent. During that time, the average small business has seen their premiums double. This has forced many entrepreneurs to decide whether they can continue to offer coverage. These rising costs are clearly having an impact. According to the small business administration, price is the most significant factor influencing the decision of small firms to offer health insurance.

But price is not the only factor. Today's hearing will address the growing cost of health insurance for small businesses, as well as highlight the variety of challenges small firms face in offering health coverage. The panelists before us will explain how difficult it is for small firms to find, keep, and administer health insurance plans. Each of these challenges influences whether a small firm will offer coverage.

Unfortunately, the stories we hear today are not out of the ordinary. Similar struggles could be told by nearly any business in any town across the country. The first obstacle small firms usually confront in offering coverage is identifying health insurance options.

There are no one stop locations where these entrepreneurs can identify available health care options and compare plans. This only adds to the disproportionate administrative burden small firms face in comparison to larger counterparts.

Small businesses in rural America often face greater difficulty where physician shortages and limited access to health services discourage insurers from offering coverage. This can lead to one carrier being the only game in town, which can drive up overall costs.

Because access to insurance is restricted, many small business owners simply abandon the search for small group insurance. Managing a plan also creates additional cost for these companies. Small business owners must devote valuable resources working with vendors, handling insurance, paper work, and addressing employee claims issues.

Because small firms often do not have HR departments or brokers, owners are forced to take time away from their businesses to insure coverage for their employees.

Along with the challenges of offering insurance, small firms regularly struggle with keeping their insurance plans affordable. A major problem is the uncertainty created by high cost claims. Too often minor surgeries, pregnancies, and other basic health care treatment that are part of everyday life result in double digit rate increases.

Small business owners quickly find themselves in the position of having to choose between paying unreasonable premium hikes or dropping coverage altogether. This explains the findings in a recent study that found over 60 percent of firms that already have health care options are shopping for different coverage. The fact these businesses are looking reveals one of the largest heating costs of health insurance.

The goal of this hearing is to bring into focus these and other very real problems faced by small firms every time they offer or consider providing insurance. This is the third hearing this Committee has held on the issue of health insurance access and affordability. The problem is complex as it is severe for small businesses.

We have with us small business owners from around the country. I want to thank you for taking the time away from your firms to discuss these challenges. As Chairwoman of the Small Business Committee, I plan on keeping this issue in the spotlight because it is so important to firms across the country.

There are many in this Congress that say that health care reform will not be addressed until we have a new administration. But one thing is sure. We need to keep this issue in the forefront by bringing it to Capitol Hill, by telling members of Congress that out of the 44 or maybe more million of people in this country that do not have any kind of health coverage, 62 percent, 62 percent of those are either small businesses, their employees, and relatives.

So health insurance and access to health coverage is a small business issue.

I now look forward to today's testimony and yield to the Ranking Member for his opening statement, who is a year younger today. Congratulations.

[Laughter.]



### OPENING STATEMENT OF MR. CHABOT

Mr. CHABOT. Thank you, Madam Chairwoman, for yielding and noting how old I am and for holding this hearing on the limited health insurance options for small businesses.

I appreciate our witnesses who in many instances have come from far distances to share their testimony.

I want to especially thank Dr. Stephen Eby who is from Cincinnati, Ohio, which happens to be the great community that I represent in Congress, and I will be introducing him shortly.

Madam Chairwoman, 47 million people, as you indicated, in our country do not have health insurance. According to the National Federation of Independent Business, about 27 million of the uninsured are self-employed or small business owners and their families.

The uninsured are less likely to have access to preventive care and chronic disease management, all of which would save lives and save money in the long term, and for small businesses that are able to offer their employees health insurance, the cost of doing so continues to rise. Many of these small firms are faced with double digit premium increases and have only one or two insurance companies from which to choose.

When the members of this Committee travel back to their districts, I know that we all meet small business owners every day who are struggling to cope with the rising cost of providing health care for their employees. Increasing competition is one way to bring down these costs.

I, for example, support Association Health Plans, AHPs, which would permit small business owners to pool together to purchase health insurance at lower rates. These arrangements could increase negotiating leverage and administrative efficiencies and help to insure more consistent benefits among the states.

I also want to mention that I have introduced over a number of years now the Health Insurance Affordability Act, which is legislation to allow individual taxpayers and small businesses to deduct 100 percent of their health insurance premiums from their annual tax returns. This would help bring more people into the health insurance marketplace and ultimately increase competition and reduce health insurance costs.

Today we will hear from small business owners who will share their personal stories of the challenges in finding, affording, administering, and keeping adequate health insurance for their employees. I look forward to their comments and continuing our work in developing health care solutions.

And I again want to thank you for holding this hearing, and I look forward to hearing from the witnesses here this morning.

Thank you.

Chairwoman VELÁZQUEZ. Thank you, Mr. Chabot.

And now I would like to introduce our first witness, Mr. Donn Teske. He is the President of the Kansas Farmer Union in McPherson, Kansas. Mr. Teske is the fifth generation to operate his family farm in northwestern Kansas. He is testifying on behalf of the National Farmers Union, which represents over 250,000 farm and ranch farmers.

Welcome, Mr. Teske. You will have five minutes to make your testimony.

**STATEMENT OF DONN TESKE, PRESIDENT, KANSAS FARMER UNION, McPHERSON, KANSAS, ON BEHALF OF THE NATIONAL FARMERS UNION**

Mr. TESKE. Thank you, Madam Chairman and Ranking Member and members of the Committee for allowing me to speak here today.

As the Chairwoman said, my name is Donn Teske, and my wife Kathy and I live in northeast Kansas. I serve as President of the Kansas Farmers Union, and today I am representing National Farmers Union.

When I was asked if I would be willing to testify today, I jumped on that because I, like many Americans have a personal story to share with you, and so most of my testimony is bellyaching instead of actual testimony.

[Laughter.]

Mr. TESKE. My wife Kathy and I live in rural northeast Kansas. The hometown where we live of Wheaton is 97 people. The neighboring community of Onaga is where our health care system is, where our kids go to school.

We are a fifth generation farm as you say. Our roots are deep, and when Kathy finally decided that we had to go off the farm to get health insurance, she went to the community hospital to work, and she works there in insurance and in reception, and she has been there for ten years.

She went to get health insurance, and literally all of her health insurance goes to pay health care costs for the family, and we have a very healthy family. We do not have big problems, but our community hospital is a rural hospital. It is a very large, very modern rural hospital and serves many of the surrounding communities and employs almost 300, and our family is insured through the group plan.

I was always concerned that the insurance was inadequate to other policies, and regretfully we ran into this the last few years. My wife Kathy had to have two partial knee replacements over the past several years. After our deductible was met, we were personally responsible for over \$6,000 that we had to take loans out and that we are paying hopefully off some day above what the policy would cover.

And what really has my dander up now is that this past summer when I was welding on the combine, I screwed up my back, and I am one of those guys that you screw up your back and you go to the chiropractor a couple of times and you get over it and life goes on and you are fine. I could not throw it, and so this fall I went in and had two epidurals done on my back. Come to find out that farming is not covered under insurance policy. That is right. If you are self-employed for profit, this insurance policy does not even cover the spouse.

And so we may very well have another \$4,000 we have got to figure out how to pay from that.

The Onaga Community Hospital is a good hospital, and it is desperately needed in the community. I have no problem with the hos-

pital, but there are many families like ours that the spouse is just there working for the family's health insurance, and now the spouse of the employee is not covered?

If this is the best health care policy that an entity like the Onaga Community Hospital can offer to its employees, then there is something wrong with the economics of rural America and adequate health care because it is clashing.

Now, farmers are small business owners. We cannot get the group rates like others can get. We end up paying higher premiums. In 2006, I was asked by the Access Project out of Massachusetts if we would be willing to participate in a study. I agreed to a professional survey of my membership base. I had no idea what the response would be when my staff sent out 600 surveys to randomly selected Kansas Farmers Union members.

To my great surprise, 47 percent of those surveyed responded. Obviously, it is important to Kansas residents. The study found that 29 percent of residents in rural Kansas under the age of 65 have medical debt even though 95 percent of them had some type of health care insurance. Like our family, their coverage was not sufficient to offset the cost of treatment.

Even more disturbing was a study finding that 67 percent had delay receiving primary medical care because of financial concerns. As a result of this involvement, I became involved with the KHCC, the Kansas Health Consumer Coalition in Kansas whose mission is affordable health care for all Kansas.

Rural communities have difficulties providing adequate health care. However, the challenges facing rural health care are not insurmountable. There are successful examples: Massachusetts, West Virginia, New York. They all have programs that help small businesses.

Clearly, rural Americans need assistance to insure they have access to the health care they need. As you move forward, I urge you to consider the unique needs of rural Americans, many of whom are small business owners, and draft legislation that will help them to obtain quality health care at an affordable price.

Thank you very much, and I welcome any questions.

[The prepared statement of Mr. Teske may be found in the Appendix on page x.]

Chairwoman VELÁZQUEZ. Thank you. Mr. Teske.

Our next witness is Mr. Scott Eckstein. He's the President of James Scott Custom Builders in Bollingbrook, Illinois. James Scott Custom Builders has provided custom home building in the area for the last 15 years.

Mr. Eckstein is also President of the Home Builder Association of Illinois and is representing the National Association of Home Builders. The National Association of Home Builders represents over 235,000 home builders and professionals in related fields.

Welcome, sir.

**STATEMENT OF SCOTT ECKSTEIN, JAMES SCOTT CUSTOM BUILDERS, NAPERVILLE, ILLINOIS, ON BEHALF OF THE NATIONAL ASSOCIATION OF HOME BUILDERS**

Mr. ECKSTEIN. Thank you.

Good morning, Chairman Velázquez and Ranking Member Chabot and members of the Committee.

My name is Scott Eckstein. I am a 41 year old self-employed custom home builder-remodeler from Naperville, Illinois, west of Chicago. My wife Jackie and I work together in our family business along with raising three daughters.

I have operated my two companies, Dupage Design and Construction, Inc. and James Scott Custom Builders, for the past 15 years.

I currently employ five full-time workers and my companies have thrived in the northern Illinois market.

Currently, I serve as President of the Home Builders Association of Illinois. The HBA of Illinois represents over 5,000 businesses throughout the state. Nearly 80 percent of our members are small companies, such as mine, and have similar issues and concerns.

During my presidency I have been traveling the state and meeting with members. I have quickly learned that the issue of health care and its affordability are overshadowed only by the concerns for the state of the housing market in general. I find it ironic that the very people that house our country's doctors cannot afford proper health care coverage.

When my first daughter was born, I was employed in a management job with a large national retailer. I had excellent insurance coverage and paid less than \$350 a month to insure my young family. When my wife's pregnancy of our first daughter required an emergency C-section, there was no discussion. Doctors acted decisively and she was born.

Years later I realized my own dream to start my business. Luckily, I kept my insurance through a COBRA extension. I carried that insurance for years, each year experiencing large increases, but never having an affordable option for change.

A few years later I went back to work for a mid-size builder in the Chicago land area. The employer provided me with health insurance coverage through an HMO program. Sixteen months after starting this job, my wife and I found ourselves expecting our second child.

This time the doctors advised us that a Caesarian was not necessary. They were wrong. My daughter was injured during the birth process, born with an APGAR score of 0, later resuscitated, but suffered brain damage and cerebral palsy, which still affects her today.

Because of this I have been unable to change my health insurance for the past 16 years despite many arbitrary increases.

My personal policy under COBRA that once cost me under \$600 per month for my family was now as high as \$1800 per month. I currently pay in excess of \$21,000 a year for two insurance carriers to provide my family with unreliable health care coverage. My wife spends, on an average, two to four hours a week on the phone with our insurance companies fighting for coverage, prescription refills, or payment of bills.

My daughter, with preexisting conditions as a result of her birth injury, often misses scheduled therapy appointments because of our carriers' inability to process referrals when needed. This is the

quality of health care coverage business owners can expect for \$22,000 a year?

My written testimony includes several examples of premium increases up to 32 percent in a given calendar year. An increase like this could cost a small company of six an additional \$18,000 annually. If new home prices rose at this rate, could you imagine the cost to shelter our nation?

My inability as an employer to provide adequate, affordable health coverage over the past few years has directly resulted in employee turnover and my inability to hire consistent, qualified workers. Over the years many of my qualified employees have left the company and I believe they could have been retained if I was able to offer affordable health care options.

I hear the rhetoric in regards to this issue in every election. Yet when the polls close and the politicians are elected, nothing ever changes and we are faced with a deeper quagmire than before. It is time for the federal government to stop talking and start acting on behalf of the small business owners.

Following the tragedies of 9/11 and Hurricane Katrina our industry carried the national economy through tough times, preventing a deeper recession from taking hold. The building community pulled together to help others, yet shamelessly many of our people cannot afford health care coverage.

I am here today as a small business owner and a representative of the home building community to ask for your help in solving this crisis. This just does not affect home builders. It affects everybody in America. It is up to you, our elected leaders, to stop this runaway train before it derails our American health care system altogether.

Association health plans that would allow organizations, such as ours, to receive large group pricing and avoid exemptions from pre-existing conditions would make health care affordable and accountable to the consumer again.

Keep in mind that our members are small business owners. They cannot take a day off of work for a cold or a sniffle because they have a business to run. Generally, we are healthy individuals performing active work, making us attractive clients to any insurance carrier. Yet these are the individuals who struggle to receive the same benefits that a bag boy at a national grocery store can obtain through his company's plan.

In a country that encourages the entrepreneurial spirit, health care must become affordable and available to our businesses. Thank you for the opportunity to share my thoughts and experience with this Committee today. I look forward to answering any questions you might have.

[The prepared statement of Mr. Eckstein may be found in the Appendix on page x.]

Chairwoman VELÁZQUEZ. Thank you, Mr. Eckstein, for sharing your personal story. Quite compelling, and I am really sorry to hear what happened to your daughter.

I also want to share with you that in the last Congress I was the lead sponsor of the Association Health Plan.

Now, I welcome Ms. Cathey Sandman. She is the owner of Sandman Family Daycare in Lockport, New York. Ms. Sandman is rep-

representing the National Federation of Independent Business, NFIB. It is the national organization that has been representing small businesses since 1943 and has over 600,000 members.

Welcome.

**STATEMENT OF CATHEY SANDMAN, SANDMAN FAMILY DAYCARE, LOCKPORT, NEW YORK, ON BEHALF OF THE NATIONAL FEDERATION OF INDEPENDENT BUSINESSES**

Ms. SANDMAN. Thank you.

On behalf of NFIB, I want to thank Chairwoman Velázquez for inviting me to discuss the significant challenges facing small businesses trying to access and afford health insurance.

My name is Cathey Sandman and I operate Sandman Family Daycare, a home-based business located in Lockport, New York.

As a small business owner, mother, wife and child care professional, I deeply believe that health care is at a critical tipping point. Something must be done to improve access to and affordability of health care.

The health care cost crisis affects two specific small business sectors, those who are insured and struggling to keep up with the 100 percent increase over the last six years, and the 27 million in the small business community who are uninsured.

NFIB members represent both of these sectors. I once was an NFIB member with insurance. Today I am an NFIB member with no health insurance for myself or my family. I have been an in-home child care provider for 18 years. I personally service 13 families and up to 18 children in any given week, ranging from six week old through 13 years.

My services are vital to these families and enable them to go to work and be productive. Like most small business owners, I work long hours, 12 to 14 hour days. I spend a great deal of time when I am not working planning and organizing for the next day.

Mr. CHABOT. Ms. Sandman, I apologize for interrupting you, but could you pull the mic a little closer. The folks in the back may have trouble hearing you.

Thank you.

Ms. SANDMAN. This is one of the best aspects of owning your own business. Is that better?

Mr. CHABOT. I would pull it even closer.

Ms. SANDMAN. Thank you.

This is one of the best aspects of owning your own business. You work for yourself, so the extra hours are not a burden. I have a passion for the families and children in my community and work to serve many of their needs.

Five years ago my husband joined my business as my assistant and business partner. We then had to purchase our own health insurance and found it expensive, but affordable. But after multiple premium increases the cost began to threaten our ability to maintain our insurance.

In October of 2007, my husband and I made the difficult decision to give up our health insurance. It was not an easy choice, but after the last few premium increases, the monthly cost of our health insurance was the same as our monthly mortgage payment.

Since I am self-employed and work out of my home, I felt there was no other choice. I need a place to live and I need a place to work. But I simply could no longer afford to pay the equivalent of a second mortgage. So we terminated our coverage as of October 1st, 2007, and tried to figure out what to do next.

Unfortunately, time was not on our side. On October 13th, less than two weeks after becoming uninsured, I became ill and ended up in the hospital with appendicitis. I had to have surgery and my appendix was removed. The hospital and doctor bills totaled \$10,000. Today I am on a payment plan with the hospital.

While I appreciate their willingness to work with me, every dollar I spend to pay off this bill I cannot use to purchase health insurance.

Back home in Niagara County, I am not alone in this struggle. There are about 125 in home child care providers in my county, and I know many of them. I operate a training and support group to assist all providers. The health care crisis is on everyone's mind. I hear discussions about it constantly.

It is necessary, but unavailable to many, and it is a heavy burden to many more. It is vitally important that something changes and soon. As Congress works to develop specific policy related solutions, please keep in mind that many small businesses are looking for a balance, a balance similar to the one outlined in NFIB's small business principles for health care reform.

The principles are a foundation for health care reform that achieves four goals: access to quality care, affordability, predictability, and consumer choice. Those goals are achieved by creating a system that is universal, private, affordable, unbiased, competitive, portable, transparent, efficient, evidence-based, and realistic.

NFIB will pursue legislative proposals that are reflective of these ten principles.

Finally, Madam Chairwoman, I appreciate the work your Committee has done with NFIB. I am hopeful that you will continue working with NFIB and other groups that are committed to developing effective solutions for small business owners, employees, and their families as well as the broader population.

Recognizing that many voices are stronger together, NFIB joined Divided We Fail in 2007. The coalition, which includes AARP, Business Roundtable, and the Service Employees International Union, represents more than 53 million people. These groups do not agree on many issues, but the coalition does agree on the need to seek out and engage in a serious dialogue to find broad based bipartisan solutions that address what has become a national crisis for American job creators, health care.

Thank you, again, for holding this hearing today and shining a spotlight on the health care crisis facing small businesses. I greatly appreciate your interest and your willingness to listen to my story.

NFIB shares your desire to address the nation's health care crisis. I am hopeful that working together, today's horror stories can be transformed into tomorrow's success stories.

Thank you.

[The prepared statement of Ms. Sandman may be found in the Appendix on page x.]

Chairwoman VELÁZQUEZ. Thank you, Ms. Sandman.

Our next witness is Mr. Richard Lee. He is the President of Lee's Flower and Card Shop in Washington, D.C. Mr. Lee is the fourth generation to run the family owned business. It was established in 1945.

Mr. Lee is testifying on behalf of the Society of American Florists. The Society of American Florists represents over 15,000 retailers, growers, wholesalers, and importers in the floral industry. Welcome.

**STATEMENT OF RICHARD S. LEE, PRESIDENT, LEE'S FLOWER & CARD SHOP, WASHINGTON, D.C., ON BEHALF OF THE SOCIETY OF AMERICAN FLORISTS**

Mr. LEE. Thank you, very much, Chairman Velázquez and also to the members of the Committee.

Good morning and thank you for this opportunity to present testimony on behalf of the Society of American Florists and the U.S. floriculture industry on this subject of limited health care options for small businesses.

At the outset, I want to thank you, Chairwoman and the other members of the Committee who have been particularly supportive of the need for health care reform for so many years. And thank you for holding this hearing and once again being the voice of small business in the halls of Congress.

My name is Rick Lee. I am President of Lee's Flower and Card Shop in Washington, D.C. The Society of American Florists is the national trade association representing the entire floriculture industry, a \$19 billion component of the United States economy. Membership includes about 10,000 small businesses nationwide, and this issue is important to nearly every one of them.

Lee's Flower and Card Shop has been in business for 62 years, since 1945. We are a full-time and full service retail floral shop. As a family owned business we pride ourselves on our service, both to our customers and to our community.

Community service is a family tradition started by my parents, Winnifred and William Lee, when they founded the shop. We have stood by our neighborhood, through its ups and downs, and I am happy to say we are back in an upswing now.

Everyone knows about the U Street corridor and how it has come back and the gentrification that is going on there. I founded the neighborhood's first Jaycee chapter back in 1968 after the assassination of Martin Luther King, Jr.

My daughter, Stacey, who works in the business, donates a substantial chunk of time to at least five civic and charity groups.

So it is not only a disadvantage to us not to be able to offer health insurance coverage to our employees. It goes against my philosophy of community service.

There was a recent poll reported by HR News that demonstrates the importance employees place on health insurance. According to this poll, of 1,200 United States adults, age 18 and older, 84 percent say health insurance is the most important factor in choosing a job.

So offering health care in reality is a benefit that is necessary for a business to succeed. We have seven full-time employees plus many part-timers on a weekly basis, and more at holiday and spe-



cial events. The biggest enticement besides salary in our repertoire of tools to attract and keep employees is benefits, and the most important benefit is our ability to offer health care.

There are very limited health care options for small businesses in the small group market. I believe that cost is the biggest impediment, but is also a lack of options and lack of negotiating power that are also important.

Right now there does not seem to be any options in all of the market for me. And I know from talking to others in my industry the small businesses in many states are similarly faced with the limited or no choice.

When I was in the market I had to rely on agents and brokers to help me choose a plan, and some agents did not want to deal with me because of my company being so small. I can tell you first hand that small businesses do not have the same market advantage that large businesses do. Small businesses have no negotiating power.

So even if we can purchase insurance, if a year later we have had one or two expensive claims, the premium costs go up by double digits and the out-of-pocket costs go up also.

The last time I attempted to purchase insurance and offer it to my employees I had to ask them to pay 25 percent of the premiums. It was the best deal that I could get, but even then the younger ones decided it was not viable for them. They said they would rather roll the dice, pray, and cross their fingers that they did not get sick or injured.

Our work force spans a range of ages from 20 years to a driver in his 60's. They want and need different things in a health plan, and I need to be able to find a policy that provides adequate coverage but is affordable and responds to their different needs.

Right now one of my long-term employees who has been with us for 26 years—he is one of our drivers—just could not afford the coverage and recently had an accident. He was treated in the emergency room and could not pay. So now he has had his wages garnished.

Another example is one of my employees who became pregnant. She could not afford the health care so she went on public assistance. If employees do not get affordable coverage through the employer, they certainly are not going to hunt for coverage in the non-group market where the costs are out of reach for these workers.

The outcome is that the small business owners and the small business employees are often not covered by any health insurance. My two daughters also work in the business. Both have spouses, fortunately, whose employers provide coverage so they are covered. My wife, who retired from Verizon a number of years ago, and I receive health insurance on her plan.

Unfortunately, my other employees have few options for health insurance coverage. Three of them have spouses, but the spouses do not have health insurance. So it is a vicious circle. The higher the cost, the more workers are shut out or priced out of the system.

Having uninsured workers has an impact on everyone who is insured.

So in conclusion, I hope that my sharing with you these experiences with trying to provide health insurance as a small business-

man has been helpful to the Committee in understanding both the importance of my ability to do this and the urgency that Congress create the solutions to this problem.

Please find a way to expand the availability of affordable health care coverage. It is probably the number one problem facing small businesses and their employees today.

Thank you very much.

[The prepared statement of Mr. Lee may be found in the Appendix on page x.]

Chairwoman VELÁZQUEZ. Thank you, Mr. Lee.

Our next witness is Mr. Lee Groza. He is a partner at Mountjoy & Bressler, an accounting firm based in Louisville, Kentucky. The firm has over 100 employees with four locations throughout the state.

Mr. Groza is testifying on behalf of the American Institute of Certified Public Accountants. AICPA is a national organization representing over 330,000 certified public accountants.

Welcome.

**STATEMENT OF LEE DAVID GROZA, MOUNTJOY & BRESSLER, LLP, LOUISVILLE, KENTUCKY, ON BEHALF OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

Mr. GROZA. Thank you, Chairwoman Velázquez, Ranking Member Chabot, and members of the Committee.

My name is Lee Groza. I am a CPA and one of several owners of Mountjoy & Bressler, LLP, located in Kentucky. I am here today representing the American Institute of Certified Public Accountants. I include several of my own opinions based on the experiences with my firm.

The topic of health care coverage has been an interest of mine for a number of years and one that I have been able to view from several different perspectives. Not only am I small business owner who has spent a considerable amount of time involved in considering coverages for our own employees, but as a CPA, I am an advisor to many small businesses and have been able to witness their health care challenges first hand.

Additionally, I am currently the President of the Kentucky Society of CPAs and have served as a member and former chairperson of the committee that oversees the association sponsored health care plan that is offered to our nearly 5,000 members across the commonwealth.

At my CPA firm, we are annually faced with the challenge of offering quality health care benefits at a manageable cost. This delicate balancing act between benefits and affordability has resulted in my own firm switching to three different insurers in the last three years alone.

Like many small businesses, we significantly subsidize the premium cost to our employees, but we do not cover 100 percent of this cost. We have found that even though our offices lie in the larger population centers of the state, our health insurance options have been limited to just a few dominant insurers.

While having just a few options may call into question the competitive nature of this process, just two alone has resulted in an experience where one insurer dramatically decreased their bid in an

effort to counter another's proposal to secure the relationship. Truly, when competition does exist, we as consumers of health care can benefit greatly. And as the number of options increase, our potential benefit increases accordingly.

As of the first of this year, our employees were offered the option of a high deductible health plan coupled with a health savings account feature. These new plans have now become the lowest cost option for our employees and were intended to provide a better way to manage and potentially gain from their individual health care spending while assuming a manageable amount of additional risk.

These plans encourage healthy behavior and efficient spending while protecting our employees from escalating costs. I am encouraged by the fact that nearly 30 percent of our participants decided to make the switch to these HSA plans in the first year alone.

My involvement with the Insurance Committee at our state association pool has left me somewhat discouraged. As a statewide membership organization, our association health plan must be able to provide coverage to our CPA members who are located in every corner of the state.

Consequently, we have been left with only one insurer with a provider network that is sufficient enough to maximize our coverage area. In this situation, there is no room for negotiation, and our annual renewal meetings have become an exercise in futility where the terms are clearly dictated by the insurer.

As our association pool continues to evolve into one that serves very small practitioners in the increasingly rural areas of the state, there is no doubt that we are paying higher premiums than our members who are served in larger areas and have more options.

When developing the required annual premium for our pool, the insurer will often rely on national trend rates that may have no correlation of the cost trend based on our actual claims' history.

In a clear show of dominance, they have gone so far as to additionally assess an explicit profit charge among all other administrative costs which appears to serve no other purpose but to pad their profitability.

A few years ago we were able to add a risk sharing arrangement to our association pool health plan that provides for a refund of premium in the event that the initial estimates used by our insurer were too high. Of course, this arrangement brought with it an additional fee.

So we are now in a situation where we feel compelled to pay an additional significant sum of money every year just to ensure some degree of accuracy in the determination of our health insurance costs. I cannot help but believe there is something fundamentally wrong with a system that permits this practice.

I have personally witnessed how competition in the area of health care can work to our advantage, and I am a strong believer that any step taken to increase competition is a positive step for the American consumer. As an employee of the federal government nearly 20 years ago, I fondly remember the ability to select from a variety of plans and insurers to suit my needs. Today most, if not all, small business employees do not have that luxury.

Thank you, again, for the opportunity to testify before you today.

[The prepared statement of Mr. Groza may be found in the Appendix on page x.]

Chairwoman VELÁZQUEZ. Thank you, Mr. Groza.

And now I will recognize the Ranking Member, Mr. Chabot, for the purpose of introducing our next witness.

Mr. CHABOT. Thank you, Madam Chairwoman.

And I have the honor of introducing our next witness who is Dr. Stephen Eby, who is from the greatest city in America, Cincinnati, Ohio. We are very pleased to have him here.

Chairwoman VELÁZQUEZ. After New York.

Mr. CHABOT. After New York, of course.

He is actually originally from Toledo, Ohio, and educated at Ohio State University in Columbus. After completing his residency in family practice at the University of Cincinnati, Dr. Eby joined a multi-specialty group. He also worked as an emergency room physician before starting his independent solo practice.

Currently Dr. Eby is the senior partner and President of Western Family Physicians, which is, I believe, a six-doctor, independent family medical practice with 25 employees, serving the west side of Cincinnati.

We are very pleased to have you here this morning, Dr. Eby, and we look forward to your testimony.

**STATEMENT OF R. STEPHEN EBY, M.D., M.D., CINCINNATI, OHIO, ON BEHALF OF THE AMERICAN ACADEMY OF FAMILY PHYSICIANS**

Dr. EBY. Thank you.

Well, thank you, Chairman Velázquez and Representative Chabot. Happy birthday.

Mr. CHABOT. Just to clear up the record, it was actually yesterday, but—

[Laughter.]

Mr. CHABOT. —who is counting?

Dr. EBY. And the members of the Committee, I thank you for the opportunity to participate in this hearing.

As one of 93,800 members of the American Academy of Family Physicians, I applaud your concern for how the cost of health insurance impacts small medical practice. It makes it difficult for these small businesses to provide health insurance benefits for their employees.

My name is Dr. Steve Eby. My practice, Western Family Physicians, is a small practice providing primary care health services to families on the west side of Cincinnati, a practice of six doctors, 25 employees.

To attract and retain good employees, since the inception of our small business we have paid for our employees' individual insurance. We have never been able to afford health insurance for their families.

Between 2003 and 2008, the cost of a single policy has increased 80 percent, an average of 16 percent a year. This staggering escalation has occurred despite other steps we took, such as increasing the deductibles to \$500 and the co-pays by 33 percent.

The monthly premium for a family coverage in Cincinnati, even with high deductibles, is \$1,300. That amounts to over half of our average office worker's monthly pay before taxes.

Because of these astounding expenses, one of our receptionists, a single mom, is able to afford coverage only for herself. Her children, therefore, went on Medicaid.

Our front desk coordinator has been with us for seven and a half years. She was pregnant when her husband lost his job and his health insurance. Our employee purchased individual coverage, covered her in the delivery, but once born the infant had no insurance coverage. Fortunately the necessary immunizations are covered by the Ohio Vaccines for Children's program, Physician Visits or Not.

The costs associated with well baby care and all shots necessary through H2 equals about \$2,200. This amount takes into consideration no additional visits for acute illnesses.

Not only is it our employees who are struggling with these insurance costs. My wife and I cannot obtain health insurance through my practice because the premiums are unaffordable. She is a registered nurse with a Master's degree. She was able to take a second job with a large hospital system in order for us to get affordable health insurance coverage.

Similarly, I am aware of medical practices in the Cincinnati region which are not able to get health coverage at any price because some of their employees have common chronic conditions, such as diabetes, blood pressure, and heart disease. I suppose when these people become ill they will have to go to the emergency room and pray that the hospital bills don't drive them into bankruptcy.

Affordability is a relative concept of both expenses and revenues. I know this Committee is well aware of it, but I would be remiss if I didn't mention the significant problem on the income side particularly affecting small, primary care practices like mine. And that problem is the statutory formula for determining physician payment under Medicare. This formula, known as the sustainable growth rate, is dysfunctional and inaccurate.

Due to a cumulative nature of the SGR, payments rates have not kept pace with medical inflation even as measured by the government. Physicians are currently being paid at 2001 rates, and if Congress does not intervene, a steep 10.6 percent cut will take effect July 1 of this year.

The inability of even medical doctors to offer adequate health insurance benefits to their employees or in some cases even themselves is more proof that a health insurance crisis exists today in this country, and this is occurring while health plans are reporting record profits.

In closing, family physicians commend the Committee for highlighting these issues associated with health insurance coverage for employees and owners of small businesses and even medical practices. And we urge Congress to give high priority to actions that will provide affordable health coverage for every American.

In addition, we would ask Congress to recognize and appreciate the emergency situation that has been created by the arcane Medicare payment formula that is incorporated in the statute.

I thank you for the opportunity to share these views with you, and I look forward to answering your questions.

[The prepared statement of Dr. Eby may be found in the Appendix on page x.]

Chairwoman VELÁZQUEZ. Thank you. Thank you very much to all of the witnesses.

I would like to address my first question to Mr. Eckstein.

There seems to be no disagreement among small business owners that health insurance is their number one concern. Mr. Lee made reference to the fact that employees responded to a survey by 84 percent, and when we look and watch the presidential candidates' debate that is taking place in America, we know that I guess at least they know that health insurance or lack of health coverage is the number one concern of the American public.

Additionally, it is also one of the most unpredictable costs small firms face. Given the current housing market and the financial challenges you must address, how do you cope with this volatility while keeping your business afloat and maintaining coverage?

Mr. ECKSTEIN. Quite honestly, that is a situation that we will continue to address as this unfolds and we see how far this decline in housing takes us. In the past, I had one year, one instance where I had to sell property, valuable real estate at a loss in order to liquidate funds so I could send my daughter to get the medical treatment she needed because the insurance company wouldn't pay it.

If this continues the way it is, I will be forced to and I have already been forced to relinquish my 401(k) in order to meet my overhead obligations, but I have to keep my employees insured.

I have got an incredible staff right now, and you know, I fight every day to make ends meet to keep them around, but we will see how this thing unfolds.

Chairwoman VELÁZQUEZ. Mr. Groza, according to a recent study, the majority of small businesses who already have health insurance coverage continue to shop for new plans. As a small business owner with a plan in place, how often do you search for new insurance? How much time do you devote to identifying new options for your firm?

Mr. GROZA. We do it on an annual basis, and I suspect that is common probably with most small businesses. The health insurers typically will write the policy for a 12-month coverage period, and then you know, around nine months into that plan, they start contacting you to want to come in and tell you how bad the news is for the next policy period.

So we do it on an annual basis. We enlist the use of a broker to help us through that process, and we tell them to go out and see who is on the market, tell us if there are new options that we can consider, and price it for us.

Chairwoman VELÁZQUEZ. What would be the average cost? How much will you pay a broker?

Mr. GROZA. Well, my experience is a little different in that area. On the association side, I think typically the commission rates have been in the range of five to ten percent, but I do know that there's some health insurers out there that on new business they're willing to pay commissions of upwards of 30 percent. So 30 cents of every

dollar goes to compensate somebody for selling the policy as opposed to covering claims.

Chairwoman VELÁZQUEZ. And when the insurer's called you and say it is time for us to come and talk to you and give you the bad news, what type of explanation will they give you as to the cost? How do they explain the premiums going up?

Do you find any transparency in that process?

Mr. GROZA. No. There is little transparency in the process, but I would probably say that the explanation or the justification that we hear more often than not is just because medical costs in general are rising across the board. Drug costs are rising in general across the board. We expect that drug utilization increased. The prescription costs are going up, and we have no choice but to take the premiums up.

Chairwoman VELÁZQUEZ. Mr. Teske, in your testimony you mentioned that your wife works at a local hospital for the purpose of supplying health insurance to your family. If you were not longer able to be insured under your wife's plan, what insurance options would be available to your family?

And could your small business afford the costs?

Mr. TESKE. That is the problem. When you are not under a group payment plan, you end up paying higher premiums. There are opportunities available. I consider Blue Cross in Kansas to be the premier health care provider, and people that have that are very happy that they have it.

My wife's employers decided that was too expensive and they could not afford it for their employees. There are options, but it is going to cost me more, and we are struggling at this point to make our cash flow meet with the health care payments under the employment.

And the hospital does co-pay. My wife's policy is \$655 a month. The hospital is co-paying 326 addition. So if we had to take that all on as a farm operation, the cash flow would be much tighter.

Chairwoman VELÁZQUEZ. Thank you.

Dr. Eby, insurers tell us that increasing health care costs are the primary culprit for rising premiums, and I would be inclined to believe them if insurance profits were not also on the rise.

In your estimation how much have your premiums increased in recent years?

Dr. EBY. What is remarkable to me is how across the board the story is the same. On a good year, it is ten percent. In a bad year it is 30. We have seen jumps that high in one year. Never does the coverage get better. It always gets worse, higher co-pays, higher deductibles.

Probably in our practice from the business end, 20 percent of our receipts come straight out of the pocket of the patient in co-pays. That has gone up.

Chairwoman VELÁZQUEZ. And during that time, have you seen a significant increase in your reimbursement rates for medical care that was provided?

[Laughter.]

Dr. EBY. Some increase some years. I talked with my practice manager, two, three percent from the same company, in fact, that

jacked our rates. My payments go up 16 percent. My receipts go up two or three.

Chairwoman VELÁZQUEZ. Thank you.

Ms. Sandman, I am curious. I know that you participated in New York's Healthy New York Program for Small Businesses.

Ms. SANDMAN. Yes.

Chairwoman VELÁZQUEZ. And the goal of the program is to make insurance more affordable and available to small businesses like yours. In your opinion, why did the Health New York Plan fail to work for you and your husband?

Ms. SANDMAN. Because the premium became oppressive. I simply as a small business owner cannot afford a second mortgage. Currently, because I do not have insurance and we are constantly shopping around, the Healthy New York premium is about \$50 more than it was when I lost my coverage in October.

Chairwoman VELÁZQUEZ. Okay. I now recognize Mr. Chabot.

Mr. CHABOT. Thank you, Madam Chairman.

First of all, I'll address this to the whole panel, the question, but before I do, let me just make a statement.

The Chairwoman had mentioned that she was the lead co-sponsor of the association health care plan. I want to commend her for that leadership, and I am a supporter of that as well.

Chairwoman VELÁZQUEZ. With Mr. Johnson, Sam Johnson.

Mr. CHABOT. Oh, yes, Sam Johnson as well, absolutely.

One of the more frustrating things that I have seen around here in a number of years is we are obviously in opposite parties, but when my party was in control for five or six times in the last five years, we would pass association health plans in the House, and then it would go over in the Senate, and over there you do not just need a simple majority. You need 60 votes for anything. The Democrats find that very frustrating now. The Republicans found it very frustrating when we were in control.

But for whatever reason, we could not get 60 votes over in the Senate. So we were unable to actually pass it into law. The House did its job. The Senate could not. So we never got it passed into law.

Unfortunately, this past year we obviously had a changeover, and now that Democrats control, we did not get it out of the House this time. Again, I want to commend the Chairwoman because she is a supporter, but we just did not have the votes in the House.

And all of your or many of you spoke favorably towards association health plans. If we could maybe go down the line, if you could just say one or two quick points about why you think that would be helpful to small businesses in the country if we had association health plans.

And, Mr. Teske, I guess we'll begin with you.

Mr. TESKE. If I understand it correctly, I would think that if we could qualify under some type of association group rates as individual farmers, it would have to be better premiums than what we get.

Mr. CHABOT. Mr. Eckstein.

Mr. ECKSTEIN. In a situation mine where my daughter has pre-existing conditions, putting everything on a group level playing



field definitely has to help from a premium standpoint. You know, in the event that this recession or, sorry, slowdown in the market—  
[Laughter.]

Mr. ECKSTEIN. —slowdown in the market stays and I have to relinquish my health insurance, I have no options. I do not know what I will do. I am forced to. That is the last bill I have to pay.

Mr. CHABOT. Ms. Sandman.

Ms. SANDMAN. Well, I believe that pooling would give us some real leverage and negotiating power to lower our premiums. It would directly change my life.

Mr. CHABOT. Thank you.

Mr. Lee.

Mr. LEE. Well, in my personal opinion, I am for universal health care. I believe that health care should be available to every American citizen. You know, that is representing my own personal view.

Mr. CHABOT. But short of that, would you support association health plans?

Mr. LEE. Yes, I would.

Mr. CHABOT. Okay. Mr. Groza?

Mr. GROZA. I am very favorable to association health plans for a couple of reasons. One is I have seen on our member side that it tends to decrease the volatility in their insurance costs because under association plans typically you only have a range in which you can increase premiums instead of just letting it ride as it may.

The other benefit that association plans have provided our members is it provides a guaranteed benefit. So as our other panelists said, you cannot deny client coverage for an association, at least our association, and preexisting conditions are covered after a 12-month waiting period. So that provides another alternative.

The most important thing about associations is I feel if we can get the numbers into an association to properly provide leverage against those costs and to further dampen the volatility, I think the prices are going to continue to drop, but I think that leverage has to be accomplished across state lines and not contained within a single state because we just can't get the numbers that are needed.

Mr. CHABOT. Thank you.

And finally Dr. Eby.

Dr. EBY. I think as independent practitioners we are in kind of a bind because if we collude for things, we are in restraint of trade, and in order to have a close enough association to legally do that, you have to give up your independence. A group rate I think would be excellent, but I do not think that is available to independent doctors.

You know, the whole point of insurance is to spread the risk so that nobody gets hit too hard. I think that the concept of spreading the risk universally makes sense.

Mr. CHABOT. Okay. Thank you.

In my opening statement I had mentioned a bill that I have introduced a number of times, and we have gotten support, but not sufficient to get it passed into law yet, which would allow small businesses and individuals to fully deduct their health care premiums from their taxes.

Could I just see a show of hands perhaps so that we do not have to take the time to go down the line? How many believe that that would be a good idea? If I could just see that.

One, two, three, four. Okay. So four out of six, five out of six. Okay. Pardon me?

Mr. TESKE. I meant to raise a point.

Mr. CHABOT. Yes, feel free to if you would like.

Mr. TESKE. I think maybe twice in the last 25 years I have paid income tax. It only helps you if you actually pay income tax. Farming has not been that good of a business.

Mr. CHABOT. But there are many that do pay income tax. So you would not, I assume, hold it against them that they would get a break on their taxes. You do not have to answer that question.

Mr. ECKSTEIN. I may need to change my vote, next year.

Mr. CHABOT. Okay. Let me get another question real quickly. Mr. Lee had indicated that he was supportive of universal health care or what many would term, you know, socialized medicine similar to a Canadian or plan that they would have in Great Britain.

Now, our country has chosen not to go down that path. Again, to be fair here, is there anybody else who thinks that this nation should go that far and do that?

Two out of six.

Dr. EBY. Anything is better than what we have, sir.

Mr. CHABOT. But, Doctor, would you want to go to a Great Britain type plan or Canadian plan where you have essentially socialized?

Dr. EBY. Strictly speaking, from my personal opinion, anything is better than what we have.

Mr. CHABOT. Okay.

Dr. EBY. I would be willing to take that hit.

Mr. CHABOT. You think that is reflective of the majority in the medical community at this time?

Dr. EBY. No.

Mr. CHABOT. No?

Dr. EBY. I do not.

Mr. CHABOT.

Thank you.

What city are you from again? No, I am just kidding.

Dr. EBY. I am so conservative I am past conservative.

Mr. CHABOT. Okay, okay.

[Laughter.]

Mr. CHABOT. The Chairwoman just reminded me that is why we call Ohio a swing state.

[Laughter.]

Mr. CHABOT. Not necessary red or blue, but purple now.

And finally, Dr. Eby, how much, if any, of the problem do you see in high medical cost, insurance cost to be the fact that there have been, arguably, or have there been I guess I should say, not to tilt this one way or the other, medical malpractice cases, frivolous lawsuits which have had a tendency to perhaps put doctors in a position where, and insurance companies as well, where their rates have gone up as a result of those particular lawsuits?

Would you want to comment on that?

Dr. EBY. Thank you.

Especially being an ER doc in my past life, it is a significant problem. If everybody had a medical home with a family doctor who knew who they were, knew their background, was accessible, I think we would all be happy, doctors and patients alike, and efficient use of specialists.

On the contrary, when folks go to the ER, the ER doc's perspective, they do not know the patient, and they cannot afford to miss anything. You know, if you walk into the ER with a headache, you are going to get a CAT scan. Almost guarantee it. If you walk in with a sore throat, you will probably get a blood count, and that is rational in that setting because they have to practice defensive medicine.

Mr. CHABOT. Right.

Dr. EBY. They have to. It is a huge problem.

Now, if they could get in to see their family doctor who knows them and get a rapid strep test and be done, it would be \$86 instead of \$860. Yes, it is a big problem.

Mr. CHABOT. Thank you very much, Doctor. I appreciate it.

And thank you for the whole panel. I think your answers and your testimony was excellent really. Thank you.

I yield back the balance of my time, Madam Chair.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Ellsworth.

Mr. ELLSWORTH. Thank you, Madam Chair.

Mr. Teske, you were raising your hand and trying to get a point. I am going to let you get that in on my time, and then I will make my comments, if you remember what you were going to say.

Mr. TESKE. Well, I do. It was the part about one payer health care. With all of the American public that is on Medicare now and Medicaid and other social programs, I have seen statistics that we have 47 percent of the American public now under some type of socialized medicine, and so I think it is getting beyond the point of debate. I think society is going that way so fast that it is a matter of when do you appropriately address these.

Mr. ELLSWORTH. Thank you.

Mr. TESKE. Thank you.

Mr. ELLSWORTH. Madam Chair, I am not sure I have a question. I find myself over here getting to, oh, I do not think I am going to need medical care, but just over the situation. I look at this and I see the different backgrounds of the folks, and I do not see Republicans and Democrats. I do not think this issue is Republican-Democrat. It is American.

And somebody said it on TV tonight. We are better than this. And I can remember several months ago, and I think Mr. Eckstein brought up the presidential debates, and I can remember when the different candidates on both sides were bringing up their plan for the health plans, and they said, "We are going to announce this tomorrow," and before they ever said what the details were of the plan, the other side was already saying, "Here is what it is going to be, and here is why it is bad."

And if we continue that debate, and it has become, I guess, politically dangerous to think out loud and to throw things out, and that is what is, I guess, so sad about this situation; that when we

think out loud, somebody is there to cut your head off and feed it to you.

We have got to do better than this. You know, doctors deserve better. Lawyers are not going away, and I do not think they should. So I see the backgrounds here, and America is better than this, and it is going to take debate, and it is going to take honesty and it is going to take not being afraid to throw an idea out there and cast out.

It may not be a good idea, but it has got to be one that says, "Hey, could this work?" and be willing to do that and not be afraid to look stupid and/or, like I said, get your head chopped off.

So this is a crisis. When this background of folks is saying it is a crisis and Dr. Eby is saying anything is better than this, we have got to do something. And I commend you and Ranking Member Chabot for your willingness to take this on, and I would just say that this Committee needs to push and push and push until we get something through, and if we start with small business and get it through for them, maybe they will take that as an example and go with the rest of our country and businesses.

And so that is not a question, but thank you all for your testimony. It has enlightened me, and when I fly back through your great city to another great city in Indiana—so I am surrounded by good friends in the Midwest all around—I will have some good things to tell the folks of Indiana.

Thank you.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Gohmert.

Mr. GOHMERT. Thank you, Madam Chair.

And I appreciate the panel all being here. I am also a supporter of the Associated Health Plans, but to me that is just a Band-Aid fix. That will give you a little more leverage with the insurance companies. That will help a little bit. We are still going down the road to socialized medicine. That may help us pull off in a rest area for a little while, but we are still headed down the same road.

And I was an exchange student of the Soviet Union back in 1973. I saw true socialized medicine. With all due respect, Dr. Eby, I do not want to go there. You know, when you are paying your physicians \$200 a year and it is nine to five and too bad if you are sick and you leave sicker, I do not want to go there.

But having been in private practice and had to pay those premiums and seeing them going up like you all are talking about, ten percent in a good year, 30 percent, actually I think we went up 50 to 60 percent one year; it is just devastating, and then you want to reward your employees by giving them a raise, but then they cannot see that you have already given them a huge raise and they do not even benefit because their co-pay went up.

I also appreciate everybody, and this seems to be the terminology in Washington. We want to see everybody with good health care coverage. Well, I am sorry. I do not. I want to see everybody with good health care.

Now, the fact that it seems like most people want to make sure that the insurance companies make plenty of money and that is what you get when you make sure everybody has good insurance.

The insurance companies are in the business to make a profit, and they are going to.

So I am not sure I want to see everybody with good health coverage. I want to see everybody with good health care that they can afford.

You know, one of the reasons I had not gotten personally into the health savings account before recently was because until the last Congress, you could have money pulled out pre-tax and put in a health savings account, but if you did not use it, you lose it. And I did not want to run the risk of losing money at the end of the year.

Well, then in the last Congress we passed a bill that would allow it to roll over. So I am now in the health savings account, and I understand the idea of socialized medicine. I know there are a lot of folks here in Washington, the bureaucrats that would look forward to all of the additional jobs where they would get to tell doctors and patients what coverage you can have and what care you can get and who you can see. I would really rather avoid that. I would rather avoid giving insurance companies more employees.

I would like to return people to where they got control, and I appreciated my friend, Mr. Ellsworth, saying we need to have people not afraid to be embarrassed throwing ideas out, and I have never been afraid to be embarrassed. You know, it is one of the benefits, I think, of being a Texan, but—

[Laughter.]

Mr. GOHMERT. But with a health savings account, it seems like that is a possibility there where whether it is a union worker, where instead of putting \$5,000 a month into some insurance company with the big profits, you put it in their health savings account. And it gets me to keep calling this medical insurance. I mean, because we all pay for gasoline, and I am thinking, well, dadgum, if it has worked so well for health care that you just call it insurance where they pay for everything, maybe we need gasoline insurance where everybody pays this huge amount every month into this gasoline insurance, and then they will pay for your gasoline and the company will make a big profit on top of that.

I mean that is basically what it is. It is not insurance if it covers everything. So I am thinking if we can get to that deductible and people have got \$5,000 that are in the account, I think it would even do the government good and be better off just to spot people that cannot afford it that have health care problems. Put 5,000 in their account so that they have got the deductible. Then they get to choose their doctor. They get to say, "No, I do not want that procedure. It is too expensive," or, "you are charging too much. The doctor down the road will do it for half that."

That is when we finally get some responsibility and get some power back in the hands of the patient. Because I am tired of going to the doctor and not having a doctor-patient relationship because my insurance does not cover that procedure or it does not cover that medication. I want power back in the hands of the patient and the doctor, and the bureaucrats and the insurance companies not profit so much, and I have got more control.

I would just throw that out. I got here late, and I apologize because we appreciate your time, but has anybody looked at possibly

like unions, demanding HSAs where you have got the power instead of the insurance company?

Yes, Mr. Groza.

Mr. GROZA. We did. I touched on it briefly. We started offering an HSA, and it worked out fairly well for our employees.

The problem is they are not all the same flavor. They do not come in the same shapes and sizes. So HSAs are only attractive to the extent that the insurer is really going to give you a break on the high deductible health plan that is associated with the HSA.

In my personal example as someone who is in an HSA, I got a considerable break in the premium by going to an HDHP with an HSA, and I took that money, set it aside in an account, and since our utilization fortunately has been low, I have got a little bit of money there to spend. It has built up and otherwise would have gone off to an insurance company and added to the bottom line.

But I have seen other insurers that did not give you that much of a price increase for going to an HSA, and in that instances I would say—

Mr. GOHMERT. Do you mean decrease?

Mr. GROZA. Right. I am sorry. There is not that much of a decrease.

Mr. GOHMERT. Yes.

Mr. GROZA. So why take on the additional risk if you are not going to get a price break?

Mr. GOHMERT. Right. You would have to get the break.

And if I could throw this in, it looks like to me right now a problem with the HSAs that I have encountered is, you know, the price you are quoted by a hospital or a doctor is not what Blue Cross pays. It is not what the government pays, but right now if you pay cash, you are paying more than those folks.

And so it seems like that was something that we would need to do so that you could negotiate more effectively. I had a relative who was in a car wreck, and the other side's insurance company obviously owed it. Her health care had paid it. So I was trying to get that back, and she had \$10,000 in health care bills. The other insurance company settled, and I did not take a fee as a relative. This is before I came to Congress and when I was not a judge, and anyway, the law requires that you pay back anything the health care provider has paid.

And so I said, "All right. We have got the settlement. Show me exactly what you paid and I will cut you a check today." Ten thousand dollars in bills, and there was \$800 was all that health care insurance had paid in full and final payment of all that.

So we need to get that kind of power back in the hands of the people.

Chairwoman VELÁZQUEZ. Your time has expired, Mr. Gohmert.

Mr. GOHMERT. Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. I now recognize Mr. Akin.

Mr. AKIN. Well, I appreciate Louie's passion and his interest in solving problems, and I cannot match a sermon like that, but just a quick question. I did not have a chance to hear your testimonies. They schedule us in multiple hearings at the same time, and we have not figured out how to be in multiple places.

But my question is: do you see a pattern of the insurance companies developing almost a monopoly in various markets? And it may be from one city to the next. Is that pattern out there, and is that something that legislatively could be dealt with?

Dr. EBY. Yes.

Mr. AKIN. Doctor?

Dr. EBY. Well, I cannot speak to the second half of that as far as the legislation.

Mr. AKIN. yes.

Dr. EBY. Not my area of expertise. But clearly, the number of plans out there is shrinking as acquisitions and mergers and what-not, and in Cincinnati, we have still got a number of plans. I do not think in our practice any one plan is above 25, 30 percent. That is still an 800 pound gorilla in your living room.

I think there are other markets where there is probably one or two carriers.

Mr. AKIN. That is what I have heard, is that there are some markets, some cities where you have got basically one type of car. It is a black Ford and that is all you have a choice of.

Dr. EBY. You had better like it.

Mr. AKIN. You had better like it, yes, right or worse, yes.

Okay. A second question. I think it was the Wall Street Journal not too long ago carried an article that I thought was kind of scary. It was basically one of these hard luck stories about some guy who does not feel too well, goes to see a doctor. The doctor is not a very competent doctor. He has some kind of an infection that the doctor does not correctly diagnose. He starts spinning down, gets in worse shape, finally gets to a decent hospital. They say, "Hey, you are pretty sick, you know."

"Well, that is what I have been trying to tell people." But anyway, so he almost dies. He goes into septic shock. Finally they manage to save his life, and they blow through the top of their insurance, which I think they had a \$2 million insurance policy, and this guy had \$3.5 million bills.

So after the two million, the insurance that their little business had cut and ran, and now you have got a husband-wife, a very sick husband and a wife at home, and they are due for a million and a half worth of bills.

Well, it is all of this monopoly money. It is this funny money, and the hospitals try and collect from anybody who has got some money. They just about had this woman selling her house and extra mortgages and putting them in the poor house, and finally, when the newspaper and media shined a light on it, the hospital backed off and said, "Well, we will settle for a couple hundred thousand," or something like that, maybe even less than that, in fact.

So it was one of these things where the hospitals in order to make their bottom line, they are just basically fleecing anybody it looks like they can get money from, but there is not really any consistency. They have got an \$800 pair of stockings to help protect you from swelling or something and you could buy them at Wal-Mart, you know, for \$1.30 or something.

So do you see that same kind of pattern happening where we are getting our costs complete out of line just because people are trying to figure out how to make the bottom line?

Ms. SANDMAN. I would like to address that if I may, Mr. Akin. I think that what we really need is transparency. I think that that would just open the window to a lot of people to be able to shop around for a doctor that they have heard about or call someone and ask them what their record is.

I also think that everybody in America needs to be responsible for some part of health care. I do not think it should be automatically an employer's responsibility. I think they need to shop around for it like you do car insurance. Do you know what I mean? It is something that everyone is going to have some responsibility for.

And when that happens, then the transparency can fall right into play, and I think it will improve overall health care. I mean not only health care insurance, but health care for everyone.

Mr. AKIN. Thank you.

Ms. SANDMAN. You are welcome.

Chairwoman VELÁZQUEZ. Thank you.

Ms. Sandman, do you think that if we offer like a one stop shop that will provide information to small businesses as to health care options, how much it will be, the differing information that will empower small businesses to make the right choice in terms of what is good for them based on the nature of their businesses, the number of employees and so on, that that will be a great tool for small businesses?

Ms. SANDMAN. Absolutely. I think that it is an intimidating process. You go out looking, and you hear an outrageous rate, and you can go through the Chamber of Commerce in your area and there is no easy way to access it.

I think it will open doors for everyone. There is no easy way to shop for health care in my community.

Chairwoman VELÁZQUEZ. Well, let me just mention the fact that the Small Business Committee as part of the SBA Reauthorization, we passed legislation in this Committee that passed through the House that will direct the Small Business Administration through the networks of SBDCs, small business development centers, to create a resource center with the type of information that will enable small businesses so that they know where to go.

We have, between SBDCs and sub-centers across this country, close to 1,100 centers. So our position is that that will be a great way and a very effective way for the Small Business Administration and the SBDCs to help small businesses.

Ms. SANDMAN. Absolutely.

Chairwoman VELÁZQUEZ. To know what options are there, and we all know, Mr. Groza, you know, when small businesses do not have a human resources department or the resources, the manpower to do the research. This will be then a great tool for them to have.

Ms. SANDMAN. It would be, and I know that people in my community would use it.

Chairwoman VELÁZQUEZ. Okay. Mr. King, would you want to ask any questions?

Mr. KING. Yes. Thank you, Madam Chair.

As the Committee members know and I think a lot of the people here in this room know that I have spent my life in small business, and I recall a time that my Congressman came to my community.



It was the first time anyone had ever entered into a small community like that that came from Washington, and it drew quite a crowd, 70 to 80 people

And he asked the question of the 80 people that were roughly in the room, "How many of you are employers?"

Twelve of us were employers in that room.

"How many of you provide health insurance for your employees?"

And I was the only one out of that room that did.

And so you will know that I have shopped for premiums, and I have tried to put together packages, and I have run into a number of obstructions. One of them is the inability to purchase group insurance if you're a small employer, and another one would be the lack of flexibility of being able to purchase individual policies for your employees because of federal restrictions that prohibit us from being able to shop and pick a policy that fits one employee's family and then find another policy from a different company that fits another employee's family.

Because the federal government seems to believe that employers want to discriminate against employees, and so therefore, you must have a one size fits all.

And as I look at this and I wonder where can we go to solve this problem, one is association health care plans, which I thoroughly support. Another approach is to be able to allow that flexibility for employers to be able to go out on an open market and buy individual policies for individual employees that are tailor made for those employees.

Now, if you have got one or two or five or ten or 20 employees, you know them. You know their families. You have their interests in mind. And so why is the federal government intervening into this kind of a relationship, this contractual relationship between an employer and an employee?

Then another component that I think would be extraordinarily valuable to give us the flexibility would be to expand the deductible contributions into HSAs. Why do we have a cap on that? I would at least double that.

And if we could double the HSAs and we would see young couples that enter into the job market. Let's just say even at today's standard if they entered into the job market when they are 20 years old—I pick that number because it is a round number—and they work for 45 years and qualify for Medicare at 45 years of work at age 65, even under today's numbers and if you spend \$2,000 a year in real dollars, that comes out to be almost a million dollars a year in HSA.

Well, what a wonderful tool to have to have the flexibility to be able to manage your health care, and a lot of this problem that we have is lack of the freedom to make decisions, and I think that as small employers you recognize that.

I am watching the most empathy from Ms. Sandman, and I would ask you if you would want to comment on some of those remarks that I made.

Ms. SANDMAN. I like what you are saying, and it makes a whole lot of sense, but one of the things that comes to my mind immediately is that I need to be able to purchase my insurance or put money into an account pre-tax dollars. Currently my money that I

spend, I am not now covered by any health insurance, but when I was paying my premiums, it was after taxes. That would help small businesses a lot.

Mr. KING. I left that part out. Let's double emphasize that point because that has been one of my frustrations, too, that big business can do this, corporations can do this and the government can do this, but small employers, sole proprietorships cannot, not in the fashion necessary for themselves.

Ms. SANDMAN. I think also we need to educate the public to what health savings would be cause there is a terror of being uninsured out there, and people are terrified of the \$860 compared to \$86 that you could spend. The education and the transparency is so important at the same time so that people have a sense of what it really costs and what their power is.

Because we have no power now. There is no control on a small business level.

Mr. KING. And I think you.

And, Mr. Eckstein, would you care to comment on those points that have been made?

Mr. ECKSTEIN. Well, my thought goes to I hear the federal government talking about writing checks, \$800 to every taxpayer, and I question that, but why couldn't that money be directed into health savings accounts to encourage people to spend money on health insurance to get coverage where they need and get us back to some kind of national fiscal responsibility instead of just foregoing our children's health care, which is just crazy?

Mr. KING. Let me weigh in on that since our light is still green, Mr. Eckstein. Looking at the magnitude of this proposal that the federal government, the White House, seems to be floating out there that hopefully will float for a while so that we can get our senses here, I remember when Bill Clinton came in as President, and he rode in on the concern about there being a recession. I do not know that there actually was one, but in order to cure that problem, he went to Congress and asked for \$30 billion and an economic incentive plan.

The Democrat Congress negotiated that down to 17 billion and finally decided that it was not enough money to make a difference, and so here we are now with 145 or \$150 billion, and that is borrowed money, borrowed money that adds to our national debt or reduces the amount of the Social Security trust fund, which is only in bonds, and we simply cannot spend our way into prosperity.

All of you in small business know that, and so I am concerned about where we are going with all of this, but to maximize the freedom, make sure that there is deductibility for sole proprietors to have everybody in America be able to deduct their health insurance except sole proprietors is an atrocity against your business.

Ms. SANDMAN. It is, and what it does is it takes the bottom line away. It takes away my ability to expand, to improve my business, to go place where I would like to go with my business because there is not enough funds.

Mr. KING. And it positions you to where one day a government job is going to look attractive just for the health care.

Thank you very much. I appreciate the testimony. Madam Chair, I appreciate the privilege to ask some questions.

Chairwoman VELÁZQUEZ. Mr. Chabot?

Mr. CHABOT. Yes, just one final question, if I could throw it back to you again, Dr. Eby. You know, obviously, I sense the level of frustration in your testimony, and I hear that frustration oftentimes when I am talking to doctors and medical personnel back in Cincinnati, and I am sure this is true all over the country. So many of them tell me that especially those that are perhaps considering retiring, they apparently decided, yes, they are going to retire or I have heard some act like they wish perhaps they had gone into something else because there seems to be much more control over what they can do, what medicines they can provide, whether it is covered or not covered by kind of, for lack of some better term, some insurance bureaucrat who is making those decisions about whether they are going to pay for the procedure or not.

So there just seems to be a real sense of frustration in the medical community, and that is reflected in everything we have heard here as well.

Is that true and would you want to comment on that?

Dr. EBY. Are you sure?

Mr. CHABOT. Yes, go ahead.

[Laughter.]

Dr. EBY. I would say that is very accurate. We spend a huge amount of our time doing things that really are not what we are trained to do in providing medical care, which is evaluate somebody and find out how you can help them. Filling out a prior authorization form because the insurance company does not want to pay for Allegra D for your chronic sinus, particularly in Cincinnati is not what I went to school for, but yet that is one of the things I did Monday, and that is just the tip of the iceberg.

Yes, there is an awful lot of wasted time and trouble, and certain there is good intent. Prior authorizing of expensive imaging tests like MRIs, patients have some responsibility, too. They come in with a back ache because they are out of shape. They strained it, and they want an MRI, and it may not be necessarily if you look at the research appropriate in that case. That is 1,000-odd dollars. Well, actually they charge two, but they only get paid 800.

Yes, there is a lot of wasted time, and you have to call the insurance company, explain to somebody that is a low level clerk why when you do feel it is medically indicated, why it should it be covered. Because their leg is going to be paralyzed? Well, but do they have this, that or that?

Frustration is a mild term.

Mr. CHABOT. Thank you very much.

I want to again thank the panel for their testimony here today. I think it has been very helpful to this Committee.

Thank you.

Ms. SANDMAN. It was a pleasure.

Chairwoman VELÁZQUEZ. And I, too, want to thank you for taking time and being here with us today. I know this is a very complex issue, and there are not easy solutions or easy answers, but one thing is clear. This Committee will continue to address this issue and in ways where we can provide input into the different candidates.

And we know that each one of us are supporting someone who is running for President of the United States, but if it takes the route that we must not do anything during this session, at least we are getting the information, the stories to be able to share this with those presidential candidates.

But you have to help us in keeping this issue in the front burner. It is an important issue as and, Mr. Ellsworth, Mr. Chabot said, clearly, this is just not an issue of one particular sector. This is an issue that affects every person in this country, and the ripple effect of the lack of health coverage is incredible. It not only affects the public health of the American people, but also the impact in terms of our economy.

So I want to thank you all, and let me ask unanimous consent that members will have five days to submit a statement and supporting materials for the record. Without objection so ordered.

This hearing is now adjourned.

[Whereupon, at 11:36 a.m., the Committee was adjourned.]

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
 2501 Rayburn House Office Building  
 Washington, DC 20515-6315

**STATEMENT**  
**of the**  
**Honorable Nydia M. Velázquez, Chairwoman**  
**House Committee on Small Business**  
**“Limited Options for Small Businesses in the Small Group Market”**  
**January 23, 2007**

It is clear that our economy is facing many challenges and small businesses know this better anyone. Whether it's finding access to adequate capital during a credit crunch or dealing with today's overall uncertainty, small businesses are confronting many obstacles to success. Despite the growing list of concerns, something that continues to top that list is access to affordable health insurance.

Since 2001, small businesses have been confronted with annual price increases for health insurance ranging from six percent to over ten percent. During that time, the average small business has seen their premiums double. This has forced many entrepreneurs to decide whether they can continue to offer coverage.

These rising costs are clearly having an impact. According to the Small Business Administration, price is the most significant factor influencing the decision of small firms to offer health insurance. But price is not the only factor.

Today's hearing will address the growing cost of health insurance for small businesses, as well as highlight the variety of challenges small firms face in offering health coverage. The panelists before us will explain how difficult it is for small firms to find, keep, and administer health insurance plans. Each of these challenges influences whether a small firm will offer coverage.

Unfortunately, the stories we hear today are not out of the ordinary. Similar struggles could be told by nearly any business in any town across the country.

The first obstacle small firms usually confront in offering coverage is identifying health insurance options. There are no one-stop locations where these entrepreneurs can identify available health care options and compare plans. This only adds to the disproportionate administrative burden smaller firms face in comparison to their larger counterparts.

Small businesses in rural America often face greater difficulty, where physician shortages and limited access to health services discourage insurers from offering coverage. This can lead to one carrier being the only game in town which can drive up overall cost. Because access to insurance is restricted, many small business owners simply abandon the search for small group insurance.

Managing a plan also creates additional costs for these companies. Small business owners must devote valuable resources working with vendors, handling insurance paperwork, and addressing employee claims issues. Because small firms often do not have HR departments or brokers, owners are forced to take time away from their businesses to ensure coverage for their employees.

Along with the challenge of offering insurance, small firms regularly struggle with keeping their insurance plans affordable. A major problem is the uncertainty created by “high cost claims.” Too often, minor surgeries, pregnancies, and other basic health care treatment that are part of everyday life, result in double digit rate increases.

The fact these businesses are looking reveals one of the largest hidden costs of health insurance.

The goal of this hearing is to bring into focus these and other very real problems faced by small firms every time they offer or consider providing insurance. This is the third hearing this Committee has held on the issue of health insurance access and affordability. The problem is complex as it is severe for small businesses.

We have with us small business owners from around the country. I want to thank you for taking the time away from your firms to discuss these challenges. As Chairwoman of the Small Business Committee, I plan on keeping this issue in the spotlight because it is so important to firms across the country.

**U.S. House of Representatives****SMALL BUSINESS COMMITTEE**Wednesday,  
January 23, 2008**Representative Steve Chabot, Republican Leader****Opening Statement of Ranking Member Steve Chabot***Limited Options for Small Businesses in the Small Group Market*

Thank you, Madam Chairwoman for holding this hearing on the limited health insurance options for small businesses. I appreciate our witnesses who are here today to share their testimony.

Madam Chairwoman, 47 million people in our country do not have health insurance. According to the National Federation of Independent Business, about 27 million of the uninsured are self-employed or small business owners and their families. The uninsured are less likely to have access to preventive care and chronic disease management, all of which would save lives and save money in the long term.

And for small businesses that *are* able to offer their employees health insurance, the cost of doing so continues to rise. Many of these small firms are faced with double digit premium increases, and have only one or two insurance companies from which to choose.

When the Members of this Committee travel back to our districts, we meet small business owners every day who are struggling to cope with the rising cost of providing health care. Increasing competition is one way to help bring down these costs.

I support Association Health Plans (AHPs), which would permit small business owners to pool together to purchase health insurance at lower rates. These arrangements could increase negotiating leverage and administrative efficiencies, and help to ensure more consistent benefits among the states.

I also want to mention that I have introduced The Health Insurance Affordability Act, legislation to allow individual taxpayers to deduct 100 percent of their health insurance premiums from their annual tax returns. This would bring more people into the health insurance marketplace, ultimately increasing competition and reducing health insurance costs.

Today, we will hear from small business owners, who will share their personal stories of the challenges in finding, affording, administering and keeping adequate health insurance for their employees. I look forward to their comments, and to continuing our work in developing health care solutions.

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Statement of Rep. Jason Altmire  
Committee on Small Business Hearing  
“Limited Health Care Options for Small Businesses  
in the Small Group Market”  
January 23, 2007

Thank you, Madam Chairwoman, for holding today’s hearing to examine the limited health care options for small businesses in the small group market. One of the challenges small business owners face is a lack of viable health care options in the small group market, making it difficult to provide health care coverage for their families and their employees. Too often small business owners must choose between health insurance and paying their bills, forcing them to either lay off workers or shut their doors.

While the cost of health care is a primary concern, with many small employers’ health premiums increasing an average of 8 percent per year since 2001, small businesses face other challenges, such as handling paperwork for medical claims and devoting time and resources to working with insurance vendors. Small businesses do not necessarily have the time or resources to effectively manage these administrative tasks and burdens.

Today, we will hear from a variety of small business owners about the barriers smaller firms face in finding affordable coverage. We often say that small businesses are the backbone of our economy. To ensure that they continue to drive our economy, it is important that they are able to provide affordable, quality health care to their employees. I look forward to working with the committee to develop real solutions to the problems small businesses face when trying to obtain health care.

Madam Chair, thank you again for holding this important hearing today. I yield back the balance of my time.

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**National Farmers Union**

**Testimony of Donn Teske**

**Before the  
U.S. House Committee on Small Business**

**Limited Health Care Options for Small Businesses in the  
Small Group Market**

**Wednesday, January 23, 2008  
Washington, D.C.**

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**STATEMENT OF DONN TESKE**

**PRESIDENT, KANSAS FARMERS UNION**

**U.S. HOUSE COMMITTEE ON SMALL BUSINESS**

**LIMITED HEALTH CARE OPTIONS FOR SMALL BUSINESSES IN THE SMALL  
GROUP MARKET**

**JANUARY 23, 2008**

Chairwoman Velázquez, Ranking Member Chabot and members of the committee, thank you for the opportunity to testify before you today. My name is Donn Teske and I am president of Kansas Farmers Union. I am here today on behalf of National Farmers Union (NFU), our national organization representing farming, ranching and rural families across the country. I am also on the executive board of the Kansas Health Consumer Coalition (KHCC) and am actively working for affordable healthcare for all Kansans.

When asked if I would be willing to testify today it really caught my interest because I, like many in America, have my own story about the difficulties in receiving healthcare.

My wife, Kathy, and I live and farm in rural Northeast Kansas and are in the process of raising four healthy children. We are the fifth generation to farm the land and have deep roots in the community. Kathy has worked at the Onaga Community Hospital for ten years; her work off the farm is solely for the purpose of supplying health insurance for our family, and her entire salary literally goes for our healthcare.

Onaga Community Hospital is a rural hospital, however it is a very large, very modern facility serving many of the communities in the area and employing nearly 300 people. Our family is insured through the hospital's plan for its employees and families. I have always felt that the hospital's insurance was inferior to other companies and leaves policy holders vulnerable. For instance, Kathy has needed two partial knee replacements over the past several years. After our deductible was met, we were still personally responsible for more than \$6,000 above what our carrier would pay and forced to take out loans which we hope to eventually pay off.

I experienced the financial hardship of inadequate medical coverage this past summer, after injuring my back while welding on a combine. In my line of work, it's not uncommon to pull something in your back from time

to time. Usually a couple of chiropractor treatments are all I need to get going again and everything's fine. This time was different and, in late fall, I finally had two epidurals in my back to relieve the pain. Through this experience I discovered that my farming activities are not covered under the hospital's insurance plan. My family's policy does not cover self-employed family members such as myself and we may be responsible to pay and additional \$4,000 for these procedures. After reading all of the exclusions on our policy I discovered the only time I'm covered is when I'm in town and not on the farm. My brother has also faced health problems that drove him into debt and he was forced into medical bankruptcy in order to deal with his healthcare bills.

Onaga Community Hospital is a good hospital and is vital to the community. However, there are many families like ours amongst Kathy's co-workers; families with one spouse working to earn the families' health insurance, families that do not have coverage for the other spouse because he or she is self employed. It's scary to think what would happen if I had a serious accident while farming. It's a serious problem for my family, and many rural residents that this is the best insurance a rural hospital can offer its employees. We may very well keep the insurance on my wife and kids and just drop mine. It makes no sense for us to continue paying big premiums for a family policy doesn't cover the entire family.

Before Kathy started working in town we purchased our own health insurance. It was always higher than our neighbors who got health insurance at work through a group policy. It was expensive, so we would simply purchase insurance to protect us from catastrophic health claims. As such, we never had a health insurance policy that included maternity. Our first child, Lisa, was born in 1982 and cost us \$500 to have her delivered and each child doubled in price, first \$500, then \$1,000, then \$2,000 and our youngest in 1991 cost us \$4,000.

Rural Americans, like my family, face significant barriers to receiving quality healthcare. I am fortunate to live near a good hospital, but many are not so lucky. Distance from medical facilities, geographic barriers and high transportation costs make it expensive and time consuming for many to seek medical attention. Low

population densities, an aging rural population and the challenges of maintaining aging medical facilities are also straining rural healthcare systems and raising the costs of healthcare.

Farmers are small business owners and as such are not able to obtain healthcare through an employer as many Americans do. For those who do have private insurance, it often comes at a high price and does not adequately provide for the high cost of receiving services in rural areas. When I was asked by the Access Project in 2006 to help with research, I was eager to participate because I believe affordable, adequate health care is a critical issue in rural America. I had no idea how my membership would react when I sent out 600 surveys to randomly selected Kansas Farmers Union members. To my great surprise, 47 percent of those surveyed responded; undoubtedly this is an issue important to members of Kansas Farmers Union. The entire report, “Losing Ground”, can be accessed at [http://www.accessproject.org/adobe/losing\\_ground.pdf](http://www.accessproject.org/adobe/losing_ground.pdf)

The 2006 study by the Access Project found that 29 percent of residents in rural Kansas under the age of 65 have medical debt. While 95 percent of these people had some kind of health insurance, their coverage was not sufficient to offset the cost of their treatment. Even more disturbing was the study’s finding that 67 percent of residents had delayed receiving primary medical care because of financial concerns. This study by the Access Project was conducted through a professional survey of the Kansas Farmers Union membership base.

Rural communities have difficulties providing good healthcare to their residents and patients struggle to afford the high costs of care. However, the challenges facing rural healthcare are not insurmountable. Government support is needed to ensure that rural hospitals have the financial resources to provide patients with high quality, affordable healthcare. In addition, rural residents require access to reasonably priced healthcare insurance that covers the high costs of receiving medical care in rural areas.

One way to assist rural residents in obtaining good healthcare is for the government to subsidize private healthcare plans. By subsidizing the cost of private insurance for those who would otherwise be unable to

afford coverage, more rural Americans would be able to afford necessary healthcare coverage. The government could also subsidize insurance by allowing farmers or companies with few employees to pool together and negotiate with insurance companies to get a better plan. Another idea is for the government to provide a health plan tailored to one segment of the population, such as farmers, alleviating the need for individuals to pool together.

The state of Massachusetts has a successful plan for fishermen and their families, which provides subsidized healthcare they might not otherwise be able to afford. Another option would be for governments to enter into public-private partnerships to provide residents with health insurance. One example of this is the West Virginia Small Business Plan, which has been available in West Virginia since 2005. Under the program, small businesses are given access to rates negotiated by the state agency that provides health insurance for state employees. Participating small businesses were able to cut their healthcare costs by up to 25 percent from retail rates. A successful program in the state of New York achieved greater cost savings for individuals by subsidizing insurers for coverage they provide to small businesses. This allowed insurance companies to provide more small business with insurance at a lower rate. Plans such as these benefit farmers and small business owners by giving them access to more affordable healthcare plans.

It is crucial that Congress adopt a national healthcare policy that confronts the numerous difficulties of delivering quality medical services to rural America. Providing healthcare in rural areas is inherently more costly than in urban areas. Government subsidized healthcare plans and public-private partnerships can also reduce the cost of health insurance so rural residents are able to afford the services they need.

Healthcare reform is needed, and needed badly! Clearly rural Americans need assistance to ensure they have access to the healthcare they need. As you move forward, I urge you to consider the unique needs of rural Americans, many of whom are small business owners, and draft legislation that will help them to obtain

quality healthcare at an affordable price. I thank you for holding this hearing to consider healthcare options for small businesses and welcome any questions you may have.

**Statement of Scott Eckstein**  
**On behalf of the National Association of Home Builders**  
**Before the House Small Business Committee**  
**January 23, 2008**

Good morning Chairwoman Velazquez, Ranking Member Chabot, and Members of the Committee. My name is Scott Eckstein. I am a 41 year old self-employed custom home builder and remodeler from Naperville, Illinois, a growing suburb 35 miles West of Chicago. My wife Jackie and I work together in our family business along with raising 3 daughters, ages 20, 16 and 11. I have operated my two companies, Dupage Design and Construction Inc. and James Scott Custom Builders, for the past 15 years. I currently employ 5 full-time workers and my companies have thrived in the Northern Illinois market.

This past December, I was elected President of the Home Builders Association (HBA) of Illinois, a federated association of the National Association of Home Builders. The HBA of Illinois represents over 5,000 businesses throughout the state. Although Illinois builders experience great geographical differences, the issues we share in business and life are quite similar. Nearly 80 percent of our members are small companies, such as mine, and have similar issues and concerns. In my first month as President of HBAI, I have been traveling the state and meeting with members. I have quickly learned that the issue of health care and its affordability is overshadowed only by the concern for the housing market, in general. I find it ironic that the very people that house our country's doctors cannot afford proper health coverage for themselves, their families, or their employees. I hear the rhetoric in every presidential election, past and present, about increasing access to affordable healthcare. Yet after the polls close and the politicians are elected, nothing ever changes and we are faced with a deeper quagmire than before. It is time for the federal government to stop talking and start acting on behalf of the American business owner. During the last recession, following the tragedy of 9/11, the home construction industry carried the national economy through those tough economic times, preventing a deeper recession from taking hold. Today, we still have men and women from our industry helping clean up what Hurricane Katrina left behind. Every day in our industry, people pull together to help others, yet shamefully many of these people cannot afford proper health care coverage.

When my first daughter was born, I was only 21 years old and employed in a management job with a large national retailer. I had excellent insurance coverage and paid less than \$350 a month to insure my young family. When my wife's pregnancy of our first daughter required an emergency C Section, there was no discussion, doctors acted decisively, and within minutes I was by her side in the operating room to experience the birth of our first child. A few years went by and I realized the dream to start my own business as a remodeler. Luckily, I kept my insurance through a COBRA extension, because three months later I was injured at home and required medical care. I carried on that insurance for years; each year experiencing large increases, but never having an affordable option for change. A few years later, I went to work for a mid-size builder in the Chicago land area. That employer provided me with health insurance



coverage through an HMO program with Humana. Sixteen months after starting this job, my wife and I found ourselves expecting our second child. This time the doctors advised us that a Caesarian wasn't necessary. Well they were wrong. My daughter was stuck in the birth canal and was born with an APCAR Score of zero. She was later resuscitated, but not before she suffered some brain damage and Erbs Palsy, which still affects her today. Because of this occurrence I have been unable to change my insurance coverage for the past 16 years, despite the annual double digit increases.

Thankfully, my third daughter was born without incident. Due to my ability to hang on to my rising health insurance coverage her birth was as it should have been, a happy and wonderful experience.

My personal policy that once cost me under \$600 dollars per month for my young family was as high as \$1,819 per month before I removed my wife and two daughters. I now pay \$865.43 per month for my daughter and I. My wife and my 2 additional daughters then cost an additional \$800 per month. I now pay in excess of \$21,000 a year to provide my family with unreliable health care coverage. My wife spends, on average, 2-4 hours a week on the phone with our insurance companies fighting for coverage, prescription refills or payment of bills. My daughter with preexisting conditions, as a result of her birth injury, often misses scheduled therapy appointments because of the carrier's inability to process referrals when needed. This has been a part time job for my wife since my daughter was born sixteen years ago. This is the quality coverage the average American business owner can expect for \$22,000 dollars a year? I can only assume it will be in excess of \$27,000 if the insurance providers continue at the current rate. Not reflected in the year to year increases is that we have, from time to time, raised our deductibles or sacrificed elements of coverage to control rising costs. It is simply not possible to give a true year to year comparison because too many variables are in play.

In addition, my father retired about 8 years ago, and has worked for me on a part-time basis. I have tried to provide him and my mother with health insurance coverage several times over the years. However, I have never been able to add them to my employee coverage because it increases my full-time employees' rates to an unaffordable level. I have gathered some data from my insurance agent over the past few years. Using some examples I can show you how absolutely unpredictable the insurance carriers can be from year to year.

Employee "A" and his family coverage in 2003 was quoted coverage for \$906.10 per month

That same coverage in 2004 went to \$1,192.09 per month, an approximately 32% increase in 12 months.

At \$250 - \$300 per employee, an increase like this will cost a typical small company of 6 employees in excess of \$1,500 per month to retain those employees' insurance coverage.

Employee "B", a single mother with two children, was quoted \$749.18 per month in 2003.

The same policy was \$930.07 per month in 2004, almost a 25% increase in 12 months.

If new housing construction prices rose at this rate, could you imagine what it would take to shelter our nation, better yet, the consumer uproar our industry would face?

I believe that my failure as an employer to provide adequate, affordable health coverage over the past few years has directly resulted in employee turnover and my inability to hire consistent, qualified workers in today's market. Recently, in order to obtain affordable coverage for my employees and their families, I have been forced to remove my own wife and 2 daughters from my policy and put them into the company plan. The policy mandated that a business owner be named in the policy in order to qualify as a group policy. Over the years many good, qualified employees have left my company, and I believe I could have retained these wonderful people if I was able to offer affordable health insurance coverage as a benefit.

I can point to instance after instance where people who work in our industry are rolling the dice by living with no health insurance or insufficient health care coverage.

A client of mine, who has found himself in extreme ill-health over the past several years, heard of my appearance here today and shared his story with me. He is a very wealthy man, yet he told me that he cannot afford his \$48,000 per year policy for his wife and himself. So he goes without insurance. As a result, he foregoes proper care and what should be a comfortable life. He, unlike so many of my industry counterparts, has the wherewithal to say "NO" to the insurance companies. However, most of us don't have that luxury.

The associations in our federation seek to tackle the problems of our members on a daily basis. Rarely do we look to others to solve our problems. This problem is one we have yet to resolve for our members. I'm here today as a small business owner and a representative of the home building community to ask you for your help in solving this growing crisis in America. This doesn't just affect home builders, it affects everyone in America, and it is up to you, our elected leaders to stop this runaway train before it derails the American healthcare system all together. Association Health Plans, that would allow organizations such as ours to receive large group pricing and avoid exemptions for preexisting conditions, would make health care affordable and accountable to the consumer again. Keep in mind that the men and women who make up our Association are small business owners who are less likely to take a day off of work for a cold or go to the doctor for every sniffle because they have a business to run. In most cases, we are healthy individuals performing active work. Therefore, we are very attractive clients to any insurance carrier. Yet these are the individuals who struggle to provide the same benefits that a bag boy at a grocery store can obtain through his large company's group plan. In a country that encourages the entrepreneurial spirit we have to make health care affordable and available to our small business owners.

Thank you for this opportunity to share my thoughts and experiences with the Committee today. I look forward to answering any questions you might have.



***Testimony of Cathey Sandman  
National Federation of Independent Business***

**before the**

House Committee on Small Business

**on the date of January 23, 2008**

***on the subject of***

**Limited Health Care Options for Small Businesses in the  
Small Group Market**

**On behalf of NFIB, I want to thank Chairwoman Velazquez for inviting me to discuss the significant challenges facing small businesses trying to access and afford health insurance. My name is Cathey Sandman and I own and operate Sandman Family Daycare – a home-based business located in Lockport, New York. As a small-business owner, mother, wife and childcare professional, I deeply believe that health care is at a critical tipping point. Something must be done to improve access to and affordability of health care.**

**The health care cost crisis affects two specific small business sectors – those who are insured and struggling to keep up with a 100 percent increase over the last six years – and the 27 million in the small business community who are uninsured. NFIB members represent both of these sectors. I once was an NFIB member with insurance. Today, I am an NFIB member with no health insurance – for myself or my family.**

**I have been an In Home Child Care Provider for 18 years; I personally service 13 families and up to 18 children in any given week ranging from six weeks-13 years of age. My services are vital to these families and enable them to go to work and be productive.**

**Like most small-business owners, I work long hours — 12 to 14 hour days. I spend a great deal of time when I am not working**

planning and organizing for the next day. This is one of the best aspects of owning your own business. You work for yourself so the extra hours are not a burden. I have a passion for the families and children in my community and work to serve many of their needs.

Five years ago my husband joined my business as my assistant and business partner. We then had to purchase our own health insurance and found it expensive but affordable. But after multiple premium increases the cost began to threaten our ability to maintain our insurance.

In October 2007, my husband and I made the difficult decision to "give up" our health insurance. It was not an easy choice, but after the last few premium increases the monthly cost for our health insurance was the same as the cost of our monthly mortgage payment. Since I am self-employed and work out of my home I felt there was no other choice. I need a place to live. I need a place to work. But I simply could no longer afford to pay the equivalent of a "second" mortgage payment. So, we terminated our coverage on October 1, 2007 and tried to figure out what to do next.

Unfortunately, time was not on our side. On October 13th – less than two weeks after becoming uninsured – I became ill and ended up in the hospital with appendicitis. I had to have surgery and my appendix was removed. The hospital and doctor bills totaled \$10,000.

**Today, I am on a payment plan with the hospital. While I appreciate their willingness to work with me, every dollar spent is a dollar I can not use to purchase health insurance.**

**Back home in Niagara County, I am not alone in this struggle. There are about 125 childcare providers in my county and I know many of them. I also operate a Training and Support group to assist all providers. The health insurance crisis is on everyone's mind. I hear discussions about it constantly. It is necessary, but unavailable to many. And, it is a heavy burden to many more. It is vitally important that something changes and soon.**

**As Congress works to develop specific policy-related solutions, please keep in mind that many small businesses are looking for a balance – a balance similar to the one outlined in NFIB's Small Business Principles for Health Care Reform. The principles are a foundation for health care reform that achieves four goals: access to quality care, affordability, predictability and consumer choice. Those goals are achieved by creating a system that is: universal, private, affordable, unbiased, competitive, portable, transparent, efficient, evidence-based, and realistic. NFIB will pursue legislative proposals that are reflective of these ten principles.**

**Finally, Madame Chairwoman, I appreciate the work you and your committee have done with NFIB. I am hopeful you will continue**

working with NFIB and other groups that are committed to developing effective solutions for small-business owners, employees and their families – as well as for the broader population. Recognizing that many voices are stronger together, NFIB joined Divided We Fail in 2007. The coalition, which includes AARP, Business Roundtable and the Service Employees International Union, represents more than 53 million people. As you can imagine, these groups do not agree on many issues. But this coalition does agree on the need to seek out and engage in a serious dialogue to find broad-based, bipartisan solutions that address what has become a national crisis for America's job creators--health care.

Thank you again for holding this hearing today and shining a spotlight on the health care crisis facing small businesses. I greatly appreciate your interest and your willingness to listen to my story. NFIB shares your desire to address the nation's health care crisis. I am hopeful that working together today's horror stories can be transformed into tomorrow's success stories. Thank you.

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**STATEMENT BEFORE THE  
COMMITTEE ON SMALL BUSINESS  
U.S. HOUSE OF REPRESENTATIVES  
HEARING ON**

**Health Insurance Challenges Facing Small Businesses**

**Submitted by**

**Richard S. Lee  
President  
Lee's Flower and Card Shop  
Washington, DC**

**On behalf of the**

**SOCIETY OF AMERICAN FLORISTS**

**JANUARY 23, 2008**

**Contact:**

**Jeanne Ramsay  
Society of American Florists  
(703) 836-8700**

Chairman Velazquez and Members of the Committee, thank you for this opportunity to present testimony on behalf of the United States floriculture industry. My name is Rick Lee. I am President of Lee's Flower & Card Shop in Washington DC. I also serve on the DC Chamber of Commerce, the Mid-City Business Association, the Washington, DC Convention & Tourism Corporation, and the Cultural Tourism Roundtable. We have been a member of the Society of American Florists (SAF) for over 40 years. I am very pleased to have this opportunity to tell you my story, which may well be typical of many other small businesses across this nation.

The Society of American Florists is the national trade association representing the entire floriculture industry, a \$19 billion component of the U.S. economy. Membership includes about 10,000 small businesses, including growers, wholesalers, retailers, importers and related organizations, located in communities nationwide and abroad. The industry produces and sells cut flowers and foliage, foliage plants, potted flowering plants, and bedding plants.

Lee's Flower and Card Shop is a family-owned business, which was founded in 1945 by my father and has been in business now for 62 years. We are a full-service retail florist to the Washington community, providing fresh flower arrangements for all occasions. Our shop also maintains a large inventory of fresh-cut flowers, plants, European dish gardens, silk and dried arrangements, pottery, gourmet and gift baskets, accessories, and greeting cards. As a family-owned business, we pride ourselves on our service both to our customers and to our community. In fact, I am proud to say that community service is a family tradition started by my parents, Winnifred and William Lee, who were the store's only employees when it opened, in 1945. I founded the neighborhood's first Jaycee chapter in 1968 after the assassination of Martin Luther King Jr. that year. My daughter Stacie donates significant time to at least five civic and charity groups and recently was inducted in the American Academy of Floriculture (AAF), a select group of florists chosen by the Society of American Florists for their dedication and passion for service to the community.

We have seven full-time employees, plus many part-timers on a weekly basis and more at holidays and special events. Given my strong convictions on service and giving, it is particularly frustrating to not be able to offer health care coverage. I want to have everyone covered under health care.

At the outset, I want to thank Chairman Velazquez for her ardent support of Association Health Plan legislation, which I believe could have helped small businesses with access to affordable health care by creating a pooling mechanism that would have created a far more effective system than current situation. Unfortunately, that good legislation did not

make it through the legislative process. I also thank the other members of this Committee who have been particularly supportive of the need for health care reform for so many years. Thank you for holding this hearing and once again being the voice of small businesses in the halls of Congress.

I understand that your goal today is to examine the challenges small businesses face in providing health insurance coverage to their workers. I am familiar with some of those barriers to providing health care -- such as the issue of costs -- as well as other obstacles small enterprises like mine face in obtaining and maintaining health insurance in the small group market.

I have no particular expertise that would allow me to provide you with suggestions for how to fix the broken health insurance market, but I don't have much good to say about the current market. I can tell you my story and I can tell you that the system as it is now does not speak to the needs of small businesses and their employees.

Our country's employment-based health care system is a voluntary system -- employers are not required to provide health care coverage to employees, nor is the employee required to purchase employer-based coverage when it is offered. However, saying we aren't required to provide health insurance may be true -- but in order to compete in finding and keeping good employees, we really have to be able to offer health care and other benefits. I want to be able to provide health insurance because I care about my employees and because I want to offer them what they need, to keep them with me.

There was a recent poll reported by HR News that demonstrates the importance employees place on health insurance: According to that poll of 1,200 U.S. adults age 18 and older, **84 percent say health insurance is the most important factor in choosing a job**. So saying offering health care is voluntary may be true, but in reality it is a benefit that is necessary for a business to succeed.

The biggest enticement (other than salary) in our repertoire of tools to attract and keep employees is benefits. The most important benefit is our ability to offer health care. Our businesses are in danger because we have to provide health care and other benefits in order to keep our staff, and we are increasingly not able to do that, because of the rising costs. I ask you, Congress, to act this year to pass legislation to address the issue of access to affordable healthcare.

#### **Cost is the Barrier**

Small retail florists are competing with other businesses for a limited number of qualified employees. The competition is fierce. We need every advantage to be able to attract and retain reliable, responsible and valuable employees. Losing any employee for whatever reason involves more costs and lost productivity and increased burdens on other employees. A new employee has to be trained, has to get to know the way things work in our shop and get to know our customers. Training is time-consuming and the costs of rehiring and training can put a burden on owners who already wear a multitude of hats in running their small business. Most owners are also floral designers spending hours at the

design table daily, but also doing payroll, monthly paperwork, paying bills, ordering fresh flowers from wholesalers, sweeping the floor and taking out the garbage.

There are very limited health care options for small businesses in the small group market. I believe that cost is the biggest impediment to employers offering health care options, or even health care insurance at all. I can talk to you about cost. The truth is I employ workers with relatively modest wages. I need to be able to buy an adequate benefit package that meets the needs of all my employees and is affordable.

Right now there don't seem to be any options at all in the market for me. I know from talking to others in my industry, that small businesses in many states are faced with limited choices even when it comes to selecting a health insurance carrier. When I was in the market for insurance, I had to rely on agents and brokers to help me choose a plan, and some agents didn't want to deal with me because my company was so small. I think that is one of the major problems: I can tell you first hand that small businesses do not have the same market advantages that large businesses do. Small businesses have no negotiating power. So even if we can purchase insurance, if a year later we've had one or two expensive claims, the premium costs go up by double digits and the out-of-pocket costs go up too. Wages don't go up the way premiums do – and as a result, employees opt out of coverage.

As a small employer I cannot pay for the cost of coverage in full for my employees. The last time I attempted to purchase insurance and offer it to my employees I had to ask them to pay 25 percent of the premiums. It was the best deal I could get in the marketplace that was affordable and provided adequate coverage but even then the younger ones decided it was not viable for them. They said they'd rather roll the dice, pray and cross their fingers that they don't get sick or injured.

Our workforce spans a range of ages from 20-year-olds to a driver in his '60s. They want and need different things in a health plan. I have the twenty-year-old employees who are perfectly healthy and I also have a 60-year-old driver with a chronic condition. I need to be able to find a policy that provides adequate coverage but is affordable and responds to the different needs of my workforce.

Right now one of my long-term employees, who has been with us for 26 years, is one of our drivers. He just couldn't afford coverage, and recently had an incident. He was treated in the emergency room and couldn't pay, so he has had his wages garnished.

Another example is one of my employees who became pregnant. She couldn't afford the health care, so she went on public assistance.

If employees don't get affordable coverage through their employer, they certainly are not going to hunt for coverage in the nongroup market where the costs are out of reach for these workers. It is far too expensive. The outcome is that the small business owners and the small business employees, who don't have a spouse who is covered and can carry them on their policy, are not covered by any health insurance.

My two daughters also work in the business - both have spouses whose employers provide coverage, so they are covered. My wife retired from Verizon a number of years ago and I receive health insurance on her plan. Unfortunately, my other employees have few options for health insurance coverage. Three of them have a spouse, but that spouse's employer does not offer health insurance.

The fact is that the uninsured do get health care and it adds to the cost of insured individuals and companies because the costs are included in the high insurance premiums they pay, which creates a vicious circle. The higher the costs, the more workers are shut out or priced out of the system. Having uninsured workers, has an impact on everyone who is insured.

Attached to this statement are two more examples of what the reality is for others in the floral industry.

I am told that since 2000, the number of Americans without health insurance has steadily increased. According to most recent Census Bureau survey, the number of uninsured rose from 44.8 million (15.3 percent) in 2005 to 47 million (15.8 percent) in 2006. The problem of the uninsured is most acute among small businesses. For one thing, small business pay on average 18 percent more in premiums than the large firms -- for the same health insurance benefits. On average, probably 2 out of 5 small businesses do not offer health insurance. This means that a substantial percentage of small business employees are without employer-provided health coverage. And based on my experience, I think that probably a substantial percentage of those employees are without ANY coverage at all, relying on emergency room care or having their wages garnished or having to go on other public assistance. That raises all of the cost of health care for the rest of us.

There is little doubt that our national health care system needs to be reformed. The number of uninsured Americans continues to increase along with the cost of health care. Unsurprisingly, the issue of health care is one of the top concerns for individuals, families, and both big and small business.

### **Conclusion**

I hope that my sharing with you these experiences with trying to provide health insurance as a small businessman has been helpful to the Committee in understanding both the importance of my ability to do this and the urgency that Congress create solutions to this problem. At the bottom of my submitted statement is a brief compilation of some of the horror stories from my fellow retail florists. Please find a way to expand the availability of affordable health care coverage. It is probably the number one problem facing small businesses, and their employees, today.

### Retail Florist Stories on Health Care Coverage

#### Karen Fountain, Flowers 'n' Ferns, Burke, VA

Ours is a small shop located in Burke VA that has been in business for thirty years, since 1978. We had been fortunate in our business that all our employees had spouses who already had jobs where the employer offered health insurance. All of our employees were covered by their spouse's plan so I had not had to face the small group market for many years. Then everything changed when one of my designers who had been with me long-term (ten years) had to leave Flowers 'n' Ferns. Her husband was employed in the trucking business, but lost his insurance and due to an accident could not get new coverage because it was unaffordable. His wife, my designer, was forced to leave a job she loved to find employment that offered health care as a benefit. She has no choice and I had no power to keep her. It was a lose-lose situation for both of us. I myself had been covered by my husband's policy. Again everything changed when he transitioned to being self-employed earlier this year. We managed to find a policy in the small group market but we are paying "an arm and a leg" for that coverage.

#### Carole Inslee, Randy's Flowers, Culpepper, VA

I, (Carol) wear many hats on a daily basis. In addition to being an AIFD designer, I also do the daily ordering, I sweep the floor, water plants, answer the phone, wait on walk-in customers and empty garbage cans. We have no support staff. I also have the added responsibility of monthly paperwork. We are open 6 days a week. We employ 3 designers including myself and the owner, Randy, and one full-time and one part-time driver. We provide our full-time employees health coverage paid in full, a week vacation after one year and a 401 K. By far after wages, health care costs are our second biggest cost but we must be able to offer health care coverage. People won't even consider working for us if we don't offer health care.

Unfortunately this year our premiums increase 40 percent – because Randy, the owner, turned sixty. That magic age was reached and we were not able to negotiate a more reasonable rate despite the fact that most of the medical use was for well-checks and medication. Our employees work hard and why should they be forced to pay more for prescriptions or pay more out of pocket simply because the owner turned 60? It is so hard to find good, qualified employees. We absorbed the cost, but it is difficult financially. However, having to lose one of our drivers would be worse. He is reliable, mature and very informed and efficient. He cares for the vehicle and can handle any situations. I don't have to worry about him. If he were to leave, I'd likely have to hire a younger person who has no experience and someone whom I have to monitor closely. Right now I can offer my current employees what they need in benefits -- but chief among them is health care. I worry about what's going to happen in the future.

**TESTIMONY OF LEE D. GROZA, CPA**  
**ON BEHALF OF THE**  
**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**  
**BEFORE THE**  
**HOUSE COMMITTEE ON SMALL BUSINESS**  
**JANUARY 23, 2008**

Chairwoman Velazquez, Ranking Member Chabot, and Members of the Committee, good morning and thank you for allowing me to appear before you to testify on the limited health care options for small businesses in the small group market.

My name is Lee Groza. I am a CPA and one of several owners of Mountjoy & Bressler, a CPA firm located in Kentucky. I am here today representing the American Institute of Certified Public Accountants (AICPA). I include several of my own opinions based on the experiences with my firm.

The AICPA ([www.aicpa.org](http://www.aicpa.org)) is the national professional association of CPAs, with more than 350,000 members, including CPAs in business and industry, public practice, government, and education; student affiliates; and international associates. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It develops and grades the Uniform CPA Examination.

The topic of health care coverage has been an interest of mine for a number of years and one that I have been able to view from several different perspectives. Not only am I a small business owner who has spent a considerable amount of time participating in the process of exploring health care coverage options for our employees, but as a CPA I am an adviser to many small businesses and have been able to witness their health care challenges first-hand. Additionally, I am currently the President of the Kentucky Society

of CPAs and have served as a member and former chairperson of the committee that oversees the association sponsored health plan that is offered to our nearly 5,000 members across the Commonwealth.

At my CPA firm, we are annually faced with the challenge of offering quality health care benefits at a manageable cost to our 108 employees located in 4 offices across the state. This delicate balancing act between benefits and affordability has resulted in my own firm switching to three different insurers in the last three years alone. Like many small businesses, we significantly subsidize the premium cost to our employees however, we do not subsidize 100% of this cost. Our process involves enlisting the aid of an insurance broker to help us explore our options and secure bids. We have found that even though our offices lie in the larger population centers of the state, our health insurance options have been limited to a few dominant insurers. While having just a few options may call into question the competitive nature of the process, it has been my experience that one insurer will dramatically decrease their bid to counter another's proposal in an effort to secure the relationship. I found this somewhat disconcerting as my other experiences had led me to believe there is no negotiation in the area of health insurance. Truly, when competition does exist we, as consumers of health care, can benefit greatly. And as the number of options increase, our potential benefit increases accordingly. As of the first of this year, our employees were offered the option of a high-deductible health plan coupled with a health savings account feature. These new plans have become the lowest-cost option for our employees and were intended to provide a way to better manage, and potentially gain from, their individual health care spending while assuming a manageable amount of additional risk. These plans encourage healthy behavior and efficient spending while protecting our employees from escalating costs. I am encouraged by the fact that nearly 30% of our participants decided to make the switch to these HSA plans in the first year alone.

While these recent experiences at my firm have left me with the feeling that some degree of progress has been made, my involvement with the insurance committee at our state association pool has left me with the exact opposite impression. As a statewide membership organization, our association health plan must be able to provide coverage to



our CPA members who are located in every corner of the state. Consequently, we have been left with only one insurer with a provider network that is sufficient enough to maximize our coverage area. In this situation there is no room for negotiation and our annual renewal meetings have become an exercise in futility where the terms are clearly dictated by the insurer. When developing the required annual premium for our pool, the insurer will often rely on a "national" trend rate that may have no correlation to the cost trend based on our actual claims history. In a clear show of dominance, they have gone so far as to additionally assess an explicit profit charge, above all other administrative costs, which serves no other purpose but to pad the profitability of the insurer.

A few years ago we were able to add a "risk sharing" arrangement to our association pool health plan that provides for a refund of premium in the event the estimates used by our insurer were too high. Of course, this arrangement brought with it an additional fee so we are now in a situation where we feel compelled to pay a significant sum of additional money just to ensure some degree of accuracy in the determination of our insurance costs. I cannot help but believe there is something fundamentally wrong with a system that permits this practice. We have been equally frustrated by the lack of transparency in this process. As an organization that is uniquely positioned to "audit" our underlying claims data we have made repeated requests for access to our claims information in an attempt to validate the data as represented by our insurer. At every turn, our insurer has cited privacy laws as an excuse for their inability to provide complete information.

Our association pool has experienced little growth over the past several years and I know that the major groups not participating in our pool, and those that have left our pool, have primarily been located in the urban areas where there is increased competition.

I have personally witnessed how competition in the area of health care can work to our advantage and I am a strong believer that any step taken to increase competition is a positive step for the American consumer. As an employee of the federal government nearly 20 years ago, I fondly remember the ability to select from a variety of plans and insurers to suit my needs. Today, most small business employees do not have that luxury. Some members of the House Committee on Small Business here today have historically

championed increased competition in the area of health care through proposed measures such as the Small Business Health Fairness Act.

Chairwoman, and Members of the Committee, thank you again for the opportunity to testify on this topic of increasing importance. I respectfully urge you to continue this cause, not only on behalf of individuals, but also on behalf of small business owners many of whom will shoulder some part of the health insurance burden due to the belief that they must offer coverage in order to attract and retain a qualified workforce.

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Statement

To Be  
Submitted to the

Committee on Small Business

Concerning

Limited Health Care Options for Small Businesses in  
the Small Group Market

To Be  
Presented By

Stephen Eby, MD, FAAFP  
Western Family Physicians  
Cincinnati, Ohio

January 23, 2008

Thank you, Chairwoman Velazquez and Rep. Chabot, and the members of the committee for the opportunity to participate in this hearing. As one of 93,800 members of the American Academy of Family Physicians, I applaud your concern for how the cost of health insurance impacts small medical practices and makes it difficult for these small businesses to provide health insurance benefits for their employees.

My name is Dr. Stephen Eby and my medical practice, Western Family Physicians, is a small practice providing primary care health services to families just west of Cincinnati. Ours is a practice of 6 physicians and 25 employees.

To attract and retain good employees, since the inception of our small business, we have paid for our employees' insurance. However, our practice has never been able to afford health insurance for our workers' families.

Between 2003 and 2008, the cost of a single policy has increased 80 percent, an average of 16-percent a year. This staggering escalation has occurred despite other steps we took, such as increasing the deductible to \$500 and the co-pays by 33 percent.

The monthly premium for family coverage in Cincinnati, even with high deductibles, is \$1300 which amounts to over half of our average office workers' monthly pay BEFORE taxes. Because of these astounding expenses, one of our receptionists, a single mom, is able to afford coverage only for herself. Her children, therefore, had to go on Medicaid.

Our front desk coordinator has been with us for seven and a half years. She was pregnant when her husband lost his job and his health insurance. Our employee purchased individual coverage which covered her and her delivery, but once born, the infant had no insurance coverage. Fortunately, the necessary immunizations are covered by the Ohio Vaccines for Children program, but physician office visits are not. The costs associated with well baby care and all shots necessary through age two totals approximately \$2200. This amount takes into consideration no additional visits for acute illnesses.

Not only is it our employees who are struggling with these insurance costs. My wife and I cannot obtain health insurance through my practice because the premiums are unaffordable. She is a registered nurse with her Master's degree, so she was able to take a second job with a large hospital system in order for us to get affordable health insurance coverage.

Similarly, I am aware of medical practices in the Cincinnati area which are not able to get health coverage at any price because some of their employees have common chronic conditions such as diabetes, high blood pressure or heart

disease. I suppose when these people become ill, they will have to go the emergency room and pray that the hospital bills don't drive them into bankruptcy. Affordability is a relative concept comprised of both expenses and revenues. I know that this committee is well aware of it, but I would be remiss if I didn't mention a significant problem on the income side particularly affecting small primary care practices like mine. And that problem is the statutory formula for determining physician payment under Medicare. This formula, known as the sustainable growth rate (SGR) is dysfunctional and inaccurate. Due to the cumulative nature of the SGR, payment rates have not kept pace with medical inflation, even as measured by the government. Physicians are currently being paid at 2001 rates and if Congress doesn't intervene, a steep 10.6 percent cut will take effect July 1 of this year.

The inability of medical doctors to offer adequate health insurance benefits to their employees, or in some cases even themselves, is more proof that a health insurance crisis exists today in this country. And this is occurring while health plans are reporting record profits.

In closing, family physicians commend the committee for highlighting the issues associated with health insurance coverage for employees and owners of small businesses, even medical practices. And we urge Congress to give high priority to actions that will provide affordable health coverage for every American. In addition, we would ask Congress to recognize and appreciate the emergency situation that has been created by the arcane Medicare payment formula that is incorporated into statute.

Thank you for the opportunity to share these views with you today and I look forward to answering your questions.


**NATIONAL CATTLEMEN'S BEEF ASSOCIATION**

1301 Pennsylvania Ave., NW, Suite #330 • Washington, DC 20004 • 202-341-0228 • Fax 202-638-0607

January 23, 2008

The Honorable Nydia M. Velázquez  
 Chairwoman  
 U.S. House Small Business Committee  
 2361 Rayburn House Office Building  
 Washington, DC 20510

Dear Chairwoman Velázquez:

The National Cattlemen's Beef Association (NCBA) appreciates the opportunity to present our thoughts on the 'Limited Health Care Options for Small Businesses in the Small Group Market.' Producer-directed and consumer-focused, NCBA is the largest and oldest organization representing America's cattle industry, and it is dedicated to preserving the beef industry's heritage and future profitability through leadership in education, marketing and public policy.

Cattle producers are an important component of the small business community and are strong contributors to the economic diversity of small towns and communities throughout the United States. However, the business climate for today's cattle producer is increasingly difficult. Like other small and independent business owners, many cattle producers are struggling to maintain adequate health care for their family in the face of dramatically increasing prices.

Because they are small business owners, farmers and ranchers are often unable to secure health insurance through an employer, and are instead forced to purchase coverage in the individual, non-group market where premium costs are frequently much higher than in the employer-sponsored market. A recent study by the Access Project found that farming and ranching families spend, on average, more than \$7,000 annually for insurance premiums and out-of-pocket costs ([http://www.accessproject.org/adobe/issue\\_brief\\_no\\_2.pdf](http://www.accessproject.org/adobe/issue_brief_no_2.pdf)).

Beyond the cost burden associated with pursuing health insurance in the individual market, rural residents also face other barriers due to geographic location. It is difficult for small towns to maintain up-to-date medical facilities when faced with a declining and aging population. Many cattle producers must travel great distances to reach a hospital, and the time and expense associated with traveling to the nearest care provider serve as additional barriers to adequate health care.

Given these challenges, members of NCBA have adopted policy delineating several items of importance with regards to improving the current situation. Specifically, NCBA policy urges that the following principles be included in health care reform legislation:

- One hundred percent deductibility of health insurance costs for self-employed persons;

- Adequate Medicare reimbursement to rural providers to assure their viability;
- Insurance offered in a more traditional manner;
- Efforts to make rural areas more competitive in attracting health professionals and freedom for these professionals to use their expertise in health care decisions; and
- Patient choice of caregivers and the ability to cross state lines for health care.

Legislation has been introduced seeking to address the first issue on this list, and NCBA would like to highlight our support of H.R. 3660, introduced by Congressmen Ron Kind (D-WI) and Wally Herger (R-CA). In 2003, Congress took action to alleviate the disparity faced by the self-employed with regards to health insurance by passing legislation that permits sole proprietors to deduct health insurance premiums from their income taxes. Nevertheless, self-employed taxpayers still find themselves at a disadvantage. Because they are not allowed to deduct health insurance premiums from their self-employment tax liability, sole proprietors filing a Schedule C are required to pay a 15.3 percent tax on their health insurance costs above and beyond that which is paid by other taxpayers. This uneven playing field creates an additional burden for farmers and ranchers, and NCBA would urge quick action to enact H.R. 3660.

NCBA appreciates the House Small Business Committee holding a hearing regarding the 'Limited Health Care Options for Small Businesses in the Small Group Market.' It is clear that action is needed to address the challenges that face farmers, ranchers and other small business owners seeking to maintain sufficient health insurance. This hearing exemplifies your appreciation for the difficult situation that currently exists, and NCBA is eager to continue a dialogue on this important issue as your Committee, and Congress as a whole, seeks to develop legislative improvements.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay H. Truitt".

Jay H. Truitt  
Vice President, Government Affairs



**The Computing Technology Industry Association**

**Testimony Before the  
House Committee on Small Business**

**"Limited Health Care Options for Small Businesses in the Small Group Market"**

**Roger J. Cochetti  
Group Director-U.S. Public Policy**

**January 23, 2008**



**Introduction.**

Good afternoon, Chairwoman Velázquez, Ranking Member Chabot, and distinguished members of the Committee. My name is Roger J. Cochetti. I am submitting testimony on behalf of the Computing Technology Industry Association (CompTIA) representing our 20,000 member companies.

I want to thank Chairwoman Velázquez and Members of the Committee for holding this important hearing concerning the issues concerning health for small businesses. This is a real issue affecting the economic survival of small businesses, and this issue is in urgent need of an immediate response. We believe your efforts to focus both congressional and public attention on this issue are most important.

As this Committee certainly appreciates, small businesses are the backbone of the American economy. Some 23 million small businesses employ over half of the private sector workforce. Small businesses are a vital source of the entrepreneurship, creativity, and innovation that keeps our economy globally competitive. As a nation, we are dependent upon the health of the small business sector, and this is why we are so concerned with increasing costs and complications facing small business owners.

**CompTIA Overview.**

The typical small business does not have an IT department but relies upon the services of an important segment of the computer industry referred to as “Value Added Resellers” or

VARs. VARs are small system integrators that design, install and maintain computer systems and networks for other small businesses. An estimated 32,000 VARs, most of which are small businesses themselves, sell approximately \$43 billion dollars worth of computer hardware, software, and services annually. This means that over one third of the computer hardware sold in the U.S. today is sold by VARs.

Ms. Chairwoman, the Computing Technology Industry Association represents the business interests of these VARs. For 25 years, CompTIA has provided research, networking, and partnering opportunities to its 20,000 mostly American member companies. And while we represent nearly every major computer hardware manufacturer and software publisher, nearly 75% of our membership is comprised of American VARs -- the small business component of the tech industry. So, we particularly appreciate the opportunity to provide this testify to the Committee.

As further background, in addition to representing the interests of VARs, CompTIA also works to provide global policy leadership for the IT industry through our headquarters in Chicago and our public policy offices in Washington, Brussels, Hong Kong, and Sao Paulo. For most people in the computer industry, however, CompTIA is well known for the non-policy-related services that it provides to advance industry growth: Standards, professional certifications, industry education, and business solutions.

**The Issue.**

Employee health care costs make up an ever-increasing percentage of expenditures for both IT and other employers. On an annual basis, small businesses are being confronted with double digit percentage increases for employee health care costs. While some small businesses simply cannot afford these spiraling prices, failure to provide employee health insurance causes employers to lose valuable employees.

In the United States, employers have historically contributed to employee health care costs, and larger employers have generally been able to achieve cost savings by acquiring group insurance for a larger universe of employees. However, small businesses have not been able to benefit from the economies of scale enjoyed by these large employers. Instead, the cost of employee health care insurance to small businesses is typically proportionately larger than that paid by large employers.

**Cost of Health Care Insurance.**

First, we would like for the Committee to know that CompTIA supports legislation that would permit small businesses to join into larger purchasing groups, while preserving certain protections to ensure adequate funding and coverage for employee claims.

Currently, most small businesses must seek health care insurance on a case by case basis. Certainly, allowing small business groups to join together in a group to purchase health care insurance will allow cost savings through economies of scale, which larger businesses already enjoy.

Efforts to provide a vehicle for small employers to obtain “group-type” health care insurance are not new. Historically, such plans were established under a Multiple Employer Welfare Arrangement (“MEWA”). As originally enacted in 1974, the Employee Retirement Income Security Act (ERISA) exempted MEWAs from state insurance regulation. This federal preemption allowed Association Health Plans offered through MEWAs which avoided state insurance reserve and contribution requirements.

In the years following the enactment of ERISA, a number of situations occurred in which these plans became unable pay claims as a result of insufficient funding and inadequate reserves. Because these failed plans were not state regulated, state guaranty funds (which step in to pay claims of failed regulated insurers) did not apply. Following a number of these failures, ERISA was amended in 1983 to remove the Federal preemption for MEWAs, returning these plans to state regulation with enforcement of reserve and contribution requirements.

However, as health insurance costs have soared, attention has been refocused on small business health plans. Since 1996, legislation has been introduced in each Congress. But during each Congress, the provision failed to survive conference.

In 2005, legislation was introduced to allow certain associations to offer group health care insurance to their membership. While supported by a majority of the small business community, there was some concern that the legislation would have removed state oversight and funding requirements, shifting regulatory oversight to the Department of

Labor. In response to this stalemate, legislation was developed to allow small business plans, while preserving some of the state oversight and protections.

Currently, each state regulates the sale of insurance within its boundaries, and the laws and regulations vary from state to state. This has been an obstacle in the development of a viable framework for small business health plans. Nevertheless, we believe there are opportunities to preserve the protections now provided through state regulation, while permitting group purchases of health care insurance by small businesses, and we urge this Committee to support this critical effort.

**Cost of Health Care.**

In addition to addressing the cost of health care insurance, we think it is very important to note that the cost of health care insurance cannot be controlled until concrete steps are taken to address the underlying cost of health care. While this is not the central issue of this hearing, it is an issue that cannot be ignored, and we would like to point out one area where health care costs can be addressed: Health Information Technology.

Employee health care costs make up an ever-increasing percentage of expenditures for both IT and other employers. On an annual basis, small businesses are being confronted with double digit percentage increases for employee health care costs. While some small businesses simply cannot afford these spiraling prices, failure to provide employee health insurance causes employers to lose valuable employees.

Some studies have estimated that the United States' healthcare system could save well over \$150 billion each year through the use of healthcare information technology ("HIT"). HIT can improve delivery of quality healthcare at a lower cost by reducing diagnosis and treatment errors and simplifying the transfer of patient records. However, in order to succeed, medical care providers must be encouraged to establish and maintain HIT systems in their practice. While the investments in time and capital are high, HIT will result in cost savings for the medical care provider and will greatly improve the quality of health services. While a number of issues must be resolved, such as privacy concerns, electronic health records standardization, system interoperability, medical care providers must also be encouraged to purchase and maintain HIT systems for their practices.

However, even after all issues have been resolved, HIT will not be universally successful unless it is adopted by the largest health care provider group – the small health care practitioner. Clearly, the predominant obstacle for this group will be the costs of purchase, liability issues, regulatory compliance and the installation and maintenance of a HIT system for their practice. In this regard, we will continue to call for incentives that will enable small health care providers to join in the HIT evolution.

### **Conclusion.**

The cost of health care insurance is becoming more and more out of reach for small businesses. Without health care coverage, employees of small businesses will be forced to seek other employment, and without these employees, small businesses cannot

continue to drive the American economy. Small businesses need immediate assistance. Yet, while much has been said of this issue – both in Congress and in the private sector – the problem still remains. Accordingly, CompTIA calls for establishment of a Small Business Health Care Coverage Task Force. We believe that solutions to the many involved issues can only be derived with the open and studied consultation of all interested parties. Further, we believe that an ongoing task force composed of small businesses, as well as all other interested concerns, could work to define the issues and achieve consensus. This would be a great step in addressing this immediate problem.

We thank you for the opportunity to voice our concerns and recommendations.



The Honorable Nydia Velázquez  
United States House of Representatives  
Chair, House Small Business Committee  
2361 Rayburn House Office Building  
Washington, D.C. 20515

January 23, 2008

RE: Limited Options for Small Business in the Small Group Market.

Dear Chairwoman Velázquez:

With a membership that exceeds 13,000 funeral homes and over 21,000 licensed funeral directors and embalmers in all 50 states, the National Funeral Directors' Association (NFDA) represents all funeral directors in the United States. It is the leading funeral service organization in the United States, providing a national voice for the profession. The NFDA has been the premier organization for funeral service professionals for more than 120 years. NFDA members stand for credibility, ethics, excellence and trust.

The average NFDA member operates one to two family-owned funeral homes, has fewer and performs approximately 112 funerals per year. On average, our members have 2 full time licensed employees, 1 part time non-licensed employee and 3 part-time non-licensed employees .

NFDA believes that a crisis exists in the small business healthcare market. This crisis continues to grow and has been well documented. The number of uninsured Americans is now at about 47 million. Roughly 60 percent of uninsured Americans either work for a small business or depend on someone who does; this represents about 27 million workers without health insurance.

Cost is the biggest factor that influences whether small businesses, like funeral homes, can offer health insurance. Insurers typically charge small businesses more per employee than large firms for comparable coverage. Small firms are usually ill equipped to negotiate favorable terms with insurers because an individual firm does not represent a large enough block of business to merit insurers' individual attention. States also typically require group health insurance policies to cover certain specified benefits, medical procedures and treatments, adding to the cost of coverage.

However, America's health insurance crisis is not only one of affordability and coverage. The inability to provide cost-effective health insurance also puts small business at a significant



competitive disadvantage when hiring and retaining employees. When employees decline an offer of employment, or leave, because a small business cannot provide health insurance, it often means the loss of an opportunity to increase the business or an actual decline in revenue. This is especially acute in funeral service, which has been experiencing a shortage of new entrants into the profession for the past several years. The difficulty of providing competitive health insurance coverage exacerbates the competition for employees and has serious economic consequences for NFDA members.

The need for legislation to address soaring health care costs in the small business healthcare market has never been greater. Congress can, and should, unburden small business owners from the preoccupation of how to provide health care to their employees and free them to do what they do best – run their business and grow the American economy.

The National Funeral Directors' Association appreciates the opportunity to comment on this important issue. Please include this statement in the committee's record of the proceedings on this issue. If you have any questions, or if the NFDA can provide further information, please contact me at 202-547-0877.

Thank you for your consideration.

Lesley Witter  
Director of Political Affairs  
National Funeral Directors Association

**Written Testimony of Sandra M. Fox, ACSW, LCSW**  
**Licensed Clinical Social Worker**  
*on the subject of*  
**Limited Health Care Options for Small Businesses in the Small Group Market**  
**Submitted January 29, 2008**

I am a self-employed psychiatric social worker, with a small private practice in Allison Park, Pennsylvania, outside of Pittsburgh, with over 30 years experience as a healthcare provider. I work about 24 hours/week at my job; the rest of the time I volunteer as co-chair of the Western PA Coalition for Single-Payer Healthcare ([www.WPaSinglePayer.org](http://www.WPaSinglePayer.org)), an organization I helped found. My husband is a self-employed artist with a studio in our home, who also works part-time managing an art gallery. We have a 20 year old daughter who attends college full-time in Baltimore.

Neither my husband nor I have any benefits with our jobs. When I left my work as a hospital social worker in 1994 to go into private practice, I continued our benefits through COBRA. When that ran out, my husband got family coverage for us as a self-employed artist by becoming a member of the Chamber of Commerce. Then the Chamber changed its rules and would only allow coverage for businesses with more than one employee. We were lucky--the local Pittsburgh Center for the Arts offered group health insurance to members, so we joined. Two years later the Center sent us a letter that they could no longer afford to carry coverage for members. It was very scary. I had had a major accident in 1995--I was hit by a school bus while walking across the street in a crosswalk (with a walk signal)--and ended up in the trauma unit and ICU following an emergency craniotomy to remove a blood clot from my brain. No insurance company would take me with my pre-existing conditions. Fortunately, the Center did offer the option of a conversion policy covering all pre-existing conditions, so of course we did that.

Over the course of the last 10 years, that conversion policy has been stripped of benefits by the company. While our original policy did not include dental or eye care, it at least covered medications. About two years after the conversion policy took effect, we got a notice from the insurance company that we no longer had any medication benefits. This was and still is very troubling. Later, we got notices that our co-pays were going up, then a deductible added, then the deductible went up, while our premiums stayed the same or went up. Meanwhile, in the last 10 years my husband has been diagnosed with a degenerative spinal condition, which causes him constant severe pain. He has had a spinal fusion, with no relief from pain, and was told by two doctors to have another.

In any event, our medical expenses exceed my husband's yearly income, and range from 33% – 60% of my pre-tax earnings, depending on the year.

It is no wonder that I decided in 2004 to learn about the options for healthcare reform. I started doing my homework and in the fall of 2005 volunteered with Healthcare-NOW to organize a Citizens Hearing on Healthcare Reform in Pittsburgh. On May 21, 2006, the newly formed Western PA Coalition for Single-Payer Healthcare held its Hearing at

Page 2: Testimony to Small Business Committee from Sandra M. Fox, ACSW, LCSW  
January 29, 2008

Temple Sinai in Pittsburgh, with Congressman John Conyers, Jr. presiding, and local elected officials and candidates in attendance, along with about 350 constituents. On that day, Congressman Mike Doyle (14th C.D., Pittsburgh) agreed to become a cosponsor of HR 676—Expanded and Improved Medicare for All.

I strongly believe that single-payer universal healthcare is the only solution to our current healthcare crisis. Making **high quality** healthcare coverage affordable and available to all is only possible if you eliminate the high administrative overhead of private insurers, negotiate lower drug prices with the pharmaceutical industries, and transfer the power of medical decision-making back to doctors and patients.

Thank you so much for your attention to this critical issue facing so many Americans, both uninsured and underinsured.

Sincerely,  
Sandra M. Fox, ACSW, LCSW  
Psychiatric Social Worker and  
Co-Chair, Western PA Coalition for Single-Payer Healthcare