

**OBAMACARE IMPLEMENTATION: STICKER SHOCK
OF INCREASED PREMIUMS FOR HEALTHCARE
COVERAGE**

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

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OBAMACARE IMPLEMENTATION: STICKER SHOCK OF INCREASED PREMIUMS FOR HEALTHCARE COVERAGE

Friday, November 22, 2013

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
WASHINGTON, D.C.

The Committee met, pursuant to call, at 10:05 a.m., in the Gaston County Courthouse, 325 North Marietta Street, Gastonia, North Carolina, Hon. Darrell Issa [Chairman of the Committee] presiding.

Present: Representatives Issa and McHenry.

Also Present: Mr. Pittenger.

Staff Present: Drew Colliatie, Professional Staff Member; Linda Good, Chief Clerk; Meinan Goto, Professional Staff Member; Mark D. Martin, Deputy Staff Director for Oversight; and Rebecca Watkins, Communications Director.

Chairman ISSA. The Committee will come to order.

As is the practice in the House of Representatives, every morning we begin our ceremony with the Pledge. Since we are here and not in the House, I have asked Congressman Pittenger to lead us in the Pledge.

Will you all please rise?

[Audience rises.]

[Pledge of Allegiance recited.]

Chairman ISSA. Please be seated.

The Oversight and Government Reform Committee exists to secure two fundamental principles. First, Americans have a right to know that the money Washington takes from them is well spent. And second, Americans deserve an efficient, effective government that works for them.

Our duty on the Government Oversight and Reform Committee is to protect these rights. Our solemn responsibility is to hold government accountable to taxpayers, because taxpayers have a right to know what they get from their government. It is our obligation to work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and to bring genuine reform to the federal bureaucracy.

I regret that there are no Democrats here today. Mr. Cummings had initially said he would be able to make it and then said he could not.

I would now ask unanimous consent that the gentleman from North Carolina, Mr. Pittenger, who is not a member of the com-

mittee but a member of Congress in good standing, be allowed to participate in the hearing today. Without objection, so ordered.

In a sense, I made my opening statement before we even began. In another sense, today is a day that no American can start his day without thinking that 50 years ago today, John F. Kennedy died in Dallas, Texas. I was 10 years old. He was only in his mid-40s.

Medicare had not been created. Most of government spending disproportionately was on the military, more than half. Healthcare was important and talked about, but it was mostly veterans, Indian health; and quite frankly, after that, most healthcare was not delivered through federal means. Much has changed over those 50 years.

America has, on a bipartisan basis, established Medicare to secure healthcare for the elderly. We have expanded a number of other healthcare programs and three and a half years ago, President Obama signed into law the Patient Protection Affordable Care Act. We are not here today to question that Act or its validity. What we are here today is to review what is happening in light of its rollout.

Our committee has primary jurisdiction over a number of areas, and you have seen it, you have seen us dealing with the failure of the website, which per se is not the failure of Obamacare, it is a contracting failure. And we will continue to work to try to reform the systems that deliver information from the federal government to all of you.

At the same time, the rollout of the Affordable Care Act has had major problems. The most important one to me is the access to care. More than four and a half million Americans have lost the plans they have so far. That is about 44 people losing their plans for each one getting into an exchange under the Affordable Care Act. We need to do better.

Under the Affordable Care Act, it was forecasted that rates would go down by \$2500 per family. So far, they have gone the opposite way. We are here in North Carolina because it is one of the states with one of the higher raises in care. For many people, the Affordable Care Act also means not only higher initial payments, but higher deductibles.

The President has responded to this ad launch, if you will, by proposing that people should be able to keep plans they already have. We will, as a committee, look into whether that is feasible, can we get people to be able to stay in plans they have, plans that cost less, plans that have lower deductible. This will require legislation, it will not be done alone by presidential action. But I believe that Congress, once they have heard all the facts, looked at viable legislation, worked with insurers to find out what they can do and maintain their financial integrity, with hospitals and other healthcare providers, what they can do—we will react.

Today's hearing is really about that. We know some of the problems, the most important of which is access and then affordability. Those are important issues that we are going to hear from our witnesses today and in the days to come.

I want to thank our witnesses for being here today. I look forward to their testimony and I now recognize the distinguished gen-

tleman on this side from North Carolina, Mr. McHenry, for his opening statement.

Mr. MCHENRY. Thank you, Mr. Chairman. And first of all, I would like to welcome you back to western North Carolina and to the town I grew up in, my hometown of Gastonia. And our host today, the Gaston County Commission, in their chambers here in Gastonia.

It is a particularly special thing because I grew up just two miles from where we are sitting here with a big rambling family and what I saw in Gastonia and Gaston County is what most of the country has experienced with tough economic times. We just experienced it over a longer period of time with the loss of textiles and much of manufacturing in this country. So the town I grew up in, I saw declining wages, I saw less economic opportunity because high paid manufacturing jobs, textile jobs, were going overseas. So the loss of benefits, loss of pay is something very real to me because I lived it and saw it with my friends and neighbors growing up here in Gastonia.

So it is of particular concern today when we are talking about the cost of health insurance and access to health insurance. Access and cost are often linked. So I brought Congress to North Carolina to understand the real impact of Obamacare on real Americans.

And while the President is talking about administrative fixes and tech searches, what I am most concerned about and focused on are people. That cannot be lost in this whole thing about stats and statistics—the actual real people that are being adversely affected by this law. Now there are some folks that are benefitting from the law, but by and large, most folks are feeling the pain as a result of higher insurance costs.

Here in the Tenth District, my constituents are struggling, they are struggling to understand why the health insurance policies they like are being canceled. They are struggling to make ends meet now that healthcare costs are going up two or three times what they were before. Ultimately, they are struggling because of broken promises of this administration under this healthcare law.

Few states have been as hard hit by Obamacare's broken promises as North Carolina. It was promised that signing up for healthcare will be as easy as shopping on Amazon or booking a flight on Kayak. Yet, through the first four weeks, only 1662 North Carolinians managed to select a plan on Healthcare.gov.

The President promised that if you liked your health insurance, you could keep it under Obamacare. Yet, over 180,000 North Carolinians have received notices that their policies, the ones that they chose and liked, are being canceled. The President claimed that these issues are temporary and can be resolved. He said the website will soon be fixed, although the Administration's definition of fixed is that one in five Americans who try to log on will still not be able to log on to the website. That is not acceptable.

President Obama admitted he misled the American people when he said if you like your plan, you can keep it. Another administrative fix was in order to resolve that promise.

Regrettably, nothing will fix the broken promise that has hurt the people of North Carolina the most. President Obama promised this law would bring down health insurance costs. But North Caro-

linians are not seeing prices go down. They are seeing the complete opposite, as prices have simply gone up. Prior to the exchanges opening, Forbes magazine reported a study that estimated underlying premium prices for health insurance in our state would increase 136 percent on average. No administrative fix or tech search will resolve that troubling statistic that affects people. These exorbitant premium prices do not discriminate either. In North Carolina, it does not matter if you are a man or a woman, young or old, you are likely to see premium prices go up.

Older North Carolinians in particular are hardest hit. Forbes reported the average premium price for women age 64 in North Carolina would increase over 180 percent. These folks are often early retirees or have lost their jobs, their well-paying, good-paying jobs, and yet are not eligible for Medicare yet. They are usually on fixed incomes and cannot afford to pay nearly double what they were previously paying for their health insurance.

These are people like a constituent of mine, Roberta, here in Gastonia. She ended her career early to take care of her ailing mother. She had a policy that cost her \$150 a month for health insurance, but it was canceled. The new Obamacare-compliant policy costs over \$500 a month. She cannot afford that.

There is Jonathan, in Iron Station, just up in Lincoln County. He has a fixed income of \$950 a month. You may not know Jonathan, but we all know a Jonathan who is under this similar circumstance. His new insurance policy price tag is \$350 a month. He cannot afford that.

Tom, in Hickory, retired at age 62 due to a downturn in the economy and losing his job. His premiums jumped from 450 bucks a month to over \$1200. He cannot afford that. He does not know how he is going to be able to get health insurance now and he said he is likely to go uninsured until he is eligible for Medicare in a couple of years.

We all know a Tom. We all know a Tom, we all know a Roberta, we all know a Jonathan. This is about people.

So when we talk about government policy in our discussion today, I think it is important that we think in those terms. And I am sure our witnesses here today, a great panel, will be able to talk more about this and how they are dealing with the day-to-day consequences of this failed healthcare reform.

Now it is a particular honor to have a hearing from Congress anywhere outside of Washington. And today, as I said to Chairman Issa, that North Carolinians, even if we disagree, are a polite lot. Heck, we are Southern, cannot help it, can we? So even when we disagree, we can do it in an agreeable fashion.

I appreciate the Chairman starting the hearing out with that tone because southern California has some of those same qualities as the real south, right?

But if I may, Mr. Chairman, I do want to recognize our host and the distinguished elected officials we have here today. As I said, our county commissioners here in Gaston County have given us use of this chamber, and I want to thank the full county commission. But in particular, our two county commissioners that are here today—Mr. Tracy Philbeck and Jason Williams. Thank you.

And additionally, we have our Register of Deeds here in Gaston County, who is here today, Susan Lockridge, thank you.

We also have State Representative Dana Baumgardner, is here today; former State Representative Mike Harrington; and our State Senator for Gaston County, Kathy Harrington. Thank you.

And then finally, on a healthcare note, we have our hospital administrator for our local hospital here in Gaston County for our region, Doug Lockett—sorry—Lockett—sorry. Doug, thank you so much for being here.

And then finally, I want to thank our Sheriff, who secures this courthouse for judges and for the public on a daily basis and serves our county in a very able fashion. Has been a distinguished public servant and I would consider him a friend, and that is Alan Cloninger. Thank you, Alan, for your service to our county and for hosting us here today.

And with that, Mr. Chairman, I thank you for the generosity of your time and I yield back.

Chairman ISSA. Thank you.

Mr. Pittenger.

Mr. PITTENGER. Thank you, Mr. Chairman. I do appreciate this time that you have yielded to me.

Chairman ISSA. Well, thanks for letting us come to your district.

Mr. PITTENGER. Well, I came to Mr. McHenry's district. And I appreciate the courtesy that Congressman McHenry offered, and your coming here, it means a great deal to all of us in our region, that you would bring you and this committee to listen, to learn of the challenges, the difficulties, that are faced with the individuals and businesses and the complexities and the problems of Obamacare.

While I do not sit on this committee, I do appreciate the impact, the effects that the Affordable Care Act is having on hard-working tax-paying Americans.

This hearing will shed light, I am sure, on the problems that North Carolinians have faced as a result of the healthcare plan. My office, frankly, continues to receive a barrage of emails and phone calls every single day, of personal concerns that individuals have. Tom Mount is here today from my district. We were on a Google chat yesterday where he shared his experience. He has an IT background and business experience in terms of processing. And the real challenges that are out there, even affecting our personal information that can be exploited because it is not properly assessed and addressed on their system to date.

We are aware that only 100,000-plus people have been able to process out their healthcare through the current system, while currently five million people have been denied their healthcare. Upwards to 10 million we expect to hear by the end of this year will be denied their personal healthcare. So these are very troubling.

Congressman McHenry shared the numbers in North Carolina. Premiums are going up, you know, 200 percent on many healthcare plans.

So all these are a basis for a real concern of why it is important, particularly in our state, to hold this hearing.

I do realize that the promise that Mr. Obama made said that you could keep your healthcare plan if you wanted to, frankly appears to be very misleading and we need to understand the impact that

that statement has had on many people. Today, the American people and our state deserve to have their voice heard and your coming out today to these fine witnesses and all those who are here, to sense the real concerns, we appreciate your being here. We are your public servant and we are here to do the job for you. So thank you, Mr. Chairman, again, for allowing me to be here and for conducting this hearing.

Chairman ISSA. Thank you, Rob.

I now ask unanimous consent that the Manhattan Institute, a Published Study of State-by-State Analysis of the Impact of Obamacare Premiums be placed in the record. Without objection, so ordered.

Additionally, I ask that excerpts from USA Today today and excerpts from the Heritage Report on Healthcare Costs under the Affordable Care Act be placed in the record. Without objection, so ordered.

Additionally, I ask unanimous consent that all members may place additional and extraneous material in the record for up to five days after this hearing. Without objection, so ordered.

Lastly, as I said before the hearing opened, I ask general leave that individuals present today may have up to five days to submit additional written material as a result of their attendance here, for the record. Without objection, so ordered.

We now go to our distinguished panel of witnesses.

Mr. Dan Waters is President of Dan Waters and Associates. Welcome.

Ms. Sherry Overbey is Director of the Belmont Crisis Pregnancy Center. Again, welcome.

Mr. Joel Long is President of the Gastonia Sheet Metal Services. I guess that is one of the remaining heavy manufacturers. Welcome. Thank you for being here.

Mr. Jason Falls is owner of Falls Insurance. Again, thanks for your presence.

And lastly, Mr. Tav Gauss is President of The Action Group Human Resource Solutions here in North Carolina.

Pursuant to the committee rules, all witnesses must be sworn. Will you please rise and raise your right hands to take the oath.

[Witnesses sworn.]

Chairman ISSA. Please be seated. Let the record reflect that all witnesses answered in the affirmative.

This is a field hearing. It is just as formal as anywhere else in Congress. One of the formalities that we observe is that your entire opening statements be placed in the record. However, we observe a five-minute rule and, to the greatest extent possible, equally enforce it against ourselves for each round of questioning. So when you see the light go from green to yellow, it's just like here in North Carolina, you had better hurry, or else.

[Laughter.]

Chairman ISSA. When it gets red, if you are in the middle of a phrase, please finish it, but do not start a new subject. It will be placed in the record in its entirety.

Additionally, during questioning, it is often possible if you have left something out of your opening statement to essentially answer it as part of a question.

And I will do the same for those of us on the dias. We may go multiple rounds, but our last question, you will have as much time to answer as is reasonable, but we will not ask another question after we have gone to red, until the next round, if necessary.

So I want to thank you all for being here, and Mr. Waters, I am told that I kick off with you first. You are recognized for five minutes.

WITNESS STATEMENTS

STATEMENT OF DAN WATERS

Mr. WATERS. Thank you, Chairman Issa.

My name is Dan Waters and I'm President of Dan Waters and Associates in Hickory, North Carolina. I am a lifetime resident of Catawba County and a graduate of Lenoir Rhyne University with a degree in economics. I have served the people of Hickory as an insurance agent and broker for 33 years.

During my tenure in the insurance industry, I have seen companies come and I have seen companies go. I have seen policies change and policies terminated. I have offered Basic Benefits, Basic Benefits with Extended Coverage, Basic Benefits plus Major Medical, and Comprehensive Major Medical. At no time did these benefits require 2700 pages of explanation, let alone 2700 pages that neither the clients, their agents or their Congressional Representative fully understand or have personally read.

Now, agents and brokers are tasked with the challenging job of trying to explain this complex law to our groups and to individuals. Everywhere we turn, there is confusion, misinformation, questions about the programs offered, cost of premiums, tax ramifications and more.

In order to prepare brokers and agents, they have been attending seminars, webinars, reading the NAHU Washington Updates, taking the required PPACA certificate course, better known as—we call it P-PACA. In addition, we have been keeping up with the latest technology tools for group clients as well as individuals. Our goal is to be able to communicate the benefits in an understandable way, quote the accurate premiums and in general allay the fears and concerns of our clients with regard to new plans.

Some examples of these concerns are—I am hearing from my office on a daily basis like you have:

I like my current plan. Why can I not keep it?

Why do I have to pay for benefits I will never use such as maternity benefits, birth control, pediatric vision and dental, rehab services?

How will I pay for higher deductibles I must have in order to make my plan affordable?

Do I qualify for a subsidy? Why do I not qualify for a subsidy?

Why is my health care premium so much higher than before?

And then some say I don't want to pay for insurance. Why is it not my right to choose without having a penalty?

Do our current medical policies need to be changed in many ways? Some reasonable parties will agree that this is the case. Do we want to provide coverage for those who can't afford it, but need it or want it? Yes, definitely. Should there be a way for Americans

with preexisting conditions to keep or get coverage at a reasonable rate? Yes, of course. Is the government mandated Affordable Care Act, requiring all policies meet the same minimum standards, regardless of the needs or stage in life, the answer? I would say from the reaction of my clients, that would be a resounding “no.”

As soon as the ACA became law, PPACA, Obamacare, became law, our office phones were ringing with questions as to what it means for our clients, particularly our individual clients. After the cancellation notices were received, new premiums were announced, those calls and the frustrations of our clients increased exponentially, since clients found their monthly costs more than doubling. An example of what I am saying is my wife had a monthly premium of \$396 with a \$2500 deductible was canceled and will be replaced with a premium of \$735 with a higher deductible. And as with many of our clients, she is choosing to go with a significant increase in her deductible in order to reach a reasonable cost. Since the recent announcement of the President that people could keep their current plans, a large portion of my individual clients are seeking to wait and do just that, if the laws permit.

I fear that the mandatory ACA will be detrimental to my community as a whole. We have experienced an economic downturn in the last decade resulting in industries closing, a depressed housing market, an overall lowering of disposable income. While struggling employers are required to pay more in benefits, either they will be forced to reduce their workforce, contribute less to the employees' health plans, or drop those plans altogether. Less income on the part of the business or the individual translates into less spending and less growth for our area.

Thank you for your time to consider these important matters and for the opportunity to share my concerns. It is my hope that together we can come to a better solution that will allow healthcare to be fair, yet affordable, for employers and individuals without making it a burden to our society.

Chairman ISSA. Thank you.

Mrs. Overbey.

[Prepared statement of Mr. Waters follows:]

My name is Dan Waters and I am President of Dan Waters and Associates, Inc. in Hickory, North Carolina. I am a lifetime resident of Catawba County and a graduate of Lenoir Rhyne University with a degree in economics. I have served the people of Hickory as an insurance agent and broker for over thirty-three years.

During my tenure in the insurance industry, I have seen companies come and companies go. I have seen policies change and policies terminated. We have offered Basic Benefits, Basic Benefits with Extended Coverage, Basic Benefits plus Major Medical and Comprehensive Major Medical Coverage. At no time did these benefit plans require 2700 pages of explanation. Let alone 2700 pages that neither the clients, their agents or their Congressional Representative fully understand or have personally read.

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In order to prepare, brokers and agents have been attending seminars, webinars, reading NAHU Washington Updates and taking the required PPACA certification course. In addition, we have been keeping up with the latest technology tools for group clients as well as for individuals. Our goal is to be able to communicate the benefits in an understandable way, quote accurate premiums and in general allay the fears and concerns of our clients with regard to their new plans.

Some examples of the concerns I am hearing in my office on a daily basis are:

1. I like my current plan. Why can I not just keep it?
2. Why do I have to pay for benefits I will never use such as maternity, birth control, pediatric vision and dental or rehab. services?
3. How will I pay for the higher deductible I must have in order to make my plan affordable?
4. Do I qualify for a subsidy? Why do I not qualify for a subsidy?
5. Why is my health care premium so much higher than before?
6. I don't want to pay for insurance. Why is it not my right to choose that without a penalty?

Do our current medical policies need to be changed in many ways? Most reasonable parties would agree that is the case. Do we want to provide coverage for those who can't afford it, but need or want it? Yes, definitely. Should there be a way for Americans with pre-existing conditions to keep or get coverage at a reasonable rate. Yes, of course. Is the Government Mandated Affordable Care Act, requiring all policies meet the same minimum standards regardless of needs or stage in life the answer? I would say from the reaction of my clients that would be a resounding "no".

As soon as the ACA became law, our office phones were ringing with questions as to what it would mean for our clients, particularly our individual clients. After the cancellation notices were received and new premiums were announced, those calls and the frustration of our clients increased exponentially. Many clients found their monthly costs more than doubling. As a personal example of what we were seeing, my wife's policy with a monthly premium of \$396 was cancelled and replaced with one that would now be \$735. As with many of our clients, she is choosing to go with a significant increase in her deductible in order to reach a reasonable cost. Since the recent announcement by the President that people could keep their current plan, a large portion of my individual clients are seeking to do just that.

I fear that the mandatory ACA will be detrimental to my community as a whole. We have experienced an economic downturn in the last decade resulting in industries closing, a depressed housing market, and overall lowering of disposable income. When struggling employers are required to pay more in benefits either they will be forced to reduce their workforce, contribute less toward the employee health plan, or drop those plan altogether. Less income on the part of the business or the individual translates into less spending and less growth for our area.

Thank you for your time to consider this important matter and for the opportunity to share my concerns. It is my hope that together we can come to a better solution that will allow health care to be fair, yet affordable, for employers and individuals without making it a burden to our society.

STATEMENT OF SHERRY OVERBEY

Mrs. OVERBEY. I am one those who recently received an astronomical increase of my insurance rates from Blue Cross Blue Shield of North Carolina. As you can see, I am a woman and I am healthy.

My monthly health insurance premium for 2013 is \$395.60. Beginning in January 2014, my renewal rate will be \$713.11. This amount of \$713.11 is higher than my mortgage and my second mortgage combined. This amount will, in all likelihood, continue to rise every year. I also have a higher deductible and higher out-of-pocket amount, but, of course, I have maternity coverage and I also can get free birth control pills, which at age 58 I am sure I am going to need both frequently.

[Laughter.]

Mrs. OVERBEY. As we all know, President Obama on numerous occasions was telling the American people, "If you like your health insurance, you can keep it." But we now know that the opposite was true. Now you can call this deception, deceit, falsifying information, fabrication, whatever. But the bottom line is no matter what nicety you give it, a lie is a lie is a lie.

Our very own North Carolina Senator Kay Hagan was right there alongside Obama delivering the same message. Senator Hagan stated, and I quote, "People who have insurance they're happy with can keep it. We need to support the private insurance industry, so that people who have insurance they're happy with can keep it." This is another lie.

Women like me are being hurt by these lies and changes brought about by this unjust law. We now have fewer choices than we have ever had.

I contacted my Blue Cross Blue Shield agent asking him what alternatives I have. His reply to me was, "No one is sure what's happening." He checked the subsidies amount and because I am married and my husband and I make just above the \$62,040 amount, I am disqualified. Oh, and by the way, if I were not married and I could live with my boyfriend, we could make \$45,000-plus each, that's \$90,000-plus as a couple, and qualify for these subsidies in the Affordable Healthcare Act. And by the way, the name Affordable Healthcare Act is just a lie by virtue of the title itself. It should be called the Unaffordable Healthcare Act.

This huge increase in my monthly insurance premium and out-of-pocket expense and deductible does not supply any more coverage, nor does it provide better coverage.

The American people did not ask for, nor vote for this unaffordable health—oh, excuse me, I mean Affordable Healthcare Act.

For people not to have a choice in keeping their insurance, to be required to buy insurance they do not want and be fined for not doing so takes precious freedom away from every American. How Supreme Court Justice Roberts could have cast the deciding vote as constitutional is beyond any reasoning.

For the first time in our government's history through Obamacare and some exchanges, we will be paying for abortions with our tax dollars. We can now go into the safe, protective home

of the womb and kill an innocent baby by this healthcare law. That is another thing that is beyond any reasoning.

If the same scenario were my car insurance, I'd be calling other companies, getting better rates and adjusting the coverage as necessary. Now, because of the 10 required government inclusions, I am paying an unfair price for less coverage. I did like my insurance coverage, most Americans do. Another lie that is circulating at the present time is that most Americans do not like their coverage. There is an old saying that goes, "Tell a lie long enough and it becomes the truth."

This is the foundation of Obamacare and Obama's Administration, for that matter. President Obama wants his legacy to be Obamacare, this is what his whole presidential tenure was based. But the legacy is going to be Obamacare is a lie. We had the most wonderful healthcare system in the world until the President, for reasons of control, began dismantling it.

As a woman, President Obama and Senator Kay Hagan have taken away my choice and with my choice, my rights and freedom. I have talked to other women who are in similar situations as I am and their policy was canceled altogether. I have friends who recently retired, their policies were canceled under the Affordable Healthcare Act. And others? Well, they cannot get on the website, they cannot afford the insurance, and they cannot afford the penalty for not having the insurance.

The bottom line and the truth, which we will not hear from this President, is this has never been about healthcare. It is about control. Think about it. A majority of Americans had some healthcare coverage. Why not let those people keep it? Our taxes are going up anyway, who do you think is going to pay for Obamacare? Why not provide coverage for those who are without? This would be a win-win situation. Americans would be happy to keep their insurance. Those without insurance will be happy because they have coverage. That's what makes sense if Obamacare had not been about control. But Obamacare is about control. What better way to control the lives of American people than through healthcare. It is the number one issue that concerns us all. It is the gathering of all kinds of information into one system about you and me.

Thank you.

Chairman ISSA. Thank you.

Mr. Long.

[Prepared statement of Mrs. Overbey follows:]

Nov. 22, 2013

Hello. Thank you for the opportunity to speak today and voice my concerns for the Affordable Health Care Act.

I am one of those who recently received an astronomical increase of my insurance rates from Blue Cross Blue Shield of NC. As you can see I am a woman. I am healthy. I take no prescription medications nor over the counter meds.

My monthly health insurance premium for 2013 is \$395.60. Beginning in January 2014 my renewal rate will be \$713.11. This amount of \$713.11 is higher than my mortgage and second mortgage combined. This amount will, in all likelihood, continue to rise every year. I also have a higher deductible and higher out of pocket amount, but of course, I now have maternity coverage. I can also get free birth control pills which at age 58, I am sure I will need both frequently!

As we all know, while President Obama, on numerous occasions, was telling the American people "If you like your health insurance, you can keep it." But we know now that the opposite was true. Now, you can call this deception, deceit, falsifying information, fabrication, whatever, but the bottom line is no matter what nicety you give it, a lie is a lie is a lie! Our very own NC Senator Kay Hagan was right there along side Obama delivering the same message. Senator Hagan stated 'People who have insurance they're happy with can keep it.' "We need to support the private insurance industry so that people who have insurance they're happy with can keep it while also providing a backstop option for people without access to affordable coverage." This is another lie. (National Journal's Congress Daily 6/18/09). Women like me are being hurt by these lies and changes brought about by this unjust law. We now have fewer choices than we have ever had.

I am thankful that Congressman Patrick McHenry voted against this law.

I contacted my Blue Cross/Blue Shield agent asking what alternatives are available. His reply to me was, "No one is sure what is happening." He checked the subsidies amount and because I am married, and my husband and I make just above the \$62,040 amount, I am disqualified. Oh, by the way, if I were not married, I could live with my boyfriend. We could make \$45,000+ each, that's \$90,000, and qualify for subsidies in the Affordable Health Care Act. Oh, and by the way, the name "Affordable Health Care Act" is a lie just by virtue of the title alone. It should be called the "Unaffordable Health Care Act."

This huge increase in my monthly insurance premium and higher out of pocket expense and deductible does not provide any more coverage nor does it provide better coverage.

The American people did not ask for nor vote for this "Unaffordable Health Care Act." (Excuse me, "Affordable Health Care Act.") For people not to have a choice in keeping their insurance, to be required to buy insurance that they do not want and be fined for not doing so takes precious freedom away from every American. How Supreme Court Justice Roberts could have cast the deciding vote as constitutional is beyond any reasoning.

If this same scenario was my car insurance, I would be calling another company, getting better rates and adjusting the coverage if necessary. Now because of the ten required government inclusions, I am paying an unfair price for less coverage. I did like my insurance coverage. Most Americans do. Another lie that is circulating at this present time is that most Americans do not like their coverage. There is an ole saying that goes, "Tell a lie long enough and it becomes the truth." This is the foundation for ObamaCare and Obama's

administration for that matters. President Obama wants his legacy to be ObamaCare. This is what his whole presidential tenure has been based. But the legacy is going to be, "Obamacare is a lie."

We had the most wonderful health care system in the world until this President for reasons of control began dismantling it.

As a woman, President Obama and Senator Kay Hagan, has taken away my choice and with my choice, my rights and freedoms. I have talked to other women who are in similar situations as I am or their policy was canceled altogether. I have friends who recently retired. Their policies were cancelled under the Affordable Health Care Act. And for others, well:

- They cannot get on the web site.
- They cannot afford insurance.
- They cannot afford the penalty for not having insurance.

The bottom line and the truth which we will not hear from this President, is this has never been about health care. It is about control. Think about it, a majority of Americans had some type of health care coverage. Why not let those Americans keep it. Our taxes are going up anyway, who do you think is going to pay for Obamacare? Why not provide coverage for those without. This would be a win-win situation. Americans would be happy to keep their insurance. Those without insurance are now happy because they have coverage. That is what makes sense if Obamacare has never been about control. But Obamacare is about control. What better way to control the lives of the American people than through health care. It is the #1 issue that concerns us all. It is the gathering of all kinds of information into one system about you and me.

President Obama in his rising to power has side stepped the Constitution, passed laws without congressional approval and use Executive Order powers more than any other President in the history of our nation. This is not about race. This race card argument is built on another lie. The people who play the race card forget that if this were about race; President Obama would never have been elected in the first place. This is about an inapt President, who pushes bad policies and when they fail, lie to the American people that it was not his fault. Americans have been patient and kind to this President. For any other President who has told as many lies and pushed the underhand polices that President Obama has, would have already been impeached by now.

I am concerned for all women, men, children and families who will suffer undue stress, financial hardship, and lack of medical attention brought about from the failure of Obamacare.

I sincerely thank you for this hearing today to voice and share my concerns.

STATEMENT OF JOEL LONG

Mr. LONG. Good morning, Chairman Issa and members of the committee in attendance today. Thank you for taking the time to come to our neck of the woods to learn more about how the new healthcare law is impacting our day-to-day lives. Too many times leaders in Washington forget they represent real people with real challenges. You are to be commended for taking the discussion outside the Washington bubble.

My name is Joel Long and I am the CEO of GSM Services/Gastonia Sheet Metal, Incorporated. We are a third generation heating, air conditioning, and commercial roofing company founded in 1927. My brother Steven and I own and operate this business and employ 146 co-workers.

I applaud your efforts today to hold this hearing on one of the most important issues facing the citizens of our nation. I cannot think of an issue that touches more people than healthcare.

For the purpose of my remarks here today, I would like to ask that you not look at me as a business. I would ask that you instead look at me as a job creator. As such, I would further ask that my remarks be received as coming from someone who has worked to help create, build and improve the quality of life for those living in my community, as well as a provider for the foundation of a quality career for those who work in my company, my co-workers.

I am the job creator who must live with the very decisions and policies Congress and the regulatory agencies establish which either improve or inhibit my ability to create jobs. I am the job creator who believes our government must be a partner for our mutual success. I am the job creator who believes the business community has been asking for many years to be treated as partners with lawmakers—not as the opposition.

In my limited time, I would like to touch on two of the most important ramifications we are experiencing in the business world related to healthcare reform.

Rising insurance premium costs. One of the most talked-about issues during the healthcare reform debate was that rising insurance premiums needed to be brought under control. I couldn't agree more. But in my experience, that's the difference between policy and the real world. For my company, while our rates have risen consistently over the last decade, we have maintained a strong partnership with our insurance company and co-workers, and believe our current insurance plan has evolved into a plan that is providing excellent coverage at affordable rates for our co-workers. I've included our 10-year history of rate increases. I've also included our current 2013 health insurance rates for you.

In 2009, we transitioned to an HRA plan that allowed our co-workers to enjoy the low rates of a \$10,000 deductible and also protect them and their families from large expenses in case of a health issue. Our plan is a partnership between GSM Services, our co-workers and our insurance company. GSM Services pays the first \$1000 of our deductible, co-workers pay the next \$2000 and we both split the next seven evenly. Total out-of-pocket expenses for our co-workers is \$5500 per year per family in case of a large health event. Most of our co-workers never exceed the \$1000 deductible GSM pays.

In our 2012 plan year, GSM had a potential HRA medical liability of \$481,500 and we only paid \$41,532. Our prescription benefit under the HRA had a liability of \$72,000 and we only paid \$1906, a testimony of our co-workers usage of 85 percent generics. Our total HRA potential liability was \$553,500 and we paid out \$43,438. Numbers do not lie. This is a testament to the effectiveness of this strategy for GSM and our co-workers.

Our company, our co-workers and our insurance company were happy with this agreement, with this partnership. We were all successful, it was our plan.

As of this date, we have been forced to change our renewal date from May of 2014 to December of 2013 to avoid the projected minimum rate increase of 30 percent as our current plan will no longer be offered by our insurance company next year. We believe this minimum will be closer to 50 percent under the current conditions. This early renewal is an attempt to delay our increase as long as possible in the hope that legitimate changes will be made in 2014, so companies like ours can continue to offer better and more affordable options to our co-workers.

Confusion is my second part. There is no debate as to the confusion this new law has created, not to mention implementation. That said, we as businesses cannot operate on unknowns. We cannot plan or budget on what we do not know or do not understand, and as we work to understand the law, we now see the confusion of those who are charged with its implementation. The chaos of pricing, policy cancellations and quality has caused instability. As business professionals, instability and chaos are our enemies. We seek real numbers that we can anticipate. A sweeping policy change like healthcare reform should have been better planned and implemented. The lives that are impacted by the instability of the new law are not statistics, they are the lives of real people.

Thank you for your time today. I applaud your attention to our needs as citizens of this great nation and ask that you fix this issue so that we can get back to the work of running our businesses and providing for our families.

Thank you.

Chairman ISSA. Thank you.

Mr. Falls.

[The prepared statement of Mr. Long follows:]

Good morning, Chairman Issa, and members of the committee in attendance today. Thank you for taking the time to come to our “neck of the woods” to learn more about how the new health care law is impacting our day-to-day lives. Too many times, leaders in Washington forget they represent real people with real challenges. You are to be commended for taking the discussion outside of the Washington “bubble.”

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I am the job creator who must live with the very decisions and policies Congress and the regulatory agencies establish which either improve or inhibit my ability to create jobs. I am the job creator who believes our government must be a partner for our mutual success. I am the job creator who believes the business community has been asking for many years to be treated as partners with lawmakers – not as the opposition.

In my limited time, I would like to touch on two of the most important ramifications we are experiencing in the business world related to health care reform.

Rising Insurance Premium Costs - One of the most talked about issues during the health care reform debate was that rising insurance premiums need to be brought under control. I couldn't agree more. But in my experience, that's the difference between policy and the real world. For my company, while our rates have risen consistently over the last decade, we have maintained a strong partnership with our insurance company and co-workers and believe our current insurance plan has evolved into a plan that is providing excellent coverage at affordable rates for our co-workers.

GSM Services history of health insurance rate increases since 2004

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
+1.08%	0.0%	14.6%	7.1%	5.0%	12.4%	10.0%	12.0%	0.0%	0.0%

GSM Services 2013 Health Insurance Rates

Employee Only	\$212.86
Employee/Dependent	\$406.55
Employee/Family	\$653.46

(Rates/Per month)

In 2011, we transitioned to an HRA Plan that allowed our coworkers to enjoy the low rates of a \$10,000 deductible and also protect them and their families from large

expenses in case of a health issue. Our plan is a partnership between GSM Services, our coworkers, and our insurance company. GSM Services pays the first \$1,000 of our deductible, Co-workers pay the next \$2,000, and we both split the next \$7,000 evenly. Total out of pocket expense for our co-workers is \$5,500 per year per family in case of a large health event. Most of our coworkers never exceed the \$1,000 deductible GSM pays.

In our 2012 plan year, GSM had a potential HRA medical liability of \$481,500 and we only paid \$41,532. Our prescription benefit under the HRA had a liability of \$72,000 and we only paid \$1,906. (A testimony of our coworkers usage of 85% generics) . Our total HRA Potential Liability was \$553,500 and we paid out \$43,438. Numbers do not lie! This is a testament to the effectiveness of this strategy for GSM and our co-workers!

Our company, our coworkers, and our insurance company were happy with this agreement. With this partnership! We were all successful! It was our plan!

As of this date, we have been forced to change our renewal date from May of 2014 to December of 2013 to avoid the projected _____% increase in our rates as our current plan will no longer be offered by our insurance company next year. This early renewal is an attempt to delay our increase as long as possible in the hope that legitimate changes will be made in 2014 so companies like ours can continue to offer better and more affordable options to our coworkers.

Confusion – there is no debate as to the confusion this new law has created...not to mention its implementation. That said – we as a business cannot operate on

unknowns. We cannot plan or budget on what we do not know or do not understand – and as we work to understand the law, we now see the confusion of those who are charged with its implementation. The chaos of pricing, policy cancellations and quality has caused instability. As business professionals, instability and chaos are our enemies. We seek real numbers that we can anticipate. A sweeping policy change like health care reform should have been better planned and implemented – the lives that are impacted by the instability of the new law are not statistics, they are the lives of real people.

The confusion of the unknown combined with the unexpected and extravagant increases in the cost of providing health care insurance are absolutely stifling my ability to create, provide and sustain jobs. Again, I am a job creator, and I have yet to understand how we as a nation can continue to state that we need to create more jobs, yet challenge, threaten, or even ignore the very mechanisms for job creation.

Thank you for the time today. I applaud your attention to our needs as citizens of this great nation and ask that you fix this issue so we can get back to the work of running our businesses and providing for our families.

STATEMENT OF JASON FALLS

Mr. FALLS. Good morning, Mr. Chairman and members of the committee. My name is Jason Falls and I am a licensed insurance professional in North Carolina. My purpose for testifying before you today is to share my understanding of how the Affordable Care Act is impacting individuals in our communities. In my role as an insurance professional, I discuss this impact almost daily.

Residents of North Carolina have heard our President state that Healthcare.gov and the Affordable Care Act will reduce their premiums and improve their coverage. They have also seen a failed rollout of the website and an administration making changes to the law on a regular basis. These actions have caused confusion and concern by many. I have met with some that have opted to wait out 2014 and elect to pay the penalties, leaving them uninsured and vulnerable to financial ruin if they have medical needs.

While the President's words on November 14th gave a glimmer of hope to some, those individuals covered under the state and federal high risk pools, known as Inclusive Health in North Carolina, received notification that their coverage would cease on December 31st as planned. Under her current coverage with Inclusive Health, Tina from Shelby pays a co-pay of \$250 per month for a medication. Without the medication, her quality of life would be deeply diminished and could be life-threatening. Under the new plans offered under ACA guidelines, she would pay 25 percent of the retail cost of that medication, which is currently \$28,000 a year, leaving her with a bill for one prescription of nearly \$600 a month. That is in addition to her increased premiums.

In North Carolina, people making less than the poverty level or more than four times the poverty level do not qualify for the subsidies that are supposed to make premiums for the new plans under Obamacare affordable. Lisa and Wayne have seen first hand how Obamacare will impact them when they ran the numbers. Wayne is covered under Medicare because of serious medical issues, including organ transplants, and was being checked for cancer at Duke Medical this past Wednesday. His condition requires them to be at Duke often, so it's hard for Lisa to have a full time job. They make things work on just \$9000 a year with the help of family, friends, and prayer. But that income is lower than the minimum of \$15,510 required for a family of two to be eligible for subsidies. Without those subsidies, she can't afford coverage and is not eligible for Medicaid or any other coverage. She can't afford to cover herself under the new ACA-compliant plans, which have a higher premium than the plans offered in 2013.

Several restaurants I have met with have canceled their employer-sponsored health insurance and will reduce the number of hours of their workers to avoid mandates. The employees are finding that coverage, even with subsidies, are higher than the employer plan that they were covered on.

As an insurance professional, I am concerned with someone who chooses to ride it out without coverage. Some will, because of the higher premiums or confusion of the implementation of the Affordable Care Act. Others may, out of disdain of a government that forces individuals to purchase a product that the government designs under threat of financial penalty. For those that choose to

ride it out, the real risk is the fact that the ACA forces you to make a choice by the deadline, for this year, March 31st. If you opt out, you cannot buy coverage later in the year without a qualifying event. So if I choose no coverage for me and I have a serious medical condition during the year from an accident or disease, I run the risk of financial ruin for my family. The potential is far worse than the option the President touts—to just pay the penalty if you don't want coverage.

As someone with intimate knowledge of my industry, and as an American, I have serious concerns about Obamacare. What happens when Congress decides to work on our national debt—which they should—and the target is put on those subsidies.

My purpose here today was to tell the story of my friends and neighbors. They are confused, concerned, mad and fed up. We can't see the relationship between the value of the new plans and the dollars it takes from our families' budget. For those committee members that understand these challenges, I thank you. For those that don't, I invite you to spend the day with me as I visit with individuals and small businesses to see for yourself their concerns.

I want to thank you for coming to our great state. I especially want to thank Chairman Issa for his leadership on the committee and our North Carolina Representatives that serve on this important committee, Congressman Patrick McHenry and Congressman Mark Meadows, as well as Congressman Pittenger, for being here today. You are all strong advocates for the residents of the state of North Carolina.

Thank you for your time.
Chairman ISSA. Thank you.
Mr. Gauss.

[The prepared statement of Mr. Falls follows:]

Testimony of Jason Falls
For the Committee on Oversight and Government Reform
Hearings on the Affordable Care Act
Gastonia, NC 22 November 2013

Good morning Mr. Chairman and members of the Committee. My name is Jason Falls and I am a licensed insurance professional in North Carolina. My purpose for testifying before you today is to share my understanding of how the Affordable Care Act is impacting individuals in our communities. In my role as an insurance professional I discuss this impact almost daily.

Residents of North Carolina are currently seeing commercials for Healthcare.gov. They have heard our President state that this website and the Affordable Care Act will reduce their premiums and improve their coverage. They have also seen a failed rollout of the website and the Administration making changes to the law on a regular basis. These actions have caused confusion and concern by many, especially those with serious medical issues or higher premiums. I have met with some that have opted to wait out 2014 and elect to pay the penalties, leaving them uninsured and vulnerable to financial ruin if they have medical needs.

While the President's words on November 14, 2013 gave a glimmer of hope to some, those individuals covered under the State and Federal High Risk Pools (known as Inclusive Health) received notification that their coverage would cease on December 31 as planned. Under her current coverage with Inclusive Health, Tina from Shelby pays a co-pay of \$250/month for a medication. Without the medication her quality of life would be deeply diminished and could be life threatening. Under the new plans offered under ACA guidelines she would pay 25% of the retail cost of that medication which is currently \$28,000/year, leaving her with a bill for one prescription of nearly \$600/month. That is in addition to her increased premiums.

In NC, people making less than the poverty level or more than four times the poverty level do not qualify for the subsidies that are supposed to make

premiums for the new plans under ObamaCare affordable. Lisa and Wayne have seen firsthand how ObamaCare will impact them when they ran the numbers. Wayne is covered under Medicare because of serious medical issues, including organ transplants and was being checked for cancer at Duke Medical this past Wednesday. His condition requires them to be at Duke often, so it's hard for Lisa to have a full time job. They make things work on just \$9,000/year, with the help of family, friends and prayer. But that income is lower than the minimum of \$15,510 required for a family of two to be eligible for subsidies. Without those subsidies, she can't afford coverage and is not eligible for Medicaid or any other coverage. She can't afford to cover herself under the new ACA compliant plans, which are much higher than the plans offered in 2013. The answer from Healthcare.gov when I called them about her situation...she will not have to pay the penalty.

Others that see the true cost of the insurance plans question the stability of the program and if the subsidies will continue in the future. It is an understandable question when you see potential subsidies of \$1,000/month or more. They realize that when they are faced with decreased or eliminated subsidies, they will be responsible for 100% of the cost of plans that in some cases provide coverage to them that may be unnecessary. Maternity coverage for all may sound good on the surface, but try explaining it to someone that has tried for years to have children, then to be told by doctors that they have a 0% chance of getting pregnant. Forced maternity coverage is a painful reminder and insult to their emotions and their pocketbook.

Individuals that historically have had catastrophic coverage for themselves as a way to reduce premiums and "pay as you go" for routine medical bills are some of the hardest hit. They may not qualify for the subsidies and see significant increases in their premiums. Because of required coverage changes they could be faced with premiums that have doubled and really not want the forced coverage of the new plans.

In meeting with small businesses in our area to discuss how they are coping with the Affordable Care Act I have found that many have developed strategies that contradict what the Administration has advertised. Several restaurants I have met with have cancelled their employer sponsored health insurance and will reduce the number of hours of their workers to avoid mandates. The employees are finding that coverage, even with the subsidies, are higher than the employer plan they were covered on.

Several small proprietors have looked at the subsidy income requirements and will plan their business around those levels. One small business in Shelby, NC had a Modified Adjusted Gross Income last year of \$64,000 and were hoping to expand business next year. The owners, husband and wife, now will limit their production and sales to under \$62,000 in order to try to qualify for subsidies (which in their case are larger than the proposed planned loss of business).

As an insurance professional, I am concerned when someone chooses to "ride it out" without coverage. Some will because of the higher premiums or confusion of the implementation of the ACA. Others may opt out of disdain of a government that forces individuals to purchase a product that the government designs, under threat of a financial penalty. For those that choose to "ride it out", the real risk is the fact that the ACA forces you to make a choice by a deadline...this year, March 31. If you "opt out" you cannot buy coverage later in the year without a qualifying event. So, if I choose no coverage now and develop a medical condition during the year from an accident or disease... I run the risk of financial ruin for my family. The potential is far worse than the option the President touts... just pay the penalty if you don't want the coverage.

As an agent and resource for my clients and community, I will continue to help them understand how these changes impact their families. Just as I have for the past 14 years, I will explain coverage and work to find the best price I can for them.

As someone with intimate knowledge of my industry, and as an American, I have serious concerns about "ObamaCare". Many of those making less than the poverty level already receive some level of government assistance. Now, those making up to four times the Federal Poverty Level will be receiving government assistance in the form of subsidies. The average incomes of many counties surrounding this hearing today are well within those income levels, meaning that they potentially will receive those government subsidies. What happens when Congress decides to work on our National debt, and the target is put on those subsidies?

My purpose here today was to tell the story of my friends and neighbors. They are confused, concerned, mad and fed up. We can't see the relationship between the value of the new plans and the dollars it takes from our families' budget. For those Committee Members that understand these challenges, I thank you. For those that don't, I invite you to spend a day with me as I visit with individuals and small businesses to see for yourself their concerns.

I want to thank you for coming to our Great State... this is where the rubber meets the road, at our dinner tables and water coolers... our churches and our schools. I especially want to thank Chairman Issa for his leadership on the committee and our North Carolina Representatives that serve on this important Committee, Congressman Patrick McHenry and Congressman Mark Meadows, both men are strong advocates for the residents of the State of North Carolina.

Mr. Chairman and Committee Members, thank you for your time today.

STATEMENT OF TAV GAUSS

Mr. GAUSS. Mr. Chairman, welcome to North Carolina, distinguished members of the committee. I have been asked to come here today to talk about the effects the Patient Protection and Affordable Care Act, also known as Obamacare, has had on businesses and individuals in areas of my state.

I would like to make two comments to the people listening to this. Please read my entire testimony, especially my updates from my last testimony two years ago in Washington. And please know that I am a non-affiliated voter. I have disdain for both parties equally.

[Laughter.]

Chairman ISSA. Thank you.

Mr. GAUSS. As you can see below, I belong to three national organizations that span North America. So I have asked some of my colleagues of 32 years to give me their input as well. I asked only for instances, good or bad, that they have firsthand knowledge of, no conjecture, no speculation, no pontification.

I received multiple responses from Florida, California, Connecticut, Louisiana, North Carolina, South Carolina, Kentucky and Virginia and I have heard from others since my deadline for the testimony. I will say that I was given a deadline—we were all given a deadline of Wednesday, and I asked your staffer could we make it longer because things are apt to happen on a daily basis like they did this morning. So I don't have that written in my testimony, we can talk about that later.

There are two words that have been pervasive in everybody's concerns—uncertainty and trust, or lack thereof. And our employees have added the word "fear."

When a person or a business has money to spend, they usually do not spend it without some degree of certainty as to what they will get in return. If they do not know what they're going to get in return, they will not spend it, will not spend as much.

Across the country, especially in my area, businesses are hesitant to invest in any people, plant, or equipment because they cannot be certain of the ultimate costs and returns on those investments. They are not hiring people because of the unknown cost of Obamacare and other issues coming from federal and state governments. North Carolina employers and employers in 12 other states also have the added burden of employment tax increases imposed on them to pay back money the states borrowed from the federal government as their state unemployment funds went dry during the last recession and its extended benefits period.

There is one known fact. All of our costs for healthcare have got to go up because the plan is adding heretofore non-insured people, many of whom will not be making a significant contribution, if any at all, to the premiums paid to health insurers. As written now, the majority of that burden will be on the business community. And please refer to my two positions on two insurance companies. I do understand underwriting and insurance products.

We've heard from others and these are direct quotes, either made directly to me or to my colleagues:

"We're going to reduce head count below 50 people."

“Because I pay 100 percent of my employees’ health insurance premiums, I will take whatever raises I was going to give them and use them for their new health insurance premiums.” Note too, the health insurance is deductible expense for a group plan. The bonuses would have been taxed as income, so they’re taking income taxes and turning them into health insurance premiums.

“I am creating more part time positions that will be for 28 or 29 hours per week and making sure my seasonal or part time help stays under 29 hours per week.”

“I plan to make some full time fully benefitted positions part time and non-benefitted.”

“The rules for a variable hour employee are too confusing, they are too subjective.

People, myself included, have been asked by their clients to payroll people for their company, but for less than 30 hours a week.

A company in southwest Florida has stopped paying for any employee’s share of health insurance until the numbers become more quantifiable.

A staffing company in south Florida trying to do the right thing, tried to offer a plan this October and had 160 people eligible for the plan to begin October 1, 2013. Seventeen signed up because they had to pay premiums.

And I will stop there, Mr. Chairman.

[The prepared statement of Mr. Gauss follows:]



November 19, 2013

Mr. Chairman, distinguished members of the committee, I have been asked to come here today to talk about the effects The Patient Protection and Affordable Care Act (aka ObamaCare) has had on businesses and individuals in areas of my state.

As you can see below I belong to three national organizations that span North America so I have asked some of my colleagues of 32 years to give me their input as well. I asked only for instances, good, or bad, that they have firsthand knowledge of. No conjecture or speculation nor pontification. I received multiple responses from Florida, California, Connecticut, Louisiana, North Carolina, South Carolina, Kentucky, and Virginia. I expect to hear from other states after the deadline for submission of my testimony passes on November 20, 2013.

I not only spoke to business owners who spoke with their clients but with many of our employees as well. Two words have been pervasive in all of their concerns:

Uncertainty and Trust, or lack thereof. Our employees and their friends have also used the word Fear.

When a person or a business has money to spend they usually do not spend it without some degree of certainty as to what they will get in return. If they do not know they will not spend it.

Across the country, especially in my area, businesses are hesitant to invest in any people, plant, or equipment because they cannot be certain of the ultimate costs and returns on those investments. They are not hiring people because of the unknown costs of Obama Care and other issues coming from the federal and state governments. North Carolina employers and employers in 12 other states also have the added burden of employment tax increases imposed on them to pay back money the states borrowed from the federal government as their state unemployment funds went dry during the last recession and it's extended benefits periods.

There is one known fact. All of our costs for health care have got to go up because the plan is adding heretofore noninsured people, many of whom will not be making a significant contribution, if any at all, to the premiums paid to health insurers. As written now the majority of that burden will be on the business community.

We have heard businesses say, among other things:

- 1) "We are going to reduce headcount below 50 employees".
- 2) "Because I pay 100% of my employees' health insurance premiums I will take what raises I was going to give to them and use them for their health insurance premiums." Note the health insurance is a deductible expense for a group plan. The bonuses would have been taxed as income.
- 3) "I am creating more part time positions that will be for 28 or 29 hours per week and making sure my seasonal or part time help stays under 29 hours per week"
- 4) "I plan to make some full time fully benefitted positions part time and non-benefitted."
- 5) "The rules for a variable hour employee are too confusing" They are too subjective.
- 6) People, myself included, have been asked by their clients to payroll people for their company but for less than 30 hours per week.
- 7) A company in southwest Florida has stopped paying for any of the employee's share of health insurance until the numbers become more quantifiable.
- 8) A staffing company in south Florida decided to do the "right thing" for their employees in October of 2013. They created a large group plan that was to be underwritten in 2013 under pre ObamaCare underwriting criteria. This included participation ratios.

They had the plan written to provide minimal essential coverage and premium contributions that matched those maximums in those plans that would be in effect after January 1 2014.

They had 160 eligible employees based on the look back provisions in the current law. Remember they still had a 75% participation of eligible employees because the plan was to start October 2013. All of these employees make \$15.00 or more per hour.

17 of the 160 eligible employees signed up. Since the company did not meet the participation requirements they reverted back to small company status and the premiums they had quoted to all of their eligible employees under the proposed plan sky rocketed. Their employees are not happy.

Pervasive among almost every individual we talked to was "I have no need for pediatric dentistry (no kids), pediatric vision care, maternity coverage (tubes tied or vasectomy) I am a man" birth control for a multitude of reasons, "I don't have breasts or ovaries" and whatever was added to the new plans that were not in their cancelled plans.

Did I mention "uncertainty" above and fear of what their new premiums were going to be?"

Almost as pervasive was the doubling of individual monthly premiums that were quoted prior to November 14 2013 when the President made his announcement. Now that that has passed even if they get their old plan back they have fear that their premiums will be significantly higher than they were before they were cancelled.

After I sent the required notices to all of my employees on October 1 2013 I got several comments like "Where is my insurance? It is not on this form" "why do I have to pay anything" "I have to pay WHAT?" "where is my free care?" "I've worked 90 days where is my ObamaCare?"

I would be remiss if I did not mention trust. Business people in general do not trust the IRS nor the current administration to administer ObamaCare correctly, to say the least. That is a fact.

I could go on and on but I told you that I would testify to what I know to be fact and not based on conjecture, speculation, or economic and financial modeling.

Thank you for this opportunity to put "a face" on the problems many of us have with the Affordable Care Act.

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Chairman ISSA. Thank you.

And I'll recognize myself for a first round of questions.

Mr. Waters, have you ever seen another form of insurance that required that the pool, if you will, contain coverages that people do not want? For example, have you ever seen where somebody has life insurance and whether they are 18 or 80, they pay the same amount for that term life insurance?

Mr. WATERS. No, I have not.

Chairman ISSA. Mr. Falls, have you ever seen insurance like that?

Mr. FALLS. No, sir, I have not.

Chairman ISSA. Prior to the Affordable Care Act, did you do healthcare insurance—and Mr. Long, obviously you have dealt with this too—did you do insurance based on that or did you evaluate your pool and your insurance carriers evaluate the pool based on the unique characteristics of the pool? In other words, all of your 160 employees, Mr. Long.

Mr. LONG. We always pool, insurance is based on that pool, people pooled together as a group, group coverage. And so it would be approached in that manner.

Chairman ISSA. But it was the actual pool that you had, your 160 employees.

Mr. LONG. The actual pool of employees that we had or that were going to be participating in the plan; yes, sir.

Chairman ISSA. And I would like to follow up a little bit. Mr. Long, under the Affordable Care Act, if I understand your catastrophic insurance, because you have a high deductible that you and your company pay, is going to change.

Mr. LONG. Yes.

Chairman ISSA. Meaning you are going to pay more for an insurance that you almost never use, because in fact your company effectively pays apparently almost all of the coverage, between you and your employees, with the exception of the administrative cost of negotiating with hospitals for rates and the like; is that correct?

Mr. LONG. Our plan, we are told, will go from the \$10,000 deductible to the \$5000 deductible, that will be what we will be focused on. And so, yes, we will have less choices and we will be in a different situation with that going forward. But we do pay—the way it works now, we do pay the majority of those bills, because most of our co-workers do not go above that \$1000 deductible that we pay. And then on the rate side, we also—our rates, we pay 50 percent when employees start with us, up to covering it fully in a 10-year period. So even their rates are covered.

Chairman ISSA. The reason I asked it is there has been a lot of discussion about these deductibles and co-pays. In your case, your employees were essentially at or below that \$5000 level; weren't they?

Mr. LONG. Yes.

Chairman ISSA. And the difference was what you chose to pay. But under the Affordable Care Act, if I understand correctly, they are taking away your, as an employer, your ability to pay that. And they are saying that it does not matter who pays it, the deductible has to be that amount, which in most cases, most people are com-

plaining because their deductible went up in order to make it look more affordable.

Mr. LONG. In our case—

Chairman ISSA. I just want to understand how it is affecting you and your choice to cover that on behalf of your employees.

Mr. LONG. They are changing our formula without our input, and so now we will be in a—every employee in our company will be in a situation where we pay more for a different coverage, and we were already happy with our coverage. And so yes, our employees paid \$5500 maximum, we paid \$4500, but almost no employees ever got to that point.

Chairman ISSA. Now Mr. Long, and I think for all the others that are insurance experts, if you will, apparently you have been working sort of best practices, same as Safeway and a lot of other much larger companies, to try to work with your employees to lower the cost of delivery of healthcare. Is that correct? You mentioned the 85 percent generics and so on. Your plan allows for people to get non-generics if they need them, but encourages them to spend their money wisely; is that correct?

Mr. LONG. Yes, sir.

Chairman ISSA. One question—and I am going to be respectful of the limited time for each round. Is there anything in the Affordable Care Act that does the kinds of things that Mr. Long has been doing? In other words, what in the Affordable Care Act encourages the individual and/or the employer to drive down the cost of delivery of healthcare? Do any of you have any examples?

Mr. FALLS. All I know is if somebody holds himself out as having one, then they do not know what they are talking about.

Chairman ISSA. Well, that is an area that hopefully Congress will address, is the cost drivers, the things that Mr. Long has been working with his employees on.

I will close by mentioning a couple of facts. On the Affordable Care Act, if you do not want insurance, as long as you are willing to pay a \$5000 individual fine, up to, and a \$12,500 family plan, up to; you can choose not to have insurance. The amazing thing is if you can pay that fine, then you can choose to pay your own healthcare over and above that. I have not quite figured that out.

But I will note that every member of Congress, until next year, and every federal employee and their families, that is over eight million people, receive a program called FEHBP, the Federal Employee Healthcare Benefit. It is in fact reimbursed or paid for at 72 to 82 percent by the federal government, depending upon whether you are a postal or non-postal worker. It does not age discriminate the way the Affordable Care Act is, and it has not changed to be, if you will, fully compliant with the Affordable Care Act. Oddly enough, the deductibles under the FEHBP are lower than under the new exchanges that the three of us as members of Congress, by law, have to go into.

So I just want to put that into the record because you will be hearing, at least from this member, and from Lacy Clay, Congressman Clay of Missouri, that every American should have access to that FEHBP, something that everyone from the President down to your postal delivery man has, and that at a minimum, what we have as federal workers should be available to all Americans.

And with that, I go to Mr. McHenry.

Mr. MCHENRY. Well, Mr. Chairman, I thank you for mentioning that. And I join you in supporting your legislation that enables all Americans to have the same health insurance that members of Congress and federal employees have. I think that would be a useful and positive step. And in fact, this is not some partisan idea. In fact, this is something you have long supported and I have been very supportive as well.

Now, I want to address a question most folks—a lot of folks—have. Preexisting condition, discrimination against somebody who has a chronic condition. Mr. Waters, in the state of North Carolina, let us rewind two or three years ago. If someone came to you and they had a chronic condition, were you able to get them health insurance as a result of a North Carolina program?

Mr. WATERS. There was a North Carolina program called Inclusive Health that was able to do that. And so I thought we were addressing the program pretty reasonably at that time. So, yes, North Carolina did a good job with that.

Mr. MCHENRY. So Inclusive Health—

Mr. WATERS. Yes.

Mr. MCHENRY. —which was a state-based initiative—

Mr. WATERS. That is correct.

Mr. MCHENRY. —that helped individuals with chronic conditions or preexisting conditions get health insurance.

Mr. WATERS. That is correct.

Mr. MCHENRY. Okay. So we were able to do that prior to the Affordable Care Act or Obamacare's passage.

Mr. WATERS. That is correct.

Mr. MCHENRY. Okay. So are you able to offer Inclusive Health for next year?

Mr. WATERS. No. Inclusive Health has been terminated as of the end of December, so you cannot write it any more starting as of December 1st, it is over with.

Mr. MCHENRY. And unfortunately that is a result of—

Mr. WATERS. Of Obamacare.

Mr. MCHENRY. Okay. I just wanted to be clear about that.

Mr. WATERS. That is correct.

Mr. MCHENRY. So to say that someone with a preexisting condition could not get health insurance in North Carolina that is reasonably affordable is simply not the case.

Mr. WATERS. Right. That is correct.

Mr. MCHENRY. Thank you.

Mrs. Overbey, I was taught by my mother to not ask a lady's age, a woman's age. But let me ask you, your prior insurance plan, did you have maternity coverage under that?

Mrs. OVERBEY. No.

Mr. MCHENRY. No. And you are required—your new plan requires you to have this?

Mrs. OVERBEY. Yes.

Mr. MCHENRY. Okay. Is that somewhat absurd?

Mrs. OVERBEY. Well, yes, it is. I am not planning to have any more children and it is not possible.

Mr. MCHENRY. Okay. Likewise, I heard from a constituent of mine named Pauline, who told me that coverage for her four year

old daughter for maternity care, she did not find appropriate either.

Mrs. OVERBEY. Yes.

Chairman ISSA. Will the gentleman yield?

Mr. MCHENRY. Sure.

Chairman ISSA. Was the gentleman aware that the men at the table also have to have maternity coverage under the law.

Mr. MCHENRY. Well, you beat me to the punch. I was going to ask Mr. Long.

[Laughter.]

Mr. MCHENRY. I was going to ask Mr. Long if he intended to have children.

Chairman ISSA. Personally.

Mr. LONG. Personally? Probably not.

Mr. MCHENRY. Okay. So this type of coverage that actually increases your cost is not helpful.

Mrs. OVERBEY. No, it is not.

Mr. MCHENRY. Okay. All right, just trying to understand this. And your premiums are currently?

Mrs. OVERBEY. I currently pay \$395.60.

Mr. MCHENRY. Okay.

Mrs. OVERBEY. And it is going to go to \$713.11. That is my monthly premium. And of course my deductible and out-of-pocket and all that is going up too.

Mr. MCHENRY. Okay. Mr. Long, the economy in Gaston County and Mr. Falls, the economy in Cleveland County, certainly hit a rough spot. But Mr. Long, as a result of Obamacare, will you be able to employ more people and pay higher wages than without it?

Mr. LONG. I think that is yet to be certain. However, I know this will increase our cost. And so it can have nothing but a negative impact on our future and what we will do next year. There are other factors of course that come into hiring more employees and more co-workers, but there is no way this can help us. It is the exact opposite of the trend that we were heading on our cost for insurance.

Mr. MCHENRY. Okay, so you would find that this would be a hindrance rather than—

Mr. LONG. This would stifle my ability to create more jobs, yes.

Mr. MCHENRY. Okay. Mr. Falls.

Mr. FALLS. We are seeing in Cleveland County, with a lot of our businesses there, are going to be scaling back, taking full time employees and putting those to part time employees, reducing the number of workers. So personally, I expect to see a spike in our unemployment rate in Cleveland County because of it.

Mr. MCHENRY. So it would be a hindrance rather than a help to economic growth and more jobs.

Mr. FALLS. That is correct.

Mr. MCHENRY. Okay. Thank you all for your testimony. Thanks for your time today and I yield back.

Chairman ISSA. Thank you.

Mr. Pittenger.

Mr. PITTENGER. Mr. Waters, thank you for your testimony. You mentioned your issues related to compliance. Give us some idea of

the hours or manpower as it relates to the additional compliance requirements of your business.

Mr. WATERS. Virtually every day we start off with the telephone ringing and obviously the questions are the normal questions you ask, as I had mentioned before. And it is hard to explain over the telephone, we try to get people into our office to talk to them more about compliance and what is going on.

I would say that there is—the time element that is involved that we have to do as far as insurance agents are concerned is that we had to pass a test—study for another four or five hours and then pass a test in order to qualify for PPACA, to sell the program and to understand it, which is okay, but every person in my office had to do that also, which takes a tremendous amount of time in order to do that.

And then the technology part is changing rapidly, as you know. We have to have better equipment, better programs, in order to even—we have to get into the system to make sure that they are in compliance and they are meeting the numbers that they are supposed to meet in order to qualify currently for this program.

So it is an ongoing saga as to what is—and I do not know how long this will go on, but it is an ongoing saga as to what it takes.

Mr. PITTENGER. Well, currently, what percentage increase in compliance time is required, do you think, by your staff?

Mr. WATERS. I would say it has increased 15 percent, 20 percent of my staff's time.

Mr. PITTENGER. A substantial amount.

Mr. WATERS. Yes.

Mr. PITTENGER. Thank you.

Mr. GAUSS, you made reference to uncertainty. You made reference to fear. These are major emotional words that bring into light the challenges that you anticipate unfolding ahead and what you do not anticipate, what you—the unknowns. Give us some idea of what would bring some sense of resolve or comfort to you. What would you like to see done, given where we are today in the context of the current legislation that is in front of us? If you were in our shoes, what would you like us to do?

Mr. GAUSS. I would stop and then fix it, but do not try to fix it while it is still going. There is no doubt that there are some good things for some people in the Act.

Underwriting, we are all going to share in the heavier expenses, there is no doubt about that. But you cannot—I think somebody from Congress said it is like trying to fix a flat tire while the car is running. If we tried to do that in business, our customers would go somewhere else. They would not buy our product, they would go buy product from somebody who knew what they were doing. Stop and fix it.

Mr. PITTENGER. Okay. Mr. Long.

Mr. LONG. Yes, sir.

Mr. PITTENGER. Thank you for your testimony. You referred to yourself as a job creator.

Mr. LONG. Uh-huh.

Mr. PITTENGER. I understand that you have some 150 jobs that you are in some measure responsible for in this region. That is a significant amount.

Mr. LONG. Uh-huh.

Mr. PITTENGER. You alluded to some, but I am trying to get a handle in terms of the ongoing effects of this healthcare plan. How do you believe that is really going to impede your growth of your business and that of other businesses that you are involved in? Where do you see the shortfalls? What keeps you up at night in terms of your ability to expand and your ability to grow?

Mr. LONG. Well, in the Charlotte region, we are focused typically in a 50-mile radius of Gaston County, our work is, and so we are very fortunate to have Charlotte, that metropolitan area, that really drives our economy.

Mr. PITTENGER. That is a great area.

Mr. LONG. It is. It is a beautiful place, best place in the world to live. However, I believe that everything we are seeing from government, from a regulatory standpoint and this, the Affordable Care Act, is dampening our growth every day. With all the issues we face as a nation on our economic side with our government growing faster than the private sector, we need to grow out privately of our problems, so that we can have a broader tax base instead of raising taxes and raising cost of doing business. And this is just another way that our government is not being a good partner at the right scale.

And so I think it will just negatively impact—and a lot of times, these regulations, the impact is hard to see on the surface, there are a lot of hidden costs and there is a lot of hidden impact of slower growth. You are trying to prove a negative and that is very difficult.

Mr. PITTENGER. Mr. Falls, thank you for your testimony.

You know, we get calls every day in our office, “what do I do now?” In your practice, can you shed some light on what you tell your customers, what they can do in light of the challenges that they face? What are the options, what advice can you give us?

Mr. FALLS. Well, it is very confusing for my clients as well as the industry. Even as late as last week, when the President spoke, he changed direction on the industry as well. I have met with many people and talked to them about their subsidy options, talked to them about coverage without subsidies, the different plans that are out there, limited plans, less plans than we had in 2013. And even after meeting with them and talking to them about the direction to go, they will hear something on the news, they will hear from the President or they will hear something from the newsmen and they will make a phone call to me and say “I do not understand. Everything sounds different today than it did yesterday, and is there going to be any resolve to this.” And my answer is “I do not know.”

Mr. PITTENGER. It is tough.

I yield back.

Chairman ISSA. We are going to a quick second round if you all can stay for that. I have just got a couple of questions.

Mr. Long, as an employer of 160 or 146-plus, I guess you, your wife and a few others in the family, your brother. You have had insurance for a long time.

Mr. LONG. Uh-huh.

Chairman ISSA. Did you have insurance when you were growing up?

Mr. LONG. Sure.

Chairman ISSA. Did your family do it for the previous generation?

Mr. LONG. Yes.

Chairman ISSA. Even the first generation, there was some consideration?

Mr. LONG. You know, I am not sure, but I would—I am not sure we did, that first generation.

Chairman ISSA. But for decades your family has provided it.

Mr. LONG. Yes, decades definitely; yes, sir.

Chairman ISSA. Now, I am going to ask an anecdotal question that I know the answer to, but if you do not, just say you do not, but in your experience, the companies that do not provide health insurance, particularly in your industry, they tend to be less than 50, do they not?

Mr. LONG. Yes, sir.

Chairman ISSA. So, one of the things that always bothered me in the Affordable Care Act is we waived companies less than 50, when in fact, the vast majority of the companies in my recognition and in studies that have been done, the vast majority of companies that do not provide healthcare are these small, sometimes fly-by-night companies, sometimes just startup, well-intended. The Act waived providing it for the companies who least likely provided it while mandating the individual to have it.

So in a strange, perverse way, the changes you are seeing, small competitors who are not providing healthcare and are not mandated to provide healthcare, do not see. Do you see that as anti-competitive if we are going to have a law and then we are going to waive for people who least likely provided healthcare?

Mr. LONG. Of course, if that is the case with employers under 50. We believe insurance partnership with our employees is something we must do to hire incredible co-workers and to provide the services that we want—the level of service we want to provide. But if it is not even across the board, there is more and more chance of uneven competition.

Chairman ISSA. Well, having been an electronics manufacturer, I agree that covering your employees gets you a better employee, to say the least.

Mr. GAUSS, the other thing that is in this Act is this idea that if you lower people to part time, particularly the restaurant industry and so on, you do not have to cover them. Does that make any sense to you, that the part time employee, the one least able to afford to pay the healthcare all by themselves is exempted no matter how large a company is?

Mr. GAUSS. Not at all. In our industry as well as the restaurant industry and other seasonal part time industries, it may be very easy to take even someone who is making 32 hours or 34 hours down to 29 hours. You do not hear as much about it now because some large companies made the mistake of making that public about 18 months ago, so people have quit talking about the fact that they have actually done this. But they are doing it.

What I do not understand is my turnover is nine weeks in the staffing industry, which is okay for the staffing industry. And so the insurance underwriter underwrites my employee for nine weeks and then he goes somewhere else, whether it is to a permanent job, to another company, whatever, quits. All of a sudden, the insurance company has underwritten this guy for nine weeks and now he is gone. I cannot figure the accounting on that and neither can the IRS, by the way. They came to us and asked us.

Chairman ISSA. One of the things about federal mandates is that we often pass them and then begin correcting them as soon as they are implemented.

I guess my last question is a comment. I was in business for many years and as a member of the Chamber, we would have speakers. It has been about 15 years since the founder of Starbucks came to us and I might note that Starbucks is a part time employer. Most of the people that you see working at Starbucks are all part time. But they have provided proportional healthcare benefits. In other words, they pay a certain amount into a healthcare benefit for every employee, no matter how few hours, throughout their years. And I have got to be honest, that behavior is behavior I would like to have seen in the Affordable Care Act and I still would like to see. The idea that if people, someone has two part time jobs, their employer would be encouraged to pay in a portion to what ultimately would end up being combined.

One of the things that I found in the Affordable Care Act that I do not understand is for the most part, individuals cannot—do not have a system where they can go to the exchange and have their employers each pay in a portion to it, if they are, for example, in your staffing situation. Do you want to address that? Because you have obviously looked at the fact that you have people that are going to be in individual accounts on the exchange, they are going to come to you for nine weeks and then going to go somewhere else. Is that right?

Mr. GAUSS. Yeah. And I am going to step out on a limb and act like I know the answer to a question, but if I am not mistaken, proportionate contributions is forbidden under the Act.

Chairman ISSA. That is my understanding too.

Mr. GAUSS. I am probably wrong.

Chairman ISSA. But again, Starbucks had a program that made sense long before there was a law.

My time is expiring, but I—or expired. I just want you to understand that part of the listening session today is every one of us as members of Congress hopefully in a bipartisan House/Senate bicameral, will have an opportunity to see if we cannot make some of those fixes. One of the challenges, and I would ask you all, and for that matter, actuarials that may be listening to this, to weigh in on how it affects it. Because we realize that these changes also would have consequences for cost. But these are areas that I personally am concerned, that well-meaning employers, such as Starbucks over these many years, should be encouraged to continue doing what they are doing, not prohibited from it.

Mr. McHenry.

Mr. McHENRY. Well, let me begin, you know, Mr. Long, your business is a competitive one, it is a service and the quality of what

you do matters a lot. But can you go out to the marketplace and just set your price?

Mr. LONG. No, sir.

Mr. MCHENRY. I asked this—you know, this is Congress we are talking to.

Mr. LONG. Sure.

Mr. MCHENRY. I just wanted to make sure.

Chairman ISSA. You can set the price. The question is will the customer come.

Mr. MCHENRY. Right.

Mr. LONG. We can set any price we want, but that does not mean that we will get it.

Mr. MCHENRY. Why?

Mr. LONG. Because of open competition.

Mr. MCHENRY. Competition.

Mr. LONG. Competition is an incredibly wonderful thing. It makes us better.

Mr. MCHENRY. So competition will set price.

Mr. LONG. It makes us better, yes.

Mr. MCHENRY. So if you have less competition—well, let us say you have more competition, right? Prices come down.

Mr. LONG. Yes.

Mr. MCHENRY. Okay. Well, Mr. Waters, you are in the health insurance business, right? How long you been in the health insurance business?

Mr. WATERS. Thirty-three years.

Mr. MCHENRY. Okay. So let us walk through this. I come to you, a small employer, and I say I would like to buy a health insurance plan—this is a couple of years ago. How many options do I have?

Mr. WATERS. What we do is that we would run this through—we have about four or five carriers in our office, as it relates to how many we get in North Carolina, so we take four or five of the biggest carriers, we run that through the formula, our computer system, to try to find out which one of those gives you the best rate for what you are looking for. And then we go with that.

Mr. MCHENRY. So let us say instead of four or five carriers, you have two.

Mr. WATERS. Then that breaks down the competition to where the two carriers—

Mr. MCHENRY. Let me ask another question. We are sitting in North Carolina, but South Carolina is just a short, you know, 10 minute drive from where we sit.

Mr. WATERS. Sure.

Mr. MCHENRY. Can I get a healthcare plan from South Carolina?

Mr. WATERS. No, I would love to have South Carolina because there is some good competition there.

Mr. MCHENRY. Right. So competition—and the reason why I talk about it is competition matters.

So we go in the individual market in North Carolina, prior to Obamacare, we had 12 carriers.

Mr. WATERS. Right.

Mr. MCHENRY. Now, after Obamacare, going into next year, we have two—two. We have some counties, 61 out of 100 counties in

North Carolina, we only have one provider in the exchange. What does that do for competition?

Mr. WATERS. No competition.

Mr. MCHENRY. Does not pull down the price.

Mr. WATERS. No.

Mr. MCHENRY. Does not make things more competitive. And I say this because this is an important ingredient when we talk about healthcare reform, health insurance reform, more competition. So employers and individuals have more options. Right?

I ask this because that competition matters. Mr. Waters, what is the main reason why people do not buy health insurance?

Mr. WATERS. Primarily price drives the item. And then some people are looking for specific coverages, regardless of price.

Mr. MCHENRY. Okay.

Mr. WATERS. But price normally drives the item.

Mr. MCHENRY. Price drives—I am sorry?

Mr. WATERS. Drives the item that we are looking for.

Mr. MCHENRY. Okay. So price drives—so this question about competition relates right back.

Mr. WATERS. Right.

Mr. MCHENRY. Okay. Now this is something, in this whole discussion, instead of simply me as a member of Congress saying I did not vote for the Affordable Care Act or Obamacare. Well, you have to be for something instead, right? And I support a comprehensive plan that would address this, would allow competition across state lines. Would you find that beneficial in your offerings?

Mr. WATERS. I would find that beneficial, yes.

Mr. MCHENRY. Okay. Now, so Mr. Long, in terms of your employees, now what are they looking for for their health insurance? I mean, you currently have a plan that you like, but unfortunately, in order to keep it, you are going to have to pay a whole lot more; is that right?

Mr. LONG. Yes. We are not going to be able to keep it. It is going to change, our plan will change.

Mr. MCHENRY. So you are not able to keep your current—

Mr. LONG. No, our plan will change next year. We just deferred that decision until December of next year.

Mr. MCHENRY. Okay. So what does this mean for your employees?

Mr. LONG. Our employees want the best coverage they can get for the dollars that they are willing to pay to protect their families in case of a healthcare problem. They do not want anything for free, but they do want good coverage at a reasonable cost and they want input into what they are receiving. They want choices. We need more choices instead of less choices. And I think all of us do.

Mr. MCHENRY. Mrs. Overbey, would you like to have more choices in terms of your health insurance? Would you like to be able to make the choice on whether or not you purchase a policy that covers a procedure you are morally opposed to?

Mrs. OVERBEY. Of course. I think that is what Americans want. We do not want to have to be forced to buy something that we do not have any choice in the matter.

When I woke up this morning, I live in a capitalistic society, not a socialism society and I want to be able to make those choices, I

want to be able to have that competition. I want to be able to go and look because as an American citizen I have the freedom and hopefully the right to do that. And I want those rights to continue, to be able to do that.

Mr. MCHENRY. So, you know, when I look at this, there are a lot of pledges made about this law. I think people have various opinions about it, but disappointment is the greatest word I hear from—most consistent word I hear from my constituents.

And so I thank you for taking the time to testify today. I know it is a challenge to take time out of all of your busy schedules, but it means a lot that you would take the time to tell your stories. And I appreciate those in the crowd that have their statements that they want to share and place in the Congressional Record. We will—the Chairman has made that possible and I appreciate your willingness to tell your stories. What we want is greater coverage and care at a lower price. We want more competition and choice, not fewer or less. And so I think we are unified in that.

And the fact is that the higher insurance prices under this law are not Republican increases or Democrat increases, they are increases that American families are bearing or trying to bear. So it is not a partisan question, it is just a practical question about the cost for families.

And so, Mr. Chairman, thank you for holding this hearing and I yield back.

Chairman ISSA. Thank you.

Mr. Pittenger.

Mr. PITTENGER. Thank you, Mr. Chairman.

Mrs. Overbey, your points related to coverage that is not needed, the Cadillac plans, everybody buys the same, inside the same box, we hear that. In fact, I co-sponsor a bill with Congresswoman Ellmers, as I believe my colleagues do, that would restrict the coverage to those items that you need and that you would want. So hopefully, clearer minds will prevail and we will have a better policy come through that.

I would direct my last comments or questions to Mr. Waters and Mr. Falls.

From your experience in your insurance business, as you look at the required actuaries and the pool risk, what do you anticipate will occur as those who sign up through the exchanges, what will we have in terms of a risk pool? Will it be adequate, will it be balanced? Will it only embrace those who have a preexisting condition?

As you look at the motivation for people who buy insurance—you know, the Congressional Budget Office said that the healthcare plan is unsustainable. Max Baucus, the Democrat Chairman in the Senate Banking Committee, said it is a train wreck. Well, this has some major implications, and so I think I would just like to know from your personal experience, what you would anticipate down the road as these pools are being assembled.

Mr. FALLS. I would like to answer that question and also reference Congressman McHenry's prior question on Inclusive Health, to give an example on how I think from experience this will happen.

Inclusive Health had a state option as well as had a federal option that was canceled earlier this year. It was no longer—you no longer can sign up on federal option. When that plan was first introduced, there was an influx of federal monies that was put into that plan, along with premiums being paid in by the people that elected to get on those plans. The premiums that were being paid in were not enough to cover the expenses of the plan and eventually those rates had to increase and that is the understanding that we—as insurance agents, that is what we were told the reason why they canceled that federal plan earlier this year rather than stopping it December 31st, along with the state plan.

The other reason why this plan is being canceled, both the federal option and the state options, the requirement—one of the requirements to be eligible for those plans is you cannot be eligible for coverage anywhere else. Because the Affordable Care Act—essentially there are no health insurance questions on the applications for health insurance now—there are no health questions other than if you use tobacco or if you are pregnant. And that is just to determine—the question on pregnancy is to determine how many people you are going to count in your household. Because there are no health questions on that now, everything is based on income.

The subsidies are out there, the lack of underwriting, as Mr. Gauss spoke to earlier, this is going to go—I believe this is going to go the way that most insurance policies that are not well thought out will go. And they will eventually either have to increase the premiums drastically or those plans will just have to go away.

Mr. PITTENGER. This business model was based on the presupposition that those who are younger would also buy into it. Is it your experience that that age group buys into insurance at this time, will they fulfill their role in terms of the risk pool requirement?

Mr. FALLS. The premise that the young people are going to be the salvation of this plan, I find is hard to believe. Whenever you have someone that is 30 years old or younger and they elect to take a plan, most 30 year olds or younger that I know just come out of college, in our area, make less than \$45,960. That is the upper limit where you qualify for subsidies. So those premiums they are going to be paying in are not really going to be that significant in most cases and are not going to help the pool.

Mr. PITTENGER. Thank you.

Mr. Waters.

Mr. WATERS. I would agree everything he said. I just recently saw a program that came out of Kentucky and the 4600 people that signed up, 25 percent—and they used zero to 30, I think it was 25 percent of the people had signed up of that 4000. And then from 30 to about 55, there was only 34 percent that had signed up, and from 35 to 64, I think it was 39 percent of the people had signed up. Obviously the older people need it, the younger people do not.

Mr. PITTENGER. Well taken.

That ends my questions.

Mr. Chairman, thank you for coming here. It is a huge statement by you from our Congress to come to our region and I just really applaud the effort that you have made.

Chairman ISSA. Thank you.

I want to thank all our witnesses today. I want to thank the audience for being an extremely good audience.

I am going to close with a question for the record, for all of our witnesses, and this is also a question for anyone that may want to submit their comments. I did not vote for the Affordable Care Act for a number of reasons, but my own state, California, was working on a similar piece of legislation under then Governor Swarzenegger and I participated in it. So I have looked at employer and individual mandates which were considered in my state by a Republican governor.

I ask only one question for our witnesses and anyone else who wants to comment. Had the federal government enacted the Affordable Care Act requirements, but made them only linked to the aid given by the federal government, either through Medicaid or through the subsidies, such that the states would have retained their entire right, and employers like Mr. Long, to have the healthcare they already had pursuant to their state commissioner and pursuant to the Tenth Amendment, would we be here today? Or would we have gold plans, platinum plans, whatever you want to call them, determined by the federal government under the system and they would be the only plans eligible for subsidies. And those needing or wanting subsidies would choose from those plans and they would be essentially, if you want the federal dollars you play by the federal rules, which we do in Washington all the time. We do it with highway funds and so on.

But if we had not touched the state insurance commissioner here in North Carolina or any other state, so that plans like Mr. Long and plans like Mr. Falls and Mr. Waters sell would still be available to everyone who wanted to buy them, but perhaps not eligible for the subsidies, would we be here today?

You can comment on that and other things because as Congress looks at how to perhaps make changes in the Affordable Care Act so that all Americans can have the promise of the President that if you like your healthcare, you can keep it, we can begin looking at the question of did we overreach and is that distortion of the market the reason we are seeing so many costs go up, rather than the outreach of government with a large chunk of money—it clearly was a large chunk of money for these subsidies—which in fact, I never found a subsidy per se to be the driver of healthcare costs going up. But I have found the rules under the Affordable Care Act perhaps be part of it here today and in other hearings.

So I leave that as an open question for everyone and I appreciate the audience's willingness to add to the dialogue today in writing. I thank our witnesses and we stand adjourned.

[Whereupon, at 11:35 a.m., the Committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

Inserts for the Record

Article offered by Chairman Issa – Manhattan Institute, a Published Study of State-by-State Analysis of the Impact of Obamacare Premiums: <http://www.forbes.com/sites/theapothecary/2013/11/04/49-state-analysis-obamacare-to-increase-individual-market-premiums-by-avg-of-41-subsidies-flow-to-elderly/>

Article offered by Chairman Issa – excerpts from USA Today on Nov. 22:
<http://www.usatoday.com/story/news/nation/2013/11/21/affordability-obamacare-plans-varies-state-county/3641821/>

Excerpts from the Heritage Report on Healthcare Costs under the ACA:
http://thf_media.s3.amazonaws.com/2013/pdf/BG2852.pdf