

Small Businesses and Health Insurance: Easing Costs and Expanding Access

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Mr. Mitchell Blake

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Testimony

Good morning Mr. Chairman and Members of the Committee. Thank you for inviting me today to talk about the important issue of affordable, accessible health insurance, especially for those owning or working for small business. I am pleased to be here on behalf of the National Federation of Independent business (NFIB), representing other small business members who face a similar challenge.

In April 1996, Tom Ward and I formed Ward + Blake Architects in Jackson, Wyoming. We employ eight people at present, and our firm designs residential and commercial buildings. We are pleased that our work has been recognized in notable national building publications, and our firm has won several local and regional American Institute of Architect's awards. Chairman Enzi, you may be familiar with Spring Creek Ranch Resort in Jackson, Wyoming or the Nature Conservancy @ Red Canyon Ranch in Lander, Wyoming. Our firm designed both of these facilities.

One of our goals is to create a relaxed environment where the powers of creativity can flourish. We feel strongly that offering our employees good benefits is an integral part of having this environment.

I'm here today to share with you the growing problem that my firm is experiencing offering health insurance to our eight employees. We offer health insurance to all eight, and all of them take advantage of it. We offer health insurance for a variety of reasons: it's the right thing to do, and it's a way to attract and retain employees. We feel it is important to remove stresses that our employees may face in their life, if at all possible, so that they can focus on our projects and perform their best work. Offering health insurance is one way that we're able to help relieve stress and create a positive work environment for our employees.

But I have to be honest that it's not getting any easier. Our story is one of increasing deductibles and higher premiums. When our firm first started insurance costs were not so prohibitive. We started out with Blue Cross, when their policy cost too much, we shifted to Life Investors Insurance Company of America. At one point in 2000, with eight employees our monthly premium costs were \$2,821. We ended up shifting to John Alden Life Insurance Company in December 2001 when Life Investors pulled out of the group health insurance arena in Wyoming, and we faced an additional \$2,000 a month to stay with them during their withdrawal period.

We began having trouble at the end of 2002. In October of this year, one of our

employees who had twin daughters found that one was not developing well, and it turned out that she had a malignant brain tumor. My employee was devastated with the news. We told him to take as much time as he needed to deal with the medical tests and specialists he was involved with in determining her condition. We paid him full salary for three months while he was in Salt Lake City at Primary Children's Hospital with his daughter. We then paid him full salary for three additional months while he came to work on a half time basis so that he could be with his daughter and continue with follow-up meetings with the medical specialists.

When it came time for renewal in December 2003, John Alden increased their new renewal premium for nine employees from \$2,075 a month to \$3,220, or our plan would cost us an additional \$13,740 on an annual basis. We amended the plan to increase the deductible from \$500 to \$1,000 and increased the out of pocket limit from \$5,000 to \$6,000 and a 50% co pay in order to bring the premium down to \$2,880 per month or about a \$9,660 annual jump. We agreed on this working with our agent, Summit Insurance, who was working with John Alden, and sent a check on December 19, 2003. We would have paid earlier, but we were still working with our agent on a premium that we could afford and were told by our agent that if the premium was received before the end of the month that our policy would remain in effect.

On December 31, 2003 we sent in our January premium not knowing that we would be cancelled.

On January 6, 2004, we received notice that we had been cancelled even though our check had been deposited and cleared our bank.

Our insurance agent and the Wyoming Insurance Commission pressured John Alden into taking us back, but only as a new group. Due to the cancer issues, this made the amount significantly more than the renewal premium we had just agreed to accept. We declined this, stating that we were already an approved group and should not have to pay for a new group premium. We felt that we were treated unfairly by John Alden and requested that our premiums be returned. We were especially upset by the fact that John Alden had cashed our January premium even after they had sent us the letter of cancellation.

Because we had refused John Alden's new group renewal and requested our premiums back, we had to provide our employees with an insurance bridge plan until we could find a new carrier. In addition, we paid 100% of all outstanding medical expenses that our employees had for the two months that they were technically uninsured.

Based on the advice of our insurance agent we removed my employee's daughter from our group insurance, once we found that she qualified for the Wyoming Health Insurance Plan (WHIP), being that she qualified as uninsurable, and we obtained a new carrier. All this time John Alden retained both of our premium checks.

We switched to Starmark Insurance in April 2004. Our initial monthly premium was \$2,350 for eight employees with a \$1,000 deductible, 60% co-pay, \$5,000 out of pocket.

This year Starmark wanted to renew our policy at \$3,177 or about an \$823 increase in monthly premiums, close to \$10,000 annually. So we've now switched to an HRA account, with a monthly premium of \$2,510, a \$2,500 deductible for singles and a \$5,000 deductible for families and increased our prescription deductible from \$200 to \$400. This adjusted our monthly premiums to within \$100 of our 2004 premiums, so we added a wellness benefit to the plan so that our employees could get an annual physical at no cost to them. It is important to know that even though the cost to my company was within \$100 of the previous years premiums, my employees with dependents saw an increase in their dependents' premiums for which they are responsible.

When we started this business, we only asked our employees to pay \$250 toward the cost of their health insurance because that was the amount of the deductible from our first health insurance plan. We kept it at \$250 even when the deductibles increased and as the monthly premiums increased, but we have had our gross annual profits reduced by 30% since 2001 and just cannot afford to do that anymore and still offer health insurance. With our new HRA plan, we now cover \$1,000 of the deductible and ask our employees to pay \$1,500.

As I said at the beginning, we want the best for our employees because it's the right thing to do and creates a positive, healthy work environment. But increasing health costs call into question how long we'll be able to offer this benefit without eliminating other benefits and still stay in business.

I'm not sure what the solution is: I have discussed the issue with several other business owners and looked at alternative ways to provide health insurance for my company including Health Savings Accounts, PPO's, and even increasing salaries so that employees can get their own individual policies. I realize that the hearing today is looking at association health plans. I am not totally familiar with AHP advantages, but I do know that I am limited to three health insurance providers in Wyoming and therefore have limited options for my employees. I also know that something must be done to stop this ever-increasing cost to small business. I want what's going to lower my premiums and enable me to continue offering health insurance. I want health insurance that makes my employees feel secure and at deductibles that are manageable.

Thanks for inviting me here today, and Chairman Enzi, thanks for your support of small business.