

**ORAL TESTIMONY SUBMITTED TO THE
HOUSE SUBCOMMITTEE ON HEALTH, EMPLOYMENT, LABOR AND PENSIONS
FEBRUARY 22, 2012**

**SUBMITTED BY LORI JOINT
DIRECTOR OF GOVERNMENT AFFAIRS
MANUFACTURER & BUSINESS ASSOCIATION**

Good afternoon. My name is Lori Joint and I am the Director of Government Affairs at the Manufacturer & Business Association (MBA), a regional employers' association that represents more than 4,500 member companies throughout 27 counties of Pennsylvania. With offices in Erie, Williamsport, and Harrisburg, we provide information and services to our members that will assist them in the pursuit of their business and community interests.

I would like to thank Chairman Roe and members of the House Subcommittee on Health, Employment, Labor and Pensions, for providing this opportunity to discuss the impact of the Patient Protection and Affordable Care Act (PPACA) on the business community. The law is extremely complicated and there are many rules and regulations yet to be finalized. Our member companies have been very clear in expressing their concern and uncertainty over the law and its potential implications and cost - causing many employers to hold off on plans for growth and investment in their business operations.

We strongly believe in the need for health-care reform and have advocated for it for decades. But the PPACA fails to address many of the long-term problems associated with the cost of health care and insurance for small businesses. For the past 25 years, we have called for market-based reforms, rather than a government takeover of the health-care industry.

The PPACA imposes numerous tax hikes that will slow economic growth, reduce employment and suppress wages. A recent study from the Heritage Foundation finds that the Act contains 18 separate tax increases that will cost taxpayers \$503 billion between

now and 2019. The Cato Institute calculates that the PPACA will result in more than \$669 billion in new or increased taxes over its first 10 years.

Employers are concerned about many aspects of the law including: the requirement for plan sponsors to start reporting health-care premiums on their employees W-2's, the Patient Centered Outcome Research Fund Fees and the pending Quality of Care Reporting requirements. These are examples of government intervention in the free-enterprise system. I will discuss a few additional sections of the law that are of concern to the business community.

The employer mandate and "Essential Health Benefits" requirement have many businesses concerned and will likely cause the most harm to businesses already offering coverage. The Congressional Budget Office (CBO) estimates that the employer mandate will cost businesses \$52 billion in tax penalties from 2014 to 2019. Companies will be forced to adjust by raising prices, cutting wages and benefits, and reducing their work force.

The PPACA small business tax credit is complex and narrowly focused. Less than one-third of small businesses meet the size and contribution requirements to qualify for the tax credit. This percentage shrinks if a company increases their work force, gives raises to employees, employs family members, has part-timers or is more generous with their insurance offerings - basically discouraging businesses from hiring or rewarding employees. (Specific example in written testimony)

More details on these items as well as additional concerns regarding: new Medicare taxes, Subsidies, Grandfathered status, Exchanges, Mini-meds and the Health Insurance Premium Tax can be found in my written testimony. You will hear many facts and statistics today, some of which are included in my written testimony. I would like to focus this time on comments from some of our member companies; as they are the true job creators.

Bonded Services, Inc., Erie, Pennsylvania – Randy R. Nyberg, President/CEO – 238 employees

The PPACA will literally kill my business and the janitorial services industry (along with lawn care and security services to name a few). Our business currently employs approximately 200 people (50 full-time and 150 part-time). We are a minimum-wage based business due to competition (the minimum wage is \$7.25 per hour and our average wage is \$7.65 for part-time and \$8.50 for full-time). This hourly wage does not include purchasing health care insurance, which is totally unaffordable, and would be approximately twice the cost of the \$2,000 PPACA penalty. The penalty for my business would be in excess of \$150,000 annually. On an hourly basis, I would have to add \$1.44 per hour plus administration costs to cover this. All of my competitors with less than 50 employees would automatically win every bid by 20-percent. To summarize, the first year of PPACA will cost me every bid and \$150,000 in penalties, making it my last year of earning a living and providing meaningful employment to hundreds.

The Reid Group – Paul Reid, President – Lockport, NY – 64 employees

Our company has an office in Erie, Pennsylvania as well as a number of retail stores named Crosby's. This law will drive up health-care costs and dampen employment opportunities. Businesses, especially small businesses like ours, will reduce costs by eliminating employees in the margin. Government bureaucrats cannot manage the health-care industry, only markets can accomplish this task. Markets driven by consumer choice and consumer responsibility are the key to fixing health care, and one of the aspects that this law affirmatively rejects (fewer HSAs). This does not even consider the damaging effects of the taxes embedded in this law; they will crush our economy in my opinion.

Tech Tool and Molded Plastics, Meadville, Pennsylvania – Mark Hanaway, Vice-President – 114 employees

Mark says their company welcomes the opportunity for industry recommended solutions to address the cost of compliance, cost of care, and reduced competition that embodies government mandated provisions for employee benefits. Without more competition among insurance providers, the inevitable single-payer system or government run health-care

program will be the only option. He says their company has evaluated the cost impact and under current law, they will likely eliminate their health-care coverage.

Ray Overholt, Executive Director, Hermitage House Youth Services, Cambridge Springs, Pennsylvania – 90 employees

We strongly feel that the health-care reform act will significantly increase health insurance costs, lead to rationing and/or long waits for services, drive doctors out of their field, and severely limit options. We will likely be forced to drop all coverage and let employees fend for themselves.

Cynthia Kramer, Kramer Automotive Specialties, Butler, PA – Five employees

The new law set up unfunded mandates that have cost us more in employee health insurance. Highmark has gone from a not-for-profit to a for-profit company, and they are surcharging us based on the health of our employee group because they anticipate their costs to skyrocket. To get the cheapest plan available, coverage has gone up for our small group by 24 percent, from \$531 to \$649. Our coverage to keep the better plan we had before was \$794 per person. Our good healthy years no longer count as we grow older. We are surcharged for the age of our group as well as the group's health. Next year, I will no longer be offering employee health care if I can't get a rate under \$500 per person. I can't afford it. My employees are like family to me, and I want to provide health care, but how can a small business do so with rates like these?

North Country Brewing Company, Slippery Rock, PA - Bob McCafferty, Co-owner – 60 employees

I own a brewery with a brewpub attached. I also represent 34 restaurants in Butler County for the Butler County Tourism and Convention Bureau. I feel that there are many honest employers who do what they can for their employees, and don't need the government in their day-to-day business. Restaurants have razor thin profit margins. We offer health care to full-time employees and hope they build their career with us. We struggle to remain open due to the government-involved regulations and the way they have expanded in such a short time. The more regulations, the more paperwork, longer timelines and impossible prices are killing businesses. The health-care reform law just adds one more layer. I think

if the government wants to run all of our businesses, then they should start by reviewing their own P&L.

EA Mundkowsky Finishing LLC - Elsie A Mundkowsky, Owner/President

The health-care law is so complicated that you have to have an attorney just to be able to know what is expected. I know that it will cost me money and I am already hanging by a thread. I really don't think that my business can handle much more out-of-pocket. There are so many regulations, insurances and taxes that it is so hard to keep my head above water. So as a very small business owner, I must tell you that I can't afford anything else. I just want to pay the people that work for me, pay my bills and I get no help from the government at all. I just keep getting taxed and taxed to death. Profit must be a dirty word.

Corry Micronics, Corry, Pennsylvania – Don Pavlek, President – 30 employees

Our premiums are going up 8-percent this year. I think that it is unfair that we have to cover children up to age 26 even if they are couch potatoes. I completely agree with providing coverage while they are in college or technical school but this is typical of socialism. We are essentially training our youth to expect entitlements at an early age. The law penalizes employers with more than 50 employees that have an employee who opts out of our insurance plan. If we are penalized \$2,000 per employee per year, who wouldn't opt out and let the government provide the insurance. What are the consequences if everyone does this?

In addition, I received many shorter responses with similar comments and common themes. Health insurance has long been the biggest concern of most businesses and they would welcome cost-effective reform. However, they do not view the PPACA as cost-effective reform. Looking forward, there is cause to believe that small businesses will see higher premiums, greater administrative burdens, reduced options and many unwanted surprises.

Thank you for your interest in learning more about the business community's view on health-care reform. We need to reform the system in a way that controls cost through

private market forces. We would ask for market-based reforms that: allow individuals a tax deduction on their premiums; require all doctors, hospitals and providers of health-care services to list their services, outcomes and pricing; create total transparency from insurance companies on all provider contracts and administrative fees; apply a moratorium on all unfunded government mandates; allow for the purchase and sale of insurance products across state lines; allow individuals and employer-sponsored plans to purchase the specific services they want and need, as opposed to government-mandated benefits and services; provide immediate tort reform; and allow insurance companies to properly calculate risk by imposing additional premium charges for those who refuse to make changes to risky lifestyle activities. This represents a small list of actions that would have an immediate impact on reducing the costs of health care, insurance premiums, and utilization.

Thank you once again, Chairman Roe and members of the committee, for taking the time to hear from so many concerned business owners and constituent groups throughout this process.

**Additional information and Sources included in Written Testimony