

**HOUSE ENERGY AND COMMERCE SUBCOMMITTEE ON OVERSIGHT ON  
SMALL BUSINESSES AND HEALTHCARE**

**JUNE 26, 2013**

**MICHAEL BREY  
Founder & President, Brey Corp. t/a  
HOBBY WORKS**

Good morning, Chairman Murphy, Ranking Member DeGette and members of the committee. My name is Mike Brey, I'm the owner of Hobby Works, a hobby and toy store I acquired in 1992, which I've since grown to five locations with stores in Maryland and Virginia. I volunteer my time and entrepreneurial expertise to help other small business owners and small business advocacy groups find solutions to problems we business owners face every day. One of the fastest growing problems is the non-stop rising cost of health insurance. That's what I'd like to talk to you about today.

Almost from the start, I offered health insurance coverage to keep and retain good employees. One of the first questions people ask about when you're hiring is if you provide health insurance. I've always taken great pride in being able to say, "The coverage we're offering is the same coverage the President of the company and his family are on."

While my business has been successful and we've been able to grow, the ability to keep my workers happy and secure by providing health insurance coverage has eroded. Our health plan once cost \$100 per person, most of which was covered by the company. Over the years our premium has tripled. My employees have seen their costs increase five times as they pay more of the premium and face a higher deductible. My workers are burdened by high deductibles and are putting off preventive care for themselves and their children and avoiding the doctor. The passing of the Affordable Care Act was the first thing in years that gave me hope that this spiral of escalating costs and depreciating quality of coverage might finally end.

I'm looking forward to full implementation of the Affordable Care Act next year when our state exchange opens and additional cost containment provisions go into effect. I may finally start to have the certainty and stability I need when it comes to health insurance premiums and choices of plans.

**Benefits of the ACA for my small business**

The high cost of health insurance has been one of my top business concerns for the past decade. As I mentioned, costs have continued to skyrocket while quality of coverage has decreased. The status quo was completely unacceptable. Doing nothing would have wreaked havoc on my and other small business owners' bottom lines and our ability to create jobs. Advocacy group Small Business Majority\*\*, commissioned MIT economist Jonathan Gruber to conduct an analysis on the consequences of doing nothing. Gruber's analysis found that, without reform, small employers would pay \$2.4 trillion in healthcare costs by 2018, costing 178,000 jobs, \$834 billion in small business wages and \$52.1 billion in profits.

Those numbers show why passage of the ACA was so important.

There have been objections from small business owners about this law, but I believe that that discontent is largely based on misinformation and myths. One myth I hear all the time is that small businesses will go

out of business because they'll be required to provide costly health insurance to their employees. That's just not the case. Lets look at the numbers: 96% of all businesses in this country have fewer than 50 full-time employees, which means they won't be required to offer insurance at all. Of the 4% who do have more than 50 employees, 96% of them already offer insurance. So, that leaves 0.02% of small businesses that have more than 50 full-time employees and don't offer insurance that will be impacted. That's a very small segment of our community.

Going back to the majority of small businesses, I'm one of those employers with fewer than 50 full-time-equivalent employees. Starting next year, I'll be able to use our state small business health insurance exchange to purchase coverage. This is huge. In Maryland, we don't have a lot of choice in insurance providers. In fact, we only have three. The Small Business Health Options (SHOP) exchange will allow business owners like me to pool our buying power when purchasing insurance. With a larger pool of businesses, ideally we will have more insurers offering coverage, and therefore more options to choose from. Presumably, this will make the market more competitive and I expect prices to come down as a result. Simply knowing I'll be able to shop for other plans as insurers change and costs fluctuate makes me feel more secure.

Another way the law will help me personally and rein in costs across the system is that up until now, a huge and largely unknown cost associated with private health insurance has been a hidden cost passed onto the insured when the uninsured receive medical care. When an uninsured individual receives care they can't fully pay for, health providers recoup a portion of unpaid-for care by passing the costs on to the insured with higher rates and premium costs. When everyone is required to have insurance, there won't be the need to pass those costs on.

Many provisions of the ACA are key to making health insurance more accessible and affordable for small businesses like mine. In addition to the exchanges, a multitude of cost containment provisions will go into effect next year that will help lower costs throughout the system. And as a businessman, it's important to me the country balance its books. The ACA helps lower costs while reducing the federal deficit by more than \$200 million by 2020 and more than \$1 trillion over the 10 years after that.

The ACA isn't perfect and it won't solve all of our health insurance problems overnight. However, it is the first meaningful law in decades that meets many of small businesses' core needs in regards to rising healthcare costs. In this fragile economy, policies that allow us to spend less on health premiums so we can keep more of our profits to reinvest in our companies and create jobs are what we need the most.

## **Conclusion**

Implementing and strengthening the Affordable Care Act is the only path forward to lowering the overall cost of healthcare, providing more options for coverage for small business owners like myself and enabling small businesses to resume our traditional role as primary job generators. Thank you for giving me the opportunity to address the committee today.

\*\*I am a member of Small Business Majority's Network Council where I advise them of my ideas and feelings regarding problems and issues facing small businesses like mine; and try to find pragmatic solutions to those problems. Small Business Majority is a national small business advocacy organization that works to find solutions to the biggest problems facing small businesses today.