

**U.S. House of Representatives
Committee on Small Business**

Hearing: “The Health Care Law: Implementation and Small Businesses”

**Testimony of Louisa McQueeney
General Manager/CFO, Palm Beach Groves
Lantana, FL**

April 17, 2013

Chairman Graves, Ranking Member Velázquez, and members of the committee,

Thank you for the invitation to testify before your committee on the topic of how the implementation of the Affordable Care Act is impacting small businesses. I appreciate the opportunity to share my experiences on these issues from the perspective of a small business.

My name is Louisa McQueeney. I am the General Manager and CFO of Palm Beach Groves, a small business in Lantana, Florida that ships citrus gift baskets across the United States and Canada. Last year we employed 6 year round employees and 3 seasonal workers.

I've worked at Palm Beach Groves for the last 13 years. Part of my job as CFO is managing health care benefits. Over the last decade, I have grown quite accustomed to yearly double digit rate increases – 12 percent, 22 percent, one year even as high as 32 percent. Renewal season has always been a nerve-wracking time, as the decision to continue providing health coverage – and how much of the cost to shift onto employees – has gotten harder each year.

Each year, I shop around to different insurance companies, but none can quote better rates. In fact, they can actually charge an additional 15% if they find one pre-existing condition from any person covered on the plan. All of us have pre-existing conditions.

For almost a decade, our staff hasn't seen any raises, because the raise would go to yet another increase in health insurance premiums.

How early provisions of the Affordable Care Act are helping small businesses

Then, the first components of the Affordable Care Act, or “Obamacare” were implemented.

In November of 2011, our insurance agent called with our renewal. Instead of the nightmare news I'd come to expect, I found out our premiums for the next year would increase by a grand total of 0.2 percent. Zero point two. Flat.

I was floored. This flat renewal came with exactly the same plan — no dumbing down the coverage, no increase in our deductibles, everything was the same.

Then, at tax time, we applied for the small business health care tax credit. That credit cut our total health care costs by about 10 percent – \$7,400 – for 2011. We will receive this tax credit again for 2012.

Last summer, we also received a \$1,582 rebate check in the mail from our insurance company. Our health insurer had not met the “80/20” rule which requires insurers to spend at least 80 percent of premiums on medical care. So, they were forced to pay us back the difference.

This had never happened before. I was so excited, I thought about framing the check.

During this time, my family was also personally benefiting from the ability to keep our adult daughter on our health insurance plan until age 26, and I also benefited from free preventive care with an annual well-visit.

Counting it all up – the stable rate, the tax credit, the rebate check – last year our business saw our health insurance costs cut about 12 percent, with better coverage and greater peace of mind, thanks to the Affordable Care Act.

Continuing challenges for small businesses

Since the law will not be fully implemented until 2014, we still face challenges. All of our employees are in their 50s and 60s. We’re not spring chickens and we’ve got more than a few pre-existing conditions among us.

Last year, we had four major health care events in our very small group. One of our long time employees died after battling lung cancer. The spouse of another was diagnosed with a serious heart condition. Thank God he was covered under our insurance, because it literally saved his life. He was given a wearable defibrillator sudden cardiac arrest protection device, which he would not have been able to afford had he not been covered. The device actually shocked his

heart numerous times keeping him alive until the ambulance arrived. He ended up with a defibrillator/pacemaker implant at a billed cost of over \$172,000. Who can afford any of this?

Under Florida law, health insurers are allowed to impose additional rate-hikes to small businesses based on the health status and claims experience of the group. When you only have a few employees to begin with, just one battle with cancer can dramatically affect your rates. Add a heart condition diagnosis, a spouse with Alzheimer's, and a generally aging workforce, and we found ourselves facing another double-digit rate-hike at our latest renewal.

That's why I'm looking forward to the health care law being fully implemented. Starting next year, the Affordable Care Act prohibits insurers from hitting small businesses with an extra rate-hike based on the health status or claims experience of their small group. Premiums will be allowed reasonable variation for age and smoking status, but gone will be the days when, if one of your employees gets cancer, you can count on your rates skyrocketing when you need health care the most. Gone will be the days when you can be discriminated against based on gender. Frankly, it can't come soon enough.

I am pleased that Governor Rick Scott has joined with other Republican Governors in dropping fervent opposition to the law, and taking the practical approach of supporting expanding Medicaid for more Floridians. Nevertheless, this issue is still being hotly debated in our state legislature. I hope they do the right thing, because accepting the Medicaid expansion would help take some pressure off our hospitals and reduce the cost-shifting of uncompensated care costs onto private payers, including businesses like ours. We also need to move forward with implementing health insurance exchanges where small businesses can compare coverage options apples-to-apples and get the best deal at the best price.

Too many small business owners still don't know that they could benefit from the health care tax credit, a dollar for dollar reduction in your tax bill. According to the GAO, between 1.4 and 4 million small businesses qualified for the tax credit and only about 170,000 took advantage of it. I found out about the credit through a small business IRS mailing. But many business organizations, like the US Chamber of Commerce, opposed the law for ideological reasons. I feel

they have been remiss in educating their members about how they might benefit and lower their health care costs.

Maybe it's true that too few small businesses qualify for the tax credit. So, one opportunity to move forward that I would encourage you to support is expanding eligibility for the credit. While some elected officials are using the news of lower than expected utilization as an excuse to criticize the credit and the Affordable Care Act as a whole, that's not helpful to small businesses. If you want to help us, it would make more sense to ask the question, "What can we do to make this credit work for more of our small businesses?"

Currently the credit is limited to businesses with fewer than 25 FTEs and average wages under \$50,000. Why not expand that FTE requirement to 50, 75, or even 100 employees, and increase the salary cap? You have an opportunity to help so many more small businesses throughout the country with the small business health care tax credit. I hope you will take it.

I want to say something briefly about employer responsibility. We've always considered it our responsibility to provide health coverage to our employees. If we don't provide it, where are they supposed to get it... and who will pay the bill? At a small business, our employees are like family. How could I look one of my employees in the eye while they battle cancer and say, "We're going to drop your coverage" when I know it will financially devastate their family?

In the last year, I've read a lot in the news about some companies that are larger than ours taking extraordinary steps to avoid their responsibility under the law.

The employer responsibility provision of the Affordable Care Act is often presented as a problem for small businesses. I believe the opposite is true. As a business who is doing the right thing and offering health coverage to our workers, the real problem for us is that when other businesses who are much larger than us don't offer health care, we're forced to subsidize their health care costs. The shifting of uncompensated health care costs to businesses that pay for health insurance represents a "hidden tax" in our premiums that costs our small business hundreds of dollars per employee per year. How is that fair?

Opponents of the health care law argue that the employer responsibility requirement will hurt job creation. I disagree. More than 9 out of 10 businesses with 50 or more employees already offer health coverage.¹ Think about it this way: for every business around the 50 FTE threshold that doesn't already offer coverage, there are many more that do. Right now, the barrier to job creation for the businesses that do offer health care – like mine – is the fact that we're paying more to subsidize the ones that don't. The only way to fix this is through a system of shared responsibility where all businesses above the threshold pitch in and nobody takes a free ride at the expense of the rest of us.

Alternatives: Will they work?

Opponents of the law say they want to replace it with something else. But there are no real alternatives being offered.

“Let health insurance companies sell across state lines.” Sounds nice in theory, but will my cheap South Dakota health insurance pay the more expensive care in South Florida? Who will regulate that? To date I have heard no real answers to these questions. We need the protection of law to ensure that insurance is worth more than the paper it's written on. Besides, our neighbors in Georgia tried this. Not a single out-of-state insurance company tried to enter the market there, so it does not seem like a feasible alternative.²

Or “Health Savings Accounts,” which are supposed to make us “better,” “more informed,” and “more responsible” consumers of healthcare. Try calling a doctor's office and ask for the price of a biopsy, or a fix for a broken leg or by-pass surgery. The first answer you get is “I don't know” and if you persist you get “depends on your insurance,” but you will not get a price. Good luck with that one.

¹ Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2010 Medical Expenditure Panel Survey – Insurance Component; Table I.A.2(2010) Percent of private-sector establishments that offer health insurance by firm size and selected characteristics: United States, 2010, http://meps.ahrq.gov/mepsweb/data_stats/summ_tables/insr/national/series_1/2010/tia2.htm

²“No out-of-state insurers offer plans in Georgia,” *Atlanta Journal-Constitution*, April 30, 2012, <http://www.ajc.com/news/no-out-of-state-1428329.html>

We have experience with HSAs.

A few years ago, our company was forced into a high deductible HSA plan by our insurer. This meant paying the first \$5,000 of healthcare costs out-of-pocket and then paying a high monthly premium on top of that before the health insurance company paid a dime.

That's not a solution. It feels a lot like paying to be uninsured, and it's just more of the same old squeeze.

Conclusion

The Affordable Care Act is working for our business and is taking important steps forward to address the barriers to lower health care costs and bring affordable, good quality health coverage within reach for many small businesses. Businesses like ours are already seeing the benefits as early provisions of the law take effect. We have even more to look forward to with the establishment of the state health insurance exchanges, the prohibition on rating due to health status, and other provisions that are still on their way.

We need to keep building on the foundation of the Affordable Care Act, not tear it down. Small businesses across the country can't afford to go back to the broken health care marketplace we faced before reform. We need to keep moving forward.

By taking full advantage of the opportunities created by the Affordable Care Act, we can break down the barriers to lower health care costs and finally level the playing field for small businesses. Then small businesses like ours will be able to focus our full attention on building our businesses, creating jobs, and strengthening our local economies. Thank you.