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U.S. HOUSE OF REPRESENTATIVES

TESTIMONY BEFORE THE COMMITTEE ON WAYS AND MEANS

HEARING ON THE "PATIENT PROTECTION AND AFFORDABLE CARE ACT" AND THE "HEALTH CARE AND EDUCATION RECONCILATION ACT OF 2010"

JOE OLIVO

PRESIDENT AND CO-OWNER OF PERFECT PRINTING

9AM

1100 LONGWORTH BUILDING

Good morning. I'd like to thank the committee for the opportunity and honor of allowing me to present my testimony today. My name is Joe Olivo and I own a small business. I appreciate the willingness to have an open discussion about some of the concerns that I, along with many of my fellow small business owners, face because of the new healthcare law. I would like to share with you my early experiences with the law, how it is already affecting my business and what additional consequences I expect to see as the regulations are fully put into place.

I am the president and co-owner of Perfect Printing. I own the company along with my wife, my mother and two brothers. My parents started the company as a literal "mom and pop" copy center in 1979 and I have been actively running the company for the past 23 years. We have been fortunate in that we were able to grow the company to a high of 54 employees prior to having to downsize during the recent economic downturn. We currently have 45 full-time and part-time employees.

One area I am certain will have a profound effect on my business is the new, expanded 1099 reporting requirement in this law. As you may know, the law now requires that I submit to the IRS a report of any transaction adding up to over $600 in business in a year. This is a huge requirement and I do not have any sort of system in place to account for it. Just to give you a couple of examples, I have drivers and sales people that fill up for gas. Based on a quick calculation, I estimate they have probably gotten over $600 in gas at 8 to10 filling stations. I will now have to track down who the gas station owners are, get the proper information and submit to them a form of how much we spent with each business entity. Another example is the salesperson or owner who frequently travels. Can you imagine trying to submit paperwork to the various airlines, hotels, rental car agencies and restaurants that you visit over the course of a year? I will most certainly have to purchase some sort of software program and waste my

resources calculating and collating receipts for purchases of thousands of items. I think it is very important to keep in mind the huge costs that additional regulatory burdens place on small businesses like mine. My business, like most small businesses operate with a very tight profit margin and with little extra money to spare on purchases that do not directly affect the profitability of the company. In a good year, our profit is 3 cents on every dollar earned. Many years it is less than that. When additional regulations, like those contained in the healthcare law, are instituted the cost to comply with this usually comes out of the profit portion. I do not have the luxury of simply creating new revenue or cutting additional expenses in order to afford the costs to comply. Besides the cost there is the issue of the availability of time. As a small business owner, I have to make decisions daily as to what issues can be attended to by the end of the day and which ones will have to be pushed off to the next day simply because I run out of time. My business can't afford the luxury of hiring an HR or accounting consultant, or a new employee to fill out all of the new government paperwork that is required by this law. Simply put, if this part of the legislation is not rescinded this will impair by ability to grow my business and the same would apply to the millions of other of small businesses in this country.

A key issue for any employer is how and when to grow their business. Our company is on the cusp of the 50 employee threshold, at which I would be legally bound to offer my employees insurance or pay a penalty if I do not. Besides being ridiculously complex, it is my understanding that, at the 50 employees or greater mark, I could possibly be penalized even if I do offer insurance to my employees and one or more of them decide to take a government-subsidized plan. I am still in the process of trying to compute the exact ramifications of this portion of the law. This being said, in the event I do hit that 50 employee threshold, based on my current premiums it may actually be less expensive for me to not provide any health insurance and just

pay the penalties. Ironically, the part of the law that mandates that I must now provide insurance is actually providing the perverse incentive for me not to provide any insurance at all. This would not only be more expensive to the federal government but it would mean that my employees would lose the administrative support that I offer them with their health insurance.

One of the main concerns I have with the law is how it will affect the current healthcare coverage that I already offer to my employees. We currently offer a plan where the company pays for 100 percent of our employees' insurance premium and pays 56 percent toward family coverage. We are also able to offer our employees additional plans that offer lower deductibles at a higher premium cost. Compared to a lot of our competitors we think this is quite substantial. We have only been able to do this by offering a high deductible plan with a health savings account. We began offering this plan six years ago and it has been a tremendous tool toward slowing the rate of the escalating healthcare premiums that we face, especially since we are located in New Jersey. New Jersey is a guaranteed access, community-rated state with heavily mandated policies. We have seen double-digit percentage increases to our annual premiums going back to 1993. I estimate our average premium increase for the past 17 years is around 20 percent each year. The high deductible plans have allowed us to continue to pay for our employees' premiums. With the savings to the company from offering these plans, we have been able to contribute to the employees' health savings accounts while encouraging the employees to do the same. I have seen how these plans encourage healthier lifestyle choices and make everyone more accountable and aware of how they spend their healthcare dollars. While I would not say high-deductible accounts are the sole answer to the crisis of rising healthcare costs, it has been a very effective tool for my company.

During the debate leading up to the passage of the legislation, I heard numerous times that my employees would be able to keep the same plan they currently have. Unfortunately, within less than 30 days of the law's passage, I received a letter from our insurance carrier notifying us that our plan would no longer be available at the end of the current term. The reason for this is that the preventative care portion of the plan did not meet the requirements of the new law. The promise that my employees would be able to keep their existing health insurance has proven to not be true. After 20 plus years of voluntarily providing coverage for my employees, much of it at my own cost, I am now finding out this coverage is no longer acceptable according to the government.

A final area of concern to me is the tax credits that were promised to small business in order to help them pay for health insurance. This point was made over and over during the debate and even persuaded some of my fellow small business owners to mute their criticism of the plan in the hopes that maybe the legislation would be a net benefit to their companies. The problem with the tax credit is that it depends on the government's definition of small. I checked the tax credits that I am eligible for and I come up with a big fat zero. Now at 45 employees there are certainly smaller businesses out there but I don't think anyone would consider us a big business. I have learned from fellow business owners with much smaller companies that the tax credit is so narrow and so limited that it would provide marginal assistance to a very low percentage of small businesses that are out there. For example, an 18-person business who pays, on average, $38,000, doesn't get anything either. Beyond this, the credit is temporary and, as I referenced earlier, the year over year increases in healthcare costs certainly aren't.

While those issues that I have mentioned are the known items that will affect my ability to grow my business, it is the uncertainty that causes concern as well. Questions such as:

What portions of the legislation are applicable to my company?

What are the exact ramifications if I go over 50 employees?

What taxes, fines and penalties will I be exposed to? How much will they be?

Will I need to hire outside consultants or new employees in order to see that I am in compliance with the new laws?

What is the definition of a part-time employee?

You should understand that when I make the decision to invest in my business and try to grow it further, I cannot afford to be wrong in my calculations. Like most small business owners, I put my home and a good deal of my personal savings on the line when I make these investments. When there is so much uncertainty regarding the costs that will be required of me to comply with these new laws, it makes me much more hesitant to invest and causes me to take much less risk in those investments that I do wish to proceed with.

My story is very personal but it is not unique. There are hundreds of thousands, possibly millions of small businesses owners that are facing these same issues. How can we make the economy prosper for all when we are stifling one of the main engines of growth? Thank you for the opportunity to testify today. I look forward to answering your questions.