

***TESTIMONY IS EMBARGOED UNTIL 9:00 AM
THURSDAY, MARCH 29, 2012***

TESTIMONY BEFORE THE UNITED STATES CONGRESS
ON BEHALF OF THE
NATIONAL FEDERATION OF INDEPENDENT BUSINESS

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Testimony of Thomas J. Shaw, Barton Mutual Insurance Company

U.S. House Committee on Ways and Means
Subcommittee on Health

“Individual and Employer Mandates in the Democrats’
Health Care Law”

March 29, 2012

Good morning and thank you Chairman Herger, Ranking Member Stark, and Members of the Ways and Means Subcommittee on Health for the opportunity to testify today on the important topic of the employer mandate and the impact it will have on our business. Barton Mutual Insurance Company, located in Liberal, Missouri, is a single state property-casualty insurer (non-auto). Our company was founded in 1894 to provide fire insurance to farmers in our county. We now provide insurance products for a wide variety of risks including commercial. We employ 58 people full-time and have furnished health insurance for decades. I have been employed as the CEO since 1986.

As health insurance costs rose, we adjusted accordingly and explored different options. First, we raised deductibles. We examined self-insurance and purchasing re-insurance, but determined this was unfeasible. When High Deductible Health Plans (H.D.H.P) were created, we jumped at the opportunity to place our employees in control of directing their medical care consumption. The practice of our putting money into their health savings account (H.S.A.) led them to seek out more affordable prescriptions, and carefully plan and manage doctor visits. Within 60 days, the anecdotal evidence of savings buzzed around the office. Our employees enjoy the coverage and responsibility, and believe it makes them better consumers of health care.

We partner with our employees in managing this financing. For the first time, this year, Barton pays 95% of the employee's cost. In the past we had always paid 100%. The employee may purchase family coverage, or they can waive coverage and elect to go to a spouse's plan and we will contribute 50% of their spouse's deductible via health reimbursement account (H.R.A.). The employee deductible is \$2,500 and Barton contributes \$1,250 to the H.S.A.

Our annual costs today are \$7,394 per employee. Last year, our costs increased by 7.3% (73.9% in increased costs since 2008). If we continue to incur the same increase, 7.3% per year, when mandated coverage takes effect in 2014, our costs will be \$8,513 per employee. Costs and premiums continue to rise since the passage of the law with no relief in sight. In addition to the mandated coverage, there is the essential health benefits

package and a tax on fully insured health plans that will increase the cost of insurance. Further, the lengthy regulatory process makes planning and forecasting costs even more difficult.

The Patient Protection and Affordable Care Act (P.P.A.C.A.) promised lower costs and expanded coverage for all. Instead, the employer mandate forces employers with 50 or more full-time equivalent employees to provide expensive, “qualified” health insurance or pay an annual \$2,000 fine per employee (minus the first 30 employees). We have witnessed higher costs and it’s nearly a given we will drop our group H.D.H.P. and pay the per employee penalty. The incentives are lined up in a manner that makes it nearly impossible to maintain coverage. This law does not fix any problems for small businesses of our size – those employers just above the 50 full-time employee threshold, and the law makes it extremely unattractive for a smaller business to grow above the threshold.

Though the savings from dropping coverage would allow us to increase payroll to some extent, cost pressures on all fronts will lead us to hold those savings to tamp down overhead in what is a mature competitive industry. The full savings will not go completely into taxable wages. We strive to meet market rates for salaries today, and savings garnered in any area of operations will go toward remaining a viable business. We need to look for savings wherever we can find them.

The new law is not helping my business. We worked for decades to provide good coverage to our employees and continue to work on doing so annually. However, there is little incentive to continue to provide coverage. For employers, there will be fewer choices of insurance products since health insurance underwriting will essentially be eliminated. Consumers will have fewer choices to make, which means decisions will be made top-down. This is exactly the opposite of increasing choices and flexibility that could help small businesses like ours continue to provide affordable coverage.