



**STATEMENT BEFORE THE
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES
HEARING ON**

Health Insurance Challenges Facing Small Businesses

Submitted by

**Richard S. Lee
President
Lee's Flower and Card Shop
Washington, DC**

On behalf of the

SOCIETY OF AMERICAN FLORISTS

JANUARY 23, 2008

Contact:

**Jeanne Ramsay
Society of American Florists
(703) 836-8700**

Chairman Velazquez and Members of the Committee, thank you for this opportunity to present testimony on behalf of the United States floriculture industry. My name is Rick Lee. I am President of Lee's Flower & Card Shop in Washington DC. I also serve on the DC Chamber of Commerce, the Mid-City Business Association, the Washington, DC Convention & Tourism Corporation, and the Cultural Tourism Roundtable. We have been a member of the Society of American Florists (SAF) for over 40 years. I am very pleased to have this opportunity to tell you my story, which may well be typical of many other small businesses across this nation.

The Society of American Florists is the national trade association representing the entire floriculture industry, a \$19 billion component of the U.S. economy. Membership includes about 10,000 small businesses, including growers, wholesalers, retailers, importers and related organizations, located in communities nationwide and abroad. The industry produces and sells cut flowers and foliage, foliage plants, potted flowering plants, and bedding plants.

Lee's Flower and Card Shop is a family-owned business, which was founded in 1945 by my father and has been in business now for 62 years. We are a full-service retail florist to the Washington community, providing fresh flower arrangements for all occasions. Our shop also maintains a large inventory of fresh-cut flowers, plants, European dish gardens, silk and dried arrangements, pottery, gourmet and gift baskets, accessories, and greeting cards. As a family-owned business, we pride ourselves on our service both to our customers and to our community. In fact, I am proud to say that community service is a family tradition started by my parents, Winnifred and William Lee, who were the store's only employees when it opened, in 1945. I founded the neighborhood's first Jaycee chapter in 1968 after the assassination of Martin Luther King Jr. that year. My daughter Stacie donates significant time to at least five civic and charity groups and recently was inducted in the American Academy of Floriculture (AAF), a select group of florists chosen by the Society of American Florists for their dedication and passion for service to the community.

We have seven full-time employees, plus many part-timers on a weekly basis and more at holidays and special events. Given my strong convictions on service and giving, it is particularly frustrating to not be able to offer health care coverage. I want to have everyone covered under health care.

At the outset, I want to thank Chairman Velazquez for her ardent support of Association Health Plan legislation, which I believe could have helped small businesses with access to affordable health care by creating a pooling mechanism that would have created a far more effective system than current situation. Unfortunately, that good legislation did not

make it through the legislative process. I also thank the other members of this Committee who have been particularly supportive of the need for health care reform for so many years. Thank you for holding this hearing and once again being the voice of small businesses in the halls of Congress.

I understand that your goal today is to examine the challenges small businesses face in providing health insurance coverage to their workers. I am familiar with some of those barriers to providing health care -- such as the issue of costs -- as well as other obstacles small enterprises like mine face in obtaining and maintaining health insurance in the small group market.

I have no particular expertise that would allow me to provide you with suggestions for how to fix the broken health insurance market, but I don't have much good to say about the current market. I can tell you my story and I can tell you that the system as it is now does not speak to the needs of small businesses and their employees.

Our country's employment-based health care system is a voluntary system -- employers are not required to provide health care coverage to employees, nor is the employee required to purchase employer-based coverage when it is offered. However, saying we aren't required to provide health insurance may be true -- but in order to compete in finding and keeping good employees, we really have to be able to offer health care and other benefits. I want to be able to provide health insurance because I care about my employees and because I want to offer them what they need, to keep them with me.

There was a recent poll reported by HR News that demonstrates the importance employees place on health insurance: According to that poll of 1,200 U.S. adults age 18 and older, **84 percent say health insurance is the most important factor in choosing a job**. So saying offering health care is voluntary may be true, but in reality it is a benefit that is necessary for a business to succeed.

The biggest enticement (other than salary) in our repertoire of tools to attract and keep employees is benefits. The most important benefit is our ability to offer health care. Our businesses are in danger because we have to provide health care and other benefits in order to keep our staff, and we are increasingly not able to do that, because of the rising costs. I ask you, Congress, to act this year to pass legislation to address the issue of access to affordable healthcare.

Cost is the Barrier

Small retail florists are competing with other businesses for a limited number of qualified employees. The competition is fierce. We need every advantage to be able to attract and retain reliable, responsible and valuable employees. Losing any employee for whatever reason involves more costs and lost productivity and increased burdens on other employees. A new employee has to be trained, has to get to know the way things work in our shop and get to know our customers. Training is time-consuming and the costs of rehiring and training can put a burden on owners who already wear a multitude of hats in running their small business. Most owners are also floral designers spending hours at the

design table daily, but also doing payroll, monthly paperwork, paying bills, ordering fresh flowers from wholesalers, sweeping the floor and taking out the garbage.

There are very limited health care options for small businesses in the small group market. I believe that cost is the biggest impediment to employers offering health care options, or even health care insurance at all. I can talk to you about cost. The truth is I employ workers with relatively modest wages. I need to be able to buy an adequate benefit package that meets the needs of all my employees and is affordable.

Right now there don't seem to be any options at all in the market for me. I know from talking to others in my industry, that small businesses in many states are faced with limited choices even when it comes to selecting a health insurance carrier. When I was in the market for insurance, I had to rely on agents and brokers to help me choose a plan, and some agents didn't want to deal with me because my company was so small. I think that is one of the major problems: I can tell you first hand that small businesses do not have the same market advantages that large businesses do. Small businesses have no negotiating power. So even if we can purchase insurance, if a year later we've had one or two expensive claims, the premium costs go up by double digits and the out-of-pocket costs go up too. Wages don't go up the way premiums do – and as a result, employees opt out of coverage.

As a small employer I cannot pay for the cost of coverage in full for my employees. The last time I attempted to purchase insurance and offer it to my employees I had to ask them to pay 25 percent of the premiums. It was the best deal I could get in the marketplace that was affordable and provided adequate coverage but even then the younger ones decided it was not viable for them. They said they'd rather roll the dice, pray and cross their fingers that they don't get sick or injured.

Our workforce spans a range of ages from 20-year-olds to a driver in his '60s. They want and need different things in a health plan. I have the twenty-year-old employees who are perfectly healthy and I also have a 60-year-old driver with a chronic condition. I need to be able to find a policy that provides adequate coverage but is affordable and responds to the different needs of my workforce.

Right now one of my long-term employees, who has been with us for 26 years, is one of our drivers. He just couldn't afford coverage, and recently had an incident. He was treated in the emergency room and couldn't pay, so he has had his wages garnished.

Another example is one of my employees who became pregnant. She couldn't afford the health care, so she went on public assistance.

If employees don't get affordable coverage through their employer, they certainly are not going to hunt for coverage in the nongroup market where the costs are out of reach for these workers. It is far too expensive. The outcome is that the small business owners and the small business employees, who don't have a spouse who is covered and can carry them on their policy, are not covered by any health insurance.

My two daughters also work in the business - both have spouses whose employers provide coverage, so they are covered. My wife retired from Verizon a number of years ago and I receive health insurance on her plan. Unfortunately, my other employees have few options for health insurance coverage. Three of them have a spouse, but that spouse's employer does not offer health insurance.

The fact is that the uninsured do get health care and it adds to the cost of insured individuals and companies because the costs are included in the high insurance premiums they pay, which creates a vicious circle. The higher the costs, the more workers are shut out or priced out of the system. Having uninsured workers, has an impact on everyone who is insured.

Attached to this statement are two more examples of what the reality is for others in the floral industry.

I am told that since 2000, the number of Americans without health insurance has steadily increased. According to most recent Census Bureau survey, the number of uninsured rose from 44.8 million (15.3 percent) in 2005 to 47 million (15.8 percent) in 2006. The problem of the uninsured is most acute among small businesses, For one thing, small business pay on average 18 percent more in premiums than the large firms -- for the same health insurance benefits. On average, probably 2 out of 5 small businesses do not offer health insurance. This means that a substantial percentage of small business employees are without employer-provided health coverage. And based on my experience, I think that probably a substantial percentage of those employees are without ANY coverage at all, relying on emergency room care or having their wages garnished or having to go on other public assistance. That raises all of the cost of health care for the rest of us.

There is little doubt that our national health care system needs to be reformed. The number of uninsured Americans continues to increase along with the cost of health care. Unsurprisingly, the issue of health care is one of the top concerns for individuals, families, and both big and small business.

Conclusion

I hope that my sharing with you these experiences with trying to provide health insurance as a small businessman has been helpful to the Committee in understanding both the importance of my ability to do this and the urgency that Congress create solutions to this problem. At the bottom of my submitted statement is a brief compilation of some of the horror stories from my fellow retail florists. Please find a way to expand the availability of affordable health care coverage. It is probably the number one problem facing small businesses, and their employees, today.

Retail Florist Stories on Health Care Coverage

Karen Fountain, Flowers 'n' Ferns, Burke, VA

Ours is a small shop located in Burke VA that has been in business for thirty years, since 1978. We had been fortunate in our business that all our employees had spouses who already had jobs where the employer offered health insurance. All of our employees were covered by their spouse's plan so I had not had to face the small group market for many years. Then everything changed when one of my designers who had been with me long-term (ten years) had to leave Flowers 'n' Ferns. Her husband was employed in the trucking business, but lost his insurance and due to an accident could not get new coverage because it was unaffordable. His wife, my designer, was forced to leave a job she loved to find employment that offered health care as a benefit. She has no choice and I had no power to keep her. It was a lose-lose situation for both of us. I myself had been covered by my husband's policy. Again everything changed when he transitioned to being self-employed earlier this year. We managed to find a policy in the small group market but we are paying "an arm and a leg" for that coverage.

Carole Inslee, Randy's Flowers, Culpepper, VA

I, (Carol) wear many hats on a daily basis. In addition to being an AIFD designer, I also do the daily ordering, I sweep the floor, water plants, answer the phone, wait on walk-in customers and empty garbage cans. We have no support staff. I also have the added responsibility of monthly paperwork. We are open 6 days a week. We employ 3 designers including myself and the owner, Randy, and one full-time and one part-time driver. We provide our full-time employees health coverage paid in full, a week vacation after one year and a 401 K. By far after wages, health care costs are our second biggest cost but we must be able to offer health care coverage. People won't even consider working for us if we don't offer health care.

Unfortunately this year our premiums increase 40 percent – because Randy, the owner, turned sixty. That magic age was reached and we were not able to negotiate a more reasonable rate despite the fact that most of the medical use was for well-checks and medication. Our employees work hard and why should they be forced to pay more for prescriptions or pay more out of pocket simply because the owner turned 60? It is so hard to find good, qualified employees. We absorbed the cost, but it is difficult financially. However, having to lose one of our drivers would be worse. He is reliable, mature and very informed and efficient. He cares for the vehicle and can handle any situations. I don't have to worry about him. If he were to leave, I'd likely have to hire a younger person who has no experience and someone whom I have to monitor closely. Right now I can offer my current employees what they need in benefits -- but chief among them is health care. I worry about what's going to happen in the future.