

**Testimony
of
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on behalf of the
U.S. Women's Chamber of Commerce**

Before the House Small Business Committee

**Health Care Reform in a Struggling Economy:
What is on the Horizon for Small Business?
February 4, 2009**

Chairwoman Velázquez, Ranking Member Graves, Members of the Committee. I am here today as a member of the U.S. Women's Chamber of Commerce representing our 500,000 members and the millions of American small businesses who are struggling to provide health insurance for themselves, their families and their employees.

Thank you for providing me the opportunity to share with you the challenges I have had as a small business owner in securing and using health insurance for myself, my family, and my employees.

I am a small business owner, a lender and a certified public accountant from Southern Florida. My company, Southeast American Financial Group, Inc. is owned and operated by my husband and myself. Together, our combined banking and financial services experience totals over fifty years. We have guided and assisted our clients in expanding their business operations, purchasing their company's locations, investing in multifamily, office buildings, shopping centers and strip shopping centers.

Through the years, I have employed as many as a dozen employees and subcontractors. However, during this economic downturn, my husband and I have reduced our staff to one full time. and one part time who is covered by medicare. The cost of health care is extremely expensive for small business owners making it very difficult to afford, especially during the current economic crisis. The costs have risen so much, that it is simply becoming cost prohibitive to maintain. But, it is also difficult for me to get and keep quality employees if I am unable to provide a good health insurance benefit.

Currently, I pay fifty-percent of the monthly health insurance payment for my employee. Since the employee is currently healthy, it might seem like an HSA would make sense to help keep the costs down, but what happens if they run into a major health issue early in the year before they are able to save any part of their deductible? These high deductible solutions are fine for those who do not incur a health problem, but can pose big problems for those who do incur a sudden health problem. And, for small businesses like mine, it is very important that our employees get the health care they need so that they can proactively manage their health, and be available for our business needs.

Like many husband and wives who work together in their businesses, my husband and I have to purchase individual policies instead of a family policy because we both work in the same company. In 2007, the insurance coverage for my husband and I increased to approximately \$1,400 per month. In order for us to continue to carry insurance, I had to switch my company to a high deductible HSA policy.

My husband and I now pay \$881 monthly for health insurance coverage. However, I have to cover the first \$3,000 of my expenses and my husband has to cover the first \$3,000 of his expenses. While our policy is supposed to cover preventative for primary care physicians and specialty care physicians, we have found that the insurance company almost always finds a way to exclude something and stick us with a co-pay. Additionally, we are responsible for our prescriptions until we each exceed the \$3,000 of our deductibles.

The health insurance costs are more expensive for a woman of child bearing age as compared to her male counterpart of a similar age even though she may be healthier than her male counterpart. This should not be the case. But, due to the high costs involved, many women who purchase insurance policies are opting to exclude the pregnancy option so they can obtain an affordable policy. In addition, after the age of 40 insurance costs increase significantly even though you may not have any medical issues.

The families of small business owners really bear the brunt of the inequalities in our health care system that is heavily skewed in the favor of big business. Before owning my business, I worked for larger businesses. During this time, I had a more affordable family policy – which also covered my husband. Because I am younger and healthier, our coverage was cheaper because it was issued to me as the primary.

My husband had a retina detachment followed by a macular hole that developed in his eyes in 2004. The bill was in excess of \$80,000. However, the insurance company only had to pay about 25% of the street price (based on its discounted arrangements with the hospital). I believe that if the hospitals can afford to discount that much for the insurance companies, why is it that their services have to be priced at such exorbitant sums for the cash paying customer who in most cases cannot afford to pay the astronomical bills?

If we could reduce those costs to a more reasonable amount, it is likely that more bills would be paid to hospitals. It is situations like these that make it necessary to have insurance to avoid the astronomical bills that can ensue from an unexpected issue.

While the insurance companies collect these large sums, only a fraction of what we pay goes to the doctors and hospitals. The bulk of the money appears to be spent on operations and compensation to the insurers.

My doctor recommended that I do a colonoscopy for preventative purposes. Prior to setting up the procedure, I verified with my insurance company that the procedure would be covered one hundred percent as a preventative procedure. During the procedure, the doctor discovered that my colon was working too hard and stated that I needed to add more fiber to my diet and drink more water. Consequently, my health insurance company determined that the procedure could not be classified as preventative and charged me \$562.50.

While we currently have health insurance, with a declining business climate, and a declining stock market, it is extremely difficult to continue to afford the high premiums. We are forced to secure expensive individual policies. Individual policies and small groups pay disproportionate premiums as compared to their big business counterparts as we do not have the bargaining power of the company with a large number of employees.

What Are the Solutions?

We need to put health care back in the hands of the doctors instead of the insurance companies who dictate what you can and cannot receive even though it may be medically necessary to save your life. There are too many health insurance plans with too much fine print and exceptions. It is hard to even understand what one is purchasing. There needs to be more clarity and an easier way to know what you are getting. Health insurance companies shouldn't be able to wiggle out of paying for health care services. The restrictions should be lifted as to what doctor or hospital that you may be able to use.

Small businesses should be allowed to pool together and be allowed to purchase insurance under a national group umbrella policy. This should lessen the costs and at the same time afford quality coverage to smaller companies who now are forced to buy coverage as individuals. Provide tax credits to allow small business who would like to purchase coverage but cannot afford to do so. Remove the 7.5% of AGI threshold on claiming medical expenses on schedule A of the income tax return. Do not mandate that they have to provide coverage because if they are struggling to survive that would further destroy them.

In regional areas where hospitals receive funds to provide care to lower income individuals, outpatient clinics should be created where patients could go to receive preventative care as opposed to only going to the emergency room when they are really ill. Employees who are unable to afford the higher insurance costs could pay a monthly co-pay of \$100.00 into a fund from which the hospitals could be paid. This would reduce health care costs as the employee would get regular screenings and be taken care of before becoming ill.

Insurance could be divided into medical and catastrophic care. Individuals could be allotted tax credits that would allow them to pay their medical costs directly to their doctor and then they could purchase insurance coverage for surgery and other catastrophic illnesses.

It's time to end the stranglehold health insurance companies have on American citizens. Small business owners and their employees have been forced into paying exorbitantly high premiums, risking high deductibles, and then nickel and dimed by insurance companies. We need to wrestle the control of our health out of their hands and put it back in the hands of individuals and doctors. Get rid of endless administrative overhead which is often aimed at finding ways to not pay for care. Help American small businesses to pool together to leverage our scale and bring the costs of care down.