

STATEMENT FOR THE RECORD

BRADLEY L. THOMPSON, II

INLAND PRESS

and

PRINTING INDUSTRIES OF AMERICA

BEFORE THE

HOUSE COMMITTEE ON SMALL BUSINESS

“Common Ground: Finding Consensus on Health Reform,  
the Small Business Perspective”

*Introduction*

Chairwoman Velazquez, Ranking Member Graves, and members of the Committee, good afternoon and thank you for inviting me to testify before you today on the critical issue of health care reform and the need to consider common-ground solutions from a small-business perspective.

My name is Brad Thompson and I am the President of Inland Press, a Detroit, Michigan-based company engaged in both the commercial printing and the newspaper businesses. I am also here today in my capacity as Labor Policy Chairman of Printing Industries of America, the world’s largest trade association

representing the printing and graphic communications industry. Printing Industries is proudly headquartered in Sewickley, Pennsylvania, in the district represented by a member of this Committee, Congressman Altmire. While there are a few very large, global corporations in our industry, the vast majority of printers are small businesses.

My testimony today is in two parts. First, I will highlight the health care challenges both Inland and the printing industry face. Second, I will make recommendations on policies I hope this Committee and Congress will consider as the health care reform debate moves forward.

### *Part I*

#### *Health Care Challenges: Printing Industry & Inland Press*

The printing industry has long been one that provides quality health benefits to its workforce—which numbers 970,000. Nearly 97 percent of printing companies provide health benefits. Approximately 14 percent of companies provide retiree benefits. I would add that nearly 70 percent of companies offer dental plans, and a quarter offer vision benefits.

It's no surprise then to learn that printers—especially small printers and especially in the current manufacturing economy—are reaching crisis points as they struggle to pay increasing health benefits costs. Printers are spending

currently about \$250 per month per worker to provide single coverage and about \$600 per month per worker for family coverage. Inland's costs are much higher; we pay \$586 for single coverage and nearly \$1,600 for family coverage.

Workers in our industry are paying more than ever before, too, with employee contributions ranging from about \$90 to about \$350 per month. Once again, Inland absorbs more of the employee costs; our workers pay only \$55 to \$70 per month. And the cost increases keep coming ... Recent data shows the industry's average annual cost increase for health insurance premiums averaged over nine percent. For printers with fewer than 20 employees, that number is in the double-digits. By way of comparison, the New York region that you represent, Madame Chairwoman, saw a 10½-percent annual increase most recently. Ranking Member Graves, the Midwest breathed a little easier with about a six-percent average increase ... but I wish I knew exactly where in the Midwest that was—it wasn't Michigan, I can assure you ... which brings me to Inland Press's particular pain points ...

Inland Press has been in operation for 114 years; I'm proud to say we've offered health insurance to our workers since 1934. Today, we employ 115 full-time employees, 25 of whom are union workers. We provide full family coverage to all of these workers.

While health benefits are certainly a tool to attract and retain a qualified workforce, I must say from the outset that many small business owners feel a moral obligation to provide health insurance to employees. I certainly feel that way. As I mentioned, Inland employs both union and non-union workers. Clearly, the labor agreements include health benefits at a pretty rich level. At Inland, we've always felt a keen responsibility to try to keep our office folks—our non-union workers—on par with their union co-workers. Since we can't do this through wages, providing full family health insurance coverage has been the way we've managed to achieve a sense of fairness in compensation. It's becoming increasingly harder to do.

In April, I received our annual health insurance renewal and—as I now expect—our premium increase was over 10 percent: 11.6 percent to be exact. To put this in a historical perspective, in April 2003, Inland's costs to provide health benefits averaged \$4.86 per employee per month; this year it will be nearly \$9.00. These annual increases have real consequences—namely, I've been telling all of my department heads, “Do not even consider hiring another body.” And this was before the economy tanked. It's a front-end-loaded cost that Inland simply cannot absorb. As a manufacturer in a state with the nation's highest rate of unemployment, this is devastating.

In 2007, we paid more in health care premiums than the printing company earned in profits. We're a publicly traded company, and this did not please the shareholders. Like most employers, we've tinkered with adjustments in higher co-pays for prescription drugs and doctor's visits, but we're at the point where minor adjustments aren't enough—real reform and solutions are necessary. I'd like to comment on four policy solutions that I hope this Committee and Congress will keep in mind as comprehensive health care reform is considered.

## *Part II.*

### *Pooling*

The first is the concept of “pooling.” The idea of small companies pooling together to achieve greater scales of economy is valid. And it works. Many of my peers in California and Maryland still enjoy the benefits of in-state pooling plans—the MEWAs of the past; their costs and ability to maintain coverage for the workers is much more manageable than printers in other parts of the country. These are small models in somewhat of a vacuum, but they demonstrate success that I hope will be expanded throughout the country. I'm pleased to know that the leadership of this Committee supports a version of the pooling concept, and I encourage you to keep the discussion alive. I do have concerns about the state-mandate quandary small printers face as we seek to purchase health insurance. I

believe that if my peers and I could pool geographically rather than be limited by state boundaries and overwhelmed by the lack of parity in mandated benefits, we would see fewer uninsured and underinsured small business employees in this country.

### *Tax Credits*

I understand that providing tax credits to small businesses as an incentive to provide employee health benefits is a proposal attracting much attention—and it's one that my industry and myself can really get behind. Connecting tax credits to the implementation of wellness programs is also a good idea. As we know from various studies, including a 2003 Department of Health & Human Services (HHS) study, such programs can have a significant return on investment. As Congress considers the manner in which these tax credits would be offered, I urge consideration of the following points:

- 1) Number of Employees: In determining eligibility for a small business tax credit, there will be some kind of cap on number of employees. I've seen 100 as a number proposed. While that would be an incentive to many printers, not all small printers would be eligible. For example, Inland would be "over" by 14 bodies. I urge the Committee and Congress to increase this number to 250 to encompass as many small firms as possible. We certainly

don't want a situation where printers are afraid to grow for fear of losing this tax credit.

2) Wellness Programs: In determining a wellness program connection with a potential tax credit, it's important to consider the cost and administrative burdens such implementation might provide on small firms. The tiniest printers may not have the resources to implement a program and are often the ones most in need of a tax incentive to provide health benefits. Others face operational hurdles. At Inland's newspaper business, I have 60 employees spread out over 10 locations in Michigan. Depending on how a wellness program is designed and certified by HHS or another body, such operational structures may make it challenging to be eligible for the tax credit. There's probably a solution, and I hope these types of practical questions will be considered.

3) Hours of Workweek: Establishing eligibility by a minimum number of hours worked per week is another factor to consider when designing a tax credit. A 2007 International Foundation of Employee Benefit Plans study cites that the majority of employers use a 30-hour workweek as a cut off for health insurance eligibility, so I would encourage the same standard to apply in legislation governing tax credits.

## *Increase Options, Competition, and Flexibility in the Health Care Marketplace*

Another area that I hope Congress will consider is the need for increased competition and products offered in the health care marketplace. It's key that both owners and workers at small printing companies have flexibility and choice in what insurance best fits their needs and budgets.

Health Savings Accounts (HSAs) are a great example of one of these tools. Approximately 12 percent of printers offer HSAs to their workers; of those that are, the firms contribute between \$500–\$1000 to help fund an employee's individual account. At Inland, our union plan is an HSA model. It may or may not be what we use in the future, but the option is there, and that's the key. I know that not everyone in Congress sees eye to eye on HSAs; some want to expand HSA adoption while others seek to make it less attractive, but I encourage the members of this Committee and Congress to support the concept of options and flexibility—including HSAs—to promote the ability of small businesses to provide health insurance. When it comes to competition: more, more, more. I for one will spend the time to shop around if there is a robust small group market.

## *Government-Mandated Health Insurance*

The three policy suggestions I've given are positive ones, but I'd be remiss if I didn't address one proposal about which most small printers, including me, are

very wary—and that is the idea of government-mandated health insurance. I've indicated that the printing industry has a fantastic rate of providing benefits to workers, so you may wonder why we would be concerned about the mandating of coverage. Whether it would be state mandates, mandated minimum levels of coverage, or pay-or-play structures, there is a real concern about cost increases outweighing the noble goal of insuring more Americans. It also creates serious barriers to entry for very small and start-up printing companies.

### *Conclusion*

Again, thank you for holding today's hearing and for inviting me to testify before the Committee. I look forward to answering any questions you may have.