

Threat to small business

The following is written testimony prepared for delivery by Art Cullen, editor of The Storm Lake Times, to the Senate Health, Education, Health and Pensions Committee hearing on Small Business and Health Insurance on Tuesday, Nov. 3 in Washington, DC.

My brother, John, founded The Storm Lake Times in June of 1990 to make a difference in the community that reared us. He did not start the hometown newspaper to administer a health insurance plan and cover its escalating costs.

He started the newspaper with a small inheritance from our mother and an extra mortgage on his house. John believed that every employee should have health insurance and provided it. The Times paid the employee cost, and the employee was responsible for the family share. Back then, the family package was about \$200 per month. Now it is more than \$900 per month, with greatly decreased benefits.

The Times has grown from zero circulation to about 3,300 paid circulation, twice a week, with 12 employees. We have our own press and production facilities.

The Storm Lake Times now pays nearly \$50,000 per year for health insurance coverage. That's almost as much as we pay for newsprint.

Were it not for such high insurance costs we could add more employees and help to grow our local economy, plus publish an even better newspaper.

Our rates doubled when one employee, previously bankrupted by medical bills, had a kidney transplant in 2005. Rates have gone up by double digits every year since. We

cannot switch insurers because of employees with pre-existing conditions (cancer, diabetes, back surgery). And even if we could get around pre-existing conditions, one health insurance company controls about 85% of the local market.

To cope with increasing costs, we have accepted a \$5,000 deductible on services provided by a hospital. Therefore, a cancer patient who needs to have a shot has a choice: have the shot done in Storm Lake at the hospital and pay \$2,500 out-of-pocket, or drive to Sioux City and pay \$25 for the same shot from the same doctor — in a clinic, and not a hospital. The same problem arises for many routine preventative types of tests — mammography and colonoscopy immediately come to mind. Each would be covered by health insurance if offered at a clinic. If offered by Buena Vista Regional Medical Center, a colonoscopy would cost about \$3,000 out-of-pocket.

(Buena Vista County has the highest rate of fatal colorectal cancer in Iowa, possibly because of low screening to catch it early.)

Health reform will help small rural critical access hospitals like ours. Rather than having all that money flowing to Sioux City an hour away, we would have our services performed right here in Storm Lake. It would be a revenue boon for rural hospitals.

Wellmark, the leading insurer in Iowa, already announced an 11% rate increase next year for state employees — a far larger and more stable pool than ours. We anticipate that our rates will rise at least that much. We cannot “pass the cost” to consumers through subscription or advertising rate increases. Extra costs will come out of our business’ bottom line, or out of our employees’ pockets.

Buena Vista County has an average household income of \$36,000 per year. The cost of most insurance plans — Cadillac by no means, more like a Hyundai — offered locally thus accounts for about a third of that household income. Hence, housing and health insurance costs consume about two-thirds of a working family's income in our rural, agricultural economy.

We need more insurance competition in the rural marketplace by knocking down state cartels. We need fair compensation for rural physicians, who are losing ground to their urban and specialist peers as costs ratchet down on providers. It's tough enough to recruit local doctors without discounting their pay. We need to maintain federally subsidized Community Health Centers, an important front door to the health care system for workers in the meatpacking industry, which dominates our local economy. We need to be able to switch health insurance companies or agents, which we currently cannot. We need to provide mechanisms under which the insured can get low-cost preventative tests such as mammographies or colonoscopies. We need to know that a single health catastrophe will not bankrupt us and bring down everything we have worked for over the past 20 years.

We want to invest in our business, and thus in our community with a thriving local newspaper that brings a community together. Rising health care expenses represent a significant bar to that dream.

Thank you.