



U.S. Senate Committee on Health, Education, Labor and Pensions
Subcommittee on Primary Health and Retirement Security
Roundtable on "Small Business Health Care Challenges and Opportunities"
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Chairman Enzi and Senator Sanders, thank you for the opportunity to participate in today's roundtable to discuss the experience of small business owners purchasing coverage in the small business health insurance market. My colleagues and I at the Main Street Alliance, a national network of small business owners, proudly supported the passage of the Affordable Care Act. Today, I am eager not only to discuss how the law currently works for small business owners, but also to discuss how the law should be developed to ensure that it works for all small business owners.

What is the current status of the health insurance market for small businesses; specifically plan options and costs in the small group market?

Let me start by reiterating that I am a strong supporter of the Affordable Care Act and believe that the ACA is an important and crucial step forward for millions of Americans in gaining access to affordable healthcare coverage. Today, I'm here to discuss the ways in which I believe that the ACA should be improved to strengthen the program for small business owners.

Small business owners' experience in the small business market varies from state to state. From our perspective as a New Jersey company, we purchase health insurance in the small group market as we always have, through an agent. There is little appreciable difference between now and before the ACA in terms of options. There are many plans available to choose from and there is the same confusing, arcane language in the policy documents and in how the various plans are presented. That makes meaningful comparison among the plans almost impossible beyond the most basic considerations: premium cost, co-pays, deductibles and maximum annual out of pocket costs. As a small company with tight margins the first consideration is always premium cost.

Premium Increases. Premium increases over the previous 2 renewals, 2013/2014 have been in the neighborhood of 10 to 15%. That said this year's is down about 2% and we reduced deductibles for the individual to 2,000 from 2,500. That did come with an annual increase in total maximum out of pocket from 5,000 to 6,000 per individual and 12,000 per family.

Age Banding. There was an initial "shock" when the new price schedules were implemented using age as the determinant factor of premium rates. In that initial adjustment we had the biggest rate increase in some time as a result of our older population of employees participating in our plan. As I recollect that was around 18%.

Weak Rate Review. New Jersey does not have a strong rate review process nor does the federal exchange that serves New Jersey. It would help consumers like me if a strong rate review policy were set in place. Strong rate review has helped dampen down premium increases elsewhere. The ACA review process is weak. It only requires insurers to file rates if they exceed 10% and then it has no enforcement. A

rate review where the exchange could deny rates before they are used would be much more useful.

Active Purchasing. Furthermore, the exchanges are not what we call “active purchasers.” They do not negotiate price and quality on behalf of the consumers. All exchanges should be required to do this.

Premium Aggregation. Some exchanges around the country are abandoning premium aggregation. This is an important tool for small businesses because it permits us to send premium dollars to the exchange and they pay the insurers. This eases the administrative burden. It appears to be a technology problem in some exchanges and it needs resources to fix it.

Increase Competition. One other thing would help with cost – very robust competition. I talk to my fellow small business owners around the country and discover that many of the SHOP exchanges have very little competition. Insurance companies that offer in the individual market should be required to offer in the SHOP exchanges also.

What tools and options are available and useful for small employers to offer some assistance to their employees?

This is a difficult question to address. There is more information than ever available to anybody with enough time to investigate the available plans in their respective areas. In New Jersey with its high density, well-off population, the market is relatively rich affording options on the individual market that did not exist prior to the ACA through the exchange. But choosing a plan can be a daunting experience, filled with uncertainty and anxiety. Thankfully the comprehensive consumer protections I mentioned previously are in place to reduce the actual risk to individual consumers.

Tax Credits. It would help enormously if the small business tax credits were available to more small businesses. Currently only those with under 25 employees qualify. This should be expanded to at least 50. The salary limitations also should be increased. Small businesses want their employees insured and better credits would be a great help.

Cost of Older Dependents. We recently had our oldest employee move to Medicare. His younger wife could no longer be covered under our plan. In the exchange they were able to purchase a slightly higher quality plan, lower deductible, lower co-pays, for about \$50 more per month than the coverage she had under our plan. Medicare with part D and the additional supplements making his coverage complete, saved us enough in premium cost to raise his compensation to cover his additional out of pocket expenses and his wife’s coverage, while saving us about \$200 per month.

What has worked, what hasn't worked, and what policy recommendations do you have for the Committee?

From my perspective, the ACA has been an incredibly important program for individual consumers. It's time to take the next step and ensure that the ACA also works for small business owners and their employees.

In terms of next steps for improving the ACA, there are a number of things that might be done. Repeal is not one of them. Nor is a piece-by-piece alteration of the law that will have the same effect as repeal. Congress must act to restore faith that changes to the ACA come by way of improving access to care and by means resulting in affordable quality health care, not political victory laps.

Let's start with what is working. The consumer protection and community rating provisions of the ACA have been a success and must be preserved.

Consumer Protections. New Jersey's robust consumer protections prior to ACA, including EHB's and no exclusion for pre-existing conditions, made cost increases in our market tolerable. The uniform consumer protection standards contained in the ACA for health insurers, along the lines of New Jersey's, is a critical piece of the ACA that cannot be tampered with. No lifetime limits and no exclusions for pre-existing conditions are cornerstones of increased access and financial security and should not be altered as well. These features along with the MLR have had the expected effect of containing both premium increases and cost shifting by providers. This along with other features of the ACA is working to decelerate the rate of health care cost increases.

Community Rating. Another critically important piece of the ACA that must be preserved is Community Rating. Community rating is enormously important to small businesses. If a little business has a plan and an employee gets cancer or renal disease, we need to be protected from disaster. We also need to be protected from the simple process of aging. The community rating system should be improved by placing stricter limits on age banding.

Improvements to ACA. Now, I also believe that there are some basic policy measures that would dramatically improve the ACA for small business owners.

Tax Credits. As mentioned previously, Congress should expand the tax credits available to small business owners so that businesses with larger workforces or higher paid workers have access to those incentives. Currently these incentives are only available to business owners who employ 25 or fewer employees. This should be expanded to at least 50 employees. The salary limitations should be increased. Small business owners want their employees covered and better tax credits would help.

Require SHOP Participation. Insurers who participate in the individual market in a given state should also be required to participate in the SHOP exchange in that state. This would ensure much needed competition in the exchanges.

Rate Review. Congress and the states should implement stronger rate review, including “prior approval” policies.

Technology. More investment should be directed toward technological improvement in the SHOP exchange market places. This should be done in a way that eases the administrative burden for participating small businesses.

Active Purchasing. Congress should require that the exchanges become active purchasers who negotiate rates and quality for their customers. This is an important bargaining measure that ensures better consumer costs.

Medicaid Expansion. I urge you to do everything in your power to foster the expansion of Medicaid. This program undergirds the market by assuring that cost shifting is reduced and many at risk populations are covered. Our businesses draw their customers from the neighborhoods that surround them. If there are huge coverage gaps in those neighborhoods, we lose business. Not having Medicaid expanded is costing us all.

The ACA is the first major step toward providing universal access to health care, an as yet unmet goal of the reform effort. As long as access is determined by one’s ability to pay, whether at the point of service or in the purchase of insurance, our health care costs will continue to climb while quality and availability of care continues to decline. Voluntary charity care remains an inadequate alternative to mainstream access and that shortfall continues to contribute substantially to cost shifting and deferred care, leading to expensive and poor outcomes. We can do better.

I don’t live in a Magical Market Place where innovation and quality are always rewarded and fraud, abuse, incompetence and inefficiency are always weeded out. In the long run, the best way to ensure that the American healthcare system works for small businesses is to take the employer out of the health insurance provision business all together. Not by cutting people off, but by ensuring that everyone in American has access to quality care. Until every American has a card in their purse or wallet that guarantees access to a doctor- any doctor, anywhere, until emergency rooms only serve emergency patients and not emergency patients and the uninsured, I and my employees will pay too much for too little.

Our goal must be a comprehensive, all-inclusive health care delivery system in the United States. We should get on with it.

Thank you, Chairman Enzi and Senator Sanders. It has been a pleasure speaking with you today.

J. Kelly Conklin

J. Kelly Conklin 62, is founder and co-owner of Foley Waite LLC, an architectural woodworking firm with 11 full time employees as well as the principals, Conklin and his wife, Kit Schackner. Foley Waite fabricates cabinets, furniture, doors, paneling and moldings in a 13,600 square foot facility located in Kenilworth NJ. They work as sub-contractors on renovation projects of private residences serving a who's who of financial leaders, tech executives and celebrities, primarily in New York City. Averaged wages at the firm are \$45000 per year, Foley Waite pays 80% of health insurance coverage, and gross receipts were 2.1 million in 2014.

Conklin serves as a member of the Executive Committee of the Main Street Alliance and a steering committee member of New Jersey Main Street Alliance. He served for 14 years on the Glen Ridge Planning Board, leaving in 2014 as chairman. From 1998 to 2010 he served on the board of New Jersey Policy Perspective, a non-partisan New Jersey based think tank.

Conklin lives in Glen Ridge NJ with his wife and business co-owner Kathryn W. Schackner. He attended Rochester Institute of Technology, The School for American Craftsman. Conklin and his wife have a daughter 30 years old, Louisa Gray Conklin.