

**Small Business Testimony
House Health Care, Access & Affordability Committee
Representative Jim Raussen, Chair**

**Senate Health, Human Services and Aging Committee
Senator Kevin Coughlin, Chair**

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5:30 p.m.**

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Chairman Raussen and Chairman Coughlin, thank you for the opportunity to testify today about some current trends in health care and their impact upon small business. My name is Stuart Sharpe; I am President of Regional Reps Corp, a Cleveland based sales representative for Radio stations. I'm a small business owner, and a member of COSE, the Council of Smaller Enterprises. As a member of COSE's Board of Directors and its Advocacy Committee, I have been active in COSE's efforts in health care reform.

Much of our state's current and projected job growth will come from small, rather than large businesses. Unfortunately, we small business owners have a harder time providing health benefits for our employees than do large businesses. A major factor is small employers, and even groups like COSE, cannot spread the insurance risk across a large number of people in the same way big businesses can. Often this leaves us, and our employees, more vulnerable to higher premium rates and coverage instability.

In my company's case, our healthcare premiums are more than \$60,000 per year to cover 15 colleagues and our families. While the company has been able to cover about 85% of the premiums, each of us pays the balance of our premiums - - and up to several thousand dollars in deductible costs. Ten years ago, the company paid the total cost of coverage and the highest deductible liability was \$500, so the trend is clear. We're paying a lot more money, for less coverage.

As this committee surely is aware, the number of uninsured Ohioans continues to rise. According to the Ohio Hospital Association, 13% of Ohio's total population is uninsured - that number translates to more than the population of Columbus! Lack of health insurance is highest among young people, 20-30 years old. Clearly, lack of insurance is a serious problem for the uninsured who need health care. But it's also a problem for small business: providers recover some of the cost of caring for the uninsured by increasing the price of their services to our insurance companies that, in turn, increase our premiums

Small businesses also face higher administrative costs for providing health benefits to our employees. Lacking a large human resources staff employed by most large businesses, we small

business owners often use insurance brokers to handle the administrative duties associated with providing health benefits. Our insurers generally include fees for administrative costs and broker commissions with their premiums.

The effect of health insurance mandates has also impacted small business health care costs. Larger businesses and public entities do not have to adhere to mandates, we small business are required to pay for the coverage provided by these mandates - even for employees who neither need nor want the coverage. Large businesses, which enjoy the ability to self-insure, are not required to provide, or help pay for, these state-mandated benefits under the federal Employee Retirement Income Security Act (ERISA). Rather, they are subject to federal regulations that are generally less stringent than Ohio's regulations. The Council for Affordable Health Insurance estimates that mandates can add up to 10% to the cost of a health care plan. It is routine to see several bills introduced each session requiring more mandates to health insurance coverage. Two are pending in Ohio right now: autism and diabetes coverages.

Please understand: we are not opposed to specific mandates. We'd love every Ohioan to have the broadest coverage possible. We are opposed to the lack of consideration of the consequences of continuing to add mandates that only small businesses have to pay for. While most mandates on their own add only slight cost increases to a plan's premium, in the aggregate they add up. As premiums increase, small businesses are forced to reduce coverage, and/or increase the amount employees must contribute - or stop providing coverage altogether. The result: more Ohioans become uninsured.

If one of this committee's goals is to impact the cost of health care for small businesses in Ohio, insurance mandates should be a significant part of your investigation. Some states like Colorado, New York, New Jersey, Texas, and West Virginia, have begun allowing so called "mandate-lite" policies that enable consumers and businesses to purchase plans more suitable for their financial situation and health care needs.

The bottom line is that Ohio's small business owners do not have the resources on our own to gain greater purchasing power, lower our administrative costs, or even think about self-insurance. With many small Ohio businesses fighting to maintain a strong bottom line, rising employee healthcare benefit costs face increasing scrutiny. While Regional Reps employees are fortunate our company can provide affordable coverage for now, many other Ohioans are not so lucky: the Health Policy Institute of Ohio estimates 40% of our state's uninsured work in small businesses.

Even groups such as COSE, that allow small businesses to pool resources for some savings, are still negatively affected by the rising costs of health care. Ultimately, what needs to be done is increase the number of people in the health insurance pool and spread the risk among more participants, while lowering the underlying costs associated with inefficiency and lack of cost transparency in the health care system.

Incidentally, I noted with interest that Representative Armand Budish is preparing a proposal that would include a provision requiring all Ohioans to obtain health insurance. While I don't know the details, which is where the devil resides, I trust our elected leaders will study his idea, and others including those developing in California and Massachusetts and follow through with the hard work of improving the healthcare environment in our state.

Chairman Coughlin, Chairman Raussen and members of the House Health Care Access & Affordability and Senate Health and Human Services & Aging Committees, thank you for taking the time to visit Cleveland and to hear the thoughts of those interested in making health care more accessible for everyone.

I'm happy to answer any questions you may have.