

HEALTH CARE: CHALLENGES FACING PENNSYLVANIA'S WORKERS AND JOB CREATORS

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON HEALTH,
EMPLOYMENT, LABOR AND PENSIONS

COMMITTEE ON EDUCATION
AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

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HEALTH CARE: CHALLENGES FACING PENNSYLVANIA'S WORKERS AND JOB CREATORS

**Wednesday, February 22, 2012
U.S. House of Representatives
Subcommittee on Health, Employment, Labor and Pensions
Committee on Education and the Workforce
Washington, DC**

The subcommittee met, pursuant to call, at 1:00 p.m., Butler Township Administration Building, 290 S. Duffy Road, Butler, Pennsylvania, Hon. Phil Roe [chairman of the subcommittee] presiding.

Present: Representatives Roe and Kelly.

Staff Present: Casey Buboltz, Coalitions and Member Services Coordinator; Benjamin Hoog, Legislative Assistant; Brian Newell, Deputy Communications Director; Todd Spangler, Senior Health Policy Advisor; Daniel Brown, Minority Policy Associate.

Chairman ROE. A quorum being present, the subcommittee on Health, Employment, Labor and Pensions will come to order.

Good afternoon, everyone. First I want to thank the people of Butler, Pennsylvania for hosting today's hearing on the Health, Employment, Labor and Pensions Subcommittee. Thank you all sincerely for being here.

Second, allow me to extend our appreciation to the witnesses for being with us today. We are grateful for the opportunity to hear your thoughts and personal experiences on the very important issues of healthcare and job creation.

Over four years ago, our nation fell into the worst recession since the Great Depression. Businesses closed. Jobs were lost. Savings disappeared. And countless lives were transformed in the pain of the economic downturn. While we've had some modest progress in recent months, we still have a long way to go before we reach the height of prosperity our families, employers and workers once enjoyed.

Recently the Gallop Polling Company talked to a number of small business owners who said they weren't looking to hire any workers. And Gallop asked why. The vast majority expressed concerns about the state of the economy and poor sales. However, 46 percent of small business owners cited fear of government regulations, and 48 percent pointed to rising healthcare costs.

As a policymaker, these responses by our nation's leading job creators are startling, yet not unexpected. For too long some in Wash-

ington have viewed our economic crises as the political means to advance an agenda that ignores real challenges facing our nation. This disturbing trend over the last several years has destroyed virtually any sense of certainty in the economy, making it more difficult for businesses to grow and create jobs.

Perhaps the greatest example of this misguided agenda was the healthcare reform legislation signed into law in 2010. At a time when millions of Americans were looking for work and taxpayers were swimming in government debt, Democrats in Washington were advancing a multi-trillion dollar government takeover of healthcare. A lot of lofty promises were made in an attempt to win public support, yet the reality of such new healthcare law is one of broken promises.

We were told it would help lower healthcare costs. President Obama pledged in his plan to decrease insurance premiums by \$2,500 for the average family. Not true. The Kaiser Family Foundation reports that the average family health plan now costs more than \$15,000 thanks to a nine percent increase in costs just last year.

We were told if you like your current healthcare plan, you can keep it. Not true. The President's decision to force private employers including religious organizations to offer services that may violate their moral beliefs demonstrates that Washington is in control, and significant changes to our healthcare are inevitable.

Finally, we were told that the law will create millions of jobs. Again, not true. At the center of the Affordable Care Act are job-crushing mandates and regulations. Employers with more than 50 workers are now forced to provide expensive and government-approved health insurance. If they can't afford to, they face a fine of \$2,000 per worker except for the first 30 workers.

We've heard many employers—we will hear more today—describe the difficult choices they now face, choices between providing government-approved healthcare and cutting hours or laying off workers. It is clear the healthcare law is failing to adjust to the challenges facing our country. In fact, in many ways, it's making things worse.

I'm committed to repealing this government takeover of healthcare. Pursuing the right reforms and lower costs to workers will not undermine the success of employers. I know it's a commitment shared by Representative Kelly and many of our colleagues across the country as well. The questions we will ask today are: What types of responsible reforms will help reign in the cost of healthcare? How can we turn recent gains we've seen into long-term economic growth? And what do the people of Pennsylvania see as the challenges facing their state and country and where do they believe the road to prosperity lies?

I look forward to our discussion. Before I kick it over to Mike Kelly, let me just tell you who I am a little bit. I grew up in middle Tennessee on a small farm. The first home I lived in didn't have indoor plumbing or running water. The school I went to the first year of my life didn't have indoor plumbing or running water.

My dad was a union member. He worked for B.F. Goodrich making shoe heels in a factory and never made \$10,000 a year in his life until he died. My mother was a bank teller. I went to college

at Austin Peay, a small college in my hometown, worked my way through college, worked in medical school, served in the 2nd United States Infantry Division, took a small family to east Tennessee just to go work as a doctor and raise my family.

I've had the privilege of working in the medical school in Johnson City, Tennessee and growing our practice from four doctors to 87 and 350 employees. And the problem in America today is—and this is something that absolutely—when I got to Congress three years ago, I worked for 31 years practicing medicine. I'm an OB doctor. I've delivered almost 5,000 babies. Let me tell you it worked out pretty well making deliveries on the voters. I can tell you that. [Laughter.]

Chairman ROE. But I saw the cost of what was hurting America, being denied to my patients. The American healthcare system is the greatest in the world, but it cost too much money to go to the doctor.

Number two, we have a segment of our population that can't afford health insurance coverage. I've seen those patients in Appalachia where I live.

And, third, we have a liability crisis in America. We're going to be here today to discuss those things and listen to all sides of this. I'm really looking forward to this. This is not the first time I've done this.

We have been in Evansville, Indiana, really around the country. I'm a doctor that's been in Congress for three years. I'm not a career politician. Neither is Mike Kelly.

Now, without objection, I'll recognize Representative Kelly, a strong advocate on behalf of Pennsylvania's families and job creators.

[The statement of Dr. Roe follows:]

**Prepared Statement of Hon. Phil Roe, Chairman, Subcommittee on
Health, Employment, Labor and Pensions**

Good morning, everyone. First, I want to thank the people of Butler, Pennsylvania for hosting today's hearing of the Health, Employment, Labor, and Pensions Subcommittee. Second, allow me to extend our appreciation to the witnesses for being with us today. We are grateful for the opportunity to hear your thoughts and personal experiences on the very important issues of health care and job creation.

Over four years ago, our nation fell into the worst recession since the Great Depression. Businesses closed, jobs were lost, savings disappeared, and countless lives were transformed by the pain of a deep economic downturn. While we've made some modest progress in recent months, we still have a long way to go before we reach the height of prosperity our families, employers, and workers once enjoyed.

Recently, the Gallup polling company talked to a number of small business owners who said they weren't looking to hire new workers right now. Gallup asked: Why? The vast majority expressed concerns about the state of the economy and poor sales. However, 46 percent of small business owners cited fear of government regulations and 48 percent pointed to rising health care costs.

As a policymaker, these responses by our nation's leading job creators are startling yet not unexpected. For too long, some in Washington viewed our economic crisis as the political means to advance an agenda that ignores the real challenges facing the nation. This disturbing trend of the last several years has destroyed virtually any sense of certainty in the economy, making it more difficult for businesses to grow and create jobs.

Perhaps the greatest example of this misguided agenda was the health care reform legislation signed into law in 2010. At a time when millions of Americans were looking for work and taxpayers were swimming in government debt, Democrats in Washington were advancing a multi-trillion dollar government takeover of health care.

A lot of lofty promises were made in an attempt to win public support, yet the reality of the new health care law is one of broken promises. We were told it would help lower health care costs. President Obama pledged that his plan would decrease insurance premiums by \$2,500 for the average family. Not true. The Kaiser Family Foundation reports that the average family health plan now costs more than \$15,000—thanks to a nine percent increase in cost just last year.

We were told if you like your current health care plan, you can keep it. Not true. The president's decision to force private employers—including religious organizations—to offer services that may violate their moral beliefs, demonstrates that Washington is in control and significant changes to our health care are inevitable.

Finally, we were told the law would create millions of new jobs. Again, not true. At the center of ObamaCare are job crushing mandates and regulations. Employers with more than 50 workers are now forced to provide expensive and government-approved health insurance. If they can't afford to, they face a fine of \$2,000 per worker (except for the first 30 workers). We've heard many employers, and we will hear more today, describe the difficult choices they now face, choices between providing government-approved health care and cutting hours or laying off workers.

It is clear the health care law is failing to address the challenges facing our country. In fact, in many ways, it is making things worse. I am committed to repealing this government takeover of health care and pursuing the right reforms that will lower costs for workers while not undermining the success of employers. I know that is a commitment shared by Representative Kelly, and many of our colleagues across the country as well.

The questions we will ask today are: What types of responsible reforms will help rein in the costs of health care? How can we turn the recent gains we've seen into long-term economic growth? What do the people of Pennsylvania see as the challenges facing their state and country, and where do they believe the road to prosperity lies? I look forward to our discussion.

Without objection, I will now recognize Representative Kelly, a strong advocate on behalf of Pennsylvania's families and job creators, for any opening remarks he wishes to make.

Mr. KELLY. Thank you, Doctor. I appreciate that. Today's hearing is timely and important. I think it's critical for members of Congress to get outside the Beltway and hear from the men and women whose lives are affected by policies advanced in our nation's capital.

The recent recession ended almost three years ago, yet we continue to struggle through a very difficult time in a sluggish economy. Our state needs jobs.

We've been fortunate to experience modest progress recently as more Pennsylvanians are working today than a year ago; however, this progress still does not make up for the devastation caused by the economic downturn. We must make sure federal policies continue the gain and are not permitted to undermine the growth we've seen here in Pennsylvania and across our nation.

I'm grateful for the opportunity today to come here and listen to the people in the room. As the doctor and I tell you, we are not professional politicians. You know my background. I'm from Butler. I sold cars here for almost 60 years. I understand how tough it is. I understand what you go through and the uncertainties you face right now.

So we want to come here to Western Pennsylvania and hear what Western Pennsylvania had to say, not Washington telling you what Washington needs to say, but what do you need to say? What do we need to hear, and what do we need to take back?

Employer provided health insurance is critical to the healthcare needs of many Pennsylvania families. Roughly 54 percent of Pennsylvanians receive insurance through an employer, slightly more than the national average.

As a business owner, I, like so employers, am keenly aware that shifts in healthcare policies can have a dramatic impact on my business. The costs associated with health insurance can often determine whether an employer is able to raise wages or even hire new workers.

You noted, Mr. Chairman, a recent Gallop poll survey of small businesses currently not looking to add new workers. It is deeply troubling that one out of every two small business owners may not be able to hire due to concerns of rising healthcare costs. The regulations, government regulations continue, continue to drive their cost of operation up.

This kind of fear and uncertainty among the country's top job creators poses a clear threat to economic recovery and future job creation. I know some prefer to focus on a few provisions in the law that continue to receive bipartisan support, such as providing coverage to individuals with preexisting conditions. However, this debate never been about whether to help those who need help. The choice has never been between doing nothing and supporting a government takeover of healthcare.

It has and continues to be about the degree to which we allow the federal government to dictate some of the most personal decisions in our lives.

The recent regulatory action taken by the President to force private employers to offer health services they find morally objectionable demonstrates that Washington has gone much too far. Now, we can act smart and sponsor reforms at lower costs and expand access to care without putting the federal government in charge of one-sixth of our nation's economy.

Those who happen to believe that change is only possible through more government control and more government spending do a nation a great disservice. We have a responsibility to actually chart a different course. Our witnesses today are going to help us do just that. Rest assured we will bring your thoughts back to Washington, D.C.

We'll use them to persuade some of our reluctant colleagues that it's time to repeal the law. Get government out of the way. Get them out of the hair of our job creators and work towards common sense solutions that we know work every day in our regular lives to help expand access to affordable healthcare for all American people.

Doctor, I go back to you.

[The statement of Mr. Kelly follows:]

**Prepared Statement of Hon. Mike Kelly, a Representative in
Congress From the State of Pennsylvania**

Today's hearing is a timely and important event. I think it is critical for members of Congress to get outside the Beltway and hear from the men and women whose lives are affected by the policies advanced in the nation's capitol.

The recent recession ended almost three years ago, yet we continue to struggle with a difficult and sluggish economy. Our state needs jobs. We've been fortunate to experience modest progress recently as more Pennsylvanians are working today than a year ago. However, this progress still does not make up for the devastation caused by the economic downturn. We must make sure federal policies support continued gains, and are not permitted to undermine the growth we've seen here in Pennsylvania and across the nation.

I am grateful for the opportunity today to listen to folks in this room describe the challenges facing families in the Keystone state, and learn what you see coming in

the horizon. Regrettably, I don't have to tell you that numerous new mandates and regulations will soon threaten our workplaces, thanks to the health care law many of us have dubbed "ObamaCare."

Employer-provided health insurance is critical to the health care needs of many Pennsylvania families. Roughly 54 percent of Pennsylvanians receive insurance through an employer, slightly more than the national average. As a business owner, I, like so many employers, am keenly aware that shifts in health care policies can have a dramatic impact on my business. The costs associated with health insurance can often determine whether an employer is able to raise wages or hire new workers.

You noted, Mr. Chairman, a recent Gallup survey of small businesses currently not looking to add new workers. It is deeply troubling that one out of every two small business owners may not be hiring due to concerns of rising health care costs and government regulations. This kind of fear and uncertainty among the country's top job creators poses a clear threat to our economic recovery and future job creation.

I know some prefer to focus on a few provisions in the law that continue to receive bipartisan support, such as providing coverage to individuals with pre-existing conditions. However, this debate has never been about whether we help those who need help. The choice has never been between doing nothing and supporting a government takeover of health care.

It has and continues to be about the degree to which we allow the federal government to dictate some of the most personal decisions in our lives. The recent regulatory action taken by the president that will force private employers to offer health services they find morally objectionable demonstrates Washington has gone too far.

We can enact smart, responsible reforms that will lower costs and expand access to care without putting the federal government in charge of one-sixth of our nation's economy. Those who would have us believe that change is only possible through more government control and spending do the nation a great disservice.

We have a responsibility to chart a different course and our witnesses today will help us to do just that. Rest assured, we will bring your thoughts to Washington, D.C. and use them to persuade our reluctant colleagues that it is time to repeal ObamaCare, get government out of the way of our job creators, and work toward commonsense solutions that help expand access to affordable health care for the American people.

Chairman ROE. Pursuant to Rule 7(c), all members will be permitted to submit written statements to be included in the permanent hearing record. Without objection, the hearing record will remain open for 14 to allow such statements and other extraneous material referenced during the hearing to be submitted to the official hearing record.

Now, Mr. Kelly, would you introduce our witnesses.

Mr. KELLY. Thank you, Mr. Chairman.

First of all, on panel one—we have two panels today—we have Honorable Don White. Senator White is a State Senator serving the people of Pennsylvania's 41st District since 2001. Before entering public service, Senator White was an insurance broker. So he knows very much what it is we're talking about today.

Ms. Kathleen Bishop is also with us. She is the President and CEO of the Meadville-Western Crawford County Chamber of Commerce in Meadville, Pennsylvania. Ms. Bishop specializes in the areas of economic, social, educational and political progress for the Meadville area.

Also Ms. Georgann Koehler is a retired SEIU member and psychiatric aide. She is from Pittsburgh, Pennsylvania.

Ms. Koehler, thank you for being here.

Ms. Lori Joint is here. She is the director of government affairs for the Manufacturing and Business Association in Erie, Pennsylvania, a manufacturing and business partnered with more than 4,500 businesses in Pennsylvania, New York and Ohio, providing

employee benefit services, government representation and employee training programs. Ms. Joint holds a degree in political science from Gannon University.

Lori, thank you for being here today. Mr. Chairman.

Chairman ROE. Before we start today, we live in a free nation. I've had the privilege of being in Afghanistan with our troops in the last 90 days, and I would like, if you would, to stand and let's first have you introduce Mr. Nelson.

Mr. KELLY. Thank you very much. We have with us today—one of our witnesses is Mr. Paul Nelson. And there are a lot of Veterans with us today. So if we could, all those Veterans who are in the room, please stand so we can recognize you and thank you for the great service you provide to our country. [Applause.]

Chairman ROE. If everybody will rise, we will start.

[Pledge of Allegiance.]

Chairman ROE. Before I recognize you to provide your testimony, let me briefly explain our light system. You have five minutes to present your testimony. When you begin, the light in front of you will turn green, and when one minute is left, the light will turn yellow. When your time has expired, the light will turn red, at which point I'll ask you to wrap up your remarks as best you're able. I won't interrupt you, but please be mindful of the lighting system. I'd appreciate it if you will.

After you have testified, members will each have five minutes for questions. And we will start now with the Honorable Mr. Don White.

Thank you for being here, Mr. White.

**STATEMENT OF HON. DON WHITE, SENATOR PA-41,
PENNSYLVANIA STATE SENATE**

Mr. WHITE. Thank you very much. It's very uplifting to have my local congressman, who is also a longtime small businessman, and have somebody from the medical profession down in D.C., especially on an issue like this. It's gratifying. I appreciate your service.

I want to thank you for the opportunity to discuss the impact of the Federal Patient Protection and Affordable Care Act on the individual state's employers, particularly those doing business here in our Commonwealth of Pennsylvania. As chairman of the Pennsylvania State Senate Committee on Banking and Insurance, I've had a front row seat on the development of state action in the Commonwealth of Pennsylvania to comply with this law, and I have discussed this matter at length with my colleagues, business leaders, hospitals, healthcare providers and consumers.

To begin with, I want to make it clear that Pennsylvania is taking the initial steps to comply with this federal mandate by January 1, 2013. The last thing anyone in Pennsylvania wants is for the federal government to take this over and issue edicts over the people of our state. I'm sure that feeling is echoed by my peers in most other states. Yes, the Patient Protection and Affordable Care Act is yet another mandate on states, businesses, individuals and families.

We recognize the legislation may have passed along with the best of intentions, but let's be clear that it's a mandate being passed

along with little guidance, no funding for states or for the businesses that will be impacted by these requirements.

At this point, as the time for compliance continues to elapse, let me make it clear there is a tremendous amount of anxiety and trepidation at the state level among the business community. Yes, we are moving forward in implementation. But this progress is tempered by the sense of pragmatic caution. No one is comfortable with taking an aggressive approach in implementation.

We've had little or no guidance in this matter, nor do we have a model to work from. It's true that Massachusetts and Utah have developed systems similar to what is being mandated by the Federal Patient Protection and Affordable Care Act. But those systems are vastly different in structure, and I don't believe that either would serve as an appropriate model for the people of Pennsylvania.

With legislation pending in the U.S. Supreme Court and with the Presidential election set for November of this year, there is a lack of confidence that the federal Patient Protection and Affordable Care Act will stand unscathed and remain unchanged when all is said and done. The actions we take now may end up being superfluous and even contrary to the ultimate compliance if this measure or any part of it ultimately becomes effective.

This uncertainty has a detrimental effect on Pennsylvania's economy, business growth and job creation in Pennsylvania. At this point, no one is even certain what must be covered under the Act. The states and employers see a requirement for essential health benefits. But no one knows what is going to fall under the parameters of "essential benefit."

Granted, the federal Department of Health and Human Services is currently providing some latitude in states in this area, but it remains an area of contention and likely a fertile ground for litigation. The controversy surrounding mandated contraceptive coverage is a prime example of the controversy that will surround this provision, and it certainly will not be the only area of contention.

As I've seen on numerous occasions at the state level and particularly in insurance coverage as monitored by the Committee on Banking and Insurance, the broad questions of what's in and what's out and the various nuances therein are rife for dispute and contention.

As additional essential benefits are added, the cost that must be borne by government and employers will increase as well. We still need answers to some important actuarial value and cost sharing questions that will determine whether the package is affordable.

Looking down the road, the confident of this mandate on the states are already set to increase because of the Medicaid expansion as was clearly described in *Forbes* magazine on January 27, 2012, and I quote, "The healthcare reform law passed in March 2010 provides for substantial expansion of the must cover population, essentially anyone from a family with income below 138 percent of the federal poverty line, an amount that varies based on family size, this is a major component of the healthcare reform law. According to the Congressional Budget Office, half of the uninsured, who they project to become covered as a result of the new law, will obtain coverage because of the Medicaid expansion."

“From the state’s point of view, the problem is how will they come up with the money to cover their share of the cost of healthcare for these additional people. The health reform law provides a partial answer. The federal government will pay for the entire cost of coverage for those who are newly eligible but only for the first three years, from 2014 to 2016. The federal government will reduce its contribution to 95 percent in 2017, dropping to 90 percent in 2020 and thereafter.

“For states to pay ten percent of the cost may not seem like much, though it might turn out to be quite a substantial sum of money given the large numbers of people involved. The fact is that most states budgets are already strained, and Medicaid spending is already one of the largest items in every state budget.”

I strongly concur with the author’s opinion. In fact, one of the key cost drivers in the proposed 2012 state budget just unveiled by Governor Corbett on February 7 were mandated increases of more than \$800 million to the Department of Public Welfare. The Governor responded to those mandates proposing a shift of expenditures within the department which ultimately could result in increased cost for counties and/or reduction in human services available for the citizens. An increase in state Medicaid cost, even if only ten percent of the expansion, will surely have an adverse impact on Pennsylvania’s state budget and will lead to further reductions in support for other key services and programs and a broad-based tax increase on employers and/or individuals.

In particular, small business owners are going to be crushed by the federal Patient Protection and Affordable Care Act. I live in a small borough of Indiana, Pennsylvania. We have a fair sized university surrounded by quite a few small businesses that I assure you will never make the Fortune 500. Yet these small operations are the heart of my community. They provide good jobs, important services, and many are going to be hit with unnecessary cost.

As you know, the federal act adds an employer mandate for all firms with 50 or more full-time employees, regardless of their trade or line of business. These businesses are still waiting for regulatory definitions on seasonal and temporary workers and whether they count toward that arbitrary 50-worker threshold. They’re also facing the impact of the fee on small business health insurance plans. While this is being called a fee, it’s actually a tax on small business.

The Congressional Budget Office, the CMS actuary—it’s an independent Medicare actuary—and the Joint Committee on Taxation all confirm that these costs would be passed on to the consumer. As a result of the Manager’s Amendment, House Resolution 3590, the legislation exempts self-insured businesses and select, select, not-for-profit insurers, corporations and labor unions.

Those exceptions are a devastating blow to small business because they are forced to bear the brunt of this tax in the form of significant premium increases in a fully insured market. Additionally, the law includes an unprecedented increase in Medicare payroll on income over \$200,000 for individuals, 250 for joint filers. Adding to the problem, wages are not indexed for inflation meaning that more small businesses, particularly those employing 20 to 200 workers, will face this tax increase each year.

Since the majority of small business owners pay their taxes at the individual level, this tax will hit the business income of many small business owners who collectively provide jobs for more than one-quarter of the American workforce. Proponents of this federal Act claim the cost and economic burdens of this mandate will be offset by a small business tax credit. However, the reality is it will do little to make purchasing insurance affordable for small firms. Although the credit is intended to offset the cost of insurance, these savings expire after five years at maximum.

I realize I've gone over my time. I apologize for that. But in closing, I want to thank you for the opportunity to address this, and I truly think it's about time. I'm grateful to see you out of the Beltway and out here addressing something that as we kick this can down the road, the date of implementation of this with each passing day is a burden that a lot of people are starting to be quite well aware of. So I thank you very much.

[The statement of Mr. White follows:]

Prepared Statement of Hon. Donald C. White, Senator, State of Pennsylvania; Chairman, Committee on Banking and Insurance

Thank you for this opportunity to discuss the impact of the federal Patient Protection and Affordable Care Act on the individual states and employers, particularly those doing business in the Commonwealth of Pennsylvania.

As Chairman of Pennsylvania State Senate Committee on Banking and Insurance, I have had a front row seat on the development of state action in the Commonwealth of Pennsylvania to comply with this law and I have discussed this matter at length with my colleagues, business leaders, hospitals, health care providers, and consumers.

To begin with, I want to make it clear that Pennsylvania is taking the initial steps to comply with this federal mandate by January 1, 2013. The last thing that anyone in Pennsylvania wants is for the federal government to take this over and issue additional edicts over the people of my state—and I am sure that feeling is echoed by my peers from most other states.

And, yes, the Patient Protection and Affordable Care Act is yet another mandate on states, on business and individuals and families.

We recognize that this legislation may have been passed along with the best of intentions, but let's be clear that it is a mandate being passed along with little guidance, no funding for states or for the businesses that will be impacted by its requirements.

At this point, as the timeframe for compliance continues to elapse, let me make it clear that there is a tremendous amount of anxiety and trepidation at the state level and among the business community.

Yes, we are moving forward, in implementation, but this progress is tempered by sense of pragmatic caution.

No one is comfortable with taking an aggressive approach in implementation.

We've had little to no guidance on this matter.

Nor do we have a model to work from.

It is true that Massachusetts and Utah have developed systems similar to what is being mandated by the Patient Protection and Affordable Care Act, but those systems are vastly different in structure and I don't believe that either would serve as an appropriate model for Pennsylvania.

With legislation pending in the US Supreme Court and with a presidential election set for November, there is a lack of confidence that federal Patient Protection and Affordable Care Act will stand unscathed and remain unchanged when all is said and done. The actions we take now may end up being superfluous and even contrary to ultimate compliance if this measure, or any part of it, it ultimately becomes effective.

This uncertainty has had a detrimental effect on Pennsylvania's economy, business growth and job creation in Pennsylvania.

At this point, no one is even certain what must be covered under the Patient Protection and Affordable Care Act. The states and employers see a requirement for "essential health benefits," but no one knows what is going to fall under the parameters of an "essential" benefit.

Granted, the federal Department of Health and Human Services is currently providing some latitude to the states in this area, but it remains an area of contention and likely a fertile ground for continued litigation.

The controversy surrounding mandated contraceptive coverage is a prime example of the controversy that will surround this provision and it certainly will not be the only area of contention. As I've seen on numerous occasions at the state level, and particularly in insurance coverage as monitored by the Committee on Banking and Insurance the broad questions of "what's in" and "what's out" and the various nuances therein are rife for dispute and contention.

As additional "essential benefits" are added, the cost that must be borne by government and employers will increase as well. We still need answers to some important actuarial value and cost-sharing questions that will truly determine whether the package is affordable.

Looking down the road, the costs of this mandate on the states are already set to increase because of the Medicaid expansion, as was clearly described by Forbes on January 27, 2012:

"The health reform law passed in March 2010 provides for a substantial expansion of the "must cover" population—essentially anyone from a family with income below 138% of the federal poverty line (an amount that varies based on family size). This is a major component of the health reform law: according to the Congressional Budget Office, half the uninsured who they project to become covered as a result of new law will obtain coverage because of the Medicaid expansion.

"From the states' point of view, the problem is, how will they come up with the money to cover their share of the cost of health care for these additional people? The health reform law provides a partial answer: the federal government will pay for the entire cost of coverage for those who are newly eligible—but only for the first three years, from 2014 to 2016. The federal government will reduce its contribution to 95% in 2017, then in stages, dropping to 90% in 2020 and thereafter.

"For states to pay 10% of the cost may not seem like much, though it might turn out to be quite a substantial sum of money, given the large numbers of people involved. The fact is that most state budgets are already strained, and Medicaid spending is already one of the largest items in every state budget."

I strongly concur with the author's opinion. In fact, one of the key cost drivers in the proposed 2012-13 state budget unveiled by Governor Corbett on February 7, 2012 were mandated increases of more than \$800 million in the Department of Public Welfare. The Governor responded to those mandates by proposing to shift expenditures within the Department, which ultimately could result in increased costs for counties and/or a reduction in human services available for citizens.

An increase in state Medicaid costs, even if only 10 percent of the expansion, will assuredly have an adverse impact on Pennsylvania's state budget and would lead to further reductions in support for other key services and programs and/or a broad-based tax increase on employers and/or individuals.

In particular, small business owners are going to be crushed by the federal Patient Protection and Affordable Care Act. I live in the small borough of Indiana, Pennsylvania. We have a fair-sized state university surrounded by quite a few small businesses that will never make the Fortune 500 list. Yet, these small operations are the heart of the community. They provide good jobs and important services and many are going to be hit with unnecessary costs.

As you know, the Patient Protection and Affordable Care Act adds an employer mandate for all firms with 50 or more full-time employees, regardless of their trade or line of business. These businesses are still waiting for regulatory definitions on seasonal and temporary workers and whether they count toward that arbitrary 50 worker threshold.

They are also facing the impact of the "fee" on small business health insurance plans. While this is being called a "fee," it is actually a tax on small business. The Congressional Budget Office (CBO), CMS Actuary (an independent Medicare Actuary), and the Joint Committee on Taxation (JCT) all confirm that these costs will ultimately be passed on to consumers. As a result of the Manager's Amendment to H.R. 3590, the legislation exempts self-insured businesses and select not-for-profit insurers—corporations and labor unions. These exemptions are a devastating blow to small business, because they will be forced to bear the brunt of this tax in the form of significant premium increases in the fully-insured market.

Additionally, the law includes an unprecedented increase in Medicare payroll on income over \$200,000 for individuals and \$250,000 for joint filers. Adding to the problem, wages are not indexed for inflation, meaning that more small businesses, particularly those employing 20 to 200 workers, will face this tax increase each year. Since the majority of small business owners pay their taxes at the individual

level, this tax will hit the business income of many small business owners who collectively provide jobs for more than one-quarter of the American workforce.

Proponents of the Patient Protection and Affordable Care Act claim the costs and economic burdens of this mandate will be offset by a small business tax credit. However, the reality is it will do little to make purchasing insurance affordable for more small firms. Although the credit is intended to offset the cost of insurance, these “savings” expire after five years at maximum. Only 309,000 small businesses—out of the four million advertised by proponents—had claimed the credit as of October 2011.

In summary, this mandate will negatively impact the Commonwealth of Pennsylvania in many ways. Without knowing what costs and mandates they will ultimately be subjected to, business owners have told me that they are hesitant to hire on new staff without know what, if any additional costs they will be subjected to if certain provisions of the Patient Protection and Affordable Care Act become effective.

Plain and simply, this law and the uncertainty that surrounds it are job killers.

Again, I thank you for this opportunity to address this panel and provide you with the facts about how this measure is impacting the Commonwealth of Pennsylvania, our businesses, our individuals and our families.

I would now be happy to answer your questions.

Chairman ROE. Thank you, Senator White. Your comments and all of your testimony will be in the record in full.

Ms. Bishop?

STATEMENT OF KATHLEEN BISHOP, PRESIDENT/CEO, MEADVILLE-WESTERN CRAWFORD COUNTY CHAMBER OF COMMERCE

Ms. BISHOP. Congressman Kelly, Congressman Roe, thank you for the opportunity to testify before the Subcommittee on Health, Employment, Labor and Pensions. I am president and CEO for the Meadville-Crawford County Chamber of Commerce. Our chamber is 205 years old this year, and we represent over 500 businesses in the northwestern Pennsylvania area. We are a community of tool and die manufacturing, professional services, medical facilities, gas and well services and home to Allegheny College.

I am not a healthcare expert, and I am definitely not an expert on the healthcare reform law. I am a chamber president who has passion for business owners and employees who want to work for awesome companies. My time with you this afternoon is limited, so I will share with you a few concerns and comments of our chamber members.

But before I do, I would just like to give you an example of the impact that will happen in our own chamber. With us being 205 years old, we are a nonprofit organization, and we depend on our members to pay their dues just to maintain our existence. We have a staff of five that varies in the ages of 40 to 65 years old. Not all of our employees want or need healthcare benefits provided by the chamber.

However, under the new healthcare reform bill, in 2014 we will face a \$2,000 fine per employee. Now, \$10,000 may not seem like a lot of money to other businesses, but for us, it means a lot. Membership in our chamber is \$250 per member. We would need to grow and retain an additional 40 members per year above and beyond what we are already growing just to pay this fine, or we would have to raise the price of our membership dues. Neither of these two options would we be able to attain.

With the economy as the buzz word and businesses pulling back on marketing to offset the cost of labor and goods, we are already finding that membership dues at a local chamber of commerce is not on the priority list. We could struggle to make it to our 210 anniversary. Nonprofits are facing many challenges. Rising state and local taxes and unemployment taxes, raising costs on holding events for the benefit of communities and promoting our member businesses and employees who are not typically paid well.

We believe that healthcare is essential. I am one of the employees who have health insurance at the chamber; however, I also in the past have looked for employers that have optional healthcare coverage, and that is my right as an American. It should also be the right of my employer.

Back in the day, if you were looking for work, you either chose the employer who had benefits or who didn't. You also knew that if they offered health insurance, you had a good chance at a retirement plan, vacation pay and paid holidays, but sometimes you just wanted a good old-fashioned job where you worked on straight commission and you took care of yourself. Just as men and women are not the same size and created equal, neither are businesses created equal.

The Healthcare Reform bill cannot be a one size fits all. We should have the right to choose. I am here today representing over 500 businesses, and I have asked them to give me some thought on healthcare reform. Here's what just a few of them said. One chamber member business says stop advertising on TV for prescription drugs. Repeal the reform. Just let private businesses continue to work with health insurance companies and brokers to allow them to be competitive and thrive. Our rates were comparable today to what they were ten years ago with the same coverage and minimal out-of-pocket expenses for our employees. More government will just screw it up even more.

Another chamber business says allow healthcare insurance companies to cross state lines. If car insurance companies can do it, why can't the health insurance carriers. As a small business, there are some days when it is tough enough just to make payroll. I can't even imagine also paying a fine because I couldn't afford to pay for health insurance.

Lastly, our chamber also shares the echos of the U.S. Chamber of Commerce, and here are their concerns. The U.S. Chamber's plan to control cost, improve quality and expand coverage, point one, repeal the most enormous provision of PPACA. The new healthcare law creates new mandates and taxes on businesses and individuals. While the chamber supports the repeal of the Patient Protection and Affordable Care Act, we recognize that the total repeal in the 112th Congress is unlikely.

Therefore, we stand ready to work with Congress to repeal the provisions, including the employer mandate and many new taxes that will be passed onto employers and employees in the form of higher premiums.

Two, push back through written comments on regulations implementing PPACA. The chamber has filed over 28 comments to highlight the operational problems and unintended consequences of the

rapidly drafted flawed regulations issued to instruct how to comply with the new mandates and requirements on healthcare reform.

Three, enact meaningful medical liability reform. The chamber supports healthcare caps on punitive damages and other medical liability reforms that ensure fair damage awards, eliminate frivolous lawsuits and lower the costs.

Four, expand access to care. The chamber supports strengthening employer-sponsored health insurance by expanding its availability and affordability to every worker. We also believe that the playing field must be leveled to allow individual consumers, families and small businesses purchase coverage on a tax preferred basis while protecting the benefits of a uniform federal regulatory system.

Five, support consumer-focused healthcare. Congress should make account-based plans more attractive to small businesses increasing the flexibility and improving the transparencies of cost and quality data to permit Americans to shop smart for the best care. We support repealing the ban on flexible spending accounts and house savings accounts to purchase over-the-counter products without a prescription and repealing the limitation on flexible spending account contribution levels to 2,500. Realign reimbursement mechanisms to reward quality, not quantity.

We urge Congress make it easier for employers and insurers to develop insurance plans that they pay for quality, not quantity, to reward doctors for keeping patients healthy.

Seven, rein in Medicare and Medicaid fraud abuse. Medicare and Medicaid fraud runs rampant and costs taxpayers tens of billions of dollars every year. A broad array of countermeasures should be enacted immediately.

And, lastly, advocate for workplace wellness and disease management. The chamber supports favorable tax treatment for companies who offer workplace wellness plans and incentive participation.

Thank you for the time this afternoon. Thank you for your willingness to serve our great country. And I urge you to repeal the healthcare reform bill and let Americans get back to work.

[The statement of Ms. Bishop follows:]

**Prepared Statement of Kathleen Bishop, IOM, President/CEO,
Meadville-Western Crawford County Chamber of Commerce**

Thank you for the opportunity to testify before the Subcommittee on Health, Employment, Labor, and Pensions.

I am President/CEO of the Meadville-Western Crawford County Chamber of Commerce. Our Chamber is 205 years old and represents over 500 businesses in the Northwestern PA area. We are a community of Tool & Die, Manufacturing, Professional Services, Medical facilities, Gas & Well Services and Allegheny College.

I am not a healthcare expert and I definitely am not an expert on the Health Care Reform Bill. I am a Chamber President who has a passion for business owners and employees who want to work for awesome companies. My time with you this morning is limited and so I will share with you a few comments our Chamber members.

Our Chamber is 205 years old, a non-profit organization that depends on its members to pay their dues for us to maintain our existence. We have a staff of 5 people that varies in ages from 40-65. Not all the employees want or need health insurance from us. However, under the Health Care Reform Bill, in 2014 we could face a \$2,000 fine per employee. Now \$10,000 is not a lot compared to many other businesses, but here is what it will mean to us.

Membership is \$250.00 per member; we would need growth and retain an additional 40 businesses per year above what we are already growing just to pay the fines. Or, we would have to raise the price of the dues. Neither is an option. With the economy as the buzz word and businesses pulling back on marketing to offset

the costs of labor and goods we are finding that membership dues at your local Chamber of Commerce is not on the priority list. We could struggle to find it to year 210!

Non-Profits are already facing many challenges, rising state and local taxes and unemployment taxes, rising costs on holding events for the benefit of the community and promoting our members businesses and employees who are not typically paid well.

We believe that Health Care is essential; I am one of the employees who have the health insurance at the chamber. However, I look for employers to have as an option Health Care coverage, and that is my right as an American. It should also be the right of my employer.

Back in the day, if you were looking for work you either chose the employer who had benefits or you didn't. You also knew that if they offered Health insurance then you had a good chance at a retirement plan, vacation pay and paid holidays. But, sometimes you just wanted a good old fashioned job where you worked on straight commission and you took care of yourself.

Just as men and women are not the same size and created equal, neither are businesses created equal, the Health Care Reform Bill cannot be a one size fits all. We should be able to choose!

Because I am here today representing over 500 businesses I had asked them to give me some thoughts on the Health Care Reform Bill and here is what just a few said.

One chamber member business says:

- Stop TV Advertising of prescription drugs.
- Repeal reform.

• Just let private businesses continue to work with health insurance companies and brokers and allow competition to thrive—our rates are comparable today to what they were 10 years ago with the same coverage and minimal out of pocket expense for our employees.

- More government will just screw it up more!

Another Chamber member business says:

• Allow Health Insurance companies to cross state lines. If car insurance can do it, why can't health insurance carriers.

• As a small business, there are some days when it is tough just to make payroll. I can't imagine having to also pay a fine because I couldn't afford to purchase health insurance for the employees.

Lastly we share the same thoughts as the U.S. Chamber of Commerce

The U.S. Chamber's Plan to Control Costs, Improve Quality, and Expand Coverage:

• Repeal the most onerous provisions of PPACA: The new health care law creates new mandates and taxes on businesses and individuals. While the Chamber supports the repeal of the Patient Protection and Affordable Care Act (PPACA), we recognize that total repeal in the 112th Congress is unlikely. Therefore, we stand ready to work with Congress to repeal the most egregious provisions, including the employer mandate and the many new taxes that will be passed on to employers and employees in the form of higher premiums.

• Push back through written comments on regulations implementing PPACA: The Chamber has filed 28 comments to highlight the operational problems and unintended consequences of the rapidly drafted, flawed regulations issued to instruct how to comply with the new mandates and requirements of health reform.

• Enact meaningful medical liability reform: The Chamber supports health courts, caps on punitive damages, and other medical liability reforms that ensure fair damage awards, eliminate frivolous lawsuits, and lower costs.

• Expand access to care: The Chamber supports strengthening employer-sponsored health insurance by expanding its availability—and affordability—to every worker. We also believe that the playing field must be leveled to allow individual consumers, families, and small businesses to purchase coverage on a tax-preferred basis while protecting the benefits of a uniform federal regulatory system.

• Support consumer-focused health care: Congress should make account-based plans more attractive to small businesses by increasing flexibility and improving the transparency of cost and quality data to permit Americans to shop smart for the best care. We support repealing the ban on using Flexible Spending Accounts and Health Savings Accounts to purchase over-the-counter products without a prescription and repealing the limitation on Flexing Spending Account contribution levels to \$2,500.

• Realign reimbursement mechanisms to reward quality, not quantity: We urge Congress to make it easier for employers and insurers to develop insurance plans that pay for quality, not quantity, and reward doctors for keeping patients healthy.

- Rein in Medicare and Medicaid fraud and abuse: Medicare and Medicaid fraud runs rampant and costs taxpayers tens of billions of dollars every year. A broad array of countermeasures should be enacted immediately.

- Advocate for workplace wellness and disease management: The Chamber supports favorable tax treatment for companies that offer workplace wellness programs and incent participation.

Thank you for the time this afternoon. Thank you for your willingness to serve this great country. I urge you to repeal the Health Care Reform Bill and let America get back to work!

Chairman ROE. Thank you, Ms. Bishop.
Ms. Koehler?

**STATEMENT OF GEORGANN KOEHLER, RETIRED SEIU
MEMBER, PSYCHIATRIC AIDE**

Ms. KOEHLER. Today I stand here in front of you to tell you the story of a man who fell through the cracks of a broken healthcare system, never to return to us again. That man's name is Billy. He is my beloved brother.

Billy was born on March 18, 1951. He was baptized William Anthony, but he was always Billy to me. He was a good kid and grew up to be a great man. My sister, Katie, describes him as a man who was loving and generous to his family, friends and those in need. That love and generosity came easy to him because of his loving relationship with his Lord and Savior, Jesus Christ.

Billy was a true believer in the teachings of the Lord that we are our brothers' and sisters' keepers. Because of that belief, Billy was a quiet hero to many. Billy suffered his first cardiac arrest when he was 39. He was diagnosed with having a sudden death type of arrhythmia. There is no cure for this arrhythmia, but it is recommended that the patient have an implanted AICD ready to fire at any time.

Billy was discharged from the hospital with his life saving defibrillator. He had insurance through his job, so caring for his heart and his defibrillator wasn't a big deal.

In the spring of 2003, Billy went to work. He heard the news that the company would be closed. It closed a few days later. No more VCRs to repair, no more job, no more health insurance. He sent out application after application hoping to find another job that offered a fair wage and health insurance. He went on interviews, but that job was nowhere to be found, especially for a man who had to wear a Medic Alert bracelet.

Billy didn't want the government to give him anything. He wanted to buy a private health insurance plan. He called every health insurance company in Pittsburgh in the hopes of buying a private plan, but the answer was always the same: Denied due to his pre-existing condition. Billy found a job delivering pizza. The job paid minimum wage with no benefits, but nonetheless, he was thankful for the work.

On December 14, 2007 Billy collapsed at work. He was rushed to a local hospital and was admitted to a 23-hour monitored bed. His cardiologist came into the room and said, "Mr. Koehler, you're a very lucky man. Your defibrillator battery is so low, I'm surprised it fired this time. It needs to be replaced." The doctor told Billy the replacement would be done as an outpatient procedure and that he

needed to make an appointment to be seen in the office in three months.

Billy said, "I have no insurance and I don't know if I'll have it by the time of the appointment. If I don't, what will happen?" The doctor said, "If you don't have insurance, you will have to pay up front, and you will have to bring thousands of dollars with you, or you will not be seen." Billy said, "I don't know what to do because I don't have thousands of dollars nor does my family. I don't know what to do."

It was then the doctor said, "Mr. Koehler, do you put oil in your car?" Billy didn't answer. The doctor said, "Mr. Koehler, I asked you a question. Do you put oil in your car?" Billy replied, "Of course, I put oil in my car." The doctor then said, "Do you buy the best oil money can buy so your car runs smoother and lasts longer? Because that's what you have to do for your heart." Billy said, "You're talking about a can of oil that costs me \$8.50 to a defibrillator that cost me \$10,000, and that doesn't include the surgery. I'll never have that kind of money."

It was then the doctor pointed his finger at Billy and said, "You get your priorities straightened out and you'll come up with that money." The doctor left the room and discharged Billy from his service. Billy was discharged from the hospital on December 15, 2007.

Billy was pro life. He believed in the importance of life from conception until natural death. I only saw him mad or angry three times, when he heard Terri Schiavo's tube feeding was going to be discontinued, when his cardiologist gave him that humiliating lecture comparing putting oil in his car to taking care of his heart, and on that day of discharge, that day when he walked out of the hospital with a death sentence handed down by a broken healthcare system and realized that in our country, unless you have money, you will never have your health.

On March 6, 2009, Billy went to church to spend his hour at Adoration. He knelt before the altar thanking and praising God for his blessings and for that job. He asked God to bless his family, friends and those in need. He asked his All Mighty Healer to heal his heart. Billy left work to come home at 5:00 p.m. on March 7, 2009. He drove two blocks, came to a stop sign, put his car in park and slumped into his steering wheel.

Compassionate strangers came to his aid. They brought him out of his car and began CPR while others stood in silence offering their prayers. A teenager placed his sweatshirt under Billy's head in a gesture of comfort for a man in need. That day these compassionate strangers didn't care if Billy had health insurance. All they cared about and all that mattered to them was doing what they could to give Billy back another day of life, something his cardiologist could have done, should have done, and told him no can do. So why didn't he?

The answer is found in a word, and that word is written throughout his medical record. That word is uninsured.

Today I'm not here to ask you to feel mine and my family's pain. I would never want to take you there. I am going to ask you though when you have a minute, maybe watching the sun go down or standing on the porch sipping a cup of decaf, to close your eyes and

look inside yourself, not to your heart, but to your soul because that is where you will find your moral compass. And ask yourself this question: If Billy was alive today, would his life matter to you? Would you be one of those compassionate strangers trying your hardest to give Billy another day of life? If when you open your eyes the answer is yes, then you will not be able to repeal Affordable Care Act, an Act that would have saved Billy's life and an Act that is a hopeful light for millions of Americans who without it are only left with the thought of death. Thank you. Sorry I went over. [The statement of Ms. Koehler follows:]

Georgianne Koehler
4114 Penn Ave., 2nd Floor
Pittsburgh, PA 15224

Testimony to the House Education and Workforce Committee on the Patient Protection
and Affordable Care Act

Today I stand in front of you to tell you the story of a man who fell through the cracks of our broken health care system, never to return to us again. That man's name is Billy, he is my beloved brother.

Billy was born on March 18, 1951. He was the son of Phillip and Dorothy Koehler and the baby brother of four little girls. He was baptized William Anthony but he was always Billy to me. He was a good kid and grew up to be a great man.

My sister Kitty describes him as a man who was loving and generous to his family, friends and those in need. That love and generosity came easy to him because of his loving relationship with his Lord and Savior Jesus Christ. Billy was a true believer in the teaching of the Lord that we are our brothers and sisters keeper. Because of that belief Billy was a quiet hero to many.

Billy suffered his first cardiac arrest when he was 39. He was diagnosed with having Torsades de pointe, a sudden death type of arrhythmia. Although there is no cure for this arrhythmia, it is recommended that the patient have an implanted AICD defibrillator ready to fire at any time. He was discharged from the hospital with his life saving defibrillator. He had insurance through his job so caring for his heart and defibrillator wasn't a big deal.

In the Spring of 2003, Billy went to work to hear the news that the company would be closing. It closed a few days later. No more VCRs to repair, no more job, no more health insurance.

He sent out application after application hoping to find another job that offered a fair wage and health insurance. He went on interviews, but that job was no where to be found -- especially for a man who had to wear a medic alert bracelet.

Billy didn't want the government to give him anything, he wanted to buy a private health insurance plan. He called every health insurance company in Pittsburgh in hopes of buying a private plan, but the answer was always the same: "denied due to his pre-existing condition."

Billy found a job delivering pizza. The job paid minimum wage with no benefits, but nonetheless, he was thankful for the work.

On Dec. 14th, 2007, Billy collapsed at work. He was rushed to a local hospital and was admitted to a 23 hour monitored bed. His cardiologist came into the room and said: "Mr. Koehler, you are a very lucky man. Your defibrillator battery is so low, I'm surprised it fired this time. It needs replaced."

The doctor went on to say that the replacement would be done as an outpatient procedure and that Billy needed to make an appointment to be seen in three months. Billy said: "I have no insurance and I don't know if I'll have it by the time of the appointment. If I don't, what will happen?"

The doctor said: "If you don't have insurance, you will have to pay upfront and you will have to bring thousands of dollars with you."

Billy said: "I don't know what to do because I don't have thousands of dollars nor does my family. I don't know what to do."

The doctor moved from the foot of the bed to the side of the bed and asked: "Mr. Koehler, do you put oil in your car?" Billy didn't answer. The doctor said "Mr. Koehler, I asked you a question. Do you put oil in your car?"

Billy replied: "Of course I put oil in my car."

The doctor then said: "Do you buy the best oil money can buy so your car runs smoother and lasts longer because that is what you have to do for your heart."

Billy said: "You're talking about a can of oil that costs me \$8.50 compared to a defibrillator battery that costs \$10,000 and that doesn't include the surgery. I will never have that kind of money."

It was then the doctor pointed his finger at Billy and said: "You get your priorities straightened out and you will come up with that money."

The doctor left the room and discharged Billy from his service. Billy was discharged from the hospital on December 15, 2007 without a defibrillator that would be ready to fire at any time.

Billy was pro-life. He believed in the importance of life from conception until natural death. Billy had a very even temperament and I only saw him angry three times in his life. The first was when he heard Terry Schiavo's tube feeding was going to be discontinued, the second was when his cardiologist gave him the humiliating lecture where he compared putting oil in his car to taking care of his heart, and the third was on that day of his discharge -- that day when he walked out of the hospital with a death sentence handed down by our broken health care system and realized that in our country unless you have money, you can't have your health.

On March 6th, 2009, Billy went to church to spend his hour at adoration. He knelt on the floor of the altar, thanking and praising God for his blessings, and for the job he grew to love. He asked God to bless his family, friends and those in need. He asked his Almighty Healer to heal his heart, if it be Thy will.

Billy left work to go home at 5:00pm on March 7, 2009. He drove two blocks, came to a stop sign, put his car in park, and slumped into his steering wheel. Compassionate strangers came to his aid. They got him out of his car and began CPR, while others stood in silence offering their prayers. A young man saw what was happening and began running down the hill. As he ran, he took off his hooded sweatshirt and began to fold it and when he got to Billy, he knelt down and placed that sweatshirt under his head... a gesture of comfort for a man in need. That day, these compassionate strangers didn't care if Billy had a health insurance card in his pocket. All that mattered to them was doing what they could to give Billy back another day of life. Something his cardiologist could have done, should have done, and took an oath to do. So why didn't he? The answer is found in one word and that word is written throughout his medical chart. That word is "uninsured."

Today I am not here to ask you to feel mine and my family's pain, I would never want to take you there. I am going to ask you, though, when you have a minute, maybe watching the sun go down or standing on the porch sipping a cup of decaf, to close your eyes and look inside yourself. Not to your heart but into your soul because that is where you will find your moral compass, and ask yourself this question -- if Billy was alive today, would his life matter to you? Would you be one of those compassionate strangers trying your hardest to give Billy back another day of life? If when you open your eyes the answer is yes, then you will not be able to repeal the Affordable Care Act... an act that would have saved Billy's life, and an act that is the hope of life for millions of Americans who -- without it, are only left with the thought of death.

Chairman ROE. Thank you very much for your testimony.
Lori Joint?

**STATEMENT OF LORI JOINT, DIRECTOR OF GOVERNMENT
AFFAIRS, MANUFACTURING AND BUSINESS ASSOCIATION**

Ms. JOINT. Good afternoon. My name is Lori Joint, and I'm the director of government affairs of the Manufacturing and Business Association, a regional employers' association that represents more than 4,500 members throughout 27 counties in Pennsylvania. I would like to thank Chairman Roe and Congressman Kelly for pro-

viding this opportunity to the discuss Patient Protection and Affordable Care Act and its impact on the business community.

Our member companies have been very clear in expressing their concern and uncertainty over the law and its potential implications and costs causing many employers to hold off on plans for growth and investment in their business operations. We strongly believe in the need for healthcare reform and have advocated for it for decades. But the act fails to address many of the long-term problems associated with the cost of healthcare. We have called for market-based reforms rather than government takeover of the healthcare industry.

The Act proposes numerous tax hikes that will slow economic growth, reduce employment and suppress wages. A recent study from the Heritage Foundation finds that the Act contains 18 separate tax increases that will cost taxpayers \$503 billion between now and 2019. The Cato Institute calculates that the Act will result in more than \$606 billion in new increased taxes over its first ten years. And the Congressional Budget Office estimates that the employer mandate will cost businesses \$52 billion in tax penalties from 2014 to 2019.

Employers are concerned about many aspects of the law. Specific examples and details are in my written testimony. I'd like to focus this time on comments from some of our member companies as they are the true job creators.

From Randy in Erie, PA: The PPACA will literally kill my business. We currently employ approximately 200 people, 50 full time and 150 part time. We are a minimum wage based business. Due to competition, our average wage is \$7.65 for part time and \$8.50 78 for full time. Adding health insurance would be approximately twice the cost of the \$2,000 penalty. On an hourly basis, I'd have to add \$1.44 per hour plus administration costs to cover this.

All of my competitors with less than 50 employees would automatically win every bid by 20 percent. To summarize, the first year of the Act will cost me every bid and \$150,000 in penalties making it my last year of earning a living and providing meaningful employment.

From Paul Reid in Lockport, New York. Our company has an office in Erie, PA as well as a number of retail stores named Crosby's. This law will drive up healthcare costs and dampen employment opportunities. Businesses will reduce costs by eliminating employees in the market. Government bureaucrats cannot manage the healthcare industry. Only markets can accomplish this task, markets driven by consumer choice and consumer responsibility, one of the aspects that this law affirmatively rejects. This is not being considered in the damaging effects of the taxes embedded in this law.

From Mark in Meadville, PA. Mark says their company welcomes opportunity for industry recommended solutions to address the cost of compliance with care and reduce the competition that embodies government-mandated provisions for employee benefits. Without more competition among insurance providers, the inevitable single payor system for a government-run healthcare program will be the only option. He says their company has evaluated the cost impact,

and under the law, they will likely eliminate their healthcare coverage.

From Raine at Hermitage Health, Cambridge Springs. We strongly feel that the Healthcare Reform Act will significantly increase health insurance costs, lead to rationing, long waits for services, drive doctors out of their field and severely limit options. We will likely be forced to drop all coverage and let employees fend for themselves.

From Don in Corry. Our premiums are going up eight percent this year. I think it is unfair we have to cover children up to age 26 even if they are couch potatoes. I completely agree with providing coverage while they are in college or technical school, but this is typical socialism. You're essentially training our youth to expect entitlements at any early age. The law penalizes employers with more than 50 employees that have an employee who opts out of our insurance plan. We are penalized \$2,000 per employer per year. Who wouldn't opt out and let the government provide the insurance? What happens if everyone does this?

More examples can be found in my written testimony. Health insurance has long been the biggest concern of most businesses and they would truly welcome cost effective reform. However, they don't consider the PPACA as cost effective reform. Looking forward, there's cause to believe small businesses will see higher premiums, greater administrative burdens, reduced options and many unwanted surprises.

In summary, we need to reform the system in a way that controls costs. We would ask for market-based reforms that allow individuals a tax deduction on their premiums, require all doctors, hospitals and providers of healthcare services to list their services, outcomes and pricing, create total transparencies from insurance companies, on all provider contracts and administrative fees, apply a moratorium on all unfunded government mandates, allow for the purchase and sale of insurance products across state lines, allow individuals and employer sponsored plans to purchase specific services they want and need as opposed to government-mandated benefits and services, provide immediate tort reform and allow insurance companies to properly calculate risk by imposing additional premium charges to those who refuse to make changes to risky lifestyle activities.

This represents a small list of actions that would have an immediate impact on reducing the cost of healthcare, insurance premiums and utilization.

Thank you once again, Chairman Roe, and members of the committee, for your interest in learning more about the needs we want on reform.

[The statement of Ms. Joint follows:]

**Prepared Statement of Lori Joint, Director of Government Affairs,
Manufacturer & Business Association***

Good afternoon. My name is Lori Joint and I am the Director of Government Affairs at the Manufacturer & Business Association (MBA), a regional employers' association that represents more than 4,500 member companies throughout 27 counties of Pennsylvania. With offices in Erie, Williamsport, and Harrisburg, we provide

*Additional information and sources included in written testimony.

information and services to our members that will assist them in the pursuit of their business and community interests.

I would like to thank Chairman Roe and members of the House Subcommittee on Health, Employment, Labor and Pensions, for providing this opportunity to discuss the impact of the Patient Protection and Affordable Care Act (PPACA) on the business community. The law is extremely complicated and there are many rules and regulations yet to be finalized. Our member companies have been very clear in expressing their concern and uncertainty over the law and its potential implications and cost—causing many employers to hold off on plans for growth and investment in their business operations.

We strongly believe in the need for health-care reform and have advocated for it for decades. But the PPACA fails to address many of the long-term problems associated with the cost of health care and insurance for small businesses. For the past 25 years, we have called for market-based reforms, rather than a government takeover of the health-care industry.

The PPACA imposes numerous tax hikes that will slow economic growth, reduce employment and suppress wages. A recent study from the Heritage Foundation finds that the Act contains 18 separate tax increases that will cost taxpayers \$503 billion between now and 2019. The Cato Institute calculates that the PPACA will result in more than \$669 billion in new or increased taxes over its first 10 years.

Employers are concerned about many aspects of the law including: the requirement for plan sponsors to start reporting health-care premiums on their employees W-2's, the Patient Centered Outcome Research Fund Fees and the pending Quality of Care Reporting requirements. These are examples of government intervention in the free-enterprise system. I will discuss a few additional sections of the law that are of concern to the business community.

The employer mandate and “Essential Health Benefits” requirement have many businesses concerned and will likely cause the most harm to businesses already offering coverage. The Congressional Budget Office (CBO) estimates that the employer mandate will cost businesses \$52 billion in tax penalties from 2014 to 2019. Companies will be forced to adjust by raising prices, cutting wages and benefits, and reducing their work force.

The PPACA small business tax credit is complex and narrowly focused. Less than one-third of small businesses meet the size and contribution requirements to qualify for the tax credit. This percentage shrinks if a company increases their work force, gives raises to employees, employs family members, has part-timers or is more generous with their insurance offerings—basically discouraging businesses from hiring or rewarding employees. (Specific example in written testimony)

More details on these items as well as additional concerns regarding: new Medicare taxes, Subsidies, Grandfathered status, Exchanges, Mini-meds and the Health Insurance Premium Tax can be found in my written testimony. You will hear many facts and statistics today, some of which are included in my written testimony. I would like to focus this time on comments from some of our member companies; as they are the true job creators.

Bonded Services, Inc., Erie, Pennsylvania—Randy R. Nyberg, President/CEO—238 employees

The PPACA will literally kill my business and the janitorial services industry (along with lawn care and security services to name a few). Our business currently employs approximately 200 people (50 full-time and 150 part-time). We are a minimum-wage based business due to competition (the minimum wage is \$7.25 per hour and our average wage is \$7.65 for part-time and \$8.50 for full-time). This hourly wage does not include purchasing health care insurance, which is totally unaffordable, and would be approximately twice the cost of the \$2,000 PPACA penalty. The penalty for my business would be in excess of \$150,000 annually. On an hourly basis, I would have to add \$1.44 per hour plus administration costs to cover this. All of my competitors with less than 50 employees would automatically win every bid by 20-percent. To summarize, the first year of PPACA will cost me every bid and \$150,000 in penalties, making it my last year of earning a living and providing meaningful employment to hundreds.

The Reid Group—Paul Reid, President—Lockport, NY—64 employees

Our company has an office in Erie, Pennsylvania as well as a number of retail stores named Crosby's. This law will drive up health-care costs and dampen employment opportunities. Businesses, especially small businesses like ours, will reduce costs by eliminating employees in the margin. Government bureaucrats cannot manage the health-care industry, only markets can accomplish this task. Markets driven by consumer choice and consumer responsibility are the key to fixing health care,

and one of the aspects that this law affirmatively rejects (fewer HSAs). This does not even consider the damaging effects of the taxes embedded in this law; they will crush our economy in my opinion.

Tech Tool and Molded Plastics, Meadville, Pennsylvania—Mark Hanaway, Vice-President—114 employees

Mark says their company welcomes the opportunity for industry recommended solutions to address the cost of compliance, cost of care, and reduced competition that embodies government mandated provisions for employee benefits. Without more competition among insurance providers, the inevitable single-payer system or government run health-care program will be the only option. He says their company has evaluated the cost impact and under current law, they will likely eliminate their health-care coverage.

Ray Overholt, Executive Director, Hermitage House Youth Services, Cambridge Springs, Pennsylvania—90 employees

We strongly feel that the health-care reform act will significantly increase health insurance costs, lead to rationing and/or long waits for services, drive doctors out of their field, and severely limit options. We will likely be forced to drop all coverage and let employees fend for themselves.

Cynthia Kramer, Kramer Automotive Specialties, Butler, PA—Five employees

The new law set up unfunded mandates that have cost us more in employee health insurance. Highmark has gone from a not-for-profit to a for-profit company, and they are surcharging us based on the health of our employee group because they anticipate their costs to skyrocket. To get the cheapest plan available, coverage has gone up for our small group by 24 percent, from \$531 to \$649. Our coverage to keep the better plan we had before was \$794 per person. Our good healthy years no longer count as we grow older. We are surcharged for the age of our group as well as the group's health. Next year, I will no longer be offering employee health care if I can't get a rate under \$500 per person. I can't afford it. My employees are like family to me, and I want to provide health care, but how can a small business do so with rates like these?

North Country Brewing Company, Slippery Rock, PA—Bob McCafferty, Co-owner—60 employees

I own a brewery with a brewpub attached. I also represent 34 restaurants in Butler County for the Butler County Tourism and Convention Bureau. I feel that there are many honest employers who do what they can for their employees, and don't need the government in their day-to-day business. Restaurants have razor thin profit margins. We offer health care to full-time employees and hope they build their career with us. We struggle to remain open due to the government-involved regulations and the way they have expanded in such a short time. The more regulations, the more paperwork, longer timelines and impossible prices are killing businesses. The health-care reform law just adds one more layer. I think if the government wants to run all of our businesses, then they should start by reviewing their own P&L.

EA Mundkowsky Finishing LLC—Elsie A Mundkowsky, Owner/President

The health-care law is so complicated that you have to have an attorney just to be able to know what is expected. I know that it will cost me money and I am already hanging by a thread. I really don't think that my business can handle much more out-of-pocket. There are so many regulations, insurances and taxes that it is so hard to keep my head above water. So as a very small business owner, I must tell you that I can't afford anything else. I just want to pay the people that work for me, pay my bills and I get no help from the government at all. I just keep getting taxed and taxed to death. Profit must be a dirty word.

Corry Micronics, Corry, Pennsylvania—Don Pavlek, President—30 employees

Our premiums are going up 8-percent this year. I think that it is unfair that we have to cover children up to age 26 even if they are couch potatoes. I completely agree with providing coverage while they are in college or technical school but this is typical of socialism. We are essentially training our youth to expect entitlements at an early age. The law penalizes employers with more than 50 employees that have an employee who opts out of our insurance plan. If we are penalized \$2,000 per employee per year, who wouldn't opt out and let the government provide the insurance. What are the consequences if everyone does this?

In addition, I received many shorter responses with similar comments and common themes. Health insurance has long been the biggest concern of most businesses

and they would welcome cost-effective reform. However, they do not view the PPACA as cost-effective reform. Looking forward, there is cause to believe that small businesses will see higher premiums, greater administrative burdens, reduced options and many unwanted surprises.

Thank you for your interest in learning more about the business community's view on health-care reform. We need to reform the system in a way that controls cost through private market forces. We would ask for market-based reforms that: allow individuals a tax deduction on their premiums; require all doctors, hospitals and providers of health-care services to list their services, outcomes and pricing; create total transparency from insurance companies on all provider contracts and administrative fees; apply a moratorium on all unfunded government mandates; allow for the purchase and sale of insurance products across state lines; allow individuals and employer-sponsored plans to purchase the specific services they want and need, as opposed to government-mandated benefits and services; provide immediate tort reform; and allow insurance companies to properly calculate risk by imposing additional premium charges for those who refuse to make changes to risky lifestyle activities. This represents a small list of actions that would have an immediate impact on reducing the costs of health care, insurance premiums, and utilization.

Thank you once again, Chairman Roe and members of the committee, for taking the time to hear from so many concerned business owners and constituent groups throughout this process.

Chairman ROE. Thank all the witnesses. You all have done a great job. We're going to try to stay within our five minutes. Let me start by saying you can't get—when you look at the healthcare, this has bugged me from day one—is that healthcare should not be a Republican or Democrat problem. It's an American problem. I've never seen a Republican or a Democrat heart attack in my life. I've never operated on a Republican and Democrat cancer.

The hardest decision I've had in my life was to sit down next to a friend's bedside and say, "There's nothing more I can do for you as a physician. You're in God's hands." I've dealt with that over the three decades in my life. It's not about whether—it's what's the best way to do it. How much should government be involved?

Do we need healthcare reform? Absolutely. Well, what did this plan do? And what concerned me greatly are our senior citizens. It took \$550 billion out of an already underfunded Medicare plan. I am Medicare age. I'm on Medicare. We have 3 million baby boomers retiring each year going to the Medicare system. In ten years, we're going to have \$550 billion less to spend on 36 million more people. I can tell you what's going to happen. You're going to have less access to care. The quality of your care is going to go down and the cost is going to go up. That's the first time in the history, taking money that's designated for our senior citizens and move it to another entitlement, very first time in the history of our country.

I run a business and my healthcare out of my practice. And we have a situation where we pay about \$6,000 per employee. Ms. Joint, you mentioned this is extremely important. Businesses around that 50 mark, or in my case, 350, if I go out and pay this, if one person moves off into the exchange, I then can drop my employees off into the exchange, and I can save myself—I can pay a \$2,000 fine. I got to pay tax on that money. I can save \$3,000 per employee. For me that's \$900,000 to my business. Why wouldn't I do that?

Businesses are asking why wouldn't I ask Secretary Sebelius that. I can tell you a Fortune 500 company came to my office in D.C. and said it's going to cost us \$120 million, this mandate is.

Because remember, you don't get to decide what your health insurance is. Essential benefit package is decided by the government, not you and your business and what you can afford. The example I used at lunch today is very—so bear with me.

I've been fixed. My wife has been fixed. We got three grown kids. We don't need any more children. I got two grandkids. But an essential benefits package—and I'm going to jump off the tallest building in Johnson City, Tennessee face first in the parking lot if I thought I was going to have another child at my age. You get the idea. But an essential benefits package may require me to buy fertility insurance coverage for my wife. She's 55, 56 years old.

So the question is: Why shouldn't those decisions be made? Why aren't companies going to do exactly what I just mentioned?

Ms. JOINT. I'm not sure I understand exactly what is—

Chairman ROE. If you're about 50, why wouldn't you drop it and pay the fine and have your employees going into the exchange?

Ms. JOINT. That is the argument or the question, I guess, or the concern of a lot of the businesses. In their cases, for many of them depending on what their costs are, it would make more sense to do that. But then the question becomes what if everybody does that? Where does the money come from to paper all that? There have been estimates of how many people go into the exchanges and what that would do fiscally.

Chairman ROE. Another thing I liked about all this is—I have three children—to allow your adult-aged child to stay on until age 26. That's a good deal. It actually costs about two and a half percent of a premium to do that. So it does increase the cost, but what people don't tell you about that is what if you don't have a mom and dad—the way the actuaries do this now, it used to be a six to one. You could charge anybody at my age six times what you would charge a young adult. Now that ratio has been changed to three to one. So a youngster that's out there now trying to buy insurance on their own that doesn't have a parent that can afford it, their price just went up two times.

Senator White, I want to ask you a question. In Tennessee we tried healthcare reform in 1993 called TennCare. It's a managed care plan. Basically it covered—because we're not a very rich state. We have a lot of people and our per capita incomes are low. We tripled our cost in ten years. Our Governor Haslam and Governor Bredesen, who is a Democrat, had to deal with it as to the 2,000, almost bankrupted our state. Right now this mandate to expand Medicaid—quite frankly, the Medicaid and the 26 year olds may be the most coverage that's expanded. It could be between 15 and 24 million more people on Medicaid.

How is that going to affect the budget of the State of Pennsylvania if you added that many more people? You all have probably done the estimates.

Mr. WHITE. The situation with the budget of Pennsylvania, which as I know Congressman Kelly is aware, is about as streamlined as you possibly could get it. The \$800 million of additional premium in dollars that we have to spend on Medicare coverage this year is on a \$27.2 billion budget, pretty dramatic, considering that if we had a—our governor in his infinite wisdom—we had a \$500 million surplus last year, and despite a lot of people that

wanted to rant and rave about spending that money decided to hold onto it. Thank God, because we have an \$800 deficit this year. Just compound that year after year after year, not even to begin to mention—if I may make one statement, Congressman.

This is near and dear to me. I don't know of any other landmark legislation that's ever been done at the Congressional level that wasn't done by bipartisan support. That's not the case here. That's not the case at all. The number of stakeholders that had limited input into this piece of legislation is abominable.

Chairman ROE. Senator, my time has expired, but I will make one final statement. There are countless issues in the 111th Congress, 115 of them this year. Not one time was I asked about anything in the 2,500 page bill, which I read in its entirety, maybe one of the few people. As I said today, it doesn't say a lot about my intelligence, but I read every page of it, and there have been ten that are—and the regulatory writers are still writing—over 10,000 pages of rules right now and still counting.

Yield the time now to Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman. I want to thank you, everybody, that came before us today in testifying. I'm going to come about it from a little different approach. What we talked was a field hearing on healthcare challenges and facing Pennsylvania's workers and job creators. I just want to make sure that we understand. This has never been about healthcare, never been about the things that touch—pull at our heart strings. It's about what we can afford to do and what we can provide. And then what happens when we realize that there's a lot of things that this bill puts in there that are totally unaffordable and decrease the amount of accessibility.

So if it's about affordability, it's about accessibility, it certainly missed the mark. Senator, I know what Pennsylvania faces. Really the challenges we face today in everything that we're looking at, all the shortfalls we have are because of the fact that we don't have enough people working. We don't have enough companies making profits. Because the last time I looked, tax revenues drive all of these opportunities and all of these packages that we have available. Services we have available for people is paid for by taxpayers, hard working Americans that go to work every day and spend their money on taxes that the state collects, local municipalities collect, school districts collect, the federal government collects, and every time they buy something, there's a sales tax. You are so overtaxed right now, I just wonder what—the old saying is don't worry about the mule; just slow the wagon—at what point does the mule say I'm unhitching myself from the wagon.

Again, this is not about somebody's healthcare. This is about affordability and accessibility. And I have to tell you from a guy who hires people, when I don't know what it's going to cost to actually pay somebody, it's hard to make that decision. And I would ask you, because in your years since 2001, as you go through your district, the number one concern of job creators, small business people, what do you hear from them?

Mr. WHITE. Well, in this case, they talk about fees. But they're talking we need jobs. We need job creators. We need entrepreneurs. And in this environment we currently have in Pennsylvania, as

you're very well aware, Congressman, to come to Pennsylvania and want to conduct a business and be from out of state, be from out of country—this is a global economy—in my opinion—and you're an exception; you had a very exceptional career as a local businessman—I think you'd have to be one of three things: You'd have to have family entrenched here in Pennsylvania or you'd have to be philanthropist or you'd have to be plain stupid. And I mean that sincerely about our working environment here in Pennsylvania.

We're behind so many different states. You at the national level are well aware of our CNI and a few other of our little issues. My hope is that—you put a burden like this on top of this, which doesn't address cost of insurance, all this is is minor insurance reform. This has nothing to do with the cost.

How can you discuss overall medical reform when you don't even discuss for one minute tort reform, medical malpractice and defensive medicine, Doctor? How does this happen? Does everybody in your position and my position want to make sure that everybody out there has access to affordable insurance? Yes, we do. But the key word is affordable, and you can't place the burden on one segment of society.

Mr. KELLY. Thank you, Senator.

Ms. Bishop, also Ms. Joint, because you come into contact with so many small business people and job creators, truly if this nation is to recover, it will come from the small sector. It will come from the private sector and job creators, small business people. That's where it's going to come from. It's not going to come from government growing bigger and bigger every day which takes more and more out of your pocket to operate. It's going to come from the private sector.

You talk to people every day, as I do. Just if you could, because you're involved with associations, some of the challenges that your folks face. You talk to them on a very personal basis and you know what they're talking about when they're wringing their hands and they're saying I want to be able to do this. I'm just not sure what it's going to cost me. I think that's the part that's so hard to explain to people. As a job creator, as an employer, you really don't know what this is going to cost you ultimately.

If you could, Ms. Bishop and Ms. Joint, because you talk to so many of these folks on a very personal basis, if you could just share a little bit of that.

Ms. BISHOP. You're exactly right, Congressman. Part of the challenge is when you're running a business, you have a budget set up. You know how much income is coming in, and you anticipate how many expenses are going to go out. Could you imagine trying to run that budget and having no idea how much in expenses, you don't know how much in income. We can't even do that on our own personal level. You know when you bring home your paycheck how much in bills you have to pay. Well, what if all of a sudden you didn't know what your bills are and you don't know if your salary is even going to be able to match a quarter of it, half of it, or what the case may be.

There are a lot of scared business owners in our community, and healthcare is just one piece. The other part of it is we have jobs in northwestern Pennsylvania. We can't get people to go to work.

Two reasons. One, they can't pass a drug test. Two, they don't want to come off the unemployment extended vacation plan. So that is a huge concern in our community. So you compound those three together, and you've got a lot of business owners really worried about the future.

Mr. KELLY. Thank you. Ms. Joint.

Ms. JOINT. I've been with our association for almost 20 years, and I've met some wonderful, wonderful business owners all over the State of Pennsylvania and beyond. I can tell you they do care about their employees. They do want to see good things happen and help them and have things be reasonable; however, some of the comments that I didn't have time to include in my testimony today is, you know, my employees are like family to me. This is so hard for me, but I literally cannot afford one more thing.

And what a lot of it comes down to—we do a lot of surveys and we go out and meet, talk with businesses—it's regulations. First, they don't understand it, and that's, I think, one of the biggest things. Now that I've really studied a lot of the different parts of this, there are so many different parts of this law that people have no idea, that don't even make sense. There's no common sense to it. I think you're seeing that as the federal government starts to back out of some of the things and change some of the things they've done.

So it's the uncertainty of this, but it's the regulations. They look at this in many ways as what more. I can't tell you how many times I hear "One more thing and I'm out of business, one more thing and I'm going to have to lay off people that work for me, they're going to have no job," because we literally—I don't want people to think all these businesses are making—I'm not talking even a GE or whatever.

I'm talking your typical, what most of our members are, which are your five employees to 25 employees, and they feel like they can't get a break. And this is one more thing on top of it. It's very sad as a human being and a person to go out and see these things. It's very, very sad. So it's one more regulation on top of what they're already facing.

Mr. KELLY. Thank you. And just so you both can weigh in, we're not talking about huge employers like GE and GM and AK Steel. We're talking about very small family-owned businesses that struggle every day to make it, and they hire our sons and daughters and they're the ones that enable us to stay in the communities we live in right now by providing that type of work.

So thanks so much for coming here today. Senator, it's good seeing you again. Ms. Koehler, thank you so much.

Chairman ROE. Just one final statement before you leave. I think you've all been great, great panel. Let me say that Secretary Sebelius has granted over 1,700 waivers so far. If this bill was that great, why would you have to have 1,700 waivers? Let me give you—when they wrote this, it was written with such speed and went through no committee hearings. The Senate, the bill, did not have any committee hearings.

I picked this up and wrote to the IRS. When you have a state run exchange, the subsidies that the federal government gave you are not as much as what your employers have been paying, and the

other is not tax deductible. So it cost the person getting the insurance through the exchange more. When you get in the weeds and start reading this, about half of you understand that.

Secondly, what they did in this was stagnate—missed that tax deductibility on the state run, the government run, federal run exchange. Texas is facing that right now. So they created an IRS problem with the people in Texas.

You all have been great. Thank you very much. We'll let you go and then we'll have the second panel step up.

Before we introduce our next panel, Mr. Kelly, I'd like to introduce for the record the Ranking Member, Rob Andrews, who would like to include a statement.

Without objection, so ordered.

[The information follows:]

**Prepared Statement of Hon. Robert E. Andrews, Ranking Member,
Subcommittee on Health, Employment, Labor and Pensions**

Good Morning, Mr. Chairman. As we all very well know, health care costs have been skyrocketing for decades. And for decades, Congress failed to do anything about it. Recognizing that reforming this country's health care system could wait no longer, congressional Democrats passed and President Obama signed the historic Affordable Care Act into law nearly two years ago.

This law takes control of health care away from the multibillion dollar insurance industry and returns it to American families where it belongs. And, while much of the law will not be fully implemented until 2014, today, millions of Americans are already benefiting.

Medicare is stronger. Seniors are paying less for prescription drugs. Young adults are able to stay on their parents' health plan. Children who need life-saving medical attention can no longer be denied coverage due to a pre-existing condition, and all Americans are protected against lifetime limits and rescissions. Additionally, small employers can obtain substantial savings in health care costs through the small business tax credit.

Pennsylvanians now have long overdue protections against their insurance companies.

- Nearly 7.7 million Pennsylvania residents can no longer be subjected to a lifetime limit cap on their health coverage.
- Nearly 680,000 Pennsylvanians no longer face the uncertainty that their health insurer can drop their health coverage when they need it the most.
- More than 32,000 young adults in Pennsylvania may now have coverage through their parent's health plan because of the law.
- Nearly 4,400 previously uninsured Pennsylvanians with a preexisting condition have already obtained coverage through the law's Pre-existing Condition Insurance Plan.

Employers are also realizing the benefits of the law. More than 179,000 small employers in the state may be eligible for the law's small business tax credit. More than 430 employers in Pennsylvania and their employees are paying less for retiree health care after receiving more than \$106 million in financial assistance through the Early Retiree Reinsurance Program.

And when the Affordable Care Act is fully implemented, the law will extend access to quality, affordable health care coverage to those who need it. Americans will no longer fear losing their health insurance if they change jobs, decide to start a small business or have a preexisting condition.

Employers could see even more savings through the elimination of pre-existing condition underwriting, medical loss ratio standards, states successfully combating unreasonable premium increases, and reforms such as Accountable Care Organizations that pay for quality of outcomes, rather than quantity of tests.

Seniors are also seeing significant benefits right now. Last year, 235,820 Medicare beneficiaries in Pennsylvania who hit the Medicare prescription drug donut hole saved a total of \$156 million on their prescriptions—an average of \$662 per beneficiary. That is a significant savings. One million seniors on Medicare received at least one preventive service last year, including almost 59,000 annual wellness visits, without cost sharing or deductibles. With the passage of the Affordable Care Act, Pennsylvania has received funding to plan for a health insurance exchange, support programs that prevent illness and promote health, strengthen the health

care workforce, and invest in groundbreaking biomedical research. Specifically, the state has received:

- More than \$48 million to support 231 projects in the state that show potential in producing new and cost-saving therapies. More than \$18 million for primary care training that will expand and support Pennsylvania's primary care workforce.
- \$2 million to allow school based health centers to expand and provide more services to students in Pennsylvania.
- Nearly \$2 million for community and clinical prevention services that will help Pennsylvania prevent and manage costly conditions.
- A \$1 million exchange planning grant to conduct the research and planning necessary to build a health insurance exchange.

Despite doomsayers, putting patients and doctors back in control of their health care hasn't hurt the economy. In fact, more than 500,000 jobs have been created in the health care field since the law's enactment with more than 3.5 million private sector jobs created overall nationwide.

All of these critical reforms would vanish if the law is repealed. Seniors would pay more for their prescriptions and preventive care, young adults would no longer have to ability to stay on their parents' plan, and insurance companies could once again discriminate based on a preexisting condition.

While House Republicans have pressed for repeal, their only alternative to the Affordable Care Act thus far has been a proposal to end Medicare as we know it.

This would be a disaster for our nation's seniors. This plan will increase costs faster and shift more of the burden on the back of seniors themselves. Even after paying into the system for decades, the 107,000 individuals between 44 and 54 in this congressional district would have to pay more than \$6,000 per year in increased costs in 2022 and pay about \$12,000 more per year in increased costs in 2032 under the Republican plan to end the Medicare guarantee.

To cover these additional costs, a 54-year-old would need to save \$182,000 by the time he or she retires to purchase health insurance. I don't know a whole lot of working people who can scrape up an extra \$182,000 before they retire.

As we approach the second anniversary of the Affordable Care Act, we should be reinforcing the protections that hard working families now enjoy under the law. We should not be finding ways to end Medicare. In closing, spending our precious time refighting the same political battles will not move this country forward. The American people deserve better. In the short time left in this Congress, we should be working together to put more Americans back to work and strengthen the middle class.

Mr. KELLY. Thank you, Mr. Chairman. Our second panel is also made up of local business owners all from this area, and I think it's really important to understand the whole purpose of this hearing was not to ask you to come to Washington, D.C. so Washington, D.C. could hear your concerns. It was to come out in the field and meet you in the places where you live and the businesses that you run, be able to get your feelings and your weigh-in on what the federal government is doing.

First I'd like to introduce Ms. Cathyann Kanterman. She serves as the chief financial officer for Associated Ceramics & Technology in Sarver, PA. Associated Ceramics & Technology employs 33 Pennsylvanians and specializes in engineering and manufacturing complex ceramic products. Thank you, Ms. Kanterman.

Mr. Paul Nelson, as you may remember, he was our Veteran who we asked to do the Pledge of Allegiance. I want you to listen to where Mr. Nelson came from. He's the owner of Waldameer Park & Water World in Erie, PA which a lot of us know because we grew up going there on weekends. Mr. Nelson started at Waldameer as a dishwasher 67 years ago, and he's owned that park since 1978. The park employs 400 part-time seasonal workers.

Mr. Nelson, thanks for being here.

Also, Mr. Ralph Vitt, who owned Vitt Insurance in Pittsburgh for 20 years. His expertise was in providing business owners with

healthcare. Mr. Vitt holds both a Bachelor's and a Master's degree from the University of Akron in Akron, Ohio.

Good to have you with us. Thank you.

Mr. Will Knecht is the president of the Wendell August Forge in Mercer, Pennsylvania. If there's a person in this area that doesn't know of Wendell August Forge and have a piece in their home, then you haven't lived here very long. Mr. Knecht runs the oldest small metal forgery in the United States producing what I think is the most beautiful handwrought metal that I've seen since 1923.

Thank you all for being here, and we appreciate you taking time out of your professional and private lives to come and share your experiences with us. Mr. Chairman.

Chairman ROE. Remember the light system. Five minutes. It will turn amber when you've got one minute, turn red when your time is expired. We will not gavel you right in the middle of it, but please try to wrap it up, if you would.

Ms. Kanterman?

STATEMENT OF CATHYANN KANTERMAN, CHIEF FINANCIAL OFFICER, ASSOCIATED CERAMICS & TECHNOLOGY

Ms. KANTERMAN. Thank you, Mike, for inviting us here today, first of all.

Secondly, our business was started by my father and two partners over 45 years ago. So we're a family-owned business, and I'm part of the family, and I've been working there for over 20 years.

I've been involved with the purchase of our employee benefits for over 15 years. We have 41 employees. We offer healthcare insurance to our full-time employees, and we currently cover 33 employees' healthcare insurance at a cost of more than a quarter of a million dollars per year. Add to that our HRA reimbursements in 2011 of \$12,000.

The Federal Patient Protection and Affordable Care Act of 2010 is concerning for me mostly on the things it did not do. It did not reduce the cost of insurance. It did not reduce the uncertainty of offering insurance. It did not force insurance companies to disclose any information to purchasers, us employers. And it did nothing to address the supply side of the healthcare equation.

As far as reducing the cost of insurance, the affordable care part of the title of this bill was a misnomer. The bill added coverage to millions of people. It's my belief that anyone who thinks you can cover more people and reduce the overall cost of insurance must be delusional. The tax on medical device manufacturers and the small business insurance tax will be passed onto us, the employers. The fact that so many employers and unions have requested exemptions from provisions of the bill indicate that those employers and unions do not believe the Act will reduce the cost of insurance.

Our insurance this past year increased 11 percent. So again, I don't see how that is affordable care. In regard to reducing the uncertainty of offering insurance, as more and more provisions of the Act are enacted, the uncertainty of offering insurance to our employees will certainly increase. The uncertainty is part of the reason that we are currently using temporary services to fill our position and working overtime with our current employees rather than adding additional employees.

We also need to be mindful of the additional requirements as we approach the magical number of 50 employees. At that number we will not be eligible for healthcare exchanges. We will be subject to penalties if we choose not to offer insurance. Another area of uncertainty is the FSA limits. Currently if one of our employees covers more than just the individual employee, we offer—we, the company, pays two-thirds of the premium and the employee pays the one-third, and we do that through a premium only FSA.

With the new limit of \$2,500 for the tax deductible part of that FSA, our employees will no longer be able to cover the full one-third of their premium payment. And this is basically a tax increase on working class employees. And keep in mind that's at today's cost. It doesn't factor in any future increases on those premiums. Suppose that the lack of tax deductibility of the premium and the increase in insurance encourages our business to drop the coverage and pay our employees a flat rate to cover their own insurance. I would predict other than employees with known health issue, many of our employees would take those premium dollars, put them in their pocket and pay the penalty rather than purchase individual insurance policies due to the artificially low penalty that this bill imposes.

When those employees get sick or have health problems, the elimination of preexisting conditions from insurance policies will make it easy for them to buy insurance at that time. Therefore, only truly sick people will be buying insurance, and the cost of insurance will probably be astronomically high. So the penalty for buying insurance will also have to increase astronomically. This will cause our employers to come back to us and request a pay increase to cover the cost of either the insurance or the penalty. How can this not lead to inflation. Where are the market forces?

With regard to forcing insurance companies to disclose information to employees as the purchasers of insurance, I think that Congress could have actually used this bill to help us as small employers when we are dealing with health insurance companies. As I told you in the opening, we pay a quarter of a million dollars for our insurance.

Our health insurance provider does not tell us how much money they pay on behalf of our employees. You know that they know a hundred percent exactly how much they pay, but they don't have to tell us unless we have more than a hundred employees. Our business is too small to put time and effort and financial resources into a program like a wellness program without knowing what the pay-off or potential pay-off might be.

As to the supply side of the healthcare equation, it bothers me that this bill does nothing to address supply. Where is the assistance to get more primary care doctors or nurse practitioners? How can you expect to give coverage to millions of people and not expect that they want to see a provider?

Finally, I'm concerned about being caught in the excise tax on high cost plans, the so-called Cadillac tax, even though I don't think our plan is a Cadillac plan. The excise tax goes into effect in 2018. We are only 20 percent below the threshold amount for the excise tax in 2012. With an average increase of 11 to 13 percent,

I see zero chance that we won't be in that excise tax, and that's basically a tax on us as a small business.

It's disappointing from a business perspective. When the Congress had a chance to make a change in healthcare insurance in America, instead of choosing to make the health insurance industry operate more like a market, they chose to come up with this whole new concept of accountable care organizations which have not been defined and cannot be shown to make the market operate more efficiently.

They increase demand without addressing supply and, as far as I can tell, did nothing to address the cost of care.

Thank you for your time, and I appreciate being heard. I also appreciate that Congress repealed the 1099 provision.

[The statement of Ms. Kanterman follows:]

**Prepared Statement of Patti-Ann Kanterman, Chief Financial Officer,
Associated Ceramics & Technology, Inc.**

My name is Patti-Ann Kanterman. I would like to thank Congressman Mike Kelly for inviting me here today. I am currently the Chief Financial Officer of Associated Ceramics & Technology, Inc. This is a family-owned business that manufactures industrial ceramics for which I have been working for over 20 years. I have been involved with the purchase of our employee benefits for over 15 years. We have 41 employees. We offer health care insurance to our full-time employees. We currently cover 33 employees' health care insurance at a cost of more than a quarter of a million dollars per year. Add to that HRA reimbursements in 2011 of over \$12,000.

The Patient Protection and Affordable Care Act of 2010 is concerning for me mostly on the things that it did not do.

1. It did not reduce cost of insurance.
2. It did not reduce uncertainty of offering insurance.
3. It did not force insurance companies to disclose information to the purchasers (employers).
4. It did nothing to address the supply side of the health care equation.

As far as reducing the cost of insurance, the "Affordable Care" part of the title of this bill is a misnomer. The bill added coverage to millions of people. It is my belief that anyone who thinks that you can cover more people and reduce the overall cost of insurance, must be delusional. The tax on medical device manufacturers and the small business insurance tax will be passed on to purchasers (employers). The fact that so many employers and unions have requested exemptions from provisions of the bill indicates that those employers and unions do not believe that the Act will reduce the cost of insurance. In fact, our average increase in insurance over the last 14 years has been 13%, despite our increase of the deductible for our plan from \$0 to \$1,250 per person and the addition of an HRA where we reimburse our employees for one-half of the deductible. Our premium increase from 2011 to 2012 was 11%. We have not realized a reduction in our cost. This is not what I would call "Affordable Care".

In regard to reducing the uncertainty of offering insurance, as more and more provisions of the Act are enacted, the uncertainty of offering insurance to our employees will increase. The uncertainty is part of the reason that we are using temporary services to fill our open positions and working overtime with our current employees rather than adding additional employees. We also need to be mindful of the additional requirements as we approach the "magical" number of 50 employees. At that number, we will not be eligible for health care exchanges and we will be subject to penalties if we choose not to offer insurance. Another area of uncertainty is FSA limits. Currently, if one of our employees covers more than the individual, we pay 2/3rds of the premium and allow the employee to cover their portion of the premium through a premium only FSA. With the new limit of \$2,500 for a tax-deductible FSA, our employees will no longer be able to cover all of their portion of the premium payment through the FSA, effectively increasing the taxes for the employees. This is a tax increase on working class employees. Keep in mind that this is at today's cost. It does not address future premium increases.

Let's suppose that the lack of tax deductibility of the premium and the increase in insurance cost encourages our business to drop coverage and pay employees a flat rate to purchase their own insurance. I would predict that other than employees with known health issues, most of our employees would take those premium dollars

and put them into their pocket and pay the penalty rather than purchase an individual insurance policy, due to the artificially low penalty. When those employees get sick or have a health problem, the elimination of pre-existing conditions from insurance policies will make it easy for those employees to purchase insurance at that time. Because only truly sick people are buying insurance, the cost of insurance will probably be astronomically high, so the penalty for not buying insurance will increase astronomically as well. This will cause our employees to come back to us and request a pay increase to cover the cost of either the insurance or the penalty. How can this not lead to inflation? Where are the market forces in this legislation?

With regard to forcing insurance companies to disclose information to the employers as the purchasers of insurance, I think that Congress could have used this bill to actually help us as a small employer when we are dealing with health insurance companies. As I told you in my opening, we pay a quarter of a million dollars in health insurance premiums. Our health insurance provider does not tell us how much they pay out on behalf of our employees. In fact, our health insurance company tells us that they do not need to tell us that information until we have over 100 employees. I do not think this is fair. You know that they know exactly how much they pay out. I do not want to know how much they pay for employee A versus employee B, I just want to know the total. It is hard to justify the cost of a wellness program when the insurance company won't disclose information. Our business is too small to put time, effort, and financial resources into a program and "hope" for a payoff.

As to the supply side of the health care equation it bothers me is that the bill does nothing to address supply. Where is there assistance to get more primary care doctors or nurse practitioners? How can you think that you will give health care coverage to millions more people and not suspect that they will want to actually see a provider?

Finally, I am concerned about being caught in the Excise tax on High-Cost plans (the so called "Cadillac" tax) even though I don't think that our plan is a Cadillac plan. The excise tax goes into effect in 2018. We are only one 20% below the threshold amount for the excise tax in 2012. At an average of 11-13% annual premium increases, I see the chances of not meeting the threshold for the excise tax as extremely slim. So this is another tax on our business in addition to the small business health insurance tax. Why would the Congress want to add more taxes to small businesses?

It is disappointing that from a business perspective, when the Congress had a chance to make a change in health insurance in America, instead of choosing to make the health insurance industry operate like a market, they chose to come up with a whole new concept of Accountable Care Organizations, which have not been defined and cannot be shown to make the market operate more efficiently. They increased demand without addressing supply, and as far as I can tell did nothing to address the cost of care.

Thank you for your time and attention. If nothing else comes of my testimony, I feel better having been heard.

Chairman ROE. Thank you, Ms. Kanterman.

Mr. Nelson, I appreciate your service. I, too, one summer at Boys Scout Camp washed 350 dishes three times a day. I decided at that point in time—that had, in fact, convinced me that chemistry was not that hard.

Mr. Nelson, you're up.

**STATEMENT OF PAUL NELSON, OWNER,
WALDAMEER PARK & WATER WORLD**

Mr. NELSON. Thank you very much. First of all, I want to say one thing. We have been successful because we do long-term planning. We have a five-year plan. We have a ten-year plan.

No way can Congress, the Senate or the President help a small business if they can't make long-term plans. It's the most important thing you can do. Our bank needs to know this. Our management team needs to know it. And our employees need to know it.

My name is Paul G. Nelson, and I'm owner and CEO of Waldameer Park, Inc. in Erie, PA. The park opened in 1896 as an

amusement park, and we added a water park to the complex. There are three generations of our family working in Waldameer. We have engineers, my daughter who's on a heart team. We have a lot of college employees. And when you think about seasonal businesses, our full-time employees make more money than people working in plants.

I graduated in 1955 with a college degree in business from Michigan State. Then I served in the Army. At the completion of my tour in Germany, I came home and became manager of our family business. I started working when I was 11. I have done every job in the park. In fact, dishwashing was easy.

I wanted a promotion when I was 12, and I was pretty big for my age. So I asked the right person. He said, "Don't worry. When you come back, you've got that better job." I had a keyring, two keys and a whistle. And, boy, was I impressed until I found out—I knew where his office was, over the ladies' room. And every hour on the hour all summer long I blew that whistle, and I cleaned the toilets in the park.

I'm still working full time. I'm 78, and I love it. I've been active in our community, in our industry. I've been past president of the following organizations: I was president of the Millcreek Township Chamber of Commerce, and I merged it with the city because I believe that bigness cuts cost. I was president, and we started in our park office the Erie County Tourist and Convention Bureau. I was president of the Pennsylvania Amusement Park Association. I was asked and was on the board of our International Association of Amusement Parks and Attractions several times. I was asked to be president. I couldn't do that because it's a four-year obligation and you're traveling all over the world.

The majority of family-owned amusement parks in Pennsylvania, in our nation, have gone out of business in the last 10 to 20 years. Waldameer is one of the few successful family-owned amusement parks that continue to grow. We are definitely a small business. We only have 18 full-time employees, and we have 400 seasonal employees. The majority of the seasonal employees are high school or college students.

We have continued to grow by having long-term plans, sticking to our family goals, plus an excellent relationship with our bank. And how do you get a good relationship with your bank? You pay your bills. You have long-term plans. I meet with the bank four times a year. Of course, I do admit that I get a free meal. We operate with a small dedicated full-time staff. Have a good relationship with our outside contractors. We spend hundreds of thousands of dollars outside our park having small contractors work for us.

We find out it's best to go to the experts. We're good at what we do, but there are other people that are better at doing some of the stuff we thought we could do. We do this for major projects. For example, at one time we could buy a major ride for \$25,000 and install it ourselves. Today a major ride costs in the millions, and we could not install without the help from the manufacturer and experts in this construction.

For those who know about the Ravine Flyer II, it was voted the best coaster in the world. It was built the year it came up. This

year will be its fifth season. That cost our small park \$7 and a half million.

Waldameer is one of the major engines in the promoting of our regional recreation, and we have spent millions of dollars. We advertise between Buffalo, Pittsburgh and Cleveland on over 150 radio stations.

We know that health insurance is very expensive. We felt we should do something to help our full-time employees with the cost. Many years ago we decided to pay 100 percent of the cost. About ten years ago to help control what our employees were doing with their insurance and because of the rising of the cost, we had the employees pick up 20 percent. So any new employee pays 20 percent. We pay 80.

But all the old-time employees, which is half of our crew, I promised that I would pay a hundred percent. So we still do and we will until each one of those retire. Our employees feel this is a very fair decision, and we all work together.

Our health insurance is handled by HealthAmerica. The family rate is \$12,587 annually. Then it works down for other classifications. What worries us about the government is for our part-time employees. We are a seasonal business. We work 90 days a year. That's where the money comes in. The rest of the time we're spending it. We worry about the state of the economy, but we also worry about the weather. It's a major factor in our annual success.

The majority of our part-time employees are students, and many of them are already on their parents' health insurance policies. Insurance companies do not want to put on part-time people for those part-time people could jump on the policy, have something done, and jump off. Therefore, our cost would go up to pay for this, and that's something that worries me.

The simple fact is we cannot afford health insurance for 400 part-time employees. Waldameer, one of the main engines to promote our tourist industry in northwest Pennsylvania, would just be out of business, and no one would benefit from us leaving the scene. Thank you.

[The statement of Mr. Nelson follows:]

**Prepared Statement of Paul T. Nelson, Owner and CEO,
Waldameer Park, Inc.**

My name is Paul T. Nelson and I am owner and CEO of Waldameer Park, Inc. Waldameer opened in 1896 as an amusement park and added a water park to the complex. Today there are 3 generations of our family working at Waldameer.

I graduated in 1955 with a college degree in business from Michigan State, then served in the U.S. Army. At the completion of my tour in Germany, I came home and became manager of our family business (at 11 years old I started working at Waldameer, and am still a full-time employee at the age of 78). I have been active in our community and industry, being past president of the following organizations: Millcreek Township Chamber of Commerce, Erie County Tourist and Convention Bureau, Pennsylvania Amusement Park Association, and on the Board of the International Association of Amusement Parks and Attractions several times.

The majority of family owned amusement parks in Pennsylvania and our nation have gone out of business in the last 10 to 20 years. Waldameer Park is one of the few successful family-owned amusement parks that continues to grow. We are definitely a small business, with only 18 full-time employees and approximately 400 seasonal employees, and the majority of those are high school and college students. We have continued to grow by having long term plans, sticking to our family goals, plus an excellent relationship with our bank.

We operate with a small, dedicated full-time staff and have good relationships with outside contractors who supplement our staff when we have major capital projects. For example, at one time we could buy a major new ride for \$25,000 and install it ourselves. Today, a major ride costs in the millions and we would not be able to install it without help from the manufacturer and experts that specialize in this type of construction.

Waldameer is one of the major engines of promoting our region as a recreational area and have spent millions of dollars advertising between Buffalo, Pittsburgh and Cleveland.

We know that health insurance is very expensive and felt that we should help our full-time employees with this cost. Many years ago we decided to pay 100% of the cost. About 10 years ago, to help control how our employees were using their health insurance and to help defray the cost increases, we decided that new full-time employees would pick up 20% of the cost and we would pay for 80%. For the old-timers we still pay 100%, as that is what I promised to do. Waldameer employees feel that this is a fair decision.

Our health insurance is handled by Health America and the family rate is \$12,587 annually and works downward for other classifications. What worries us is what the government is planning for part-time employees. We are a seasonal business that is only open 90 days. We worry about the state of the economy, but the weather is also a major factor in our annual success. The majority of our part-time employees are students, and many of them are already on their parents' health insurance policies. Insurance companies are not interested in part-time employees being added to our plan. A part-time employee could have an expensive procedure, then leave employment, sticking the insurance company with the bill. This increased cost would cause the insurance company to raise our rates.

The simple fact is that we cannot afford health insurance for 400 part-time employees, and Waldameer, one of the main engines of promoting the tourist industry in NW Pennsylvania, would be out of business, and no one would benefit from this situation.

Chairman ROE. Thank you, Mr. Nelson.
Mr. Vitt?

STATEMENT OF RALPH VITT, OWNER, VITT INSURANCE

Mr. VITT. Thank you for the opportunity to testify before this panel. Today I realize how my alma mater's, the University of Akron, football team must have felt when they played Penn State in Beaver Stadium opening season. To their credit, they stayed the game all four quarters. I intend to do this also.

My name is Ralph Vitt. I owned Vitt Insurance Services in Pittsburgh for 20 years. My medical insurance company employed two people, but I worked with countless small business owners over the years helping them purchase insurance for themselves and their employees. I have an appreciation of small business owners' concerns and challenges in buying health insurance, which is why I speak in support today of the Affordable Care Act.

There are many reforms in this new law. Some have been implemented already and others that will be put in place over the next couple of years that will help small business owners. Most small employers with whom I have dealt would prefer not to be part of the healthcare delivery system as purveyors of medical insurance.

With the advent of insurance exchanges, they may get some relief both in purchasing a medical plan for their business or the possibility that many folks will purchase individual plans giving them affordability to move to another job without loss of coverage.

In addition, the idea of having medical insurance that is not contingent upon being with a specific employer will allow employers to staff their businesses with folks whose training, experience and career paths are in sync with the success of their organization. At

the same time, employees will not be forced to remain in a position for which they are not adequately trained or forego a different career path just because they need health insurance. The improvement in the productivity of the employee will, no doubt, improve the profitability of the business.

Moreover, small business tax credits which are available to small employers now will also help make insurance more affordable. The nonpartisan small business majority found that one-third of small business owners who do not offer health insurance will be more likely to do so because of the tax credits and 31 percent of those who do would be more likely to continue offering insurance because of the tax credits.

In these difficult economic times, every dollar helps and small businesses appreciate anything that will make insurance more affordable. I have seen other reports that small businesses are worried about the cost of healthcare. A small business majority also released polling that found most small businesses don't know about many of the provisions to help them. It's no wonder they're concerned. They don't know these things exist to help lower costs.

The wellness benefits are a big help in providing preventive medicine. If medical treatment is needed, reduce the cost of procedures by acting early in the diagnosis. This will lower overall healthcare costs across the board.

Additionally, allowing children to stay on their parents' medical insurance until age 26, regardless of student status, is an excellent benefit to individuals entering the workforce. As an example, my granddaughter will graduate from college in May 2012 and has a job offer that will use her degree in international business. Her future employer, a small firm of eight to ten people, does not offer a group medical plan. By staying on her father's plan, she can accept the offer, work in a field for which she has trained, and begin a career path right out of college.

Of the benefits that will be phased in over time, the guaranteed issue of coverage without regard to preexisting conditions is, in my opinion, the most important component of the ACA. Having sold medical insurance for 20 years, I realize the frustrations people experience when they are declined for coverage due to medical history. If medical underwriting is no longer used and the threat of adverse selection is reduced by requiring that individuals purchase health insurance, the market will grow exponentially plus broadening the actuarial base used to determine rates. This will allow individuals to select plans that fit more closely to their financial and medical needs.

The Affordable Care Act, if allowed to be fully implemented and refined, will go a long way to reforming the medical insurance system that began in the 1940s and has basically remained static until today. Implementation of this law will not only help small businesses thrive, but it will also help our economy as well. Thank you.

[The statement of Mr. Vitt follows:]

Prepared Statement of Ralph Vitt, Owner, Vitt Insure

Thank you for the opportunity to testify before this panel. Today I realized how my alma mater, the University of Akron's football team, must have felt when they

played Penn State in Beaver Stadium a few years ago. To their credit, they stayed in the game for all four quarters as I intend to do.

My name is Ralph Vitt. I owned Vitt Insurance in Pittsburgh for 20 years. My medical insurance company employed two people, but I worked with countless small business owners over the years, helping them purchase insurance for themselves and their employees.

I have an appreciation of small business owners' concerns and challenges in buying health insurance, which is why I speak in support today of the Affordable Care Act. There are many reforms in this new law—some that have been implemented already and others that will be put in place over the next couple years—that will help small business owners.

Most small employers with whom I have dealt would prefer not to be a part of the health delivery system as purveyors of medical insurance. With the advent of insurance exchanges, they may get some relief both in purchasing a medical plan for their business or the possibility that many folks will purchase individual plans giving them portability to move to another job without a loss of coverage. In addition, the idea of having medical insurance that is not contingent on being with a specific employer will allow employers to staff their businesses with folks whose training, experience and career paths are in sync with the success of their organization.

At the same time, employees will not be forced to remain in a position for which they are not adequately trained or forego a different career path just because they need health insurance. The improvement in the productivity of the employee will no doubt improve the profitability of the business.

Moreover, small business tax credits, which are available to small employers now, will also help make insurance more affordable. The non-partisan group Small Business Majority found that one-third of small business owners who don't offer insurance would be more likely to because of the tax credits, and 31% of those who do would be more likely to continue offering it because of them. In these tough economic times, every dollar helps and small business owners appreciate anything that will make insurance more affordable. I've seen other reports that say small businesses are worried about the cost of healthcare, but Small Business Majority also released polling that found most small businesses don't know about many of these provisions to help them. It's no wonder they're concerned if they don't know these things exist to help lower their costs.

The wellness benefits are a big help in providing preventive medicine, and if medical treatment is needed, reduce the cost of procedures by acting early in the diagnosis. This will lower overall healthcare costs across the board. Additionally, allowing children to stay on their parent's medical insurance until age 26 regardless of student status is an excellent benefit to individuals entering the workforce. My granddaughter will graduate from college in May, 2012 and has a job offer that will use her degree in International Business. Her future employer (a small firm of 8-10 people) does not offer a group medical plan. By staying on her father's plan, she can accept the offer, work in a field for which she has trained and begin a career path right out of school.

Of the benefits that will be phased in over time, the guaranteed issue of coverage without regard to pre-existing conditions is, in my opinion, the most important component of the ACA. Having sold medical insurance for 20 years, I realize the frustrations people experience when they are declined for coverage due to medical history. If medical underwriting is no longer used and the threat of adverse selection is reduced by requiring that individuals purchase health insurance, the market will grow exponentially, thus broadening the actuarial base used to determine rates. This will allow individuals to select plans that fit more closely to their financial and medical needs.

The ACA, if allowed to be fully implemented and refined will go a long way to reforming the medical insurance system that began in the 1940's and has basically remained static till today. Implementation of this law will not only help small businesses thrive, but our economy, as well. Thank you.

Chairman ROE. Thank you for staying on time.
Mr. Knecht?

**STATEMENT OF WILL KNECHT, PRESIDENT,
WENDELL AUGUST FORGE**

Mr. KNECHT. Thank you, Mr. Chairman. Again, it's a real pleasure and a privilege to be here.

I represent 120 folks that I have the privilege of working with in three states. A sad statement that Congressman Kelly said, which is an honor, that we're the largest manufacturer of metal giftware in the country today on a large scale, and we're a small company. In the 1940 and '50s we had 200 competitors in America making metal giftware. Today we're the largest and almost the only one still standing making it a hundred percent.

That's an indictment on a lot of things, patriotism one of them. But government regulations is the second issue that our industry faces. We're in the giftware industry, and 98.9 percent of our competitors are made in China, in India, Mexico, Indonesia. We were at a gift show just a few months ago where we were at a Made in America pavilion. You would have thought we were rock stars for making it in America. What a sad commentary. What a sad commentary that we are the exception and not the rule.

In fact, over the last couple of weeks, actually Monday and Tuesday of this week, I've gotten two emails from a gentleman who represents a factory in China wanting to show his capabilities and suggesting that he can fundamentally reduce the cost of us doing business. Literally the guy is three emails in like two days. This is not unique.

Our biggest competitor was a Pennsylvania company based in Mount Joy, which is the eastern part of the state, Wilton Armetale, a fantastic company. Just a few years ago they yanked 250 manufacturing jobs out of Mount Joy and moved them to Mexico and China. We're trying to fight against that curve. All 120 of us are trying to work together as a family to do that.

But anything you do in Washington, anything the Senator does in Harrisburg that hinders our ability to compete on an international scale endangers every one of our jobs. I apologize I'm going off script. I'm not nearly as smart or as well versed in every detail on this bill as some of the colleagues who spoke earlier to you.

But I'm smart enough to know that 2,500 pages of a bill that no one had time to read is going to include gotchas that none of us understand, and one of them was just revealed just in the last couple of weeks with the mandate of abortion coverage to employers of all sizes. I personally would be offended if I had to do that, and many have spoken up.

But as we look at why we're here today, I sense we're here today—shame on me as an American, shame on any American that hasn't gotten behind this issue prior to March 2010 and come up with a better solution. We have to have a better solution. The costs are too high. We spend—again, we're a tiny company—almost \$400,000 just on healthcare in our little company. That's crazy. That's crazy that we spend that money, but the cost is out of control.

The accessibility is crazy. I'll tell you a story. It's frustrating. We are desiring to offer healthcare to all of our employees, part time, full time. And literally we went begging almost to our insurance

carrier. Help us find a solution that we can pool together with other people in the country to offer affordable healthcare for our part-time people. Their answer was “Well, there isn’t one.”

They didn’t bring a solution back to the table because they didn’t know that one existed. Here we are desiring to cover 120 people. We’re not fighting against that. We’re not saying we want to cut people off. But we can’t find the solution. So accessibility is an issue that we face.

And as you look at the title of our theme, what are some problems that small business are facing, well, it’s the cost. 400,000 bucks is a lot of money. And then the inability when desiring to offer. We can’t find it.

You guys know far better than I what’s in the bill, some of the positives in the bill, some of the negatives in the bill. I appreciate Mr. Vitt’s opinion on some of those things that I didn’t know was in the bill. They sound like good things. Portability is important to folks, especially in this day and age when people are moving from job to job. They’re not taking a job for 40 years. We’ve got to have portability.

A story like Billy’s, it’s an embarrassment to us as Americans. It’s an embarrassment. But again shame on us as Americans that we waited for Washington, D.C. to act. So I look at myself. I wish I had a mirror to say shame on you that we’re here today, but we are. And I just would suggest, as my time expires, I would just ask that you look to repeal this onerous bill that no one understands the full tenet of and deal with the heart of the problem, the cost and accessibility for all Americans.

So thank you very much for hearing us out. Thank you for standing up, for doing what’s right in Washington.

[The statement of Mr. Knecht follows:]

Prepared Statement of Will Knecht, President, Wendell August Forge

My name is Will Knecht and I am the President of Wendell August Forge, a family owned business headquartered in Grove City, PA. Since 1923 we have been America’s leading manufacturer of metal giftware and commemoratives. I am proud to work alongside 120 fellow employees in our stores and workshops in Grove City, PA; Exton, PA; Berlin, OH; and Wilmington, NC. In my somewhat biased opinion, our artisans are the finest in the world. In the 1940’s and 1950’s, we had approximately 200 competitors making metal giftware in America. Fortunately for us but unfortunately for America, today, we stand alone as the last metal giftware company still making all of our products 100% in America. Many great companies have simply closed their doors or off-shored their production to China, Mexico, and India. In fact, just yesterday I received an email from a gentleman in Ohio who represents a factory in China where they believe they can make our giftware much cheaper than we are able to domestically.

As we focus today on challenges facing Pennsylvania companies regarding health care, I’d like to make 2 points relative to our company:

1. It is our desire that every employee that works with us is afforded an opportunity to receive health care during their employment with us—but we have found no cost effective way to cover our part-time workers

2. The issue facing our company is the continuing escalation in our health care costs as we are competing with foreign products which dominate our industry

I believe that we as a nation are about to walk into an unknown abyss that humbly I believe our country will face with the full effect and implementation of the 2010 health care bill in 2013-14. The fact that the Congress in 2010 delayed implementation of most of the provisions of the bill until after the 2012 Presidential election is another example of passing the buck and pushing back the burden for immediate political gain and expediency.

The sheer monstrous size of the bill intimidates most Americans and provides so many unknowns for the business community, it is scary. To paraphrase then-

Speaker Pelosi during the voting on the bill in the House “We have to pass it so we can read it.” In other words, no one really knows all of the tentacles of this bill and that is bad for America and bad for business. This was clearly demonstrated over the past few weeks as the abortion funding mandate has been front and center of the national discourse.

As a businessman, this is what I assume will be the impact to our company:

- Higher taxes
- More regulation, more mandates
- More uncertainty
- More administrative costs

A couple of the provisions/elements that I know of that are a cause for serious concern amongst business owners:

- The fact that the government believes they are better equipped to dictate and lead what to this point is the greatest health care system in the world. Certainly, there is room for improvement but people all over the world travel to America for medical care and that must mean we are doing something right.

USPS vs. FedEx and UPS:

- The fact that health care is by the passage of this legislation being deemed a fundamental right. I don’t remember seeing that in the Constitution. We continue on a very slippery slope where everything becomes a right and we move further toward socialism and the nanny state.

- Why are we trying to emulate Europe?
- Defining full-time for health care purposes as 30+ hours per week

This will force our company to do either 2 things:

- Artificially deflate worker hours to keep them underneath the 30 hour threshold because we can’t afford the additional premiums
- Hire fewer workers as a result of the increased costs of health care forced on us

The health insurance tax being levied on insurance companies will be passed on to consumers and business will bear the biggest brunt of this tax increase.

Again, we add unnecessary financial burdens that make our company less competitive in the global marketplace.

- Finally, all of the unknowns that will only be uncovered as we this massive law takes effect. Once more, I will reference the abortion coverage mandate debacle the nation has been working through over these last weeks as an example. What other 800 pound gorillas are in the room that we don’t yet know about?

To truly help Americans, humbly here are some suggestions to improve access to affordable health care:

- Repeal Obamacare and replace it with sensible improvements to the real issues of reducing overall cost, increasing choice, and improving access:
- Give employers the ability to offer more pre-tax options relative to individuals tailoring health care needs to their personal situations
- Provide for small business pooling for access to reduced costs via more participation
- This would give us an opportunity to choose and afford coverage for part-timers
- Expand opportunities for flexible spending accounts and Health Savings accounts and the like
- Encourage rather than discourage more competition. Right now, it seems like a company such as ours has very limited options to pursue for health care providers

Thank you for this opportunity to share with you my thoughts on the current health care situation. Please never forget what makes America great: the freedom to pursue dreams and become the best we can be by providing equal opportunity, not equal outcome.

Chairman ROE. Thank you. Thank all of the panel.

The members will start the questioning and just basically start out by telling you that I think people in this country, individuals in your business and my business that I ran, know what’s best for our employees. It’s like local teachers know what’s best, not Washington, D.C., what’s going on in the classroom. How arrogant it is for us to be around the bosses in Washington telling a kindergarten teacher what they ought to teach.

Healthcare decisions ought to be made between the doctor, the patient and the patient’s family, not the insurance company, not

the federal government. That's who ought to be sitting down and making that decision. It's not right now.

And Mr. Vitt, you made a statement, and I had read your testimony last night, that this allow individuals to select plans that fit more closely to their financial needs and medical costs. That's the problem. If it did that, I would be all for it.

The government decides what I get. A minimal, an essential benefits package will be laid out by a bunch of bureaucrats in Washington, D.C. They'll decide what I need. Every year since 1977 I sat down in my practice with an agent just like you, just like you, Mr. Knecht, and worked out what we could afford that year. I had the same insurance premiums and same insurance plan that my employees did. We paid a hundred percent, Mr. Nelson, for as many years as we could, until we could no longer do that. Then we had to share it, 20 percent sharing with people.

What we've gone through in our business is a consumer-driven program, health savings account. That's helped us save about 30 percent of our premiums.

The other thing that can be done I've seen work extremely well are wellness programs that reverse the incentives. I'll give you an example. Holston Munitions is a huge company. They're part of a huge company. They make all this—if it blows up and is C4, they made it in Kingsport, Tennessee. So they set a program up all of you in the room should look at.

If you came in and you were an obese diabetic, hypertensive smoking diabetic, you were a train wreck waiting to happen. They said fine. You can be a train wreck. It's just going to be an expensive train wreck. They changed those incentives and said if you have a negative nicotine level, if your Hemoglobin A1c is down, you're on a weight loss program, your blood pressure is under control, we'll pay you.

This company with 800 employees has had one minimal insurance increase, premium increase in six years. They've been able to do that by changing the incentives. Right now in this country, our incentives are wrong. They're backwards. We're incentivizing consumption of healthcare, not wellness, and that's what we should be doing. I'm absolutely committed to do it. I've agreed a hundred percent we need to do this and start over again.

Ms. Kanterman, I want to start with you. You brought up some great issues about your employees. Also, do you all use temporary employees in your company, or are they all full time?

Ms. KANTERMAN. We use some temporaries. Right now we have two temporary employees. But when I said we have 41, those are the 41 that are on our payroll.

Chairman ROE. So if you grow your business and you hit 50, all of a sudden you're in a different situation. So would you be incentivized to stop at 49?

Ms. KANTERMAN. Well, we're actually incentivized right now to drop down to 25 so we can qualify for some of these small business things. You actually sit down and say maybe we should make two companies and one company will do this and one company will do this. Both of them will have less than 25, and we can get some of these nice incentives they're doing for small businesses because we're just a little bit over it.

Chairman ROE. Well, those incentives stop in 2016. Another thing, when I look at that, why would you have written a bill where if someone's salary goes up a little bit, the incentive goes down. If you get more employees, the incentive goes down. So in 2016 all those credits go away. They're gone. So you're then stuck.

Ms. KANTERMAN. There goes the carrot and here's the stick.

Chairman ROE. Here's the stick. The stick comes, which as my colleague knows in a car factory, 36 months, 48 months from now.

Mr. Nelson, do you know—it's not clear to me and I've read the law, but are you clear what happens to those 400 young people who I'm sure are very glad, as I was, to get a job every summer and have a little spending money? It's not clear to me the law yet on whether you're going to have to cover them, whether those 400 who work in three months equal a hundred FTEs. Do you know the answer to that?

Mr. NELSON. We do not know the answer, and we're afraid of that because we're open weekends in May. Then we have June, July and August. Then we're open weekends sometimes in September. So we don't know how we're going to follow—what they're going to call a part-time worker, how many hours they're going to call to do that. People are working older.

I'm 78. My grandfather had a farm in Northeast. He worked till his middle 90s. I hope not to. I hope to retire at 91. I scare the hell out of my kids. I talk funny now because a vocal cord. One of them decided to not work anymore. I've had a pacemaker. I've had prostate cancer. But I go to work, and I enjoy it. If you're optimistic, you can keep on working. And I have a lot of older people that work in our company.

Now, when you have older people, your insurance probably will go up. But people are healthier when they work.

Chairman ROE. I agree.

Mr. Kelly?

Mr. KELLY. Thank you, Chairman. I think the more I listen to all of you, the thing I find the most egregious thing of this whole healthcare bill is it's divided us as a nation. It has pitted people who own companies against people who work for companies, while most people in the area that I live love where they work and they're happy with it. Because when it comes time for fundraising, these are the people that help get their kids little league uniforms and buy the Girl Scout cookies and buy the hoagies to help the student bands, do all these different things. So I think there's a very unique relationship between the people who own businesses and the associates who work with them.

I have to tell you as I watch this and as I listen to you, the most egregious thing in all this is government has stepped in between you and the relationship you have with the people that you work with. Our business has been around since 1953. So I know what it's like to go through hard times and only made it through with the Grace of God. Everything else has worked with me.

I've been to baptisms. I've been to first communions. I've been to birthday parties. I've been to weddings. Also I've unfortunately been to funerals. The relationship that each of us has with the folks we work with is not some remote employer who doesn't know who it is who's working with them, not somebody who's sitting in

some tower, ivory tower somewhere who doesn't want to provide benefits to the folks that they work with every day.

And I want to tell you the thing that's most upsetting about all this is we pitted each one of us against each other. That's the perception. There's not a person that I've ever talked that owns a business that does not want his associates to do well. We know that their success enables our success. It happens all the time.

Will, when I hear you talk about what's happened to America, there's no Patient Protection Affordable Care Act in China, those are the people you're competing with. Their wages are a lot different than your wages. So they can make a product, and I guarantee you it's not as good your product.

I've been on the floor and I've watched your artisans. I know what they do. They do incredible things. They take a piece of metal and make it into something we'd love to have and we pass it on generation after generation.

Mr. Vitt, I bought a lot of insurance. I bought a lot of cars. All the cars we get I either buy from General Motors or Kia. They don't give them to me.

So I know when you're talking, Mr. Nelson, and you're talking, Ms. Kanterman, about long-range planning, because the fact of the matter is when you go to a lender, a lender will only lend you money if they're sure they're going to get it back, that you have collateral that exceeds whatever it is you're trying to borrow.

Tell me about how difficult it is to come up with long-range plans, since that's the key here. We're trying to get an economy started again. I want to tell you the hardest thing for any business owner, any job creator is to not know what it's going to cost them to bring people in. And that uncertainty is what is killing this country right now.

This is a bill that absolutely was brought into being the most horrendous way possible. Providers didn't have an opportunity to weigh in on it. The actual doctors, nurses, hospitals had no say at the table. Please. I think this is important because the people that you work with every day, they know you, they love you, they know what you're trying to do. Same with you, Mr. Nelson. Same with you, Will. I walked your places with you and I know what your folks are like.

It's the inability to plan. And I know about how difficult it is to make decisions because the folks I talk with are alike. They want to buy a car when they're sure they can make those next 36 payments, 48 payments or 60 payments and they actually know what the price of the car is going to be, not told go ahead and buy, take delivery of the car, we'll send you a payment book in three or four months and we'll let you know how many years it's going to be to pay it off.

I mean, the planning is the key, whether it's your personal business, your personal life, your churches, your schools. It's the ability to know what's coming that makes the bill for us—even for us to make a decision. How would you begin to plan?

Ms. KANTERMAN. You can't.

Mr. KELLY. You can't.

Ms. KANTERMAN. Not for this particular thing. You just can't. You just can't make a plan. We're in the same position. We com-

pete with ceramic manufacturers all over the world. And we just can't plan. Let's face it. Anything that the government has taken over has become more expensive and more fraud possibilities.

Mr. KELLY. Mr. Nelson, you talked about planning. Can you talk a little bit about it? How would you begin to plan?

Mr. NELSON. First of all, you don't sleep nights. You really have to plan. You have to know your business. You have to get together. For example, we have a group of 12 parks scattered through the United States. You're only asked to be in it. They're the best family parks. We meet one week a year. We exchange records. We give ideas to each other and then we encourage. You have to get together and find somebody that knows their business, and they'll help you.

Then you have to talk to your bank, and you have to meet with them, and you tell you them the truth. If something happens bad, go to them first thing. Don't hide it. They'll appreciate that.

Also, you have to be an optimist. If you're not an optimist, you shouldn't be in business.

Mr. KELLY. Will, I know that when you talk about—you're one of the few in this country. How do you plan for the future? Mr. Nelson talked about equipment, \$7 and a half million. I know about how easy it is to buy things. It's just paying for them that's the difficult part.

Mr. KNECHT. As we did our strategic planning, our three-year plan late last year, early this year, one of the biggest question marks is around this issue, the uncertainty. One of the threats is the uncertainty and the increased cost that this bill will bring onto us.

Again, something passed in 2010 that really doesn't take effect until 2013, '14, '15, that's a bit circumspect, isn't it? If it's so great, why do you wait? Then I remember then Speaker Pelosi's comments when she said "We've got to pass it so we can read it." Logically as a citizen that's appalling. Whether she was a Republican or Democrat, that's appalling.

Again, this is the environment that Washington is putting their job creators in. We've added 30, almost 40 employees in two years. We see this as a huge threat for us. Can we continue to act? Do we need to scale back our plans? Do we need to cut people's hours so we can compete with China and Mexico? We want to give more. We want to stay in business the next 90 years. So planning is—how do you do it when you don't know.

Mr. KELLY. Well, you can't. I'm not sure everyone knows what happened. What year did your business burn to the ground?

Mr. KNECHT. We burned to the ground almost two years ago. We had about 70 employees at that time, and providentially—I give all the credit to the Lord—we have almost 120 today and we're growing.

Again, that's a testament to the other 119 people. You all met me today. You know it's not me. The 119 people that I work with are amazing. It's a testament to their stick-to-it-ness that we're even here today and to the great people of this area who supported us.

But long-term planning, it's a crap shoot for us right now because we don't know all that's coming down. 2,500 pages, how could you know?

Mr. KELLY. I know there's more to the story. I know that you and your associates watched it as it burned. You made a commitment to your folks that night that we will rebuild. It's like the Phoenix rising from the ashes. It will rise again. We will work again. We will produce great products again. And that's the story of America. That's what I think is the underlying issue here today.

If we really want to grow the economy, if we really want to get Americans to work, if we really want to see this nation accomplish great things, and there's only one thing standing in the way right now. It's government. [Applause.]

Mr. KELLY. Thank you all for being here today. This is again an exercise in what makes this country so great. We can meet in open. We can disagree. We have people come in and say exactly the opposite of us. And we welcome that. So thank you so much.

I want to thank my colleague, Dr. Roe. This is a great pleasure. And it is truly an honor and a privilege serve you. Listen, we work for you. Everything that we spend comes out of your pockets. We're not benevolent monarchs that are coming here to shower our wealth on you. You provide every single penny. You and your grandchildren and your children have cosigned, by the way, the debt that's facing us right now. We've got to get through this as Americans. This is not a Republican or Democratic or Libertarian or Independent issue. This is an American issue. We've got to accomplish this, and we've got to conquer it together. So thank you so much.

And, Doctor, thank you.

Chairman ROE. Thanks, Mr. Kelly. I'm going to finish up today by just telling you a couple of stories we heard by a panel, very quickly, in Evansville, Indiana. One was an Ihop owner in the restaurant business that had 800 employees and I think 12 or 14 Ihops. Apparently in the restaurant business, if you can earn about \$3,000 per employee, that's pretty good if you earn that much money per employee. He said: Doc, what am I going to do if I have more than 50 employees. If I get what the government forces me to buy, it's going to cost me \$7,000 per employee. If I then pay the penalty, which is not tax deductible, I take all my profit. I make no money." He said, "What do I do?"

I said, "Well, I'll tell you what Washington thinks. You can charge me \$10 for a pancake I won't go buy and you'll go out of business. That's what will happen to you."

A second man was Mr. Graber, had an eighth grade education. He started in the '70s building pole barns in southern Indiana with three Amish guys. Now he has 210 employees, spends over a million dollars a year providing insurance for his employees. He said, "Doc, I'm thinking this may put me under. I may not be able to survive this."

Mr. Knecht, you're wrong. It's 10,000 pages in writing. The rules by the government is 2,500-some pages. It's unbelievable.

I will say, Ms. Koehler, earlier I read your testimony last week. It disturbed me as a physician greatly when I read it. I got up early this morning and called my hospital administrator in Ten-

nessee. I called my best friend in the world, Dr. Tom Eades. He's a cardiologist in San Antonio, Texas. I called Dr. Jerry Brapple who's in the Fordingham Cardiology Group in Kingsport, Tennessee. I talked with the local hospital administrator there.

I don't know what kind of person or doctor you that talked with. If that happened in any of these places—you just fix it and you worry about how to pay it later. I was appalled by that, and whatever that person's motivation is, I apologize for it, because that should never happen and does not happen. I talked to these folks at least in those four locations. I got up early this morning. I woke my friend up in Texas I was so upset.

Something I want to share with you all. This was in one of the committee hearings a year ago. Any businesses, I'll make sure the staff gets it to you. It's from the Lawton Group, which is the largest HR group. They went in and looked through this entire law to see how it would affect businesses from small to large. You're welcome to it.

Secondly, you know that my website will get for you if you want to know the details of this bill. I have downloaded it. It's sort of a Cliff Notes version, four pages. You can see when it comes about. If you like that, we'll get that to you. We'll be glad to do that.

Ms. Kit, you mentioned about losing—my dad lost his job when I was in the Army in Korea near the DMZ in 1973. So I know what it is to have your job go overseas, manufacturing job that my dad lived with after World War II. At 50 years old, high school education, no job. So I understand that.

I want to thank you this group. You all have been fantastic. It's been great being in Butler. It's very much like my home. And as Congressman Kelly said, we work for you all. We're here trying. We just have a different idea. I believe individuals and families and small businesses make those decisions. I know I worked with that my entire life. Certainly there is a role for government. I was the mayor of Johnson City. I feel really comfortable here. It reminds me of being back in city hall.

But the best government you'll have will be local government right here where you are in Butler, Pennsylvania. You have more access to it. The farther it gets away, the worse it is. I'm going to tell you right now I don't want any of you sending another nickel of your hard earned tax dollars to Washington, D.C. and see the waste that I see up there. It is frustrating when I was the mayor, when I was a small businessperson, to see the waste and to see this bill that was written with all the good intentions in the world, no question about that.

Because I believe we have the resources that we're currently spending to provide care for all of our citizens. I believe we can do that. I feel an obligation to see that happen, and I think we can do that. This is a great country. This proves it right here, that we have an open meeting today where you've come and you can hear and see your government working.

I thank Mike, I want to thank you for serving. I think this area is very well represented with Mike Kelly. That's been true. [Applause.]

Mr. KELLY. Thank you.

Chairman ROE. We're just a couple of guys that were out in the real world until three years ago. We were not inside the Beltway where Washington is bad. We're out here in the real world. Again, both panels, for all of you, I commend your time preparing this testimony. I read every word of it. We will take it back, and we'll use these comments that we have to help work legislation. Do you have any further comments?

Without any further comments, we are adjourned. Thank you for being here.

[Whereupon, at 2:54 p.m., the subcommittee was adjourned.]

