

US House of Representatives-Committee on Education and the Workforce

June 7, 2011 hearing in Evansville, IN

“The Recent Health Care Law: Consequences for Indiana Families and Workers”

Full Testimony by Mark Messmer with Messmer Mechanical, Inc

Hello, my name is Mark Messmer. I would like to thank Congressman Bucshon for inviting me to be here today. I am Vice President and co-owner of Messmer Mechanical, Inc in Jasper, IN. We are a family owned plumbing and heating contracting business that was founded by my father and mother, Gerald and Linda Messmer, in 1970. We are long time members of the National Federation of Independent Businesses. We have 47 employees. There are 32 that are union members of Local 136 plumbers and pipefitters, 12 full time nonunion and 3 part time employees. Of our union employees 9 are building trade journeyman, 18 are residential journeyman and 5 are apprentices.

We pay 100% of the health insurance costs for our employees. The union members' insurance costs our company \$5.95 per hour. The building trade members have that insurance fee paid to the local 136 medical insurance fund. The residential journeyman and apprentices receive that amount in cash, which they can use to go out and buy a private insurance plan on their own, or buy the same insurance that we provide to the nonunion employees. If our nonunion employees need family coverage, they pay the difference between the cost of the employee coverage and the cost of the family plan.

Our health insurance premiums have historically increased well beyond the rate of inflation, which is typical for most small employers trying to provide insurance for their employees. In 2009 alone our rates went up 28%, in 2010 another 26%, and in 2011, after the implementation of the Patient Protection and Affordable Care Act, they went up a whopping 44%. The new law ignores the rising cost of health insurance. In fact, the mandates, coverage requirements and taxes exacerbate the affordability problem. The out of control cost of our employee medical insurance is quickly becoming a prohibitive expense for our small business and other small businesses throughout the country.

The recession we are still dealing with has compounded the problem. During 2009 and 2010 when our company struggled to break even due to the recession's impact on the construction industry, it became very difficult to justify continuing to cover medical insurance benefits for our employees. Rising medical insurance costs made it impossible to provide any raises during that time frame, and made it extremely difficult to reinvest in our business.

We have exhausted all the “easy” fixes to our rising medical insurance. We raised the deductible from \$500 to \$1,000 in 2009 to hold the increase at 28%. In 2011 we had to raise the maximum out of pocket from \$3,000 to \$4,000 per individual and \$8,000 per family to hold the increase to 44%. The employees that were buying family plans were allowed to raise their deductible to \$3,500 per person and \$10,500 per family to limit the increase in those plans to 14%. These changes are only shifting the cost of the medical procedures to our employees, not cost containment. Further cost shifting is inevitable if the law is enacted as written, increasing costs for individuals, employers and the federal government.

We bid out our insurance every year and did again this year and the 44% increase was the lowest rate we could get. We have been with SIHO for 4 years and were with Anthem for 3-4 years before that. I confirmed with our insurance agent that our rate increases were not due to the medical history of our group. We have a relatively young pool and have had almost no change in the amount of claims in our group for several years and have no high risk cases in our group. I also confirmed from our agent that the one major factor driving our rates through the roof is the impact of the new law on the medical insurance industry. He confirmed over the last year that the rate increase is largely due to raising the dependant coverage age to 26, no pre-existing condition exclusions for children, no lifetime benefit limits, no rescissions, and no cost sharing for preventative services have all impacted our rates. He also said one of the biggest causes for the increased costs is the fact that about half of the underwriters have dropped out of providing medical insurance in Indiana, and with less competition means higher prices. While these early provisions are popular, they all have only one impact on costs and that is to drive them higher.

The supposed small business tax credit is very counterproductive to the very idea of growing your business. The tax credit is temporary and so targeted that very few small businesses will be able to take advantage of it. Businesses that are successful and should be encouraged to continue to provide coverage are penalized for that success because they are ineligible for the credit. The same can be said of the insurance companies that are successful. Instead of being looked at as good businesses that provided great customer satisfaction, they have been demonized and targeted.

I see nothing in the new law that will help in lowering my cost of providing or health insurance to my employees, only policy that will move the costs upward in the wrong direction. We were told that cost containment was the goal of the new law. The whole idea of public buy-in on \$10 prescription co-pays and \$25 office co-pays have no connection with what those things actually cost. The problem with our current system is that I pay a premium to an insurance carrier, who pays hospitals and doctors for services used by a third person. It is a vicious cycle with the end consumer of the service having NO connection to the cost. The consumer of the service has no

skin in the game. As the consumer is further removed from the interaction, as mandated by the new law, they are encouraged to utilize more medical services. The cost pressures in the current system will force me to the point of dumping my coverage instead of promoting flexibility and encouraging me to keep coverage. I fear that day for all of us.

Looking ahead I see nothing but more trouble for businesses of all size. The taxing on private insurers in 2014 will only be passed through to all purchasers of insurance. Those purchasers are me, the small business owner. This is an \$8 billion tax in 2014, growing to over \$14 billion in 2018. The \$100 billion it is proposed to “generate” over the next ten years will be born on the backs of the small business owner and vastly outweigh any savings from the small business tax credit. Advocates for the law tell you they are helping you in one hand but this tax will nail you with the other. This small business health insurance tax, or HIT, will once again punish the 2 million small business owners and their employees, effecting 26 million people covered under these plans. Additional coverage mandates, removal of all annual and lifetime limits, guaranteed issue and renewal, and restrictions in underwriting factors will continue to drive up my costs. The requirement for employers with over 50 employees to insure part time and seasonal workers provides strong disincentives toward job creation. When insurance is required for part time employees, I will be unable hire another part time worker. It will be almost impossible for an entrepreneur to start a new business and hire.

The fines and penalties on individuals and companies for not buying or providing government-approved insurance are set so artificially low that the incentives encourage me as a business owner to drop coverage. When I compare a \$2,000 fine verse the \$10,000-\$15,000 that these policies are headed toward, it won't take much longer for me to be forced to pay the fine. The low individual penalty along with the elimination of pre-existing condition exclusions encourages individuals to wait until they get sick to buy a policy. It is blatantly obvious to me that as soon as the government sees millions of new uninsured people in this country that the low penalties are encouraging, those penalties will escalate dramatically, by five or ten fold. The new law cannot be paid for as shown by the current projections. The inevitable increase in the penalty and fine costs will come down like a hammer on small and large employers alike, kill job creation, and be another crushing blow to our individual freedom and liberty.

Where in any of this debate has there been any attempt to promote affordable options like HSA's that put the consumer directly into the decision making mode of how their health care dollars get spent? Why was there no attempt to implement malpractice reform like the State of Indiana has adopted? Why not change rules that would allow me to buy health insurance across state lines to bring more competition and more carriers into our markets? By removing lifetime limits from insurance policies, do you not think that hospitals will be encouraged to charge more for services they provide and raise overall costs? I think that seems obvious. If

cost containment is the goal, then why was everything that was implemented in the law destined to raise overall costs, and thereby, my insurance costs?

I would like to thank you once again for the invitation to be here today and would be happy to answer any of your questions.