



November 3, 2009

Mr. Chairman, distinguished members of this committee, thank you for inviting me to testify before you today on the rising costs of Health Insurance for small businesses.

In 2 months, my company, Susquehanna Glass will be celebrating its 100th Year in business. For at least the last 30 years, we have been offering health insurance coverage to our full time employees. We employ about 35 people, and 20-24 of them normally participate in the plan.

I own a family business, but I run my business like a family. Many of my employees have worked for me more than 15 years, a few more than 30. In these difficult economic times, I know all of you would agree that small businesses like mine, companies that keep employees for years because we treat them with decency and provide fair benefits, should be encouraged if not rewarded for our policies. Providing health insurance coverage to those employees who want and need it is one of those policies we still believe in and hope to continue.

Unfortunately, over the past several years, securing affordable health insurance has become increasingly difficult. From 2006-2008, we faced premium increases of 22%, 24% and 10%. In order to deal with these huge increases, we constantly shopped for new carriers and changed our policy, primarily by adding a deductible component to the plan and then steadily increasing the deductible amount. When we went to a deductible, the company fully funded an HRA for the employees for the last three years.

However, whatever problems we had in previous years paled in comparison to this year's problems. Our initial cost increase from our insurer was quoted at 128%. When we shopped around, the best we could find was a policy that increased our premiums by about 43%, but this policy now carries an even higher deductible than last year. The total amount of the increase in premiums alone is a staggering \$40,000. We were suddenly faced with a terrible dilemma, how do we divide up the added costs between the company and our employees? We decided the company would absorb all the premium increase, but the tradeoff was we could no longer pay for our employee's deductibles. We will be paying \$22,000 more without paying deductibles than our total spending last year when we paid all deductibles. But the real burden now falls on our employees who will be at risk for a \$2,000 individual, \$4,000 family deductible. This will potentially put some of our employees, if they need to use their health insurance to any extent, at a financial risk they will not be able to handle!

In talking to our insurance agent, the Broker Report they received from last years carrier indicated the huge premium increase was justified due to changes in three areas;

1. Demographic or Age change. The average age of our enrollee went from 45 to 49 years...11.32%
2. Pricing Trends for our industry...21.09%
3. Assessed Risk of our group...70.29%

Although this doesn't add up to 128%, these were the risk areas and their relative percentages used to justify the rate increase. When you look at my company as an insurance group, it is abundantly clear that we will always struggle to get fair and affordable health insurance rates unless we can become part of a much larger insurance group.

To me, there are really two separate but interconnected issues involved in "Health Care Reform".

- 1.) How do you create a better Health insurance system that will provide affordable coverage to more people?
- 2.) How can you start to control the spiraling cost of health care to the American population?

I am here today to simply bring to you my personal experience as a small businessman as it relates to the insurance issue. How can we create a better insurance system to spread the risk for individuals and small businesses? To me, creating a large, robust health insurance exchange that crosses state lines is a good first step toward distributing the risk. Requiring all individuals to have some form of health insurance, enacting reasonable tort reform and putting in place some accountability by the consumer when getting health care are also required if a good solution is to be found.

What has disappointed me as a small business owner is how long it has taken for any real work on health insurance reform to take place. As my insurance history shows, we have been living with dramatically rising health insurance costs for the last 4-5 years, which is evidence that the current system is unsustainable. This year's increases are now proof that the system is absolutely broken and without reform, small business and the foundation upon which our economic system is founded is in real jeopardy. I applaud this committee's efforts toward finally enacting Health Care Reform.

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Again, thank you for allowing me this opportunity to share with you my company's story.

Walter Rowen
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