

**US House of Representatives-Committee on Education and the Workforce**

**February 22, 20121 hearing in Butler, PA**

**“Healthcare Challenges Facing Pennsylvania’s Workers and Job Creators”**

**Full Testimony by Patti-Ann Kanterman of 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 2/3<sup>rds</sup> 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.