



Testimony of Christine B. Sullivan
Executive Director, Enterprise Center at Salem State College
Salem, MA
Before the Massachusetts Insurance Commissioner
March 4, 2010

Good afternoon. I am the Director of the Enterprise Center at Salem State College. We are a small business growth center providing over 90 programs annually to small businesses throughout the North Shore and greater Boston areas. We are owned and operated by the Salem State College Assistance Corp., a small nonprofit organization. (www.enterprisectr.org)

Last year 3500 business owners registered for our programs and 4000 took them online. We work with small business owners every day and hear continuously about their problems affording health insurance. To put this in perspective I am enclosing with this testimony our research report about proprietors and microbusinesses in Massachusetts. There are more than 54,000 proprietors in Essex County in 2006—none of them counted in the labor stats. When you combine sole proprietors and micro businesses you find that they comprise 88% of all businesses in Essex County and 86% in Massachusetts—and account for about 30% of all jobs. In fact between 2001 and 2006 (date of the latest data we have) proprietorships grew at the rate of 35,000 per year.

On a national level micro businesses are defined as those with fewer than 10 employees. In that case microbusinesses nationally constitute 70% of all jobs and include 23,000,000 businesses. When we say that small business growth is the job growth of the future it is a significant statement.

What does this have to do with health insurance—everything. And you can do something about this. Health insurance premiums for small businesses are too high—much higher than for those who work in larger companies. And the double digit premium increases are catastrophic for small businesses.

The consequence of high health insurance premiums is that small businesses grow by NOT hiring people full time or at all. If the owner can barely make the premiums for him or herself and is in fact punished for being in a small business, that owner is not going to grow and hire. Is that what we want for Massachusetts? I think not.

A second consequence is that would be entrepreneurs stay at jobs they don't like because they can't afford to start their own businesses—once again a major hurdle is health insurance costs.

Why are the premiums so high? Because small businesses are not able to be grouped together to negotiate the lower rates. This is purely a Massachusetts decision—a decision that you can undo. If small businesses were able to function as a group—as they are allowed to do in New York for instance-- premium costs would be much more competitive.

I have on several occasions met with your office and with the Connector with Sara Horowitz who is the CEO of Freelancers Union in New York. New York does not put obstacles in the way of creating groups of small businesses. Sara has aggregated 14,000 small businesses into a group through her insurance company and can provide substantially lower premiums for good care than competitors. But she cannot do business in Massachusetts.

We can talk all day about tweaks to the system. But this problem was created by the state and can be fixed by the state by making these little businesses a group. That is what I am asking you to do today.

When I talk about small businesses people tend to glaze over. You don't hear much from them. They aren't organized. It's hard to figure "them" out. But they are there. Attached to this testimony are statements from 35 small business owners—statements received since Tuesday—about their hardships as a result of insurance premium increases. These are real people. You can talk to them yourselves. And they are the very tip of the iceberg.

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[ADDENDUM TO TESTIMONY OF CHRISTINE B. SULLIVAN, DIRECTOR, ENTERPRISE CENTER](#)

This is the message I sent to our database of small businesses asking if they had any comments I should pass on to you today.

Message to Enterprise Center Database. Tuesday, March 2, 2010 at 2:50 p.m.

I plan to testify at a hearing held by the State Insurance Commissioner on the rising cost of health insurance premiums and the impact of those increases on small businesses. Many of you have told me about your concerns with these premium increases. I invite you to testify yourself but if you cannot I am compiling the comments of small business owners to submit at the hearing.

The hearing will be held: Thursday, March 4

Time: 11 a.m. to 2 p.m.

Place: Northern Essex Community College-Room LA101

78 Amesbury St.

Lawrence MA 01841

If you want to give me comments please email them to me by 3:00 on Wednesday March 3 at csullivan@enterprisectr.org. The comments are more powerful if you attach your name and your company name to them. I will bring them with me to the hearing and submit them as testimony. We all know that insurance premium increases put a huge strain on the ability of small business to grow or even survive and often make it impossible to hire more employees.
Christine

Christine B. Sullivan
Executive Director
Enterprise Center at Salem State College
121 Loring Ave.
Salem MA 01970
978-542-7039
www.enterprisectr.org

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Below is a collection of the comments I received. As you can see from them health insurance costs and premium increases are hurting small businesses and the economic growth of the state.

1. As a small business with 40 employees, medical insurance is our largest benefit cost, and one that we have increasingly found difficult to control the cost of. With over 30 of our employees covered for this, we are very aware of the impact that the cost of this benefit is to our staff, yet we cannot cover the increases any more and are forced to continually pass on a large piece of the increase to our staff. With the current state of healthcare in flux, we are expecting larger increases yet again this year and it is going to be a heart-breaking decision on how much we pass along, knowing that it has such a large impact on our staff as well."

If you have any further questions please let me know.

Thanks,

Christine M. Sciola

Sr. VP, Finance and Administration

Appleby & Wyman Insurance Agency, Inc.

Office: (978) 236-3600 | Fax: (978) 236-3700 | Mobile: (978) 239-3457

Email: csciola@applebywyman.com | Web: <http://www.applebywyman.com>

2. My premium renewal is 4/1/10. Insure thru small business bxbs. Had a family plan that allowed out of network elections by subscriber, not fully gated by PCP. Had pharmacy coverage but no dental.

This plan has been increasing about 10-12% per year. This year went up by 14%. Have elected to go with lower cost, full HMO type plan without the out of network flexibility. Got way too expensive.

Hope all has been good with you

Arthur B. Schwartz

Bluestone Capital LLC

3 Bessom St. #151 Marblehead, MA 01945

3. We have "small group plan" through BC/BS of MA. It's a mid-range HMO plan, and certainly not "top of the line". It requires fairly large deductibles, and co-pays, yet the premium for ONE person is \$829.55/month. Because of the cost, we cannot offer health insurance, but rather, pay the employees a pre-tax stipend to help offset their premiums. Being able to offer health insurance as an employee benefit would be our choice, but it is simply not feasible. The current cost of health insurance is utterly ridiculous!

Thank you,

Eila Zay, Founder

Administrare, Inc.

201 Washington Street, Suite 5

Salem, MA 01970

Testimony of Christine B. Sullivan Executive Director, Enterprise Center

4. Hello Christine,

I am a sole proprietor. I pay \$8,000 per year for health insurance, plus deductibles and co-pays for drugs, office visits, etc.

I think that quite unfortunately, appointed and elected representatives and state employees who are going to be listening to you simply won't understand the frustration and pressure on small business people because they receive excellent benefits at low or no cost. They don't feel the pain because they don't have this problem facing them every day, week and month.

Small business is getting squeezed from all sides. We simply don't have the clout with the state legislature that businesses like Cognos, or large employee unions have. Our voice doesn't get heard, but we're the ones that are running the economic engine.

Ask those on the panel how many have run small businesses themselves. I'll bet few will raise their hands. They don't understand it. They may be sincerely trying, but they don't understand. The entrepreneur is what drives everything, but we are being made extinct, forced into New Hampshire and basically forced out of our livelihoods as if we were animals going extinct in a rapidly decreasing habitat.

There is a benefit to required health insurance, but also a cost. Public officials almost never adequately consider costs – especially when others are paying. The proof of this is that, despite the incredible sums of revenue this state and country generate, we are always in such an incredible deficit.

Sincerely,

Brian G. Beaudry
Tourist Marketing Services
56 Main Street, Wenham

5. I have the benefit of a wife who works for a school system and therefore is able to obtain more reasonably priced family health insurance coverage.

I fall over when friends with their own businesses tell me what family coverage costs them each month because they do not have access to large group based rates.

Part of the problem here is that MA does not permit groups to form and negotiate with insurers for better rates. Even the Chamber of Commerce, which offers an avenue of insurance for members, cannot achieve much in the way of rates comparable to large group rates. (emphasis added)

Bottom line: it is hurting businesses and there needs to be a way to achieve large group rates for small businesses. You should get some small business decent coverage rates and compare them to what the Commissioner and her staff pay for insurance through the state's group rates!

Brian leClair
12 Fox Run Lane
Marblehead, MA 01945
781-631-9981

6. i get my health insurance at my day job -- which the owner pay-in is ludicrously low, so in effect, i am paying for more than 75% of the health care cost myself. and the costs keep rising at double digits every year. i do not get a raise every year and so i am making less now than two years ago.

i would like to know, though, why can't businesses pool together and buy insurance as a larger group? it seems to me that the larger the group, the more the risk is spread, and the costs go down. especially with more younger people in the group who need to buy insurance per mass law. (emphasis added)

david greenberg
creative director
[product] 131 essex street beverly ma 01915

7. Testimony on health insurance premiums

For most of my career I worked in a corporate job earning more than \$80,000 by the time I was laid off in 2001. I had the top of the line insurance for about \$60 a month. I am now self-employed and have gone through all the start up costs, traumas and courage it takes to try something different, meaningful and scary. Now self-employed for seven years, my insurance coverage and my income could not be more different than when I was securely held in a corporate career. My premiums now run nearly \$400 a month, while my income is lower. Routine bloodwork taken for an annual physical is not covered: last year it cost me \$200 out of pocket. I am covered for emergencies, being capped at \$2,000 out of pocket should I need surgery. But my insurance won't cover an MRI, strongly suggested to me as follow-up for breast cancer. Nor will it cover the necessary X-ray following a foot fracture last December. I do not qualify for a state plan. When insurance premiums rise, I look to get insurance with less coverage. Now in my 60's, it scares me to think I may go without a test or procedure or a prescription to keep my health on track because of rising insurance premiums. But to have these increases means I need to make up the difference by lowering coverage...at a time in life when I want more insurance, not less.

Judy Christine Copp, M.Ed, RPP, RMT
A Higher Balance Healing Center
201 Washington St., Salem, MA 01970

8. Hi Christine!

I got your email from my wife, who recently attended a function at the Enterprise Center at Salem State.

I own and operate a small (20 people) biotech company in Beverly and we have been really struggling not only with health care costs, but the very nature of our "health" care system. First off, we are somewhat unique in that we cover 100% of our staff's health expenses. This makes health coverage our second largest monthly expense, behind payroll. We are currently reviewing plan options and will drop our coverage rate down to the apparent state-standard rate of 50%. We are doing this for a couple of reasons. First, we are being penalized for extending a rich health benefit because the spouses of our employees, who work for large companies (Biogen, Putnam Investments, etc) are jumping onto our plan because the coverage is so much better.

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The second problem is that for all the money we spend on health insurance (\$1000/month/family or \$400/individual), the plans don't cover the sort of PREVENTIVE health measures our staff utilizes - specifically weekly preventive spinal adjustments, massage, locally sourced, organic and highly nutrient dense foods, and personal-trainer style exercise programs, all of which we have found to greatly increase our staff members overall health and sense of wellbeing. I would estimate that my family spends on average \$1,500-2,000/month (family of three) on measures that unequivocally improve our health as a family and as individuals. This spending makes visits to our allopathic, STATE MANDATED "health practitioners" almost entirely irrelevant.

As a company, Enzymatics is trying hard to break the cycle of sick care and focus our energies on what works: building and maintaining truly healthy bodies by eating, moving, and thinking well. We are trying to move beyond subsidizing a bankrupt, broken system of healthcare in this country that has been evolved to meet the needs of the companies (food and drug giants) that benefit from sick care strategies. We are doing this by educating our employees, family members, and neighbors. We understand that change is needed NOW and that we will need to drive this change through a grassroots, word of mouth effort because there is simply too much momentum behind and corruption within our present system of oversight and policy making.

What we would really like to see is a system of health insurance coverage that covers emergency or catastrophic medical scenarios at extremely low cost so long as the payee can show evidence that he/she/the organization is taking proactive measures to educate, promote, and sustain a healthy lifestyle.

I'm not sure this will help, but it's what we're facing and wrestling with right now. Good luck!

Chris

Christopher Benoit
Chief Operating Officer, Co-Founder
Enzymatics
100 Cummings Center, Suite 336H
Beverly, MA 01915

9. I am sole proprietor of a IT consulting business. I have been in business for over 1 year now. The challenge of both keeping the the business going and searching and paying for the best deal in health care can be a handful. **There needs to be program where small businesses can pool their resources to get the best rates and plans. This will save me both time and money.** The high costs are draining my revenue. (emphasis added)

Antonio Carangelo

Guided Solutions, LLC

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10. As a small business owner struggling in a down economy, health care premium increases have been staggering. For example, three years ago, a family plan was \$1,200 per month. I just received the premium for the next increase for a family plan with a \$2,000 deductible per family member and higher costs for all co-pays at \$2,300 per month. My husband was recently diagnosed with Type I diabetes after having been in excellent health his whole life. My whole salary is going to pay this one bill and I find this situation untenable. It is unfortunate that health care reform is being held political hostage. Unless some relief is offered, there will be many more than 30 million uninsured people.

Sincerely,

Pat Murphy
Robert D. Murphy Associates, Inc.

11. Karp Consulting is currently a one person corporation providing small to medium manufacturing companies with ERP software implementation, training and consulting services. I am in my tenth year of business. My current insurance is through Tufts Health plan, and is costs over \$1,500.00 per month to cover my family. This was about \$700.00 per month when I started out in 2001. I expect a nominal increase every year, but I may not be able to absorb a significant increase. I will be forced to reduce my coverage, and I want to give my family the best coverage I can.

I bill my clients at reasonable rates and do not want to force an increase, especially in these difficult economic times. My work helps my clients make the most of their ERP systems, increase their productivity and profitability, train personnel in ERP systems where they can apply these skill sets to their current company and other potential companies if they seek better positions, lose their jobs, or move.

Thanks for your time,

Jeffrey Karp
Karp Consulting, Inc.

12. Hi Christine, It is wonderful for you to do this. Thank you! I have lots to say on this topic, but I have no solutions except to buy a lower the priced premium but the insurance company has no intention of doing that. In 2009 alone, my premium increased by 33%, not to mention double digit increases every year for four years before that. The increases are not sustainable by a small business nor are they by the municipalities if you read the recent Boston Globe article. It does not look like we will have a national solution anytime soon, given the stall in the Senate to pass any kind of bill.

On a happy note, the state has been supportive to small business by providing the Insurance Partnership. For some it has meant the difference of being able to carry health insurance or not. However, it is unclear how long the program can survive. I could be wrong, but I believe it started with funding that Ted Kennedy got for Massachusetts from the Federal Government. Well, with Ted gone and Scott in his place, no further subsidies are likely unless there is a national initiative.

If I were to speak, I would give the simple facts about the cost and coverage available to small businesses **and I would implore the health insurance companies to provide some kind of group plan we could buy into. When speaking to Blue Cross about my latest increase, I said that it was unfair that a small, one-person company like mine should pay higher premiums than an executive at IBM who can buy into a group plan and be subsidized by the company. The Blue Cross rep**

agreed. (emphasis added)

Please let me know if I can help you in a specific way. Thanks again.

Regards,

Holly Bloomfield, PPA Certified Professional Photographer
Portraits by Holly
Bedford, MA 01730

13. My husband, Bruce Greenwald and I, are self-employed. He is an architect, and I am an artist (photographer, jewelry designer, author).

Blue Cross cost us around \$22,000 this year: \$1400 per month, plus \$5000 deductible, plus prescription costs.

This is more than our mortgage, and as you can imagine during this economy, this is killing us.

Moreover, I have to fight for every charge being covered.

I've had terrible experiences with Blue Cross with covering what they should, but I am stubborn, and I follow up, but each call can take an hour.

At the moment, I am still fighting over being covered for a flu shot. This has taken at least five calls over the past five months, and it is not resolved.

Recently, the Blue Cross pharmacy also switched a generic without my permission or my doctor's permission, because it was cheaper than a previous one.

They apparently neglected to do research, as they would have discovered a class action law suit against the manufacturer of this generic (not all generics are the same).

Insurance companies are not interested in our health, and a public option -- being in a larger pool of those insured -- would obviously reduce the cost to our businesses.

If this cost were reduced, we would be keeping the economy going in other ways.

Karen Horowitz (www.khkrena.com)

Bruce Greenwald (www.brucegreenwald.com)

14. Fr: Steve Lichtman, President Lifestyle Fitness Corp Stoneham, MA
Adba Fitness Together - Cohasset, Dedham, Norwell and Westborough

My company is Fitness Together. We specialize in one-on-one personal training to help people get fit and healthy. We employ 18 young (mostly in their 20's and 30's) very healthy personal trainers. A few years ago, upon renewal, our insurer raised our health insurance premiums for a single person from \$300 to \$400/month. This is a 33% increase for our very healthy population! I contribute 50% towards premiums and the increase translates into almost \$900/month more for our company plus \$900/month total for our employees. With no increase in benefits!

It is our belief that insurance companies are pay too much (put a band aid on many health problem) for the treatment of illnesses and do not contribute enough towards the prevention of disease. My company's mission is to help people take a pro-active role in their health and fitness to avoid chronic illness like type 2 diabetes. Did you know that one in four Americans either has type 2 diabetes or will soon have it? That's almost 80

million people! The good news is that this is a very treatable disease. My company is successful in helping people make healthy lifestyle changes to help them get off their meds. This translates into huge savings!

Today, we are working with the ADA American Diabetes Association in Boston. Their statistics are staggering: a typical person with type 2 diabetes contributes an additional \$13,000 per year more cost to our than a healthy person towards our healthcare costs. If the insurance companies would make contributions and help reimburse for our services, we would save them and the American people billions of dollars per year in unnecessary healthcare expenses. It's time for them to wake up and see the value of preventative healthcare. It's a very small investment which can yields great returns.

15. I am the president of McMahon Communications, a public relations and government affairs consultancy that I founded six years ago. As a single woman, I am responsible for getting my own health insurance. Being self-employed I am fortunate to be able to purchase health insurance through the Beverly Chamber of Commerce and its participation in MBA/NBT/HSA.

I say I am fortunate because it is less expensive than buying directly from a health insurance company and there are multiple plan options available. However, I just received notice in February that the monthly premium for the Tufts Basic 20 plan I subscribe to is increasing by 22%! That's insane. If I tried to raise my hourly rate for my clients by that amount, I wouldn't have any clients any more.

The thought of growing my business where I would have full-time employees doesn't even cross my mind because of the healthcare situation. It is wildly expensive and the rules for employers are daunting. It's hard enough to keep oneself in business and still afford healthcare, never mind try and grow jobs. It's an unfortunate vicious circle because when the economy has been as bad as it is, job growth is exactly what we need.

I'm changing plans to one that comes with a high deductible. Hopefully, I will remain healthy and reap the savings on the premium side.

It's a shame though that our choices on healthcare have come down to a gamble on staying healthy or paying a high price.

Please feel free to share these thoughts with the State Insurance Commissioner.

Regards,
Joyce

Joyce McMahon
McMahon Communications
www.mcmahoncomm.com

16. Our premiums increased 28% this year. We still cannot get a traditional insurance plan for many of our employees, as we are too big for the Connector plan and too small for all traditional companies to write.

The MA insurance plan is a disaster! It has driven premiums higher and costs to implement and regulate are out of control. I do not know who has benefitted??? How many more are insured and at what cost to the State and the rest of us? My understanding is that the costs are over budget by \$1 Billion. ?
Regards,

Dan Benson
TB Management Co.

17. The cost of health insurance is prohibitive for our company. I have been hiring part time people but as our company grows, we are facing the problem of having to provide benefits. We are in a low margin business and we are struggling to hit volume levels at which we can afford this kind of overhead. It is simply unaffordable. **It isn't fair that, as small business owners, we have to pay so much more for health insurance for our employees and for our own families, than larger companies. If the government wants to grow employment, this problem needs to be addressed. Don't forget that many of today's small businesses are tomorrow's large businesses.** (emphasis added)

Why not create one large state-wide group for all small businesses? Then we would be one of the largest groups in the State.

Karen Barth
President and CEO
Flavrz Drink Mix*

www.flavrzdrinkmix.com

*This company is a second place winner of the North of Boston Business Plan Competition in 2008

18. This year we have a 27.8% increase to our insurance on top of a 18.2% increase last year.

We have had our insurance double over the last 4 years and to accomplish that we have also raised the deductible from \$ 500 to \$2000 per year on the plan.

It is clear that the Universal Health care plan is not sustainable for small businesses, as it is currently designed.

Any and all help you could add would be great.

Thanks,

George Carey
FOUNDER
SALEM 978-744-8485
DEDHAM 781-329-0097
WWW.HIPFINZ.COM

20. Small business is the life blood of the American economy. Entrepreneurship is truly the American way of life and will be what sustains us over the next decade as old, established business models continue to decline. Detroit is a prime example of the old crumbling business model. Silicon Valley, MIT/Rte 128 corridors continue to examples of new thinking and innovation and vibrant global competition.

In order for us to compete globally, we must find ways for local businesses to stay healthy financially and that means hiring bright minds and offering good healthcare packages at reasonable prices. At the ripe 'old' age of 51, I can no longer afford to take the risk of high-deductible health insurance offered by the NASE. My Blue Cross premium went up over 25% this year and is now \$620 a month. And I'm single so a family would nearly be double that.

I know there are no easy answers to this discussion. Washington D.C. Can't agree on how to proceed. Let's show D.C. That we can find ways locally to help the economic machine stay lubricated with affordable health care for both business and workers. Perhaps tax incentives or other breaks can help the small business stay competitive globally.

Thank you.

Lisa W. Parker
Managing Principal
Stratovation Associates
Email: Lparker@stratovation.com

21. It is well-known in entrepreneurship circles that health care costs act as a brake on small business startups as well as growth. There are thousands of talented individuals in this country ready, willing, and able to start new businesses -- save for the unavailability of reliable, low-cost health insurance. It gets worse every year. If we want a vibrant economic recovery, we need to make health care available and affordable.

Dave Lash
Dave Lash & Company
independent consultant specializing in entrepreneurship and innovation

22. To whom it may concern,

Did you know that one of the fundamental limitations of small business formation and growth is tied to the access for healthcare?

Do you know how many people stay in dead-end low paying jobs because their entrepreneurial energies are stymied by health care insurance?

Do you know how many could contribute to our economic growth if the burden of health care accessibility was addressed?

Apparently no one seems to know how much our economy as a state and as a nation has been thwarted by healthcare.

Do you want to help our people, our economy, and our strength?

Something essential must be done!

Ellen Hardy
CEO
HARDY HOUSE
35 Osborne St.
Salem MA 01970

23. March 1, 2010
Caffe Graziani Inc
133 Washington St
Salem Ma

In the 19 years we have been in business our health insurance costs have risen 400%. As a result, in order to confront these increases we have been forced to change companies, purchase less coverage, increase deductibles & out of pocket expenses. We purchase our plan through the Chamber of Commerce but small businesses are too small a group to have any real bargaining power.

Currently we have the lowest affordable insurance that offers us minimum coverage with a company that may or may not be in business come renewal time. We pay more each year & get less coverage. We are self-employed family business with coverage just for our family, I cannot imagine how small companies forced to offer coverage to employees are coping with yearly increases.

Something needs to be done to curtail these spiraling costs. Limits on increases must be applied.

Sincerely,

Paula M. Gravallese
Giovanni Graziani
Proprietor's Caffe Graziani Inc

24. Our family policies for 2009 are approximately \$13,000 per year each. Our increase for 2010 is about 24% to \$16,000. Only two years ago it was \$9400, and we have moved to less comprehensive plans. If you follow these increases out only another two years, you are in the low to mid \$20K's per family. This basically becomes a 40-75% tax on each employee, which is obviously a dis-incentive to hire anyone.

If the median household income in the US is just over \$50K, how can anyone expect to pay what looks to be 40-50% of that for health insurance? I don't believe that costs to insurers are rising at this rate and where is the competition? Everyone moves their rates in lock step.

Ted Stux
New England Cranberry Co.
Lynn, MA

25. My name is Dianna Aaron and I am an owner of a small organic bath & body company. I belong to Fallon Health plan and was shocked and dismayed when I found out this week with 1 months notice that my premiums are going up by \$300 a month, this forces me to go to another plan with higher deductibles. Small businesses are struggling day to day just to make ends meet g-d forbid any of us get sick. There has to be a better way. Thank you for your time

26. Hello: When I started my engineering service business in 1998, I had better coverage that I have now and was paying \$440 per month with Fallon. I'm currently paying \$1,013 per month (still Fallon). I received a letter last week advising that my new rate will be \$1,240. That's a 22% increase. My initial gut reacton was to completely cancel the policy. After additional consideration I will likely switch to another plan with less coverage.

These premiums are already a significant burden on my business and my family. These excessive rate increases cannot continue.

--

Gary P. Blaney PE
GPB Innovation
7 Woodside Lane
Wenham, MA 01984

27. As President of a start-up business that plans on becoming operational within the next year, I have read press reports of health insurance premium increases of 25 to 56 percent in the current year. These premium rate increases are excessive and unsustainable over the long-term. At current levels, health insurance premium levies are equivalent to a 10 percent tax on payroll. If health insurance premiums were to increase at a 25 percent rate year-after-year, it would take 10.319 years for health insurance to become a 100 percent tax on a worker's wage – equivalent to hiring a second worker at the same salary, but without the benefit of the second worker's productivity. If health insurance premiums were to increase at a 56 percent rate year-after-year, it would take 5.178 years for health insurance to become a 100 percent tax on a worker's wage. Clearly, these rate increases are unsustainable over the long-term, if they are not to become a major disincentive to hiring labor.

The business that I am planning to enter is consulting, which is a very labor intensive business. I cannot avoid hiring labor. At lower rates of increases, health insurance premium increases will reduce the profitability of my business, however, if health insurance premiums continue to increase at the excessive rates reported in the press, at some point down the road, I may have to consider limiting the growth of my business, in order to avoid these excessive premium costs, or to impose a greater, and greater amount of these costs on my workers.

Sincerely,
Daniel G. Swaine, Ph.D.
President, Chief Economist, and Founder
Boston Economic Advisors™ LLC.

28. Dear Christine:

Attached please find a brief analysis of the health insurance premiums that the Essex National Heritage Commission has paid since 2003. As you can see, our costs have increased by 84% for individuals and 99% for families in that time period.

We are small, 501(c)(3) corporation and we are penalized because of our size (currently 7 eligible and 4 participate) and the age of our staff. The age issue is particularly troublesome, as we may not (and do not!) discriminate in hiring based on age, yet when we choose to hire someone over 50 we know that our

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insurance will be increased dramatically. We use a broker who has shopped our premiums extensively and even looked into the Health Connector and different business groups, and this is the best we can do without switching to a very high deductible plan, which would be very difficult for our staff.

Thanks for taking the time to speak for us on this issue.

Regards,
Susan

Susan Lippman
COO/CFO
Essex Heritage
221 Essex Street, Suite 41
Salem, MA 01970

Essex National Heritage Commission health insurance premiums

	Individual Premium	\$ Increase	% Increase	Family Premium	\$ Increase	% Increase	
2003	\$ 298			\$ 782			
2004	\$ 329	\$ 31	10%	\$ 864	\$ 82	10%	
2005	\$ 323	\$ (6)	-2%	\$ 847	\$ (17)	-2%	Changed to lesser plan
2006	\$ 334	\$ 11	3%	\$ 840	\$ (7)	-1%	
2007	\$ 370	\$ 36	11%	\$ 985	\$ 145	17%	
2008	\$ 403	\$ 33	9%	\$1,072	\$ 87	9%	
2009	\$ 499	\$ 96	24%	\$1,327	\$ 255	24%	
2010	\$ 549	\$ 50	10%	\$1,560	\$ 233	18%	
Overall increase from 2003-2010:		\$ 251	84%		\$ 778	99%	

29. see attached letter.

30. To Whom It May Concern:

As a small business owner I am dismayed and outraged at the rising costs of insurance premiums. As my company's revenues continue to plummet because of an extended economic downturn my company's insurance rates continue to increase at an alarming rate.

Initially, in order to keep good employees, I continued a tradition of offering health benefits. Now as I need to drastically cut costs (including salaries) to survive, I am faced with yet another insurance premium increase. These incredibly high insurance costs are almost impossible to absorb, or to pass onto my already cash strapped staff.

I am very close to closing a 24 year old business because of costs I cannot control. Before I send myself and several employees to join the ranks of the unemployed I implore the insurance companies to understand how small businesses, who struggle even in the best of times, cannot

continue to exist when confronted with such high insurance costs. Please change your policies for small businesses before it is too late!

Sincerely,
Joanne D'Alessandro
President
Hestia Creations, Inc.
781-639-2727

31. We have a 12-room massage therapy clinic and have hired almost 40 employees in the past 2 years in MA...about ½ full time. We offered our employees health care insurance starting a year ago in March. Our premiums for the 2nd year w. BC/BS went up 43% for individuals and families. How do my employees absorb these costs...it is at least \$100 to my employees and \$100 to me each month for indiv plans. How does an employee making \$25-35k absorb an increase of \$1,200 per month? How does a company in its 2nd year of business absorb \$1,200x10+ employees? How is it that NONE of our other costs are increasing at this outrageous rate?

In reality, what we are doing is dropping BC/BS as our carrier and looking for healthcare plans with lesser coverage or different coverage at more affordable pricing. We are grateful for our employees and horrified that the insurers are wasting our time on changing coverage rather than taking care of our clients and employees and growing our business to better support our employees, selves and the Commonwealth.

Thanks,
Susan McIntosh
Massage Envy, Burlington
2 Wayside Road
Burlington, MA 01803

32.

At Harbor Sweets, I have personally participated in the 'no win' deliberations and decisions small businesses in the Commonwealth have had to make for years.

We start with the fact that we are not financially able to offer the benefits associated with corporate or public sector organizations.

The primary benefit we have provided, key to the well being of our employees, is health insurance. This benefit has allowed us to retain valued and valuable employees. Unfortunately the very fact of retention means an aging employee pool – a serious disadvantage laid on top of the 'average' rate hikes small business has seen to premiums over the past several years.

The options available to small businesses (since we are not allowed to negotiate with the insurance companies) are to reduce the level of benefits provided by the health plan or reduce the employer contribution. There simply is no way to avoid the added burdens this creates for both the Company and resulting negative impact on the employees. Clearly this benefits neither the employee nor the employer.

Health insurance costs have increased at a greater rate than any other cost in our business. The dramatic increases in health care costs have a direct negative impact on our ability to grow our business, thus increasing jobs or wages to our employees.

Billie Phillips

Vice President of Marketing
Harbor Sweets, Inc.
85 Leavitt Street
Salem, MA 01970
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Phyllis LeBlanc

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HARBOR SWEETS, INC. - Nationally Acclaimed Handmade Chocolates.
Please visit our website - www.harborsweets.com

33. I have been self-employed for 3 years and in that time have never lapsed in health coverage. Also in that time I have been forced to consistently look for new affordable plans as providers raise their premiums at 6 month intervals. The most recent of which (Neighborhood Health Care) has raised my rate from 296.99/month to \$410/month after the initial 6-month membership period. This is outrageous!!! For a short period last year I was covered by Midwest National Health (bottom of the barrel \$ to try to save some money during the great recession) and, in the process of finding a better company, was hospitalized with an emergency appendectomy, something I never saw coming. This was right in the middle of yet another search for better quality and still affordable coverage. As a result, I have incurred costs that will take me a long time to pay. Luckily, (or not depending how you look at it), I qualified for Health Safety Net which covered 3 hospital bills. All other bills are the patient's responsibility (surgical, anesthesiology, radiology, pathology, ambulance etc.). I have spent so much time on the phone and writing letters to these facilities just to try to have some bills reduced. Hours I should be spending marketing my company so I can make some money.

It seems to me that this country does more to discourage entrepreneurs than help them. No one is going to bail me out. instead I am punished for having the guts, the integrity and the enthusiasm to try to work for myself. Isn't it enough that we are taxed at a higher rate? Now we pay higher premiums for fewer and fewer services. Plus we are told who are doctors will be instead of having the choice to stay with those we choose. So we work hard to find work while we watch our investments deteriorate, the value of our homes decline, our taxes increase, and then get pummeled with sky-rocketing insurance costs. It's sickening.

I can't continue to pay these rates and am looking for a job in a bad market. This is creating a huge impact on my business and is absolutely psychologically defeating as well. What is wrong with this state????

Testimony of Christine B. Sullivan Executive Director, Enterprise Center

Thanks for giving us the opportunity to contribute to your testimony.
Circling the drain,

Claire

Claire MacMaster, principal

barefoot art graphic design
www.deepwater-creative.com

design + art direction for print + web

34. Hawthorne Hotel
18 Washington Square West
Salem, MA 01970

March 3, 2010

To Whom It May Concern:

Re: Health Insurance Premiums

We just received our renewal rates for our employee health insurance. Despite having the benefit of using ADP Total Source, which allows for us to get the big group benefits in our shopping for this expensive, mandated employee benefit, our increase for the coming year will be 20%.

This is in a year where we are completely unable to raise our prices that we charge our customers, due to the decline in demand for hotel meetings, and declining leisure travel due to the economic conditions of 2010. Therefore, we are going to be squeezed, yet again, to pay for something that has been made a requirement in order for us to stay in business.

Something has to give. We hope you can help.

Sincerely,

Hawthorne Hotel

Juli Lederhaus
General Manager

35. United Tool & Die just had its premium increase another 28% in December. Every year we are hit with double digit increases for health insurance. As the rates increase, we are forced to buy higher deductibles and co-pays and end up with less insurance at much higher rates.

In our opinion, the social experiment to force mandatory coverage in Massachusetts has failed. The effect on small businesses like United is staggering. And the unintended consequence of this uncontrollable line item in our budgets is that we simply cannot afford to hire workers, especially those needing family plans.

Testimony of Christine B. Sullivan Executive Director, Enterprise Center

Mandatory healthcare in MA has created an unfunded liability for the taxpayers and an unsustainable cost to the commonwealth's small business community.

Scott Fallavollita
President

United Tool & Gaynor Industries
98 Eames Street
Wilmington, MA 01887

36. In the 2001 recession I began building my own one-man architectural consulting business. Since that early time in 2001 I have done pretty well. As a small business, the only way I could buy health insurance that was close to affordable was to join my local chamber of commerce and get the group rate. Well, my health insurance premiums continued their upward climb. When my monthly premiums reached \$1,450 a month for a family of four, and I had no benefits from any other source, I concluded the challenges of paying very high health insurance costs, when others had better group rates and benefits, didn't make sense to me anymore so I stopped. I am now an employee, with a good job mind you, in government.

Richard Ness, AIA

37. I have a one person architectural practice, and I have been getting insurance through the Northeast Business Trust. Harvard Pilgrim is raising the premium for my current individual plan by almost 20%. It is not tolerable- clearly I will have to reduce my coverage or find a different plan. With the economy as dicey as it is and workloads so uncertain, this is one more reason for not attempting to bring on staff and pursue new kinds of work.

Richard Smith
Adams & Smith LLC
55 Thomas Road
Swampscott, MA 01907

38. Dear Christine-
I am not able to be there- but I'm glad you will be- I am totally in support. The impact on non profits is also major, and as we know nonprofits contribute substantially to the economic health and strength of the region.
Thank you for your efforts.

Pam Peterson
Executive Director
Marblehead Museum & Historical Society
170 Washington Street
Marblehead, MA 01945

After the testimony was prepared these additional messages were received:

39. I run a small sales and marketing business.

Over and over I have tried to find a way to offer health insurance for my employees, but due the cost I'd need to pass on them, they have declined. The fact that the group plan I had with BCBS, after just one year, levied a 40% premium increase certainly did not help my chances of covering myself – nevertheless employees. And not willing to pay the shocking premium increase (*would they have tacked on another 40% the following year?*), I scrambled for a lower cost plan – and found one for the *same premium* that I had with BCBS but with huge deductibles and less coverage (*basically does not cover much more than catastrophic sickness*) than I enjoyed from BCBS just *one year* earlier.

What other business, besides the healthcare industry with their stranglehold on the public's fear of getting sick and destitute, could possibly survive with forcing customers to pay 10 – 40% more *every year* for less benefits and a shabbier product!!!

It is mind-boggling to me, frankly. And the bloated cost of health care, if not checked on both the insurance company side and the outrageous fees charged by many medical professionals, is going to become nothing more than an unaffordable luxury for many families and businesses.

It can't continue. And to make it worse as you know, the state of Massachusetts with one of the most expensive healthcare in the USA, forces citizens to buy healthcare (*and it must be bought from insurance providers no where else but in Massachusetts*) or incur penalties paid to the state. Healthcare subsidies are offered by the state to the poor, but the middle-class and small business are in danger of becoming the *new poor* (without subsidies) with the kind of runaway costs that healthcare is saddling us with.

Thank you for your efforts. Please let me know if I can be of further assistance.

Best regards,

Peter Wostrel
Strategic Media Marketing, Inc.
Peter@SMMarketing.us
Tel: 978-281-7708
FAX: 978-281-7706

40. We are a small software company celebrating our 25th year in Massachusetts. In the past we have attracted and retained qualified employees with benefits as medical insurance. In the current economy we are struggling to survive.

Here are the straightforward facts at our company:

1. We employ healthy non-smokers who are over the age of 55.
2. BCBS has informed us that our insurance rates are going up 53% this year. FIFTY THREE PERCENT.
3. This year's increase follows a 38% increase last year and a 29% increase two years ago.

Testimony of Christine B. Sullivan Executive Director, Enterprise Center

4. Every year for the last three years we have ratcheted down our company's health insurance plan... to plans with higher co-pays, higher deductibles and less medical coverages.
5. Every year for the last three years I spend at between 1-2 man-weeks of my time researching all medical health plans options and switching health providers. In the last three years we have gone from BCBS to Tufts to BCBS. This year we will likely switch to Fallon. This considerable time investment is completely unproductive and unrelated to moving our business forward, which puts me at a disadvantage to my competitors outside Massachusetts.
6. NO employee has received any increase in salary or wages in five plus years.

My View

1. BCBS Bill Van Fassen's \$16 Million dollar non-retirement retirement payout in 2006 should have been the definitive wake up call to the State Insurance Commissioner. Their spending IS out of control. The burden of this gross spending excess is directly on the backs of those who can least afford to pay, small business employees and owners.
2. In today's difficult economy BCBS's actions are both irresponsible and immoral. A 53% rate increase in 2010 should not be a rate increase acceptable to the State Insurance Commissioner. If BCBS truly cannot provide a lower rate than its license to operate in the Commonwealth should be suspended until they can return with a defensible rate.
3. The small business community, both owners and employees, wants and needs the Patrick administration to demonstrate real leadership and **FORCEFULLY** block these rate increases immediately, including threat of license suspensions or the option of continuation of prior year rates.
4. The Insurance Commissioner **MUST** communicate that annual rate increases are **NOT** a given. The insurance companies should be forced to operate more like small businesses, and every other business is the current depressed economic climate. Eliminate unnecessary costs, like TV advertising, and learn to do more with less... **STOP** passing on costs to those least able to fight large bureaucratic companies.
5. In Massachusetts we like to consider ourselves as progressive and forward thinking. Wouldn't we then agree that the quality of health care in Massachusetts should **NOT** be a function of the company they work for. Health insurance rates for large company employees versus small company employees should not vary significantly.
6. This is much more than a political issue. This is a life and death issue. The Commissioner of Insurance cannot error by strongly advocating, **AND DELIVERING** equitable health insurance options of Massachusetts residents.

Regards,

Joe

Joseph T. Kowalik
President & CEO, Graphx Inc.
400 West Cummings Park
Woburn, Ma. 01801

41. The rise in insurance premiums is the most difficult piece of budgeting for us as a non-profit. It affects staffing dramatically as we seek ways to legally avoid the need to offer very expensive health insurance.

The most ironic part of this is that we are a non-profit dedicated to helping people become economically self-sustaining. Yet, we must keep the salaries of our employees low and try to fill staffing needs with part-time people so that we can keep our budget manageable. If health

Testimony of Christine B. Sullivan Executive Director, Enterprise Center

insurance were more affordable, we would be able to pass those savings back to our employees as increased salary, or hire employees full-time and offer them benefits, or pass the savings directly to client programs.

Staff time that could be used on fulfilling our mission is dedicated to researching insurance options to find ways to control the costs.

There needs to be a better solution!

Sue Gabriel
Executive Director
Beverly Bootstraps