

STATEMENT FOR THE RECORD
BEFORE THE SENATE COMMITTEE ON
SMALL BUSINESS & ENTREPRENEURSHIP
ON
THE AFFORDABLE CARE ACT'S IMPACT ON SMALL BUSINESSES

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MIKE BREY

OWNER – HOBBY WORKS

Good morning Chairman Vitter and members of the Committee.

My name is Mike Brey; I'm the owner of Hobby Works, a hobby and toy store with four locations in the D.C. metro area, Maryland and Virginia, with nearly 50 (more than 30 fulltime equivalent) employees. Thank you for allowing me to share my comments with you on the healthcare law's impact on small businesses like mine.

I started my business in 1992. Almost from the beginning, I offered health coverage—not just to help attract and retain good employees, but because as a former retail employee myself, I had found it difficult to get good, affordable insurance. My business has been successful and we've been able to expand to multiple locations. But over the years, it became more and more difficult to continue offering health insurance to my employees. Prior to the passage of the healthcare law, our insurance rates were going through the roof. We saw annual premium increases of 15-20%, and sometimes even higher. As a result, we were forced to ask employees to pay more of their premiums and face higher deductibles in order to continue offering coverage.

To put things in perspective, from 2009-2010, we experienced increases of 18-21%; prior to 2009, we experienced similarly large increases, usually double digits beginning in the early 2000s. Once the Affordable Care Act's provisions started going into effect, our rates started improving and even stabilized. From 2010-2011, we experienced increases of 7-8%—a huge improvement over the previous year. And during the next open enrollment period, our rates stayed the same.

While we did experience increases during 2012-2014, our rates have gotten much better since the ACA has been implemented in full. During the 2014-2015 enrollment period, our rates went up 9.74% (the first year our rates were age-banded). During the most recent enrollment period, our rates increased by 5%.

Other small business owners also struggled with rising healthcare costs. Research shows that many small business owners struggled to offer health insurance to their employees due to cost. Small Business Majority's scientific [opinion polling](#) found the majority of small business owners provided insurance to at least some of their employees, but of those who didn't, 70% said it's because they couldn't afford it. What's more, small businesses paid [18% more](#) on average for health coverage than large companies and received fewer comprehensive benefits.

Inaction was unacceptable. The passage of the Affordable Care Act was the first thing in years that gave me hope that this spiral of escalating costs and depreciating quality of

coverage might finally end. Many provisions of the healthcare law have been key to making health insurance more accessible and affordable for small businesses like mine. In addition to the marketplaces, a multitude of cost containment provisions have gone into effect that are helping to lower costs and provide more stability throughout the system.

A [survey](#) conducted by Towers Watson and the National Business Group on Health found that in 2013, employers experienced the lowest increase in healthcare costs in 15 years. And while some argue that the healthcare law is requiring many small firms to drop their health coverage, analysis conducted by the [Kaiser Family Foundation](#) found that the percentage of adults under 65 with employer-based insurance held firm for the last five years after steadily declining since 1999.

Thanks to the healthcare law's cost containment provisions, our premiums are starting to stabilize. I believe I am finally starting to have the certainty and stability I need when it comes to health insurance premiums and choices of plans.

What's more, we now have more options when it comes to insurance carriers and health plans. Where we had only a few carriers to choose from in the past, we can now choose between a variety of insurers that each offer many health plans, amounting to more than 110 options for my business to choose from.

Meanwhile, some claim that the healthcare law is a job killer and that small businesses are being forced to make their full-time employees cut their hours. This has not impacted my business at all. We don't make expansion decisions based on tax law; we do this based on consumer confidence and how we expect sales to increase over time. As a retailer, we are still recovering from the effects of the recession, but we have never thought of expanding or shrinking based on the healthcare law's requirements.

Some say that the healthcare law is forcing small businesses to hire more outside help in order to comply with the law's requirements. As a small business owner, I can tell you the vast majority of owners already rely on the expertise of accountants, lawyers and brokers. Small Business Majority's research shows 75% of small business owners already work with an insurance broker to purchase insurance policies for their businesses.

I've been concerned about health coverage costs and how they impact my business and my employees since long before the Affordable Care Act was introduced. And while the ACA isn't perfect and it won't solve all of our health insurance problems overnight, it is the first meaningful law in decades that meets many of small businesses' core needs in regards to rising healthcare costs. In this economy, policies that allow us to spend less on health premiums so we can keep more of our profits to reinvest in our companies and create jobs are what we need the most.

Strengthening the Affordable Care Act, instead of chipping away at it, is the only path forward to lowering the overall cost of healthcare and providing more options for coverage for small business owners like myself.

Thank you for the opportunity to comment on this important issue.

Sincerely,

Mike Brey, Owner

Hobby Works