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Testimony

of Drew Greenblatt

President and Owner

Marlin Steel Wire Products, LLC

on behalf of the National Association of Manufacturers

before the U.S. Senate Committee on Small Business &
Entrepreneurship

“Affordable Care Act Implementation: Examining How to Achieve a Successful
Rollout of the Small Business Exchanges”

November 20, 2013



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BEFORE THE

U.S. SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

Chairwoman Landrieu, Ranking Member Risch, and members of the U.S. Senate Committee on Small Business & Entrepreneurship, thank you for the opportunity to testify before you at today’s hearing.

My name is Drew Greenblatt, and I am president and owner of Marlin Steel Wire Products, LLC, based in Baltimore, Maryland. Marlin Steel Wire is a leading manufacturer of custom wire baskets, wire forms and precision sheet metal fabrication assemblies—all produced entirely here in the United States. The customers for our material-handling solutions come from pharmaceutical, medical, industrial, aerospace and automotive industries all over the world. We export to 36 countries. Like so many other manufacturers in the United States that compete in a global economy, Marlin Steel Wire succeeds through innovation, investment and the hard work of our dedicated employees.

When I bought Marlin Steel Wire Products in 1998, we had roughly \$800,000 in sales and 18 employees. Last year was our most successful one as a business, with more than \$5 million in sales and 29 employees.

I am pleased to testify today on behalf of the National Association of Manufacturers (NAM). The NAM is the nation's largest manufacturing trade association, representing 12,000 member companies consisting of small and large manufacturers in every industrial sector and state. As the voice of 12 million men and women across the country who work in manufacturing, the NAM is committed to achieving a policy agenda that helps manufacturers grow and create jobs. I am proud to serve as a member of the NAM's Board of Directors, and as a member of its Executive Committee. Since we are here at the Senate Small Business and Entrepreneurship Committee, I believe it is important for me to point out that the average size company NAM represents is around 35-40 employees. While most people think of manufacturing companies as large with many employees, that's not the case for a majority of NAM members.

According to NAM member surveys, roughly 97 percent of NAM members provide health insurance for their employees. This is above the national average overall for manufacturers, which is about 72 percent – the highest among all sectors except government. Estimates from the Kaiser Family Foundation place the insurance take-up rate for manufacturing employees offered coverage at 83

percent – again, among the highest across business sectors. I mention this because the health and safety of our workers is important to manufacturers – I take immense pride in the fact that Marlin Steel Wire Products has operated 1,800 consecutive days without a time-loss incident. A safety record like that takes commitment and dedication to a safe workplace and the health of my employees. This translates to providing generous, high-quality health coverage as well.

Marlin Steel Wire Products has provided health insurance to all its workers since I acquired the company in 1998. As a demonstration of the importance I place on safety and health, the plan I have been providing also covered employee's first \$1,200 in costs for an individual or \$2,400 for families. I am personally vested in making sure our health coverage is as robust as it needs to be. I am on the same health plan as all of my employees. My family is on the same policy as their families. If they aren't covered, I'm not covered.

When healthcare reform was being debated, I was particularly interested in what President Obama had to say about reducing costs by \$2,500 per family and was hopeful the plan would in fact reduce costs. The experience I've had since its passage has been disappointing.

Before and since the Affordable Care Act was passed, I could expect my insurance costs to increase somewhere between 8-12 percent every year. That

largely held true until this year. My small group plan carrier came to me this fall and said that in order for me to continue my current policy, premiums for individual-only coverage would require a 49 percent increase over last year. I couldn't absorb an increase of that magnitude, so I needed to find comparable coverage to get myself and my employees into before the plan year starts on December 1.

Three weeks ago, I finalized purchasing coverage for my employees. Ultimately, I was able to secure nearly equivalent coverage for me and my employees, but my premiums still increased by 10 percent from the product I had last year. This was only achievable because my plan year starts on December 1 instead of January 1, 2014.

My old plan was a good, quality product that I liked very much, but we were forced to give it up because it was no longer affordable due to mandates, taxes and fees required under the Affordable Care Act. As an employer with fewer than 50 employees, I was repeatedly assured the ACA did not apply to me and that I would be able to keep my plan – that is simply not my experience. If an employer of any size purchases or provides health coverage for their employees they are affected by the ACA.

I want to provide health coverage for my employees and their families, and I have, but because of the law, the coverage I wanted is no longer available to me because it is unaffordable.

The plan I just purchased includes benefits I don't want nor need and neither did my employees. It certainly did not decrease costs as promised. As I mentioned, if I kept my old plan, I would have been forced to pay 49 percent more than I did last year.

For me, it's frightening to think about what we're going to do about coverage next year and frankly I don't know what lies ahead of us in that regard. I do know that as a business and a nation, we need to stay competitive, but I am coming to the conclusion that we're on track to make ourselves uncompetitive.

I would be laughed out of the room if I told my customers I was going to increase the price I charge by 49 percent – and I'd probably lose every bit of business I have, if I tried. I could try to explain to my clients that they would get all sorts of new features for the 49 percent increase – I'd be told they don't want it or need it. Then, I would have a choice to make, and so would my customers. I feel like I didn't have a choice this year and many small employers find themselves in the same position.

As a manufacturer, I'm generally an optimist, but it's hard for me to imagine how things will get better given the current circumstances. In my state, there's little real competition in the health insurance market. If you want to create real competition, let me purchase coverage from other states or team up with other businesses to negotiate a better deal

As for the SHOP Exchanges, from what I can tell, there has been minimal outreach to businesses from the state to communicate about options under the SHOP Exchange. I have not received even basic information about where they stand in the process of getting them up and running or how they will work. I only recently found out the SHOP exchange in Maryland has been delayed until next April, but I don't know what kind of products will be available. This is the kind of instability that threatens our economic success by inhibiting the ability of businesses like mine to plan ahead. We need to be able to make economic choices and budget for the coming year with certainty and a reasonable level of confidence for two, three or five years out. As things stand, we have no idea how much employee benefits will cost and that is not a comfortable position for any business – particularly if it might be looking to add employees, expand current facilities or invest in new ones.

I am well-aware that the Affordable Care Act is law and it is not going to go away or change without bipartisan legislation. On behalf of the NAM, I urge Members of Congress and the Senate on both sides of the aisle to take an

honest look at all health laws that are not working, this one included, and fix them. A 49 percent increase in premiums will not get better with finger pointing, rhetoric, accusations or regrets over broken promises. Practical, real-world approaches to changing the system are what we need.

Conclusion

When I think of healthcare reforms we need, and I think this is true of any businessperson, cost is the main issue. Cost directly addresses the access issue. If we reduce the cost of care in a meaningful way, we make the health delivery system more efficient and we increase access to services. Driving up costs and then providing subsidies just camouflages the underlying problem - cost.

We need to find a way to address this. I may not be a supporter of the current system, but I would definitely support changes that allow me to continue to provide high-quality health care to my employees at a reasonable price. Thank you Chairwoman Landrieu and Ranking Member Risch for the opportunity to testify today.