



PA House of Representatives Republican Policy Committee

414, Main Capitol Building
Harrisburg, PA 17120
(717) 260-6144

Rep. Joshua D. Kail
Chairman

PA House Republican Policy Committee Hearing

“Healthcare Options for Small Businesses”

August 1, 2024, at 1 p.m.

**Moon Township Municipal Building
1000 Beaver Grade Rd.
Moon Township, PA 15108**

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| 1:00 p.m. | Welcome and Pledge of Allegiance |
| | AHP Overview Panel |
| 1:10 p.m. | Emily Greene
<i>Pennsylvania State Director, Americans for Prosperity</i> |
| 1:15 p.m. | Kurt Imhof
<i>Senior Vice President of Policy & Public Affairs, Life Sciences PA</i> |
| 1:20 p.m. | Questions for the Panel |
| | Insurance Industry Insights Panel |
| 1:40 p.m. | Noah Karn
<i>Vice President, Insurance Federation of Pennsylvania</i> |
| 1:45 p.m. | Questions for the Testifier |
| | Small Business Perspectives Panel |
| 2:05 p.m. | Robert McCafferty
<i>Operator, North Country Brewing</i> |
| 2:10 p.m. | Howison Schroeder
<i>CEO and Co-Founder, Neuro-Innovators</i> |
| 2:15 p.m. | Eddie DeCaria
<i>Co-Owner and Pharmacist, Porter’s Prescription Pharmacy</i> |
| 2:20 p.m. | Questions for the Panel |
| 2:40 p.m. | Closing Comments |

Written Testimony Submitted by:

Mike Barba
Executive Director, Pennsylvania Chiropractic Association

Larry Zana
President & CEO, Conseгна Pharma Inc.



Testifier Biographies

PA House of Representatives Policy Committee Hearing *"Healthcare Options for Small Businesses"*



Emily Greene **Pennsylvania State Director, Americans for Prosperity**

Emily Greene, State Director for Americans for Prosperity-Pennsylvania, has always had an interest in politics and government. After graduating from the University of Pittsburgh, she immediately jumped head-first into political campaigns.

After several campaign cycles and a healthy mix of wins and losses under her belt, Emily joined the Americans for Prosperity - Pennsylvania team in 2018 in the Greater Pittsburgh region. Over five years later, Emily now serves as the Pennsylvania State Director where she works to build policy coalitions in Harrisburg and fights for policy that allows Pennsylvanians to realize economic prosperity.

Under the dome, Emily loves to take on policy fights that bring unique coalitions and unlikely partners to the table. Through broad-based partnerships, Emily fights for policy within the health care, regulatory reform, criminal justice, and better budgeting space.

Emily is a 2019 graduate of the Anstine Series and an alumna of the American Council of Young Political Leaders.

Kurt Imhof **Senior Vice President of Policy & Public Affairs, Life Sciences PA**

Kurt advocates for policies that incentivize the research and development of medicines and technologies and works to ensure public officials understand Pennsylvania's life sciences ecosystem and its positive affect on patients and the economy.

Kurt also oversees their international relationships and works to facilitate discussions between Life Sciences PA members interested in doing business internationally, and international entities interested in the Commonwealth's life sciences community.





Noah Karn **Vice President, Insurance Federation of Pennsylvania**

Noah Karn joined the Insurance Federation in 2018 after working in both chambers of the state General Assembly. Prior to joining the Federation, Noah served as a Chief of Staff in the Pennsylvania Senate. He has also served as a top aide to the Speaker of the House and as Executive Director of the House Labor & Industry Committee.

Noah is a graduate of Penn State University and earned his master's degree in public policy from Northwestern University.

He lives in Enola, PA with his wife and enjoys traveling and competitive amateur golf.

Robert McCafferty **Operator, North Country Brewing**

McCafferty worked in bars and restaurants to get himself through college and enjoyed it. So in 1998, he and his wife, Jodi, bought an old funeral home on Main Street in Slippery Rock with plans to open a restaurant. At the time, the town was still dry.



They lived there during the renovations — at one point their bedroom was where the bar is now. The couple replaced the foundation — some of the old stones now frame the outdoor fireplace. They removed the tin ceiling and used it to make the backsplash behind the bar and on the walls.

In 2001, Slippery Rock voted to allow alcohol sales. North Country Brewing opened in February 2005. A few years later, the McCaffertys bought a farm and created their own farm-to-table practice, including raising Scottish Highland cattle.

They opened a cannery in 2012, and then bought the Harmony Inn in 2013.

Bob McCafferty loves being part of the Butler County community — participating in events and serving on local boards. He has always tried to be good to his employees, making sure they have health care and are paid good wages.



Howison Schroeder **CEO and Co-Founder, Neuro-Innovators**

An experienced Neurotech executive with a background in finance and medical devices, Howison started Neuro-Innovators in 2021 after seeing an opportunity to use his expertise to bring more effective neuro drugs to the market.

At the helm of Neuro-Innovators for over two years, Howison's focus has been on revolutionizing neuroplasticity to dramatically improve outcomes for stroke survivors. In his capacity of CEO, he directs their strategic efforts to repurpose drugs, aiming to unlock new possibilities in brain recovery.

Howison holds a Bachelor of Arts in History, with a secondary concentration in Geology, from Hobart and William Smith Colleges and a Master of Science in Applied (Mineral) Economics from Penn State University.

Eddie DeCaria **Co-Owner and Pharmacist, Porter's Prescription Pharmacy**

Eddie DeCaria is the co-owner and pharmacist at Porter's Prescription Pharmacy.

Porter's Prescription Pharmacy and Compounding Lab is locally owned and operated by DeCaria Brothers Inc., a family business. Porter's Pharmacy is a patient-focused pharmacy committed to helping their patient's manage their health.





August 1, 2024

Chairman Kail and Members of the House GOP Policy Committee,

Thank you for your time today. I'm Emily Greene, state director of Americans for Prosperity here in the Keystone State. On behalf of our thousands of activists, members, and supporters across the Commonwealth, I'm grateful for this opportunity to share our views on Association Health Plans.

AFP Pennsylvania strongly supports Representative Gaydos's bill to establish AHPs as an option for businesses in this Commonwealth. This legislation would greatly benefit businesses of all sizes. It would expand affordable options for hard-pressed families.

Why do we support this proposal? Because it aligns with and advances our vision for a better America. In Pennsylvania and across the country, AFP activists engage friends and neighbors on key issues and encourage them to take an active role in building a culture of mutual benefit, where people succeed by helping one another. Health care reform is a top priority for us because it's vital to individual happiness — and vital to flourishing families and communities. We're convinced that the only way to make health care better for everyone is through markets, not mandates. Medical care is simply too complex to be administered by central planners. We need less bureaucracy in health care, not more.

That's why, as an organization, we seek to give every American what we call "a health care Personal Option" — hassle-free health care you can afford. Health care is deeply personal. It's your health care. You should have options. We work with policy makers on both sides of the aisle to advance this vision. We want to make Pennsylvania the best place in the world to be sick — and the best place in the world to stay healthy.

The Personal Option is a set of incremental reforms. It includes consumer-empowering tools like a universal, personal health credit; universal access to health savings accounts; and universal access to subscription-based direct primary care arrangements. It includes reforms to remove barriers and level playing fields — to unleash free-market competition and promote price transparency.

And among those reforms, it includes Association Health Plans.

An AHP is a bit like a credit union or group purchasing co-op for health coverage. The idea is to let people band together to obtain health benefits at significant discounts similar to those enjoyed by large employers — people who, under current rules, may not band together for that purpose. I'm thinking of small businesses, including the self-employed. And also, individuals who simply share a common interest.

Typically, AHPs are associations of *employers*. In states that allow AHPs, the associations are authorized as a form of multiple employer welfare arrangement or MEWA. These multi-business cooperatives can offer a single health benefit to all their respective member-companies' employees. And that single health benefit is exempt from certain plan restrictions that would otherwise apply to small employer groups.

AHPs save people money. How? By leveling the playing field. They enable individuals and small businesses to enjoy the same group purchasing power as large employers.

We support Representative Gaydos's AHP bill because it would make health care more affordable for hundreds of thousands of our fellow citizens. The bill defines an "association" as either:

- a member-based organization of employer members composed of employers in the same industry, trade, or profession; or
- a group of employers that do not share the same industry, trade, or profession, to the extent allowed under federal law; or
- a group of employers domiciled or residing in this Commonwealth.

Importantly, the Gaydos bill defines the term "employee" to include the self-employed — sole proprietors and independent contractors. This is extremely welcome and enlightened. The self-employed face some of the highest hurdles when it comes to finding affordable health insurance options. And the Obamacare exchanges, while open to the self-employed, do not address those hurdles. The coverage is just too expensive, and the provider networks are just too narrow. For the self-employed, AHPs represent a long-overdue lifeline.

What about the claim that AHPs would cherry-pick the healthiest risks and drive-up premiums overall? That's not a risk, under this bill. This bill requires that AHPs not condition their membership, benefits, or pricing on individual participants' health status or medical history. AHPs would have to offer group health benefits on a guaranteed issue basis, just like any other form of employer-sponsored group health plan.

Would the AHPs offer skimpy coverage? No. Under federal law, the benefits would still have to comply with the federal Affordable Care Act. Like other health plans, AHPs would be subject to the ACA's essential health benefits requirements. The coverage would not be skimpy.

Are AHPs vehicles for fraud? No, because AHPs in Pennsylvania would be well-regulated. Each association would have to be bona fide, that is, formed for reasons other than to offer health benefits. And the bill includes sensible consumer protections. Plus, our state has strong rules to prevent and punish fraud. So there would not be fly-by-night problems.

To sum up, we support Representative Gaydos's AHP bill because AHPs represent a safe, sensible, and most welcome new option for hard-pressed employees and families in our state.

And while some health insurance companies don't like the bill because they want to protect the status quo for their own financial reasons, that's simply not a good reason to oppose the legislation.

AHPs have not been a problem in the states that allow them. And surely the status quo is unacceptable and unsustainable. AHPs offer hope.

We stand ready to help make this legislation a reality. Thank you for this opportunity to share our views and I welcome any questions.

Respectfully,

Emily Greene
State Director
Americans for Prosperity – Pennsylvania

Kurt Imhof, Life Sciences Pennsylvania
Testimony – August 1, 2024
House Republican Policy Committee Hearing

Good afternoon, Chairman Kail and members of the House Republican Policy Committee. I am Kurt Imhof, Senior Vice President, Policy and Public Affairs, at Life Sciences Pennsylvania. Thank you for the opportunity to participate in today's hearing on Association Health Plans and their importance to the life sciences industry in the Commonwealth of Pennsylvania.

As the statewide trade association for the industry, Life Sciences Pennsylvania represents more than 900 member organizations, including small biotech companies, medical device and diagnostics makers, pharmaceutical manufacturers, patient advocacy organizations, academic research institutions, investment firms with R&D-based portfolios and myriad service providers related to the development of groundbreaking therapies, cures and technologies.

While we are proud of our membership of our more than 900 organizations, Pennsylvania is home to more than 3,000 life sciences establishments. Of those 3,000 entities, approximately 65 percent of them employ 10 individuals or fewer as documented in a 2022 study conducted by our organization.

This community is predominantly start-up in nature and is fragile as it can take more than 2 billion dollars and 10 years to bring a new medicine to market. In most cases, these companies are generating little to no revenue as they move a new product – to ensure safety and efficacy – through the Food and Drug Administration’s (FDA) rigorous review process. Further, the likelihood of success in our industry is low – almost 90 percent of the new medicines entering the clinical trial process fail to receive approval. Many of these small life science companies will work tirelessly for the better part of a decade only to find that they must start all over again.

Given the long odds, and the resource-intensive process of developing a medicine or technology, our member companies are overtly aware of their financial wellbeing. One of the ways Life Sciences Pennsylvania seeks to assist our members, and their balance sheets, is through our group purchasing programs. Group purchasing programs exist within associations to offer small companies a mechanism by which to band together and provide those small companies with the same purchasing power as large corporations. Life Sciences Pennsylvania offers several purchasing solutions through our Savings, Access, Value, Ease (S.A.V.E.) program, which provides discounts on products and services – based on feedback from member companies – to members of Life Sciences

Pennsylvania. These discounts provide significant cost savings, freeing up other financial resources to recruit and hire key employees or make an important capital investment – ultimately putting them closer to finding that cure, medicine or device. Life Sciences Pennsylvania currently offers our members discounts for lab equipment, office supplies, industry journals and business travel, among others.

For many years, we have been asked by member companies if we offer health insurance as part of our group purchasing program. While we have not been able to offer our companies this benefit, the same group purchasing dynamics exist in the health insurance marketplace whereby large corporations utilize their purchasing power, in this case their large pool of employees, to leverage better deals from health insurance providers.

By making Association Health Plans a cost-savings offering for organizations like ours, Pennsylvania will be providing life sciences companies – especially those in the start-up community – a critical financial and quality of life incentive to locate and grow in the Commonwealth. Many of our peer states already have this has an option – states such as Ohio, North Carolina and Florida. In fact, more than 30 states allow Association Health Plans to operate. These early-stage companies require many years and significant resources to bring a produce to market, and it

is incumbent upon organizations like ours, in partnership with our public officials, to provide them with the tools necessary for success in Pennsylvania. We are always supportive of expanding the toolbox our members can use to invest more resources in the Commonwealth.

Life Sciences PA and our member organizations are always eager to discuss – in fact, you will hear from the CEO of one of our member organizations during the third panel – ways in which our industry can work with state government to incentivize company growth and innovation, ultimately maintaining the Commonwealth's position as a leader in the life sciences. It is for these reasons that Life Sciences Pennsylvania strongly supports House Bill 555, championed by Representative Gaydos, as Association Health Plans would considerably assist the growth and development of early-stage life sciences companies in Pennsylvania.



August 1, 2024

Good Afternoon. My name is Noah Karn, and I am the Vice President of the Insurance Federation of Pennsylvania, a multi-line state trade association that includes commercial health insurers among its members.

I appreciate the opportunity to testify today on the subject of Association Health Plans (AHPs). AHPs have been a topic of considerable debate within the healthcare policy arena, especially in the last 6 years.

AHPs offer several potential benefits, particularly for small businesses and self-employed individuals who struggle with the cost of health insurance. They also raise some significant policy concerns, including market stability, coverage adequacy, and administrative complexity.

This testimony will provide a historical overview of AHPs, with an emphasis on relevant regulatory and judicial activity. I will also present policy considerations for state lawmakers, as well as some general recommendations for addressing the high cost of health insurance for small businesses in Pennsylvania.

Association Health Plans (AHPs)

Association Health Plans (AHPs) are a type of health insurance arrangement that allows small businesses in the same industry to join together to offer what essentially amounts to large group coverage, rather than each small business having to obtain its own small group plan.

This is an attractive idea for some small businesses (primarily those with healthy employees), because the Affordable Care Act (ACA) places fewer regulations on large group plans. For example, while small group plans have to cover the Essential Health Benefits (EHB) and cannot base premiums on the group's medical history, those rules do not apply to large groups.

By leveraging their combined size, the small businesses are able to sidestep various ACA requirements, which can theoretically result in lower premiums and more favorable insurance terms than the individual businesses could secure on their own.

Historical Background of AHPs and MEWAs

The concept of AHPs is rooted in the broader history of Multiple Employer Welfare Arrangements (MEWAs), which originated in the 1970's. MEWAs constituted numerous employers who banded together in "associations" to self-insure as an alternative to coverage through licensed insurance companies.

The early days of MEWAs were marked by significant regulatory challenges, including financial instability and fraudulent business practices. Pennsylvania was not immune to these challenges. Quoting from a 2003 letter from then-Insurance Commissioner Diane Koken to former U.S. Senator Rick Santorum:

"Some MEWAs attempted to operate legitimately, but collapsed because they were underfunded in that they did not comport with any of the state solvency and reserve requirements necessary to ensure claims payments. Others operated as out-and-out scams by which unscrupulous operators offered accident and health insurance at severely discounted rates. In either case, this ultimately led to the demise of these benefit plans and

left consumers without coverage and claims were left unpaid. At that time, the GAO estimated that consumers had suffered in excess of \$100 million in unpaid claims as a result of these plans.”

In response, Congress amended the Employee Retirement Income Security Act (ERISA) to regulate MEWAs and other categories of “employee benefit plans”, including AHPs. The U.S. Department of Labor (USDOL) is the federal agency charged with enforcement of ERISA.

Under ERISA, an employee benefit plan must be established by an employer; and employee organization (a union); or both. Section 3(5) of ERISA defines the term “employer” to include “any person acting directly as an employer, or indirectly in the interest of an employer, in relation to an employee benefit plan; and includes a group or association of employers acting for an employer in such capacity.”

Dating back to 1979, the USDOL interpreted this definition to allow employee benefit plans to be established or maintained by a “bona fide group or association of employers acting in the interests of its employer members to provide benefits to their employees.”

This interpretation spawned the advent of Association Health Plans (AHPs) as we know them today, but it’s important to understand that this also set a high bar for AHP status: members must not only control the plan, but also have a common interest (e.g., same industry) and a shared economic or representation purpose – unrelated to benefits – for forming the association.

The 2018 USDOL Rule on AHPs

In June 2018, the Trump administration introduced a new rule through the USDOL designed to spur the formation of AHPs. Specifically, the rule sought to loosen the criteria under which AHPs could be formed, allowing more small businesses and self-employed individuals to join these plans. Key provisions of the rule included:

1. **Commonality of Interest:** The 2018 rule relaxed the “commonality of interest” standard, allowing groups or associations of disparate businesses in the same state or metro region to have a “sufficient common interest.” Under the pre-rule guidance, geography alone was insufficient to establish commonality.
2. **Coverage as a Primary Purpose:** The 2018 rule allowed the group or association to have the provision of health coverage as its primary purpose. Again, the pre-rule guidance (as well as PA law) required that the group or association exist for purposes other than providing health benefits.
3. **Owner-Only Businesses:** The 2018 rule allowed self-employed individuals without common-law employees (referred to as “working owners” or, more commonly, sole proprietors) to join AHPs. The pre-rule guidance generally did not recognize these individuals as either employers or employees.

Pennsylvania’s Response to 2018 AHP Rule

The 2018 DOL rule was met with significant opposition from state regulators, including here in Pennsylvania. Then-Insurance Commissioner Jessica Altman used a press release calling the rule an “extremely disappointing” effort that “actively seeks to dismantle the landmark [ACA].” The Insurance Department also submitted comments to the USDOL asserting its regulatory purview over AHPs.

In these comments, the Department essentially informed USDOL that despite the 2018 rule, it would continue to regulate AHPs in accordance with state laws governing licensure, solvency, form and rating standards, exam provisions, and enforcement.

Notably, the PID stated it would “look through” associations to regulate the coverage based on the size of the underlying entity that receives it. For example, coverage sold through an association to a small business wouldn’t qualify as large-group coverage; it would still be subject to the same ACA standards as any other small-group policy.

Litigation and Rescission of the 2018 AHP Rule

The 2018 USDOL rule was challenged by 11 states, including Pennsylvania, as contrary to law, in excess of statutory authority, and as an arbitrary and capricious rule under the Administrative Procedures Act (***New York v. USDOL***).

In March 2019, the U.S. District Court for the District of Columbia invalidated key provisions of the rule as being in conflict with ERISA, including the relaxed Commonality of Interest standard and the expansion of the term “employer” to include working owners.

USDOL appealed the ruling and announced a temporary safe harbor from enforcement in April 2019, allowing AHPs established under the rule to continue operations through the end of the applicable plan year or contract term.

In January 2021, after the Biden administration took office, USDOL successfully moved to pause the appeal.

In December 2023, USDOL published a notice of proposed rulemaking to rescind the 2018 rule entirely, noting that it reflected a substantial departure from the agency’s longstanding guidance on ERISA’s definition of “employer”.

In April 2024, the USDOL issued a final rule officially rescinding the Trump administration’s rule, thereby marking a return to the more rigid pre-2018 regulatory framework governing AHPs.

AHP Policy Considerations for State Lawmakers

Increasing access to affordable health insurance is a laudable goal, and AHPs offer several potential benefits for small businesses and self-employed individuals. These benefits include potential cost savings, access to insurance coverage that may be otherwise unavailable or prohibitively expensive, and flexibility in plan design.

While AHPs can offer advantages, they also present significant challenges, including:

1. **Adverse Selection and Market Destabilization:** AHPs that offer less robust coverage and aren’t subject to the same underwriting and rating rules that apply to the small group market may attract younger and healthier individuals, leaving traditional insurance markets with a higher proportion of older and sicker individuals. This adverse selection can drive up premiums in the broader market, making insurance less affordable for everyone.
2. **Inadequate Coverage:** AHPs may offer plans with limited benefits, excluding essential health services such as maternity care, mental health services, or prescription drugs. While this may lower premiums, it can leave members underinsured and financially vulnerable in the event of serious health issues.
3. **Administrative Complexity:** AHPs introduce administrative complexities for insurers due to varying state regulations, diverse member needs, and compliance with federal ERISA rules. Managing these complexities requires robust systems and processes, potentially increasing operational costs and complicating plan administration compared to more standardized insurance offerings.

Addressing the High Cost of Health Insurance for Small Businesses in Pennsylvania

The high cost of health insurance remains a significant challenge for small businesses and self-employed individuals in Pennsylvania. While AHPs offer a potential solution, the risks and challenges associated with these plans suggest that a more comprehensive approach is needed.

To address the high cost of health insurance, policymakers should consider several strategies:

1. **Restricting Health Insurance Coverage Mandates:** The Pennsylvania General Assembly should consider the impact of health insurance coverage mandates on the cost of insurance, particularly in the small group market. While mandates can ensure access to specific health services, they can also contribute to rising premiums by requiring insurers to cover services that may not be essential for all policyholders. By carefully evaluating and potentially limiting new mandates, the General Assembly can help contain costs and provide more flexible insurance options that better align with the diverse needs of small businesses and their employees.
2. **Addressing Cost Drivers:** The Pennsylvania General Assembly should consider policies aimed at reducing the cost of medical care and pharmaceutical drugs, including value-based care models (which demonstrably improve outcomes and efficiency) and cost-control measures for prescription drugs.
3. **Encouraging Competition and Innovation:** Promoting competition in the health insurance market can help lower costs and improve the quality of coverage. This could include measures to facilitate the entry of new insurers, encourage the use of innovative payment and care delivery models, and support the development of new insurance products that meet the needs of small businesses and self-employed individuals.
4. **Reducing Administrative Costs and Insurance Overhead:** Another contributing factor to high health insurance costs is the administrative burden and insurance overhead. Insurance companies have their own set of operational expenses, including claims processing and customer service. Policymakers should remain mindful of these costs, which are ultimately borne by consumers.

In conclusion, while AHPs offer a potential avenue for providing more affordable health insurance options, they also present significant risks that must be carefully managed. A balanced policy approach is essential to ensuring that small businesses and self-employed individuals in Pennsylvania have access to affordable, high-quality health insurance. **We reiterate that by reconsidering the imposition of new health insurance coverage mandates, the General Assembly can play a crucial role in preventing inflationary pressures on the small group market.**

The House Republican Policy Committee also has a critical role in shaping the policies and regulations that will govern the future of health insurance in our Commonwealth, and we appreciate the opportunity to contribute to this important discussion.

Thank you.

Dear Republican Policy Committee Members,

I really appreciate all of your time and energy that you spend on the myriad of issues facing our state and country. I respectfully ask your help, and offer mine in any capacity I am able, to help make the Affordable Care Act affordable for both team members as well as the business community.

If I were a meteorologist I'd have a barometer, racecar driver, a speedometer. Jodi and I own a small business that continues to dive in and grow jobs, despite all the clear reasons that we should not. I have believed in the American dream of working your tail off to pursue your destiny, and only to see it be potentially taken away. When I pumped gas at Boron, I knew that I needed to learn new skills. When I worked 30 hours per week, I knew that I'd better get at least one more part time job so that I could afford a car that ran, pay rent without so many roommates, and eventually obtain the skill set that ended up paying for 2/3rds of my education. Unfortunately, there has yet to be any gauge given to business owners about what Affordable means. The gauge would be in dollars or percentages, as that is the only way that businesspeople can remain open and budget for such challenges.

Previously to ACA, we offered benefits to our managers and full timers and was included in their salary packages as it has always been done. I would like to share my story again with you briefly. My wife and I opened the doors to North Country Brewing Company in Slippery Rock in 2005, and while we were optimistic, we couldn't have expected the support and demand for good craft beer that Slippery Rock had. Over the years, our brewpub has grown and featured over 100 different types of beers. We are also proud of our company's philosophy of "community before self," and a mission statement of "Think like a Mountain in all that you do." We support our community with numerous charitable donations with our annual Brewfest having raised over \$95,000 alone for Slippery Rock Development, which have helped maintain Slippery Rock's appearance and upkeep.

Years ago, when we started, we were able to cover all of our employees with healthcare, even our part-time workers. We were deeply proud of this, because we consider our team to be like family, and we know their happiness and wellness are key to providing a good experience for our customers as well. We offered 0 deductible, and depending on our employee's individual needs, covered 100% to 25% based on their wishes. For example, younger staff usually opted for higher wages than a package that was initially offered as part of the full-time salary package that attracted experienced talent. One server worked 25 hours per week and had her entire family covered, for instance, as our benefits were better than her husband's family business's care. We had more employees on our health care plan with 60 employees, than we do today under this ACA mandate, at 190 employees. Folks with previous conditions were also covered, as our one manager's husband was on dialysis, for example.

Affordable Care Act has just simply gotten unaffordable. Since ACA implementation our rates went up 19%, once 25% until I took the 0 deductible away and had a 12% increase, but then a team member was diagnosed with cancer and our health care costs increased by 75 percent in one year. Basically, the health providers didn't want our package and inflated the percentage. By ACA law, we couldn't customize the package and percentage paid by us and had to offer the same percentage to all. We already had some of our group drop coverage year after year so they could afford things they wanted or needed in life, like a new van for their family instead as an Assistant Manager, in training, at the one location at \$46,500.00 per year salary did. We were forced to send our workers to the "exchange," but we found they struggled to access affordable options, and as a result, we lost solid employees just

because of this one benefit that we used to be proud to offer but no longer could offer good health care at an affordable rate. Within six months of sending team members to the exchange, networking with National Restaurant Association permitted us to again negotiate an AHP to offer our team. The very next month I was defending the AHP through the NRA to PA State Insurance Commissioner Jessica Altman's office in Harrisburg. Again, prior to ACA implementation, our health care coverage took a simple phone call to approve and add employees, with rate increases of 2% one year, 6% the next, but then a drop of 4% another year. Now, under ACA, we are grandfathered into our AHP plan through National Restaurant Association, but Commissioner Altman has stopped others from joining in PA. Commissioner Altman's team at the time, quoted fraud that occurred in the 1980's and seemed to be focused on generating more numbers into their package that they were offering for individual healthcare. Year after year, as we try to negotiate and budget, we continue to not feel secure and wonder how much health care could possibly go up again. At what point is it about health care? This increase in cost for the business has steadily changed our offerings to 50% paid by the business and with a \$3500 deductible for less health coverage.

As our ACA rates continue to climb for less coverage, it has and will cause more business owners like Jodi and I to take away health insurance as a benefit and as a result hurt our businesses. The choice has already been made when our group was deemed "overutilized." When we are prevented from treating our team members the way we would like, in ways that truly benefit them, it won't take much more for us to consider why we try at all. When the plan is not about appropriate health care coverage at all, but higher unaffordable premiums then there is no plan. Every year at renewal time, which is coming up this September, we have employees ask us to pay the fine so they can join Pennie. Pennie is advertised and marketed well, so that our tax funded plans offered appear better than what businesses can afford.

Another side effect of Covid shutdowns, some newer managers did not include the opt out form we use for new hires whenever we onboard, so that we were missing some of the signed forms and nearly faced a \$15,000.00 fine last year for employees that said they were never told that they couldn't join the exchange since we offered health care. An expensive lesson for mistakes by some that didn't follow our policy and/or organize their files. Other restaurants in our area, which have gained investors with other businesses owned, are able to provide lower costs to their staff because of the volume...which to me sounds like the AHP. The restaurant I reference appears like an independent small business, such as ours, with several locations yet their collective employee roster from combined investor businesses allows them to offer better care for less money than what we can offer. I have a meeting with NRA at 3pm today and will number check with current data for Thursdays testimony.

Once again, thank you for listening to your constituents on this issue.

Respectfully,

Robert McCafferty
North Country Brewing Co., Slippery Rock

Below is an Op-ed that I wrote in 2010. Unfortunately, it was all correct and became fact year over year.

Bitter medicine

Obamacare's goals are laudable, but it will hurt small businesses like mine, warns Slippery Rock restaurant owner BOB McCafferty

Over the past 15 years, my wife and I have overcome many of the challenges that come with running a small restaurant business. Despite the obstacles, we persevere and continue to dive in and grow jobs as part of our belief that if you work your tail off you can achieve your part of the American dream.

Today, I am seeing that dream being taken away by one government mandate after another, particularly the Affordable Care Act. Despite the delays and assurances from the government that things will get easier, the simple fact is that the ACA is going to hurt my business and my employees no matter when it goes into effect.

The ACA has two main problems, as I see it. The first is the formula used to decide which businesses are "large" and which are "small." The second is the law's definition of full-time employment to mean 30 hours or more per week.

In the eyes of the ACA, any business with more than 50 full-time employees (or full-time equivalents, when part-time employees' hours are added together) is a "large" employer. These businesses must offer health insurance to their full-time employees and their dependents.

That number, however, is an arbitrary distinction that unfairly penalizes businesses that are not "large." In reality, a 50-employee business is nothing more than a popular local restaurant or a franchisee with two or three restaurants in a single town.

The ACA treats these businesses like they're no different from Microsoft or Wal-Mart. As a result, the law ignores that some businesses — restaurants in particular — can't afford to surpass the 50-employee limit if they are then going to be responsible for every employee's health coverage.

It's simple math. Small restaurants like mine are high-labor, low-profit businesses. We already offer benefits to our managers and full timers, and it is included in their salary packages. But our profit margins run in the low single digits.

Clearly we want to treat our employees as best we can, but the government has offered no clear guidelines for compliance with the ACA. Based on what we have to work with, the obvious option may be to cut employee hours in order to stay in business. That's where the ACA's redefinition of a full-time workweek starts to hurt.

Putting aside that the redefinition of full-time as 30 hours undermines the 40-hour workweek, it also means that businesses looking to stay in the black will shave some employees' hours to under 30. Some employees may find themselves working 29 hours or less.

There are efforts by some — such as Sens. Susan Collins, R-Maine; Joe Donnelly, D-Ind.; and Todd Young, R-Ind., and Rep. Dan Lipinski, D-Ill. — to fix this and re-establish the 40-hour workweek through legislation, but ACA defenders want none of it.

This means that full-time employment will be slowly replaced by part-time employment. Even where full-time employment still exists, it may mean only 30 hours per week. Even if these employees receive the best health care in the world (which they won't), they're going to lose the flexible scheduling they enjoy now while taking home less pay and having fewer options for career advancement.

Nowhere will this be more severely felt than in the restaurant industry. Many servers will drop to 29 hours, causing service to suffer. Extra shifts will become a thing of the past: They might push a business like mine over the 50-employee limit. At that point, we're on the hook for a substantial amount per employee per year for health coverage. If we don't want to do that, we can pay a \$2,000-per-employee fine.

Neither option helps a restaurant keep its door open — and the math makes it cheaper for small employers like me to drop employer-sponsored health care altogether and just pay the government a fine if we end up with more than 50 employees. Our benefit consultant company confirmed that our current package that we offer our salaried managers is considered the platinum of benefits. As an example of how benefit prices have increased by this law, this platinum price will be considered a bronze package with same amount of dollars paid in next June. If we comply with this mandate, our payroll will go up \$299,620.35 per year which is not sustainable or possible. If we choose not to submit to ACA, our fine will be \$70,000.00 this first year.

Jodi and I have been a fan of helping our community, and everyone that we can actually, donating annually \$60,000.00 plus to local charities and youth sports teams-with countless hours spent on boards and pushing a shovel to clean up this town. Our donating dollars are now part of what may have to go away. It was part of our fabric and part of what our business was built on but sadder still, I'm beginning to question the benefit of working the hours we do or expanding business and creating new jobs.

My business is sitting on the cusp of the 50-employee threshold. This means any attempt I make to expand my business — and thereby create more jobs and give back to the economy — will be met with a sudden spike in costs. This perversely keeps me from pursuing new growth options, the same options that have made small businesses like mine the engines of economic growth over the past hundred years. Such is the price of success today.

At the end of the day, I can say with complete certainty I'm not able to afford the Affordable Care Act. My options are downsizing, automating and creating part-time jobs that aren't careers. Or, the American dream could become my worst nightmare, and I could have to close my doors.

The goal of the Affordable Care Act is laudable, but its implementation runs against everything I believe in and for which I have worked hard.

Bob McCafferty owns the North Country Brewing Co. in Slippery Rock.



Support for House Bill 555 – Enhancing Healthcare Options for Chiropractors and Small Businesses

Dear Honorable Members of the Committee,

I am writing on behalf of the Pennsylvania Chiropractic Association and the 3900 statewide chiropractors, 85% ** of whom are independent entrepreneurs, to express our strong support for House Bill 555. This bill, uniquely beneficial to our community, proposes crucial amendments to the insurance statutes in Pennsylvania, specifically to facilitate the formation of association health plans (AHPs). This bill represents a significant step in enhancing access to affordable and comprehensive healthcare coverage for small businesses, including chiropractic offices across the Commonwealth.

Enhanced Access to Affordable Coverage:

House Bill 555 enables small businesses and sole proprietors to form association health plans. This collaborative approach lowers the cost of health insurance premiums and broadens access to comprehensive health coverage. This can translate into substantial financial relief and improved business sustainability for chiropractic practitioners, who often operate as small or independent clinics.

Flexibility for Diverse Business Structures:

The bill allows small businesses to join associations beyond their specific industries. This inclusive approach is particularly beneficial for our diverse community of chiropractic clinics, enabling them to find and participate in health plans that best meet their unique needs and circumstances.

Empowering Business Owners:

With provisions ensuring that at least 75% of an AHP's governing board consists of small business representatives, the bill empowers those directly impacted by healthcare decisions to have a substantial say in managing these plans. This aligns with our goals to foster a healthcare system responsive to small businesses' needs.

Assurance of Quality and Compliance:

By adhering to the Affordable Care Act's mandates on essential health benefits and ensuring policies are guaranteed issue and renewable, the bill safeguards the interests of all participants. These stipulations ensure that our members can provide their employees with reliable and quality health coverage, enhancing job satisfaction and retention.

Administrative Efficiency:

Association health plans under this bill can reduce administrative costs through pooled resources. For chiropractors, more funds could be redirected towards enhancing patient care services and expanding their practices rather than managing health insurance logistics.

Competitive Market Benefits:

Introducing more association health plans fosters a competitive market environment. Increased competition can lead to improved service offerings and more favorable terms in health insurance, directly benefiting small businesses through better options and potentially lower costs.

In conclusion, House Bill 555 not only supports the economic health of chiropractic practices and other small businesses but also contributes to the overall well-being of their employees. It creates a more equitable, flexible, and competitive healthcare landscape that acknowledges and addresses the unique challenges small enterprises face in Pennsylvania.

We urge the House Insurance Committee to bring this bill up for consideration, recognizing its potential to significantly transform the healthcare access landscape for small businesses. Thank you for considering our perspective and for your ongoing commitment to improving the healthcare system in our state.

Respectfully,
Mike Barba
Executive Director,
Pennsylvania Chiropractic Association
Mikebarba@pennchiro.org

*** 85% independent entrepreneurs based on self-reported membership survey as of 6/24*

Larry Zana
President & CEO
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Association health plans (AHPs) offer significant benefits for small businesses, addressing the challenge of providing affordable health insurance to employees. By allowing small businesses to band together and access the large group health insurance market, AHPs can potentially lower health insurance costs dramatically. This is crucial as the high cost of health insurance is a critical problem for small businesses, with 52% ranking it as such in a survey by the National Federation of Independent Business. Further, the ability for larger corporations to offer group plans has historically created an unfair competitive advantage over small businesses in both the labor and product markets. AHPs will help level the playing field, making small businesses more competitive in talent recruitment and retention by offering benefits comparable to larger corporations.

Comprehensive health coverage has become essential in talent acquisition and retention, especially for top-tier professionals. For many highly skilled workers, the availability of robust health insurance is not just a desirable perk but a fundamental requirement when considering job opportunities and is usually a non-negotiable criterion in their job search. This is because high-quality health insurance provides financial security, peace of mind, and access to better healthcare options. Many top performers view comprehensive health benefits as a baseline expectation, making it a deal-breaker if not offered.

For small businesses and startups, the inability to provide comprehensive health coverage creates a substantial competitive disadvantage in attracting and retaining top talent. Skilled workers may be reluctant to leave positions at larger companies with established benefits packages for opportunities at smaller firms that cannot match these offerings. AHPs can help small businesses overcome this obstacle by offering health insurance options comparable to larger companies. This improved ability to provide health benefits can also be crucial for entrepreneurs and founders, fostering a more dynamic and competitive business environment, which in turn promotes innovation and economic growth.