

Testimony – Victoria J. Braden
Committee on Oversight and Government Reform
PPACA – Impact on Job Creators
July 28, 2011

“Impact of the Patient Protection and Affordable Care Act on Job Creators”

**Testimony of
Victoria J. Braden
President and CEO
Braden Benefits Strategies, Inc.
Johns Creek, Georgia**

July 28, 2011

Before the

**Committee on Oversight and Government Reform,
Subcommittee on Health Care, District of Columbia,
Census and the National Archives**

**United States House of Representatives
The Honorable Trey Gowdy, Chairman
The Honorable Danny Davis, Ranking Member**

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Chairman Gowdy and Ranking Member Davis, thank you for inviting me to testify today. My name is Victoria Braden, President and CEO of Braden Benefits Strategies, Inc. located in Johns Creek, Georgia. Braden Benefits Strategies works with businesses and organizations to help them customize benefits to meet a range of financial needs. We design tactical approaches created specifically for each client and their employees.

On January 1, 2002 I started Braden Benefit Strategies, Inc. with one employee in the basement of my home. Our business model is to be a resource for small businesses headquartered in Georgia advising them on employee benefits, specifically group health insurance.

My business plan was to expand our small group client base and to grow a large individual health insurance practice.

In 2008 I moved my company into a building, and rented space based upon the long term needs projected by my business plan.

At the time of our move I employed 3 fulltime, 1 part-time, 1 intern and myself. In addition, we sold our ‘back room services’ to 3 other health insurance agents. I fully expected to meet and exceed my business plan, growing the business another 8 to 10 full-time employees.

December 2009 -- I added the individual health insurance call center with a very aggressive business plan. This included adding an additional full-time person and investing in a marketing campaign.

March 2010 – On March 24th, the day after PPACA passed, I made sweeping changes in my business in anticipation of the cost of the new law.

I eliminated our expansion into individual health insurance, and **terminated the full-time person**. The lost revenue from the sales we already had will be \$35,000 annually. I also **terminated a part-time** claims administrator. In January 2011, I **terminated the part-time accountant**. In less than a year I went from employing 6.5 people to 3. In addition the law eliminated my growth plans which included another 8 to 10 employees.

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Advising small businesses on their health insurance options has become very expensive over the past 2 years. The additional education required by me and my staff just to keep up with PPACA's provisions is an immense undertaking. The different interpretations provided by the health insurance companies requires a great deal of time to sort through. I have had to absorb added legal fees to help our firm interpret the law's complexities beyond available industry information.

Our internal costs have also increased as we work to provide the proper notices PPACA now requires of small businesses, which includes: Grandfathered information to employees; children under age 26 potential insurance coverage; plan maximum notice; just to name a few. The increased time and expense associated with educating our clients and creating model notices for them is significant.

PPACA has also taken a financial toll on the value of my business – in fact my company was valued at \$1.2 million in 2007 (2 x annual revenue). Today my business, the business I have worked hard to grow, have invested my savings in and was counting on to provide my retirement, is not a business anyone would consider investing in or buying – it has absolutely no value. Under the current law, my business will cease to exist at the end of 2013 as the services it provides will no longer be necessary to the small business owner. At this time the remaining 2 of my 3 employees will be terminated and I will operate my company as a sole proprietor for 12 to 18 months.

On January 1st, 2014 we expect that 22 of our 65 clients will immediately drop their group health insurance. They will send their employees to the exchange. These employers might offer a small pay increase to cover some of the employee cost. These small businesses include a lumber yard, office supply company, dentist, architectural firm, property management, retail store and a security company.

We believe another 17 companies will eliminate their group health insurance within the first year, after the exchanges have been operating and the initial 'kinks' are worked out.

Because of the size of these companies, there will be no cost to the employer to not offer health care coverage. These companies will not be required to pay the \$2,000 or \$3,000 fines.

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Through PPACA, the taxpayer is now subsidizing the cost of the small business employee's health insurance. Our conservative estimate is 462 people will lose their coverage when their employer discontinues their current group health insurance.

The real question is – Can we; the taxpayers of the United States afford the subsidy PPACA has created?

We currently have 65 clients.

Of these, 58 have less than 50 employees and the cumulative number of employees is 769. Each client will “do the numbers” and make their own decision whether they should maintain their current health insurance or discontinue coverage. This adds 769 people to the exchange with no off-setting employer contribution.

In addition, most of these employees will be eligible for a subsidy.

Examples:

- A non-profit operating in North Georgia, 39 employees -- 36 will be eligible for credits for the health care Exchange.
- Library systems firm with 41 employees -- 13 will be eligible for Exchange credits
- Petroleum trucking company, 39 employees, as many as 8 could be eligible for Exchange credits depending on other household income.

Is the government, through the exchanges, ready to absorb these costs?

The young and healthy will subsidize the old and ill – this will not be true. Insurance companies and other enterprising Americans are working on programs to provide healthcare for these individuals that will circumvent both the Exchange and the small group community rating requirements also a part of the PPACA legislation.

Insurance carriers are developing small group policies on a self-funded platform. These plans will protect the employer and cover their maximum health care financial obligation. These products are expected to cost less than either the Exchange or the small group community rated pool if a company's employees are healthy, young, and male. These policies will further reduce revenue to the Exchange.

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In addition to creating an obligation by the Federal government to provide reasonably priced health care, there are also many new laws that I, as a business owner, now have to address.

1. **Full-time has been redefined at 30 hours per week.** Prior to PPACA I was able to determine what would be considered full-time at my company. Generally, in small companies the definition is 40 hours a week. We also see some 35 hour weeks and a few 32 hour weeks. However, I and other small businesses must now adjust who we offer benefits to, based on a full-time employee being a person who works only 30 hours per week.
2. **Minimum wage has been increased for full-time employees.** If I am a larger employer and potentially subjected to the \$2,000/\$3,000 annual penalty, despite my best efforts, should one of my employees choose to work at a job that pays \$10 per hour they now are considered at approximately 185% of the Federal Poverty Level. This person can obtain coverage less expensive on the Exchange and I am fined.

I have one of four options; increase the person's pay so the cost of my company insurance is considered affordable; ask the person to get married rather than live with their partner so that their combined income will be above the FPL, terminate the person or discontinue my group health insurance.

3. On the Exchange there is expected to be only **2 levels of coverage**; employee and family. If I am a single mother I will now pay the same cost as a family even if it is a family of 8. Because of PPACA, a health insurance carrier can no longer ask about medical conditions of children under the age of 19. Because these companies cannot determine their risk and therefore cannot predict their exposure, they have simply withdrawn from the individual health insurance business for children. This forces me to pay the exchange cost of a family or leave my child or me uninsured.

PPACA is devastating to my business, expensive for me and my clients to administer, and works against our goals of helping businesses to expand, and putting more people back to work.

Thank you for the opportunity to present my story, and my views. I look forward to your questions.

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Victoria J. Braden is President/CEO of Braden Benefit Strategies, Inc. a healthcare financing solutions company that specializes in providing employee benefit solutions to businesses with 20 to 300 employees.

Victoria is a recognized expert known for helping CEOs & CFOs control their health insurance costs through strategic planning and creative solutions valued by both employees and employers.

Victoria's view concerning healthcare legislation's effect on small business is sought often by Washington, DC policymakers and recently the New York Times, Fortune Small Business Magazine and the Atlanta Business Chronicle.

- Recognized by the ***National Association of Health Underwriters*** as a producer at the GOLDEN EAGLE CLUB Production level in 2002, 2004, 2005, 2006, 2007, 2008 and 2009 the highest production recognized and only one of *five agents recognized for this level of performance in Georgia, Top 200 in the United States in 2009*
- One of the Top Ten Business Women in the United States as selected by the ***American Business Women's Association*** in 1999
- ***Stevie Award*** Finalist 2004, Best New Service of the Year; Benefits Road Map
- **Testified before Congress**, House Small Business Committee, "The Benefits of Health Savings Accounts" March 2004
- One of the 13 women featured in the soon to be published book, **Magnificent Masters in Financial Services**, *Amazing Women, Sensational Stories*.

In addition to running a successful and growing business, Victoria is married and has raised 6 children; she is now enjoying her two grandchildren. Born and raised in Phoenix, Arizona, Victoria has also lived in Las Vegas, Nevada, Chicago, Illinois and Indianapolis, Indiana before moving to Atlanta in 1982. Victoria enjoys family, gardening, walking and friends. Her goal in 2010 is to again walk the Grand Canyon with her 2 grandchildren.

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