



Statement of the U.S. Chamber of Commerce

ON: Hearing: America's Need for Health Reform

TO: The House Committee on Energy and Commerce,
Subcommittee on Health

DATE: September 18, 2008

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business -- manufacturing, retailing, services, construction, wholesaling, and finance -- is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 105 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

**Statement on
“America’s Need for Health Reform”
Hearing before the
THE HOUSE COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON HEALTH
on behalf of the
U.S. CHAMBER OF COMMERCE
by
Patricia Owen
Owner
FACES DaySpa
September 18, 2008**

Chairman Pallone and Ranking Member Deal, members of the Committee, I am Patricia Owen, owner of FACES DaySpa, a 23-employee small business specializing in cutting-edge spa beauty treatments located in The Village at Wexford, Hilton Head Island, South Carolina. I am pleased to be able to submit the following testimony for the record. I am also here on behalf of the U.S. Chamber of Commerce and serve as a member of its Council on Small Business. The U.S. Chamber of Commerce is the world’s largest business federation, representing more than three million businesses and organizations of every size, sector and region. Over ninety-six percent of the Chamber members are small businesses with fewer than 100 employees. I commend the Committee for its interest in having this hearing on health care reform and for acknowledging the challenges facing small business.

I am also a member of the South Carolina Chamber of Commerce, International Spa Association, and the Hilton Head Island Chamber of Commerce where I serve as the Chair of their small business committee.

Company Background

As owner of FACES DaySpa, since its inception in 1983, I have guided my company from a small boutique to its current status as a nationally renowned day spa profiled in such major publications as Vogue, Salon Today, Allure and Elle. I began my career in 1977 with Estee Lauder cosmetics in St. Louis, Missouri. Five years later my husband and I decided to move to Hilton Head Island, where we used our hard earned savings to open FACES boutique, featuring Hilton Head’s first Estee Lauder cosmetics counter. FACES initially thrived, but the opening of a large mall nearby with its own department store cosmetic counters threatened my small business. FACES needed to evolve to remain competitive and survive, so I decided to expand into professional skincare.

This move was successful and strategically positioned my business in the professional skincare industry – so much so that FACES reached its spa care capacity shortly after the completion of a second spa treatment room. FACES DaySpa is now one of the most extensive day spas in the Southeast, boasting of a wet room, a chemical-free nail studio, a sauna and steam shower and six treatment rooms. In 2004, FACES jumped to the forefront of beauty technology when it partnered with area physicians to become part of the medical spa industry, offering such innovative services as Botox treatments, Laser hair removal and facial rejuvenation and ZOOM teeth whitening.

I am proud to say that FACES has won numerous awards and accolades. The Hilton Head Island Chamber of Commerce named FACES DaySpa its 1996 Small Business of the Year and its 2002 Small Business of the Quarter. Salon Today profiled FACES as “One of the Nation’s Fastest-Growing Spas” for five years including 2007. In 2006, I was named SBA South Carolina Small Business Person of the Year. I was also nominated as a finalist in 2005 and 2006 for Enterprising Women of the Year. In 2007, I was named the U.S. Chamber of Commerce, Southeast Regional Finalist, Small Business of the Year. I was also awarded the U.S. Chamber of Commerce Blue Ribbon Small Business Award for three straight years.

My Health Care Experience

As owner of FACES, one of my most important duties is to attract and keep highly-qualified employees. It is my employees that carry the banner of our company and maintain the level of customer service that allow us to gain the notoriety and the level of success we have obtained.

I find health coverage is the most sought-after benefit that an employer can offer. Even so, in the Spa industry, it is rare that employers offer any form of health care options to their employees. Thus, the decision to initially commit to providing and subsequently changing the health care coverage offering for my employees at FACES and still remain competitive has been one of the most challenging I have faced. Once committed to providing this benefit, removing it can have a dramatic impact on the level of employee satisfaction, regardless of how unmanageable the costs may become.

So almost five years ago I made the plunge with a traditional PPO health care coverage plan that was made available to full-time employees, those working at least forty hours a week. My company picked up \$200 of the cost of the premium and my employees were responsible for the balance.

My experience with this first plan was not positive and it was not well received by the employees. Premiums of older employees were more expensive than that of the younger ones causing them not to participate. Younger workers felt they had little incentive to participate in the plan. Additionally, since it was a new benefit, I required that an employee worked full-time in order for them to qualify for participation. As a result, there was very little participation. Out of my 23 employees only six took advantage of the benefit.

Like most small business owners, I was faced with the challenge of continued soaring annual increases and the challenge of seeking ways to contain these costs in order to stay competitive. On the other hand, I had to be very careful in my decisions to pass on these increases by raising deductibles, lowering coverage, or by implementing a new coverage product that might not have the same appeal.

Almost a year ago I was told of some new alternatives that were being made available to small businesses in my area. So, I decided to revisit and review new strategies concerning coverage with my employees to determine if there was a plan that was more suitable to their needs and expectations. Since ultimately I wanted my employees happy with the end result, I made sure all of them were involved in the process and the final decision. What we decided on was a high deductible Health Savings Account (HSA) plan offered by Starmark Insurance – A Trustmark Company. The plan offered a \$3000 individual deductible and a \$6000 combined family deductible. I agreed to pay 50% of the premium which amounted to \$163 for each of my employees. And they would each pay \$163. I also agreed to reduce the requirement for participation from a minimum of a forty-hour work week to a minimum of a thirty-hour work week.

With this new plan in place participation soared. Even though the cost I pay per employee has gone down, my total cost that my company had to pay increased substantially because of the increased numbers.

Having an HSA high deductible option was a win-win for both me and my employees. I am able to offer my 23 employees an affordable option through the HSA. Before finding HSAs as an option, I found myself only available to offer my employees a “one size fits all” policy that was really not affordable or attractive to them or me. With HSAs, my employees have a comprehensive health insurance policy with a high deductible and I am able to pay 50% of their premiums.

Currently, I do not contribute to the savings account feature of this plan and some of my employees have not elected to take advantage of this feature. This is the first year we have had the plan and I feel confident that as we move forward, we will have ample opportunity to explore flexible arrangements and incentives that will make sense to both the company and the employees.

Additional Policy Positions

I am not alone as a small business owner struggling to provide health insurance to my employees. Small business owners need to have more options to choose from when purchasing health insurance and the free enterprise system should ensure that affordable health care is available to everyone. A small business should not be penalized for its lack of size or its diversity of workforce. Every small business owner I know wants to offer affordable, dependable health insurance to our employees and the type of flexibility that will keep us competitive in our respective marketplaces. To ensure this, we call upon Congress to help.

Small businesses are the engine that drives our nation's economy and must be a top priority for lawmakers. An overwhelming majority of firms in this country are businesses that employ less than 20 people; and 80 percent of new jobs are created by these small businesses. Many businesses want to offer health insurance, not only because it is good practice that helps them compete for good workers, but because it is the right thing to do. Congress can, and should, consider legislation that can help small business owners like me.

For years the Chamber and businesses like mine have pushed for legislation that would provide relief by letting small businesses pool together – across state lines – to provide cost effective and accessible insurance through trade and professional associations. By being part of a larger group, small businesses would have greater negotiating power and would also reduce costs by having uniform standards from state to state. Another proposal with merit would be to create a national market for health insurance that would allow employers and individuals to buy insurance from a state other than their own, which would help with unnecessary state mandates and regulation. Small businesses need the freedom to purchase plans that meet their employees' needs, which means fewer mandates, less bureaucracy, and more flexibility. I also want to mention a newly introduced proposal called the "Small Business Cooperatives for Healthcare Options to Improve Coverage for Employees Act of 2008 (CHOICE)." The CHOICE Act provides a new approach by using a reinsurance concept to spread risk, lower premium volatility, protect the solvency of primary insurers, and help control costs for small businesses.

Congress should also consider proposals that would provide tax credits to small businesses to help provide insurance, and would create a level playing field for individuals and the self-employed by giving them deductibility of health insurance premiums. Congress can also take a look at improving Health Savings Accounts, to which 4 million Americans have already subscribed. Giving more flexibility to funding and using these accounts will make the products, which are an affordable alternative to traditional PPO plans, more attractive to employers and employees. I am also supportive of legislation that would amend the Internal Revenue Code to allow small businesses to set up simple cafeteria plans to provide nontaxable employee benefits to their employees, to make changes in the requirements for cafeteria plans, flexible spending accounts, and benefits provided under such plans or accounts.

While I have mentioned several proposals that would help provide some assistance for small businesses, I also feel the need to discuss other legislative proposals that will help drive down costs and lead to improvements throughout our health system, including the need to promote the widespread adoption of health information technology and to reform our medical liability system. Also needed in our health care system are improvements to Medicare and Medicaid reimbursements that place greater emphasis on incentives for quality and outcomes.

Lastly, I encourage Congress to take note of the success that many employers and employees are experiencing by changing our focus from "sick care" to true "health care"

through preventative health care. The Chamber believes that this is the only way to achieve true savings in our health system. Proposals that would offer tax credits to employers who provide comprehensive wellness programs for their employees would be a great help in promoting these efforts. Toward that end, the Chamber is leading efforts to encourage maximum business participation in wellness programs that enhance healthy lifestyles of employees and their dependents through the establishment of the U.S. Workplace Wellness Alliance, an alliance of more than 50 organizations who have joined forces to encourage greater focus on comprehensive wellness.

Thank you for the opportunity to testify today. As a small business owner, I look to you to continue to protect small business' ability to be competitive and to create jobs by solving one of our biggest challenges. Fixing our nation's health care system is no easy task, but I hope it is one you will carefully deliberate and constructively approach in this Congress.