

PREPARED REMARKS SUBMITTED
BY CARL REDMAN

TO THE SENATE FINANCE COMMITTEE
HEALTH REFORM SUMMIT
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Good morning and thank you Senator Smith and Senator Kerry for the opportunity to share with everyone today. My name is Carl Redman and I am Vice President of Bear Electric and President of Innovation Construction located near Portland, Oregon.

Bear Electric provides customers with a full range of electrical services and presently has about 90 employees. Innovation Construction performs residential, commercial, and industrial general contracting services and has employed a range between seven and 24 employees. Both firms are merit-shop, or non-union, companies.

At Bear Electric, we employ a very skilled workforce in that our electricians are state licensed, as well as trained through an apprenticeship program affiliated with the Independent Electrical Contractors. Innovation Construction employs workers that are skilled in a wide range of construction activities.

As a small business owner I think it is important to treat employees well by offering them competitive wages and good benefits. Over my career I have never been in a situation where we have not provided health insurance as an employee benefit.

Particularly in the skilled construction trades, health insurance is a necessity to be competitive in attracting good employees. We offer our employees health insurance because we want to treat our employees well, and because we must if we want to recruit and retain the high quality of worker we want to employ. Additionally, employers who provide health insurance coverage experience reduced workers' compensation claims.

Innovation Construction provides employees a pretty substantial PPO plan. We provide plans that do not require the deductible to be met before paying for preventative care such as a Doctor's office visits. We also look for plans with a very broad provider network. We pay 100% of the premium costs for our employees and allow them to add spouses and/or children at their own cost. In a cost controlling move, Innovation self insures part of the deductible. While we have moved to a \$1,000 deductible plan in the last few years we cover up to \$500 of that deductible. So, for all intents and purposes, our employees are still at a \$500 deductible.

At Bear Electric, we provide the same type of PPO plan with the addition of vision, dental, and life. We pay 100% of the premium costs for our hourly employees and allow

them to add spouses and/or children at their own cost. Salaried employees receive full family coverage. Bear Electric does not self insure any portion at this time, however we have self insured our dental coverage in the past.

In discussing health insurance matters with employees or especially prospective employees, I am finding more and more that they see coverage as being an equal or greater concern than the wage. In fact, I had an employee in my office just the other day sharing that exact perspective. He was the second in the past month that has told me that he cared more about insurance than he did an hourly wage increase.

The two companies spend approximately \$30,000 a month combined on health insurance coverage. Since 2000, we have seen our costs for coverage increase an average of nearly 15% per year. Over the past two years we have managed some control of the growth.

But, there is a big difference in the challenges the two companies face when it comes to finding the most competitive premiums. In the case of Innovation Construction – the smaller group – they don't have the bargaining power Bear Electric does.

In 2006, Bear Electric's was hit with another 15% rate increase. We pushed back though and ultimately our renewal came back with a zero increase. Last year, the proposed increase was back up. So, we shopped the rate again and switched to a Regence Blue Cross-Blue Shield plan for essentially the same premium. Without the buying of 90 employees this would not have been possible.

This experience is not normal among small businesses though. At 90 employees Bear Electric has the time and resources to push back, dedicate hours of time to analyzing our usage, run our deductibles, and at least be knowledgeable when negotiating. Innovation Construction does not have this leverage.

In spite of the inconvenience posed by switching from plan to plan on an annual basis it has become a necessity. I think many businesses are finding that no insurance company is the most competitive in consecutive years. Whoever is most competitive this year, won't be next.

Lacking the buying power of larger groups most small businesses have to go with whatever their agent presents them. If you aren't an actuary it is hard. Many small business owners don't have the time to remember their name let alone take the time to become an expert on insurance. Plus, there is one thing that is for sure – whatever they learn this year is going to change next year. If they sign up for plan 1147B this year, next year they will be told that plan 1147B has been discontinued and that the comparable plan is now 1731G. Often on further scrutiny that is not the case. The new plan has – more often than not – either has reduced coverage or shifted cost to the employee.

In the construction industry, many contractors are members of one of several associations that offer group health plans. Each build competitive plans that can save the contractor time and guesswork.

If anyone here today does not think that we have a single payer system – we do. Our single payer is our country's employers.

A few minutes ago I mentioned that we had increased our deductible from \$500 to \$1,000. Let me explain that to you for a moment. We took a close look at what we were paying and how many of our employees were meeting the \$500 deductible. We found that to be less than 20%. So, for a lower premium we took on the added risk but insulated our employees from any reduced benefits.

If only 20% of our employees are meeting their deductibles and our rates are staying the same or going up, then there is a cost shift taking place. Our rates are going up regardless of utilization to compensate hospitals for the charity care they provide. This cost shift has made employers the near single payer of health care for the working-age population.

If I can impart any wisdom on the policy experts in this room today it is that we must protect our employer-sponsored health care market place. More must be done to stimulate – not mandate – employer sponsored coverage. If we want to move toward more people being covered we can move toward lower costs. Most employers want to offer health benefits but the costs for many are too high.

I know we are talking about employer trends here but let me share with you another conversation I had recently. My good friend and neighbor is the Finance Manager with a fairly large hospital system in my area. That system's largest hospitals are in very urban areas. He explained to me that at least 50% of their services are not paid. That's right, at least 50%.

As employers we are providing coverage for our employees and up to an equal number of uninsured or underinsured.

Imagine what could happen to employer insurance rates if we could incentivize employers to the point that we cut the number of uninsured or underinsured workers in a third or half. However, government mandates on employer sponsored insurance are not the solution.

We need to create incentive-based solutions for employers that honestly can't afford to provide coverage. I would find it hard to believe that there are employers out there who do not want to provide health insurance to their employees. For many it is simply cost-prohibitive.

Again, thank you for the opportunity to share my experiences. I appreciate the work that everyone is doing to address this issue. If I can help in any way in moving forward please contact me.