

TESTIMONY OF LEE D. GROZA, CPA
ON BEHALF OF THE
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
BEFORE THE
HOUSE COMMITTEE ON SMALL BUSINESS
JANUARY 23, 2008

Chairwoman Velazquez, Ranking Member Chabot, and Members of the Committee, good morning and thank you for allowing me to appear before you to testify on the limited health care options for small businesses in the small group market.

My name is Lee Groza. I am a CPA and one of several owners of Mountjoy & Bressler, a CPA firm located in Kentucky. I am here today representing the American Institute of Certified Public Accountants (AICPA). I include several of my own opinions based on the experiences with my firm.

The AICPA (www.aicpa.org) is the national professional association of CPAs, with more than 350,000 members, including CPAs in business and industry, public practice, government, and education; student affiliates; and international associates. It sets ethical standards for the profession and U.S. auditing standards for audits of private companies; federal, state and local governments; and non-profit organizations. It develops and grades the Uniform CPA Examination.

The topic of health care coverage has been an interest of mine for a number of years and one that I have been able to view from several different perspectives. Not only am I a small business owner who has spent a considerable amount of time participating in the process of exploring health care coverage options for our employees, but as a CPA I am an adviser to many small businesses and have been able to witness their health care challenges first-hand. Additionally, I am currently the President of the Kentucky Society

of CPAs and have served as a member and former chairperson of the committee that oversees the association sponsored health plan that is offered to our nearly 5,000 members across the Commonwealth.

At my CPA firm, we are annually faced with the challenge of offering quality health care benefits at a manageable cost to our 108 employees located in 4 offices across the state. This delicate balancing act between benefits and affordability has resulted in my own firm switching to three different insurers in the last three years alone. Like many small businesses, we significantly subsidize the premium cost to our employees however, we do not subsidize 100% of this cost. Our process involves enlisting the aid of an insurance broker to help us explore our options and secure bids. We have found that even though our offices lie in the larger population centers of the state, our health insurance options have been limited to a few dominant insurers. While having just a few options may call into question the competitive nature of the process, it has been my experience that one insurer will dramatically decrease their bid to counter another's proposal in an effort to secure the relationship. I found this somewhat disconcerting as my other experiences had led me to believe there is no negotiation in the area of health insurance. Truly, when competition does exist we, as consumers of health care, can benefit greatly. And as the number of options increase, our potential benefit increases accordingly. As of the first of this year, our employees were offered the option of a high-deductible health plan coupled with a health savings account feature. These new plans have become the lowest-cost option for our employees and were intended to provide a way to better manage, and potentially gain from, their individual health care spending while assuming a manageable amount of additional risk. These plans encourage healthy behavior and efficient spending while protecting our employees from escalating costs. I am encouraged by the fact that nearly 30% of our participants decided to make the switch to these HSA plans in the first year alone.

While these recent experiences at my firm have left me with the feeling that some degree of progress has been made, my involvement with the insurance committee at our state association pool has left me with the exact opposite impression. As a statewide membership organization, our association health plan must be able to provide coverage to

our CPA members who are located in every corner of the state. Consequently, we have been left with only one insurer with a provider network that is sufficient enough to maximize our coverage area. In this situation there is no room for negotiation and our annual renewal meetings have become an exercise in futility where the terms are clearly dictated by the insurer. When developing the required annual premium for our pool, the insurer will often rely on a "national" trend rate that may have no correlation to the cost trend based on our actual claims history. In a clear show of dominance, they have gone so far as to additionally assess an explicit profit charge, above all other administrative costs, which serves no other purpose but to pad the profitability of the insurer.

A few years ago we were able to add a "risk sharing" arrangement to our association pool health plan that provides for a refund of premium in the event the estimates used by our insurer were too high. Of course, this arrangement brought with it an additional fee so we are now in a situation where we feel compelled to pay a significant sum of additional money just to ensure some degree of accuracy in the determination of our insurance costs. I cannot help but believe there is something fundamentally wrong with a system that permits this practice. We have been equally frustrated by the lack of transparency in this process. As an organization that is uniquely positioned to "audit" our underlying claims data we have made repeated requests for access to our claims information in an attempt to validate the data as represented by our insurer. At every turn, our insurer has cited privacy laws as an excuse for their inability to provide complete information.

Our association pool has experienced little growth over the past several years and I know that the major groups not participating in our pool, and those that have left our pool, have primarily been located in the urban areas where there is increased competition.

I have personally witnessed how competition in the area of health care can work to our advantage and I am a strong believer that any step taken to increase competition is a positive step for the American consumer. As an employee of the federal government nearly 20 years ago, I fondly remember the ability to select from a variety of plans and insurers to suit my needs. Today, most small business employees do not have that luxury. Some members of the House Committee on Small Business here today have historically

championed increased competition in the area of health care through proposed measures such as the Small Business Health Fairness Act.

Chairwoman, and Members of the Committee, thank you again for the opportunity to testify on this topic of increasing importance. I respectfully urge you to continue this cause, not only on behalf of individuals, but also on behalf of small business owners many of whom will shoulder some part of the health insurance burden due to the belief that they must offer coverage in order to attract and retain a qualified workforce.