TESTIMONY FOR SEPTEMBER 4, 2014 FIELD HEARING IN GREENFIELD, INDIANA

HEALTH, EMPLOYMENT, LABOR, AND PENSIONS SUBCOMMITTEE of the

HOUSE COMMITTEE ON EDUCATON AND THE WORKFORCE

By: Nate LaMar, MBA

International Regional Manager

Draper Inc.

Spiceland, Indiana

I want to start by thanking my Congressman, Luke Messer, for scheduling this field hearing in the district. It is great to see that he and fellow Hoosiers, Congressman Dr. Bucshon and Congresswoman Brooks, also serve on this Subcommittee, and are joined today by Congressman Rokita, who also serves Indiana well on the Committee on Education and the Workforce. Finally, thank you also to Congressman Dr. Roe for chairing this Subcommittee and agreeing to hold this field hearing in Indiana.

In addition to serving as International Regional Manager for the Middle East, Africa, Central & South Asia, and Latin America, I also manage government relations for Draper, and serve as President of Henry County Council. My employer, Draper Inc., was founded in 1902, is privately-held, and is currently in the 4th and 5th generations of ownership by the same family. Draper is a manufacturer of audiovisual products, window coverings, and athletic equipment. With just over 500 employees, Draper is barely into the medium-sized category of companies. Draper is the largest private-sector employer in Henry County, Indiana, and is the third-largest overall employer in the county.

Draper is a fine example of corporate social responsibility, as it established an on-site health clinic in 2006 for employees and their dependents participating in Draper's health insurance plan, along with a wellness program. Having an employee health clinic so conveniently located has reduced lost work hours. In addition, in early 2014, Draper received a national award as the Healthiest Workplace in America, for which Congressman Messer recognized us on the floor of the US House of Representatives and made a presentation at our corporate headquarters of a framed copy of the Congressional Record mentioning Draper's award! The Draper Health Clinic even served as a model when Henry County government and the New Castle Community School Corporation jointly established an employee health clinic more recently.

Admittedly I am no expert on health insurance or human resources. However, I learned the facts that I'm about to share with you from Draper's Director of Human Resources, Karl Dick. The three most noticeable areas in which Affordable Care Act has affected Draper financially are:

1. Coverage for employees' children up to age 26: This caused our insurance rates to go up by default when it was added. This mandate begs the question: what incentive do so-called "young invincibles" have to sign-up for health insurance, when they can remain on their parents' plans?

2. Patient-Centered Outcomes Research Institute (PCORI): Its purpose seems to be to determine whether the Affordable Care Act works! It is funded by the PCORI fee, which cost Draper $893 in 2013, $1,830 in 2014, and who knows how much in 2015. As there is currently no sunset provision for the PCORI fee, it could last indefinitely.
3. Transitional Reinsurance Fee: On January 25, 2015, Draper will owe $63 per covered member (meaning both covered employees and their dependents) per year for the Transitional Reinsurance Fee. This will amount to somewhere around $75,000, based on 2014 membership. For 2015, presumably payable on January 1, 2016, it will be $44 per member. Based on current enrollment, that would be about $52,000. The Transitional Reinsurance Fee for 2016 has not yet been determined. The program pays insurers in the individual market that covers high-risk individuals. Draper gets nothing for paying this fee.

In addition to these three most salient financial burdens for Draper, mandatory 100% preventative services have also increased our health insurance costs. Draper will likely be hit with the excise "Cadillac tax," but it is not yet definite. As a result, Draper has already and will begin to take more aggressive action with our health plan designs in order to avoid this tax. The Affordable Care Act seems to be a government mandate to "treat your employees well, just not too well." We cannot directly pass-on the costs of the excise Cadillac tax to employees, but our HR Director's guess is that any impacted company will reconsider wage increases or other employment-related costs to indirectly cover the cost increase, due to the additional tax. Draper is strongly enforcing that its part-time employees' annualized averages cannot exceed 30 hours per week.

The Affordable Care Act's reporting mandates will absolutely "bury" our Human Resources Department. For example, the IRS' draft forms 1095B and 1095C mandate that a company the size of Draper must report every covered individual's name, Social Security number, and date of birth every year. The forms must be filed electronically for companies with over 250 employees, such as Draper. However, there is no guidance or process yet established to explain how to do this. It is unclear if the information can be downloaded directly into the form, or if our HR Department will have to manually enter the information and just send the form back electronically. In addition, the final version of forms 1095B and 1095C are not yet available. Our HR Department's worst fear is that the final versions will be made available on December 15, with a December 31 deadline for submission!

In conclusion, our HR Director told me that the Affordable Care Act is not as horrendous as originally thought, but the increased costs are a negative, and the IRS 1095 forms are a "paperwork nightmare!"