



Congressional Subcommittee
US House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-0315

Thank you, Chairman Mulvaney for inviting me to testify today. I'm not a government policy wonk nor am I an expert on public health care. However I am a businessman who knows a few things about managing a company, creating jobs, and perhaps more importantly, keeping our employees employed. When I was asked to testify on the impact Patient Protection and Affordable Care Act, otherwise known as Obamacare, I thought I could provide a small business owner's perspective.

First, I respect the government's role in creating prudent legislation that provides a template for businesses to function, pay taxes, and establish laws which create the boundaries for our citizens. We need a balance of laws, regulations, and taxes to create long term sustainability.

My Story:

I started Carolina Ingredients in 1990 as a food ingredient distribution company out of my home. In the first ten years of business we grew to 12 employees and created value by building a spice and seasoning facility. Fast forward two decades to 2010 and we built the first LEED Seasoning manufacturing plant in the USA. At the end of 2009 we employed twenty one people. As of today, twenty two years later, we have 37 employees. Why do I share this with you? I humbly submit our company is an example of the American Dream.

Our Country's Core Culture:

The model in which our country was founded is the foundation is similar to Carolina Ingredients and its employees. Those core culture values are: entrepreneurial, self-reliant, independent, creative, and individual accountability. The first two hundred years of the United States' phenomenal historical success can be directly associated with these fundamental characteristics. There are many others, but that conversation isn't for today.

It is no secret the regulations our government has in place today far exceed what existed in 1776 not to mention 1976. Frankly, that isn't a bad thing. As in all aspects of life, balance must be created to insure long term sustainability. However, Obamacare swings the pendulum to the extreme and destroys the balance. Let me explain:

Small Business' Economic Influence:

As I mentioned our company grew from one employee to 37 over 22 years; it was a slow transition and emulates a successful small business. According to US Small Business Administration, small businesses employ 59.7 million workers with large corporations employing 60 million. We hire over 43% of the high tech work force which include scientists, engineers, and computer programmers. We also employ a large percentage of the non-skilled work force. Overall, we account for 65% of all jobs created between 1993 and 2009.

Small Business Survival:

Why is this important? Only 30 out of 100 companies that are created today will survive the first two years. Out of the remaining thirty, half will survive five years and only five will make it to their 10th anniversary. Of those five companies, only a quarter of those companies last to their 15th birthday. The reality is less than 2% of companies created today will last more than twenty years. Seventy out of the hundred won't see their second birthday and only 2 percent will celebrate their 20th.

Patient Protection and Affordable Care Act:

This body of legislation is over 2,000 pages long; to be precise, it is 2,074 pages. Really, are you serious Senators and Congressmen? Can anyone truly tell me with a straight face we need a 2,000 page health care bill and what legislative quagmire actually means? What are the long term costs to the citizen and to the government? Who knows?

Here is what I do know: All governmental regulation cost small businesses time, money, and man power. The more time we allocate towards compliance, the less time we have to create jobs, manage our businesses, and compete in a global

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market. Regulations are costly. For small businesses with less than 20 employees, current governmental regulations cost \$10,585 per employee which is 36% more than larger firms. This doesn't include the perils of Obamacare. There are multiple regulations in Obamacare that have nothing to do with health care. There are items like a tanning tax, 1099 reporting forms, the Cadillac tax, employer mandates, and individual mandates. If we survive all of these regulations, we are rewarded with a bonus called Health Care Insurance tax.

In the end, the legislation is invasive, punitive, and overwhelming to the business community. Ever heard of a death by a thousand cuts? My best guess is Carolina Ingredients' health care cost will increase between 100 to 150%. That means our annual health care cost of \$125,000 will eventually range between \$200,000 and \$300,000. (This is based on a payroll of 51 people, the expected health care tax of \$500 per employee, the 40% Cadillac Tax, Medicare payroll tax, and employer mandate). With such cumbersome regulations and costs, I predict many small businesses will default to the government managed health care insurance rather than be subjected to mandates and the penalties associated with them. In truth, we don't even know the real costs because no one knows what type of health plans the government will select as the "fair plan which all private plans will be benchmarked. This isn't the model our country was built upon!

The Unknown:

Under such regulation, we can't predict our future and the cost to employ hard working Americans becomes a guessing game. Already the CBO projects Obamacare will now cost \$1.8 trillion, which is twice as much the CBO predicted in 2010. To date the current administration is unable to articulate the cause of the increase. Where is the accountability? As the years progress, does anyone truly believe the costs will decline?

Penalties: There is serious concern the employer and individual mandates will be so intrusive companies will defer to government health care plans as to avoid potential penalties. We'd rather spend our time building businesses not tackling insurance mandates. Heck, I thought we were a partnership? You, the government, create rules, laws, and regulations that are specific, reasonable, and ones that are understandable. They aren't meant to be punitive and destroy the backbone of America's small businesses. In return, we take calculated risk, hire people, build businesses that are profitable, and pay taxes on those profits!

Profits:

I know it seems that making money is a dirty word these days and we shouldn't murmur such a phrase. The truth of the matter is this: without profits, companies don't survive, without companies, employees aren't hired, no employees no tax base. No tax base, no money to fund legislative polices. This is fact, in all of world history; no government created a sustainable society by its government creating jobs and becoming a global economic model to emulate. Would you like a few reminders of abject failures: Russia, Cuba, the entire Soviet Bloc countries, oh I failed to mention North Korea.

The Golden Goose:

So, the moral is don't cook the golden goose. If you regulate us to death, surely you will suffocate us all. At best, Obamacare will weaken our entrepreneurial fortitude; thus, minimizing our country's sustainability as the world's greatest economic engine. At worst, we'll become a society dependent upon government to make our decisions that they think are in our best interests. Much like the countries I mentioned above. This isn't the model our country followed for the first 200 years! Or perhaps our politicians think they know what is best for me. History demonstrates all governments eventually fail under this philosophy. Do I want Obamacare to fuel the government's desire to mandate me and our business through unaccountable regulations?

No thanks, I'll take my 2% chance of creating a company and surviving twenty years over our government regulating me to death. Historically speaking, the odds of survival are on my side.

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