



# **Statement of the New York Farm Bureau**

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**To the House Committee on Small Business  
Subcommittee on Health and Technology**

***"The Health Insurance Fee: Impact on Small Businesses"***

**Presented by Dean E. Norton  
President, New York Farm Bureau**

**Thursday, May 9, 2013**

The New York Farm Bureau commends the Subcommittee on Health and Technology of the House Committee on Small Business for holding this hearing on the impact of the Health Insurance Tax (HIT) on farms and small businesses. I'd like to thank Chairman Graves and Ranking Member Velazquez, and also thank Subcommittee Chairman Collins, who is my own Representative. I appreciate you inviting me to testify today.

My name is Dean Norton. I am president of New York Farm Bureau, which represents 25,000 members, and I also serve on the Board of Directors of the American Farm Bureau Federation, representing the Northeast. My family owns and operates Oak Orchard dairy farm in Elba, N.Y., and I am part of the fifth generation on this land. We also have a custom trucking operation for forage and commodity harvesting. The dairy encompasses more than 1,000 acres of farmland and currently has 900 milking cows. In addition, my wife, Melanie, and I also operate DMCK Cattle Company.

The HIT Tax was passed as part of the Patient Protection and Affordable Care Act (ACA). It has nothing to do with reforming the health care insurance system but was included in the ACA as a way to raise revenue to offset the cost of the legislation. The HIT Tax, which will be levied on a health insurance company's net premiums, is expected to raise \$102 billion over the first 10 years. During 2014, the first year that the HIT Tax takes effect, \$8 billion will be collected. A recent Congressional Budget Office report confirms that the HIT Tax "would be largely passed through to consumers in the form of higher premiums for private coverage."

Most farmers and other small businesses do not self-insure because they do not have a large enough pool of employees. Instead, small employers like my family purchase health insurance on the fully insured market. According to the Kaiser Family Foundation's 2012 Survey of Employer Health Benefits, 15 percent of the smallest employers self-insure, roughly half of employers with 200–999 workers self-insure, and 93 percent of firms with more than 5,000 workers do so. Because the smallest employers almost never self-insure, we will end up bearing the brunt of the HIT tax.

But health insurance costs for small businesses are already rapidly trending higher, increasing 103 percent since 2000. According to the Joint Committee on Taxation, the HIT tax will further increase family premiums by \$400 or 2.5 percent in the year 2016, making it even harder for farmers to purchase coverage for themselves, their families and their employees.

In my family's business, the dairy industry provides a highly unpredictable income—the price of milk and the price of our inputs can vary greatly. But health insurance costs have been increasing steadily over time. Our business has to plan to pay for health insurance costs no matter how the business is doing month to month. Because of the cost of insurance we have had to turn to a high deductible policy and we are now covering about half the number of employees we once did.

In order to keep up with the expenses of employer-provided health insurance, it was necessary for the farm to significantly changed the cost structure from covering about 90 percent of the insurance cost to approximately 50 percent at this time through the high deductible plan. Unfortunately, the people who are really hurt by this change are the employees. They now have to contribute a larger portion of the expense when they seek medical attention and I think we all know that this can be a disincentive for workers to seek care in some instances.

Being able to offer health insurance is important to us we strive to offer benefits that attract high quality workers and to keep them healthy and productive once they are on the payroll. A dependable workforce is especially important in our dairy business which operates 7 days a week, 365 days a year and in our trucking business in which harvest seasons are short and a down day could make the difference between turning a profit or not.

Escalating health insurance costs not only impact farm employers, but also those who purchase health insurance coverage for themselves and their families. The rise in health care costs in recent years has disproportionately impacted rural America where, according to the Council of Economic Advisors, 24.2 percent of families spend more than 10 percent of their income on health insurance coverage, compared with 18.1 percent of families in urban areas.

In conclusion, I would like to encourage all members of the House Small Business Committee to become cosponsors of H.R. 763, introduced by Reps. Charles Boustany (R-La.) and Jim Matheson (D-Utah), to repeal the annual fee on health insurance providers that was enacted by the ACA. Repealing this counterproductive tax will certainly prevent premium increases for individuals and small businesses in the fully insured health insurance marketplace.

Thank you again for the opportunity to share my story. I would be glad to take your questions.