



Written Testimony of

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On Behalf of
Women Impacting Public Policy (WIPP)

Before the
House Committee on Small Business Subcommittee on Contracting
and Workforce

“No Man’s Land: Middle-Market Challenges for Small Business
Graduates”

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Good morning Chair Knight and Ranking Member Murphy. I am Lisa Firestone, President and CEO of Managed Care Advisors, a health services company headquartered in Bethesda, MD. I am testifying today on behalf of Women Impacting Public Policy (WIPP), as Chair of their Board of Directors. WIPP is a nonpartisan public policy organization that advocates on behalf of women entrepreneurs. Thank you for giving me the opportunity to testify.

First just a little background on my company. Established in 1997, Managed Care Advisors began as a boutique healthcare consulting company specializing in Employee Health Benefits, Managed Care, and Workers' Compensation. Today, we are the leading provider of Federal Workers' Compensation Case Management Services, currently operating in all 50 States and US Territories. How we transformed from a four-person consulting company to a thriving federal contractor with more than 120 employees has been a long, difficult and very fulfilling journey. In 2003, my company was contracted to support a congressionally mandated study to assess the feasibility of applying industry best practices for managing work-related injuries and illnesses for civilian employees of the US Army. This initial introduction to federal contracting was a turning point for my company. We identified a market with unmet demand, designed a path forward for meeting that demand and learned very quickly that we had a lot to learn about government contracting. In 2005, we were awarded our first government contract, as part of a joint venture. Since winning our largest contract to date in 2007 (\$53 million), we have experienced double-digit growth. Where this double-digit growth has always been a source of pride, we are now facing the reality that annual growth in excess of 36% will take us from small to midsize, requiring us to reinvent ourselves in order to continue to grow and remain relevant in the federal market.

With that said, I feel my company is a poster child for the issue we are here to discuss today. The size standard for our industry NAICS code is \$15 million. We currently represent 16

federal agencies. The average size of our contracts range from \$1.5 million to \$53 million, with the size of our annual task orders averaging \$1.2 million/year. It is not hard to see how a company like mine can and will exceed the \$15 million size standard relatively quickly in the federal contracting arena. As mentioned above, we are now at a crossroads. Our executive team has spent significant resources putting together a plan to survive in the federal midsize world and I am loathe to restrict my growth to stay in the small business program. It runs counter to my entrepreneurial instincts and it certainly is not good for the local economy nor is it good for the federal government or the thousands of injured federal employees who count on us every day to support their recovery and return to work. The reality is that there are limited choices for companies like mine— acquire or be acquired, join forces with large contractors with existing contracting vehicles and interest in your market sector, or revamp your marketing and sales strategy including one for maintaining contracts that have been small business set-asides in the past.

It seems to me that the federal government should seek to keep businesses like mine as contractors. We have honed our technical and contracting expertise to fit the needs of the federal government, have the infrastructure and resources in place to support it and have successful past performance.

The topic of size standards and the great abyss between small and large is a frequent discussion among the members of WIPP. The federal government on one hand encourages us to grow, emphasizing the need for access to capital and entrepreneurial assistance. Many SBA programs emphasize, educate and support growth. But on the other hand, it structures policies that discourage growth such as its size standard structure and limitation on small business program participation.

WIPP is a partner in the Montgomery County Chamber of Commerce's "Pathway to Growth" initiative. As the witness from the Chamber laid out, we are requesting Congress pass two modest proposals to give companies like mine a smoother transition to a midsize firm.

WIPP represents companies of all sizes who are competing in the federal market, from the smaller firms where changes to the WOSB program are essential to their growth to larger corporations like mine, who are positioned to compete for much larger single and multi-award contracts. The businesses we represent require different legislative and regulatory solutions especially in the area of procurement. I do not believe the changes we are proposing will take away opportunities from smaller companies. If anything, these changes will provide greater growth potential. In other words, we are not competing with each other—we operate in a different contracting space.

While I am on the topic of competition, I hope that this Committee will take a hard look at the NAICS code size review which the SBA is about to embark upon. For example, my primary NAICS code 541611 is capped at \$15 million. While that might sound like a big number, the size of federal contracts are getting bigger. The government now uses multiple award contracts where businesses compete for a "slot" on the contract. The businesses then have to compete for task orders which in many cases are sizable contracts. We urge you to examine whether the SBA size standards allow companies to successfully compete as small companies on these contracts.

Last year, Senators Ernst and Gillibrand championed a study that requires the SBA to analyze small business participation in multiple award contracts. That study is due 180 days after the FY18 NDAA was signed into law. It will show a path forward on prudent policy changes to increase small business participation on MAC contracts and should be helpful to include all socio-economic groups into these contracts.

Let me close by thanking you for holding this hearing. Government contracting is a clear path for firms to grow. Women owned companies continue to post impressive numbers with respect to numbers and growth. They are a strong economic force in the United States and increasingly in the world. More than 36% of all American businesses are women-owned and are growing at four times the rate of male-owned businesses. According to the National Women’s Business Council report, “10 Million Strong,” women owned businesses have created 8.9 million jobs and total \$1.6 trillion in revenue in 2016.¹

Despite this contribution, women-owned firms are still 21% less likely to win government contracts – even when controlling for past performance, size, and time in business.² When adding the additional challenges of transitioning from a small to a midsize company, the hurdles for women-owned firms to succeed are steep.

Let’s work together to make sure we reward growth, not stifle it. If we solve this problem, we will create jobs, increase our contribution to the economy and maintain a strong industrial base. Thank you for giving women-owned businesses a voice in this important hearing.

¹ 10 Million Strong: The Tipping Point for Women Entrepreneurs. National Women’s Business Council (2016).

² Women-Owned Businesses: Carving A New American Business Landscape, U.S. Chamber of Commerce Foundation for Women in Business (2014).