

***Testimony of Mike Roach***  
before the  
**Senate Select Committee on Aging**  
on the date of April 3, 2008  
on the subject of  
**Scrambling for Health Insurance Coverage:  
Health Security for People in Late Middle Age**

Chairman Kohl, Mr. Wyden and members of the Committee, thank you for inviting me here today to share my experiences as a small business owner navigating the small employer health insurance market.

My wife, Kim Osgood, and I own and operate Paloma Clothing in Portland, Oregon, and we have been in business for over 30 years. Paloma Clothing specializes in dressing middle-aged women and older, and as such, most of our employees are also of the same age group. This presents a particular set of problems when shopping for health insurance, including pre-existing conditions and higher premiums.

When my mother and I started the business in 1975, we did not offer health insurance to our employees. At the time, I paid out-of-pocket for an individual health insurance plan. In 1980, I chose to drop my individual coverage and opt-in to my wife's less expensive, employer-sponsored health insurance. In 1982, my wife left her job and joined my business. At that time, we purchased a family plan that was very expensive.

We began offering our employees health insurance in 2006. We did this not because we could afford it, but in order to retain our highly valued manager, Lee Anne Fitzpatrick. Lee Anne was previously covered by her husband's employer-sponsored insurance but he was laid off from his job and they subsequently lost their coverage. Lee Anne explained to me that she would need to find a new job that would provide her and her husband with health insurance. Because of Lee Anne's commitment to Paloma Clothing, I have been able to spend much more time with my family – I have been able to coach my daughter Isabel's soccer team from kindergarten through 8th grade, volunteer in her school every Monday from kindergarten through high school, and very rarely miss any of her important activities and special events. It is solely in the effort to retain quality employees like Lee Anne that we made the choice to offer health insurance. We

felt it was our duty as her employer to help her meet her health care needs. Unfortunately, offering health insurance was not a simple or an affordable decision to make.

When our accountant, David Downs, cautioned that he felt that, should sales and profits decline at all, the cost of group health insurance would seriously threaten the financial health of our business, I made it clear that losing Lee Anne would be even more threatening to our financial health, not to mention the quality of life for both of our families. David reluctantly agreed that we could move forward with buying group health insurance coverage for our employees.

Fortunately, sales and profits increased that year by just enough to cover *most* of the cost of our group health insurance. As Lee Anne accurately predicted, offering health insurance has helped us attract and retain the best customer service team our business has ever employed in our thirty-three years of doing business. But only in the past few years has our revenue per employee grown to a point that we can barely afford to offer group health insurance.

As we head into the uncharted waters of a clearly troubled economy, we, like all other small, locally-owned mom and pop businesses offering employee health insurance, hope that our revenues can grow enough to keep pace with the seemingly unending increases in health insurance costs. While "hope" would not normally be considered a viable small-business strategy, hope is really all we have at this point.

Thank you again for holding this hearing today and shining a spotlight on the health care crisis facing small businesses. I greatly appreciate your interest and your willingness to listen to my story.