

Written Comments  
From  
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Before the  
U.S. Senate  
Committee on Small Business and Entrepreneurship

Round Table Discussion  
“Healthcare Reform: The Concerns and Priorities from the  
Perspective of Small Business

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Honorable Senator Landrieu and respected Staff. My name is Michael A. Mitternacht, President and Owner of Factory Service Agency Inc., of Metairie, LA. Factory Service Agency is a family owned Small Business, specializing in commercial air conditioning service and installation. My business was founded in 1975 by my father-in-law. I joined him in 1978 and purchased the business from him in 1996.

First I'd like to thank you, not only for allowing me and other representatives of small business this opportunity to express our concerns and opinions on the vital topic of Health Care, but for having the courage to oppose the current attempts to force a nationalized health system onto the backs of small business. It is particularly significant at this time, when we have just celebrated the independence of our nation and the establishment of a government "by the people", that we discuss and hopefully avoid the establishment of a health care system, "by the government", at the expense of the people.

Although I certainly do not profess to be an expert in the Health Care field, despite having formal degrees in related areas, I have attempted to study and review the numerous proposals that have been offered by the various individuals and committees in Washington. Historically, the question has been, "Is Health Care a Right or a Privilege"? Despite a conservative background, I can appreciate the position of acknowledging that we should care for our fellow man. But I also believe that America is the land of choice and hard work. And I feel that independent business owners should have the right to choose whether or not we want, or can afford, to provide Health Care for our employees.

My company provides full Health Insurance coverage for all employees, and we pay 100% of the cost for that benefit. But that is something I choose to do and offer it as a benefit and a reward to my employees. I do not want to be forced into providing that

benefit, and likewise, I do not feel that I, nor my employees, should be required to pay for health coverage for those who are either illegal recipients of care, or those who refuse to pay their fair share of the cost of that coverage.

Several voluntary options could, and should be studied, and many of them are included in the multitude of options currently being shuffled through the various legislative chambers and hallowed halls of government. What small business owners seek are options; viable and affordable choices, from which we could choose. We strongly agree that some method of cost control must be established, in order to make coverage obtainable for everyone. Cost controls should be established, not through reduced or restricted reimbursement schedules for mandatory provided services, but through a system based on compensation for quality of care and outcomes.

In addition, the establishment of some form of group expansion, such as Association Health Plans, could allow broad groups of companies, regardless of employee numbers, to obtain quantity discounts for larger numbers of participants. Exchange Plans have been discussed, but few details are decipherable. Certainly, if they provide access to private sector plans at improved rates, I would support them. In my opinion, a federally financed option would be detrimental to a legitimate free enterprise society.

Full comprehension of all aspects of Health Care reform is a topic, too complex and involved for most small business owners to even review, much less understand. What we seek is a simplified presentation of options, something that is affordable and understandable. What we deplore is a mandatory, forced plan of compliance, with a payment plan that jeopardizes our existence.

Any plan that seeks to increase taxes on the employer or employee will destroy the only economic engine that has any opportunity of rescuing the country from the economic morass into which we have collapsed. Many small businesses are struggling to maintain a positive bottom line, especially in these tight times. Businesses like mine are working diligently to repay SBA Loans, complete with full interest. In some cases, those loans were necessitated by acts of nature, not mis-management or even expansion. At the same time, large corporations are obtaining assistance and support financing, often interest free or with no requirement for repayment.

Legislators are also reminded that if voluntary health care benefits are suddenly considered taxable income and included in gross salary amounts for all employees, the resulting increase in deductions on those employees will decrease their disposable income, and exponentially increase the cost to their employers. Small business owners would arbitrarily see increases in their matching tax contributions, as well as higher FUTA and SUTA payments, which are not matching funds, and also immediately face increasing costs for necessary insurance coverage for General Liability, Worker's Compensation, and all other premiums which are based on gross salary levels.

The idea of tax credits has often been discussed. The method of applying such credits should certainly be considered. A credit against profit or gain becomes moot if, as in these times, a business operates for a period at a loss. Credits against fixed expenditures like Withholding Taxes, FUTA payments, etc., would be a much more viable option and provide a more timely offset against the recurring monthly Health Insurance premiums that would be faced by employers. Consideration for the impact on cash flow must be included in any discussion.

As Small Business owners, we spend our days solving problems. Most of us are the HR Director, the IT coordinator, the Accounting Department, the In-House Counselor and Therapist, the service department, the Federal Compliance Officer; in short, “The Chief Cook and Bottle Washer”. Most do not have time to analyze the magnitude of proposals that emanate from our capital. But we are Americans, proud of our heritage and the product that we produce. We ask only that you allow us to do just that. Listen to our requests, assist where you can, allow us to operate our businesses in as minimally taxed a manner as possible, and then get out of our way and let us restore this country to the position of prominence which we once enjoyed. When a final Health Care Plan is formulated, I ask only that you try looking at the final product through the eyes of someone who has to sign the front of a paycheck, and not merely endorse the back!

Thank You!



Mike Mitternacht  
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