



Broadleaf Partners, LLC

July 3, 2013

The President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, DC 20500

Dear Mr. President:

I am an Ohio resident who has bought individual health insurance for my family since starting my own business eight years ago. While starting any business is never easy, I am finally making a decent, market based wage and was able to make my first retirement contribution last year.

I am writing to relate my experience in buying individual health care over the last eight years and to also express my concern over recent media reports suggesting that individual plan premiums may increase substantially in the coming year. I have sent similar notes to my Senator and Congressman and I thought I would reach out to you as well.

While I would generally characterize myself as a conservative, I have been repeatedly disappointed by capitalist shenanigans and can understand the resulting political backlash. In many ways, I believe it is warranted. The most recent Exhibit A may be the new owner of The Cleveland Browns who is now under personal investigation for scalping his customers on their diesel bills. If true, it only adds fuel to the idea that anyone who is successful only got that way by using banned substances or doctoring baseballs. I suspect the government, as a human institution, is no more immune, as Cuyahoga County and your beloved Chicago have shown us.

When I started my business eight years ago, I had to buy personal health insurance for the first time. There are five in my family, including my wife, my two sons and a daughter. In pricing out policies, I elected a high deductible plan coupled with a health savings account. My first plan cost around \$375/month and I had a \$3000 annual deductible. Fortunately, my family's health has been reasonably good and I've been able to manage my health care budget each year by raising my annual deductible. Today, I have a \$5000/\$10000 policy and my premiums are roughly \$475/month.

The way I look at it, my maximum, out of pocket annual expense for health care is around \$16,000 if I have a really bad year and chew through all of my deductible. If I

have a good year, my expenses could conceivably be limited to my annual premiums of \$6,000. I've kept detailed personal records on Quicken for the last fifteen years and my maximum out of pocket health care related expenses are slightly less than my annual grocery costs, which in my opinion, is a reasonable position. After taxes which on their own are larger than the next five categories combined, my next four largest annual expenses, in order, are housing, groceries, charity and health care. Next year, when my oldest goes off to college, I would expect education to join the top five.

An advantage about the individual plan I have is that it is portable and is not tied to my job. As a business, I could have purchased group health insurance but instead elected to give full time employees a stipend allowing them to buy the coverage that meets their own unique needs. The advantage with this approach is the individual decides what kind of coverage they would like and that coverage is never tied to their job at Broadleaf Partners, should they lose it. I know folks who are tied to their jobs because of post-employment health care conditions that would now keep them from qualifying for coverage on their own. Not only is the individual plan portable, but I can also budget my coverage and decide what risks I would like to assume personally, as my budget allows.

I have heard rumblings from very reliable analysts and consultants in Washington DC that the Affordable Care Act may substantially increase my premiums next year as an individual plan participant even though my family's health experience remains the same. While this could be political based scare tactics, a speaker on CNBC this morning, of which I am an occasional guest, mentioned that the proposed coverage's were not comparable to most individual plans. He said the government plan would provide far more comprehensive benefits than the typical individual plan does and which I have elected for eight years to purchase in spite of the alternatives being available.

What concerns me the most about this possible outcome is what we end up promoting in this country from a health insurance perspective. If I have a comprehensive plan, I end up insuring things that don't really need to be insured. A routine doctor visit should be expected in no different a fashion as say having to purchase groceries for tonight's dinner. When someone else's dollars pay for all of my health care bills, I tend to not care about the cost and consume as though everything is free or, at the very least, already paid for. Like renting a house instead of owning it, I have no skin in the game.

With my current plan, I not only have a personal incentive to maintain my health because I have to live within my own body, but I also have a financial incentive to do so because more of what I consume comes directly out of my pocket. As we learned recently in the mortgage industry, people tend to care less about an asset the more they know insurance is there to cover the risks or that they are no longer the rightful owners. Warren Buffet quipped that the banks that held their loans rather than packaging and selling them off tended to make the more creditworthy loans. While the ethics may be debatable, incentives matter.

If the debate surrounding personal insurance plans and the Affordable Care Act proves accurate, it may force me to obtain comprehensive health care coverage which I believe

is of poor value and which as a society, leads to another entitlement type of mentality where we are simply playing with other people's money.

Three years ago, I asked my doctor how much an elective procedure he recommended would cost because I paid the first \$5k in health care expenses each year. He said he didn't know but would find out and also mentioned, quite frankly, that he had never been asked the question before. If this approach were common in the grocery business, I suspect everyone would get filet every time!

I understand the need to provide coverage to those who can't get it, to those with preexisting conditions. My first boss had multiple sclerosis and because he couldn't get personal coverage, he didn't provide the benefit to employees, including myself. His decision however, didn't keep me from buying a major medical policy early in my working career, which I dropped once he started to provide group coverage.

The Affordable Care Act should be structured in such a way that it encourages consumers to have skin in the game, not only because it might save them money in the long run, but more importantly, because it keeps them knowledgeable about the value equation and able to discern differences between the ground beef and filet.

I like the idea of high deductible plans because they more accurately reflect what I value as an individual and the incentives they establish for the country as a whole. If my premiums go up substantially because I am required to purchase more comprehensive coverage, these benefits and incentives are lost.

Thank you, Mr. President, for your time and consideration.

Kindest Regards,

Doug MacKay
CEO & CIO