Testimony of Devon Haase Kim
to the Senate Assessment and Taxation Committee
In Opposition to House Bill 2380
May 17, 2017

Chairwoman Tyson and other members of the Senate Assessment and Taxation Committee:

Hello, my name is Devon Haase Kim, and I am the CEO of my family's business, Haase and Long. Haase and Long started as a small credit bureau that was purchased by my family in 1979 when I was five years old. I returned from a career in Chicago in 2004 to run the business which had grown during that period of time from 7 employees in a small cinder block building in downtown Lawrence to a 20-person strong business working out of a large two story building built and owned by my family. We rebranded the company then, and determined that our purpose was to "Compassionately Create Zero Balances" for our healthcare clients. In the pursuit of this, we delineated our three offerings: Medical Assistance, Patient Account Resolution, and Third Party Recovery. Our business first talks to patients to determine their financial situations as they relate to their health situations. We attempt to get them signed up for Medicaid or another program that might cover their stay (like Crime Victims Compensation). We are not able to help all uninsured patients through this solution, but once we understand the patient's financial situation, we can help the hospital or physician's office understand if the patient qualifies for a charity write off of any kind. We then set the patient up on a payment plan that we know the patient can afford. This is done as an outsourced member of the facility's billing office. When all help, education and outreach fail, we turn patients over to our third-party collection agency. At this point, patients have 60 days to find a solution before the debt is turned to the national credit bureaus. All of my clients are in the state of Kansas except for one hospital in Missouri. Haase and Long employs 35 people. We provide more than a living wage across the board for all employees. I am the Chair of the local safety net clinic's Board of Directors, and we are very involved in our local United Way to the extent that we had 100% participation in more than one recent campaigns. We are a classified as a Lifetime Donor and a member of the Chairman's Club to the University of Kansas Hospital (in the same category as JE Dunn, United Excel, and Sprint).

House Bill No. 2380 is a bad policy for Kansas business because:

1. My margins are not large. I currently run a 25% margin in collections, and this tax would bring my margin down to 18.6%. In order to reinvest in my business as well as keep a large reserve due to the uncertainties in our business, I would not be able to reinvest and I would not be able to fund my reserves to insure my financial stability in the marketplace.

2. I will lose clients if I am not able to reinvest in my business. The collection landscape is hard to navigate as it is, but I am purely providing collections to healthcare businesses which add an additional layer of complication. These businesses are looking at consumers as a large part of their payer mixes because of high deductible health insurance policies. My clients demand technology that required me to invest in $150,000 worth of software last year. That is how I reinvest in my business. That is what allows me to stay competitive with

national companies knocking on the doors of our troubled Kansas hospitals. If I don't provide a cutting-edge solution, I can not sustain or gain new clients.

3. Collection services are a commodity of sorts. All agencies attempt to differentiate themselves from the others, but decisions often come down to the lowest rate. A rate is contingency fee that the agency charges the client for monies collected. All agencies are very similar to each other with this percentage. We can not raise our prices, because the agencies from outside of Kansas that do business here gain a competitive advantage due to the fact that they are not paying the same tax in their home states.

4. If I can't raise my prices and I can't sustain clientele, I lay off employees. I have a strong unemployment record with the state as this is not something I have had to do. If I lay off employees, I lose new business due to inability to scale, and my staff are left without jobs. The average tenure of an H+L employee is over 3 years. We have many staff that have been with us over 5 and 10. Our office had three babies last year, and we are currently expecting another in the fall. I provide health, dental and vision insurance and a matching 401(k) to all employees. We have multiple staff members in the process of buying homes right now. These staff members will have a hard time finding jobs, because their job experience in collections will not be in demand, because the other agencies in the state will not be hiring because of this tax as well. If they can find a job, it will likely be for an hourly wage that is less than living.

My final thought is that this tax would immediately change our business strategies and cuts would begin immediately. I appreciate the chance to provide this testimony to you today, and I truly appreciate the hearing. Thanks for all you do, and please reject taxing collection agency services.

Sincerely,
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