

Testimony of Sara Horowitz
Founder and Executive Director, Freelancers Union
Before the House Oversight and Government Reform Committee
Subcommittee on Economic Growth, Job Creation & Regulatory Affairs and
Subcommittee on Energy Policy, Health Care and Entitlements

February 5, 2014

Chairman Jordan, Chairman Lankford, Ranking Member Cartwright, Ranking Member Speier, and members of the Committee: Thank you for the opportunity to appear before you today to discuss Freelancers Union's sponsorship of three CO-OPs.

I would like to begin by making three overarching points regarding Freelancers Union's sponsorship of the CO-OPs:

First, we have strived to be open and transparent throughout the CO-OP application and launch process. This "open book" approach has carried over into our dealings with this Committee over the last 16 months.

Second, Freelancers Union was well-qualified—perhaps the most qualified organization—to serve as a sponsor of the CO-OPs. And we were chosen to be a sponsor on the merits. Prior to the enactment of the Affordable Care Act, Freelancers Union built from the ground up a successful, member-focused health insurance company. As part of that process, Freelancers Union worked with both Republicans and Democrats in New York State to overcome a great many market, practical, and regulatory obstacles. We leveraged that same experience and expertise in sponsoring the CO-OPs to put them in a position to deliver quality services on time and on budget.

Third, despite the many challenges Freelancers Union faced in building three insurance entities from scratch, we did everything we said we would do to help these CO-OPs launch successfully and to move them quickly to self-sufficiency. And it has worked. The CO-OPs we sponsored launched on time, as independent entities.

It is no accident that Freelancers Union sponsored three Affordable Care Act CO-OPs; we believed that the goals of the CO-OP program were compatible with our own. By way of background, Freelancers Union is a non-profit, social-purpose organization working to serve the nearly 42 million independent workers that make up the new American workforce. To be clear, we are *not* a traditional labor union as that term is generally understood. Rather, we are a trade association, of sorts, for *independent* workers. Since our inception, we have pioneered innovative ways to use market solutions to support independent workers who go from job to job, gig to gig, and project to project. In essence, our model is DIY – Do It Yourself.

Independent workers are confronted with numerous challenges that the traditional workforce does not face, including the lack of easy and affordable access to benefits. A big part of Freelancers Union's mission is to address these challenges by developing entrepreneurial ways to leverage market principles to support independent workers.

Developing sustainable programs to benefit independent workers is core to who we are and what we do. I am proud of our 15-year history of providing services—including health insurance—to local communities, micro-entrepreneurs, and independent workers.

This is also not the first time we have been called to service. We were the third-largest grantee chosen to provide benefits for the 9/11 Fund, helping workers who

lost their jobs as a result of the attack. As a result of the successful work we performed with the 9/11 Fund, the American Red Cross called upon us to provide benefits to individuals who had either been in one of the Towers or had lost a loved one in the attack.

Also in 2001, the Freelancers Union started a Portable Benefits Network, which eventually led to the creation of the Freelancers Insurance Company (“FIC”) in 2009. To promote sustainability, FIC utilized and leveraged market efficiencies to provide freelance entrepreneurial workers with the same benefits and at the same prices—or better—as their counterparts working for larger, more established companies.

To make FIC successful, Freelancers Union broke new ground in the health insurance marketplace, working with all interested constituencies to overcome a great number of market, practical, and regulatory obstacles. The truth is, we could not have done it without tireless advocates on *both* sides of the political aisle in New York. But that is how we operate; we work to achieve social goals, not to make political statements.

FIC is now providing over 25,000 New Yorkers and their families with high-quality and affordable health insurance tailored to meet their needs.

As a result of the successful health care model that we established in New York through FIC, Freelancers Union was uniquely positioned to help launch three independent CO-OPs, each of which has—again—launched on time and on budget. Their successful launch was made possible, in part, by providing all three CO-OPs with common back-end processes and infrastructure that would enable them to grow and be independent. By pooling resources and, therefore, leveraging internal economies of scale, we were able to do this cost-effectively.

However, it is important to understand that while Freelancers Union sponsored and fully supports the mission of the CO-OPs to provide affordable health coverage options, we do not own or operate them. The CO-OPs are independent entities with their own Boards, leadership and management. As a sponsor, we helped establish the CO-OPs and got them up and running; but our work was designed to—and did—promote their independence. As we have made clear to the CO-OPs, our role as sponsor has ended.

We've come a long way since we first applied to be a CO-OP program sponsor. We applied the same innovation and creativity that defines Freelancers Union to the CO-OP initiative. We're proud of the role we played in helping the CO-OPs lay a foundation to launch as independent entities, and we hope that the work we have done will help more Americans get the healthcare that they need.

Again, thank you for the opportunity to testify here before you today. I appreciate the Committee's interest in these programs and I welcome any questions you might have.

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SARA HOROWITZ is an innovator for tomorrow's workforce.

As the founder and Executive Director of Freelancers Union – and CEO of the social-purpose Freelancers Insurance Company – Sara has been helping workers build solutions together for nearly two decades.

A MacArthur Foundation “Genius” fellow, Sara has long been a leading voice for the emerging economy, early on identifying the vital role independent workers would play in our networked, interconnected world. Today, 42 million Americans are “independent workers” – about one-third of the entire workforce.

Using her experience as a union organizer and labor lawyer, Sara founded the nonprofits Working Today in 1995 and Freelancers Union in 2003 to create power in markets and power in politics for the new workforce.

While growing Freelancers Union's membership to more than 200,000 nationwide, Sara has helped develop a new form of unionism driven by social-purpose business models.

Sara recognized that one of the biggest challenges facing independent workers is their lack of access to affordable health insurance. To help solve this problem, Sara launched Freelancers Insurance Company (FIC) in 2008. Wholly owned by Freelancers Union, FIC is a social-purpose business whose mission is to provide independent workers with high-quality, affordable, and portable health insurance.

Now insuring close to 25,000 New Yorkers and with annual revenues approaching \$100 million, FIC has been profitable since its second year of operation. Sara worked with members and partners to ensure a zero-percent premium rate increase for all members in 2013. In late 2012, she also launched the nation's first freelancer-focused, zero-co-pay, primary care practice in Downtown Brooklyn, exclusively serving FIC members.

In 2012, Sara was appointed to the board of the New York Federal Reserve as a voice for the new workforce.

She has been named one of *Forbes'* Top 30 Social Entrepreneurs, *Businessweek's* Top 25 Most Promising Social Entrepreneurs, and the World Economic Forum's 100 Global Leaders for Tomorrow. Sara has been featured in *The New York Times*, *Wall Street Journal*, *The Economist*, *Wired*, *Fast Company*, PBS, and NPR. Her new book, *The Freelancer's Bible*, was named one of *Forbes'* “Best Books to Boost Your Career.”

Sara is the daughter of a labor lawyer and granddaughter of a vice president of the International Ladies' Garment Workers' Union. After studying at Cornell University's School of Industrial and Labor Relations, she earned a law degree from the SUNY Buffalo Law School and a master's degree from Harvard's John F. Kennedy School of Government.

She is a life-long resident of Brooklyn, NY.



Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name: Sara Horowitz

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

Freelancers Union, Executive Director

Freelancers Insurance Company, Chief Executive Officer

Independent Workers Services, Chief Executive Officer

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None

I certify that the above information is true and correct.

Signature:

Sara Horowitz

Date: 2/4/2014
