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HR Leaders Urge the President and Congress to Consider the Views of the Employer Community in Designing Comprehensive Health Care Reform

Statement of Jeffrey C. McGuiness, President and CEO of the HR Policy Association, Representing the Views of Association Members on Reform of the U.S. Health Care System

Washington, DC—Despite recent political changes in Congress, HR leaders believe that comprehensive reform of the health care system in the United States should remain a high priority and that in drafting legislation, policy makers should give far greater consideration to the views of the employer community which provides billions of dollars annually to fund the nation's employment-based system of health care and administers health care programs covering millions of Americans through their self-insured plans.

As Congress and the Administration discuss various reform approaches, our nation's health care system continues on an unsustainable path. Medical inflation is outpacing economic growth; efficiency and quality vary greatly throughout our health care system; health care entitlement programs are a major burden on the nation's economy; and more than 46 million Americans are uninsured. Although the proposals passed by the House and Senate last year embraced several key elements needed for true reform, four essential elements are still missing—robust provider payment reform, aggressive actions to advance transparency, increased individual responsibility, and medical malpractice reform.

HR Policy Association is an organization representing the chief human resource officers of 300 of the largest private sector employers in the United States. Their companies employ more than ten million Americans, and each year they and their employees spend more than $75 billion purchasing health care. As such, they have a keen interest and will be deeply affected by the outcome of the health care reform debate.

Nationwide, health insurance in the private sector covers more than 160 million people. The price of that coverage has soared from $73 billion in 1980 to $621 billion in 2007 for employers and their employees, according to the Employee Benefit Research Institute. Since 1998, medical hyperinflation has outpaced all other inflation by 60 percent. The United States spends nearly twice as much on health care as most industrialized nations, yet we underperform many of our global competitors in treating several preventable diseases. Labor costs in the United States are already among the highest in the world, and continuing this trend by raising the cost of health care to employers and employees as the bills passed by the House and Senate would do, can only lead to one outcome—harming the competitiveness of companies doing business in the United States.

Experts agree on why our health care system is failing. It leaves nearly 46 million Americans uninsured. It relies on a fee-for-service reimbursement system which rewards health care providers for the volume of services they deliver rather than paying them based on their quality and efficiency. Insurance companies compete on the basis of avoiding risk rather than accepting all applicants and managing risk. To protect against frivolous malpractice litigation, providers are driven by the nation's tort system to order unnecessary tests and procedures. When it comes to purchasing health care, there is a remarkable lack of competition and transparency. Consumers can't choose providers, insurers, or treatments based on reliable information about their relative cost and quality.

Finally, government programs like Medicare and Medicaid pay artificially low rates for health care services, and providers compensate by passing on billions of dollars in undercompensated costs to employer plans. A 2008 Milliman study found this epidemic of cost shifting loads $88.8 billion on private payers annually, resulting in a hidden tax that accounts for more than ten percent of the cost of employer-based coverage, discouraging employers from expanding employment.

For all these reasons, employers began 2009 hopeful that Congress and the Administration would recognize that it was necessary to make affordability, cost control, and the delivery of effective and efficient care the central foundation of health care reform.

Although reform has failed to pass up to this point, our members are pleased that some degree of consensus has been built around key reform elements, namely—

- reforming the health insurance market to require guaranteed issue coverage without regard to preexisting conditions,
- requiring individuals to maintain health insurance,
- providing subsidies to low-income people to obtain coverage,
- improving primary care, and
- promoting prevention, wellness, and chronic care coordination.

Each of these elements is essential in any health care reform package. In addition, the major proposals do not appear to weaken preemption of state laws under ERISA, which enables large employers to offer benefits under uniform rules. However, the health care reform bills passed by the House and Senate lack other essential elements as well as strong language to make some of the agreed upon reforms a reality. In addition, the major proposals on the table would have the unintended consequence of eroding the quality of benefits that many large employers provide today.

Last year, large employers conducted internal analyses of the likely impact of the health care legislation on their companies and employees. What they found was that the bills would significantly increase the cost of employer provided health care—by as much as seven to ten percent per year over expected cost increases without reform—and would potentially reduce the quality of benefits currently offered at some companies. The consequences of these cost increases will be greater pressure on the competitiveness of American employers and employees.

Employers have been troubled that the leading bills would impose more mandates and taxes on employers and further increase government cost shifting to company-sponsored plans rather than address underlying problems with how care is delivered and financed. While the Senate bill was more pragmatic than the measure ultimately passed by the House, even that bill fell short of what our members believe would constitute true reform. The Senate bill would put in place programs that were inadequate to immediately and significantly change the current dysfunctional health care delivery system but would substantially increase the cost of employer-sponsored health care. An analysis of the Senate bill performed by Applied Economic Studies for the Association found the cost of employer provided health care among Association members would increase on average by seven to ten percent per year, a total dollar amount between $62.7 and $89.2 billion over the next ten years above the rate of health care inflation. While the bills were structured to avoid increasing the federal deficit as 29 million more people are given coverage, they would have done so by loading a host of new funding mechanisms on those already paying a huge share of the nation’s health care bill—employers and employees. While the bill passed by the Senate on Christmas Eve would bend the government's health care cost curve downwards, it would raise the curve for employers and employees skywards.

Large employers are relieved that that the creation of a new government-run health insurance plan appears to be no longer under consideration as a part of health reform. To minimize costs to the federal government, a government plan would reimburse health care providers based on rates which are frequently less than the true cost of providing care. It would also decrease the pool of individuals covered by private insurance, siphoning off younger and healthier people who are needed to create balanced risk pools. This would exacerbate cost shifting to employers and create an unsustainable system. However, more needs to be done.

True reform, and reform that does not inhibit the ability of companies doing business in the United States to compete globally, is still possible, but policymakers must change direction, avoid simply following the path of least resistance, and pursue what is missing from current proposals. In addition to the positive provisions already under consideration, policymakers should take the following four steps:

1. Create comprehensive provider payment reforms. The federal government must aggressively move toward abandoning the current fee-for-service payment system and use the purchasing power of Medicare and Medicaid, programs which will soon purchase more than half of America's health care and strongly influence the way health care in America is delivered, to pay providers based on the quality and efficiency of the care provided.

2. Vastly improve transparency and disclosure. The price and quality of health care should no longer be one of the best kept secrets in America. Purchasers and consumers of health care need federal standards that require comprehensive disclosure and public reporting of cost and quality information for health care providers, insurers, and treatments in order to enable consumers to make informed decisions for themselves and their families when choosing care and care givers. This includes providing access to Medicare claims data to facilitate health care payers and consumers efforts to assess the relative effectiveness and efficiency of health care providers.

3. Increase individual accountability. We need to restructure our health care system to create meaningful incentives for individuals to be more accountable for living healthy lifestyles and managing chronic conditions. In addition, to achieve universal coverage there must be a strong individual mandate that encourages everyone who can buy coverage to do so while subsidizing those who can't. Thus far, Congress has acknowledged the need for these objectives, but is shying away from strong language that would ensure those objectives were achieved.

4. Fix the medical malpractice mess. The Congressional Budget Office estimates that medical malpractice reform would save $54 billion over the next ten years, a number larger than most of the tax hikes proposed in the various House and Senate health care bills.

Health reform will not be sustainable if our political leaders broaden access to health care by imposing fees and regulations on employers, who currently cover more than 69 percent of Americans, without addressing the root causes of America's health care crisis. Unfortunately, this is the course taken by all the current legislation on the table. Health care premiums have increased an average of 125 percent in the last ten years. In 1999, the average cost of family coverage was $5,791; by 2009, average family coverage had soared to $13,375. The major House and Senate health care bills would not bring those premium costs downwards; they would raise them even higher for employers and employees.

Our nation still has an historic opportunity to address one of the most important domestic issues facing it – our broken health care system. As lawmakers pursue this important goal, they should do so in a way that encourages employers to provide coverage to their employees while making care more affordable for all Americans. Health reform should not drive up labor costs for employers and potentially erode the quality of the benefits that they currently provide their employees. As always, the Association stands ready to work with the White House and Congress to ensure that bipartisan health reform legislation is enacted that will lead to a sustainable, high quality health care system providing coverage for all Americans while promoting job growth and employment security.

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HR Policy Association is the lead organization representing chief human resource officers of major employers. The Association consists of nearly 300 of the largest corporations doing business in the United States and globally, and these employers are represented in the organization by their most senior human resource executive. Collectively, their companies employ more than 18 million employees worldwide and have a combined market capitalization of more than $7.5 trillion. These senior corporate officers participate in the Association because of their passionate interest in the direction of human resource policy. Their objective is to use the combined power of the membership to act as a positive influence to improve public policy, the HR marketplace, and the human resource profession. For more information visit www.hrpolicy.org