Statement of the U.S. Chamber of Commerce

ON: Roundtable Discussion – Health Care Reform Legislative Options

TO: The Senate Health, Education, Labor and Pensions Committee

DATE: June 11, 2009

The Chamber’s mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

U.S. Chamber of Commerce, 1615 H St NW, Washington, DC 20062-2000
The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector and region.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 71 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business – manufacturing, retailing, services, construction, wholesaling, and finance – numbers more than 10,000 members. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. We believe that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 101 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. Currently, some 1,800 business people participate in this process.
The U.S. Chamber of Commerce would like to thank the Chairman and Ranking Member, and other members of the Committee for the opportunity to participate in today’s roundtable and to submit this statement for the record. The Chamber appreciates your efforts to achieve access to affordable coverage for all Americans. The U.S. Chamber of Commerce is the world’s largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

The employer-based system voluntarily provides health benefits to over 178 million Americans. Overwhelmingly, employees are satisfied with these benefits and want their employers to continue providing it to them. Further, employers are currently spending over $500 billion on health benefits each year.

According to the U.S. Census Bureau, nearly 46 million Americans lack health insurance. The Chamber believes that this number is misleading, and that we must acknowledge the difference between those that cannot afford to purchase coverage, and those that can afford coverage, but choose not to do so. This Committee seeks to get both of these groups into the system.

Covering those who cannot afford coverage does necessitate a myriad of approaches. The Chamber believes it is paramount to begin with a greater focus on enrolling those who are already eligible for government-subsidized or free insurance – and steps to use Gateways to accomplish this goal are a great stride in the right direction. An estimated 10 million people are currently eligible, but federal and state agencies have not done an adequate job of streamlining procedures, putting boots on the ground, and signing them up. Nearly another 9 million of the uninsured are non-citizens; a solution for them will necessitate reopening the question of immigration reform.

About 15 million of the 46 million uninsured have high enough incomes that they likely could afford insurance, if they chose to purchase it. Their reasons for going without could range from feeling young and invincible, lacking appealing insurance options (they are often uninterested in gold-plated PPO plans), being boxed in by state insurance mandates that limit their purchasing options, or lacking an understanding of the necessity of obtaining coverage. There are many proposals designed to prevent these individuals from opting out of the system, and to force them to shoulder their “fair share” of the
expenses of providing medical care to the nation. However, policymakers have a responsibility to address their concerns if these individuals are to be obligated to purchase coverage.

This Committee needs to make a U-turn on these issues – rather than defining a dangerously high actuarial value to determine the qualifications of a health insurance plan, Congress should only require that individuals have comprehensive catastrophic coverage that offers first dollar coverage of prevention. The creation of a Medical Advisory Council, a proposal that Tom Daschle dubbed the “Federal Health Board” when he invented it, would be disastrous and possibly unconstitutional. No new bureaucracy should be given the power to impose law without proper checks and balances – and requiring a joint resolution of disapproval is unduly burdensome. Advisory bodies should advise and make suggestions, not make law.

If Congress creates an individual obligation to purchase coverage, we must first ensure that individuals will be able to obtain affordable coverage. This will require significant market reforms, new pooling options, removing state benefit mandates, and making available a full range of insurance options that will appeal to the young and healthy. All potential coverage solutions for the uninsured will be unsustainable unless Congress enacts meaningful delivery system, payment, financing, and entitlement reform. Some proposals to cover the uninsured are alarming and may well make the system worse, not better.

The small group and individual insurance markets are in serious need of significant reform. Currently regulated at the state level, the costly and burdensome benefit mandates coupled with an arguable lack of competition have led to the need for federal reform of the individual and small group markets. The Chamber has long supported granting small businesses the ability to pool risk and to offer uniform benefits across state lines to address these problems, to no avail. Large businesses have been successful in offering comprehensive benefits primarily because federal law (ERISA) protects them from the patchwork of inconsistent state laws and regulations, and the vast majority of individuals enrolled in ERISA plans report a high level of satisfaction with their plans. Plans to limit self-insurance to only companies with more than 250 employees are a step in the wrong direction, and further changes to ERISA and new requirements to apply to ERISA plans will weaken the part of the system that is working well.

A national insurance Gateway should serve as a marketplace where individuals and small businesses can go to obtain coverage that meets the new standards. This Gateway must facilitate meaningful pooling options for these individuals so that their risks can be shared, their premiums can be predictable, and their costs lower. Further, having learned from the arguable lack of competition and problems encountered at the state level, the Gateway must allow for a high amount of plan flexibility, greater risk pooling, and a range of options.
The plans sold in the Gateway will have to meet some minimum benefit standard, and the Chamber feels the best course of action for designing this standard would be to look at existing high-deductible health plan products that offer first-dollar coverage of preventative services. It is absolutely essential that individuals have both access to and incentive to use preventative services, but also that the remaining parts of the plan be up to consumers – make the minimum a catastrophic plan, allow individuals and purchasers to determine how much richer of a plan they would like to select. This will provide appropriate safeguards against financial difficulties and ensure access to appropriate care.

If Congress manages to maneuver these challenges in a way that successfully encourages individuals who can afford coverage to opt in, and also successfully enrolls those who are already eligible for free or subsidized care, there would still be about 10 million uninsured. This group is comprised of individuals who cannot afford coverage, the people who are driving the need for coverage reform in the health care system. Covering them will entail many challenges.

The proposal to give federal subsidies to individuals making up to 500 percent of the Federal Poverty Level (FPL) – that would be $110,250 for a family of four. Subsidies of this size are extremely fiscally irresponsible, unsustainable, and only feed into the growing cost problem. Expanding Medicaid to 150 percent of FPL will increase the program’s fiscal woes. Relief for those who cannot afford insurance must be targeted, fiscally responsible, and in coordination with other reforms that lower costs and fix the insurance market.

The Chamber does not believe that a mandate on employers to sponsor health insurance will make serious headway to cover the uninsured, but rather could lead to a loss of jobs. Employers who can afford to sponsor health insurance typically provide generous benefits – and most large employers do. Employers who cannot currently afford to offer health insurance benefits will not be able to do so simply because they are mandated to do so – small employers and businesses that operate on very small profit margins will still be unable to afford to provide benefits.

The decision to force employers to sponsor government-approved health plans is not one that should be taken so lightly. Congress spent nearly a decade debating policies relating to mandatory family leave – unpaid leave at that. Under the federal ERISA framework, very few new mandates have reached consensus to be forced upon employer-sponsored plans. Congress generally recognizes the importance of employer flexibility, autonomy, and ability to make the financial choices and take the necessary risks to create jobs, boost the economy, and drive the engine of prosperity.

Employers have been great innovators in health care, and many reforms we have led the way on have kept the unsustainable rising costs of health insurance from reaching the breaking point. A mandate on employers is sure to reduce flexibility and choice, while raising costs and providing little benefit. Existing mandates have proven inadequate in determining the scope of plans, helping to cover the uninsured, or properly distinguishing the good players from so-called free-riders. The push for a coverage
mandate on employers is an ideological one, not a pragmatic one, and should not be viewed as a way to cover the uninsured.

Employers support the notion of “shared responsibility,” when viewed through the lens of realism. Any objective observer would conclude that employers, who currently cover more than 178 million Americans and pay over $500 billion per year, are indeed being responsible. Mandating further “responsibility” on their part would exhibit confusion about the economic realities employers face. An employer mandate would be a job-killer, because it would force struggling employers to spend money they don’t have.

Another concerning proposal is the creation of a new government-run health plan, euphemistically referred to as the “public option,” or brazenly referred to as “consumer driven.” Proponents say that this is necessary to “keep private insurers honest,” yet proposed market reforms should accomplish this goal without the creation of a new entitlement plan. Proponents claim that a government-run plan can compete on an equal playing field with private plans, but this would put the government in the position of being both a team owner and the referee; inevitably the government would move to give unfair advantages to the “public option,” just as they are considering doing now with the public financing of student loans.

Even the op-ed page of the Washington Post has cited the “public option” as a backdoor way to bring the nation to single-payer, socialized medicine. The President’s promise that Americans will be able to keep the health insurance they have cannot be kept if we move to such a system – which we inevitably would if, as the Lewin Group estimates, up to 130 million people are shifted into this public plan.

Employers are especially concerned with the prospect of a new government-run plan because of the bad experience we have had with current government-run plans. According to a recent study by Milliman, employer plans’ costs are increased by an estimated 20 to 30 percent due to cost-shifting from Medicare and Medicaid. “Public option” proponents will say that this is denied by MedPAC, or that the new plan will not engage in this cost-shifting, but these assurances ring hollow – especially when we consider the incredible unfunded liabilities currently shrugged off by current government-run plans.

The Chamber is gravely concerned by the process and the product thus far. As badly as reform is needed, we cannot support reform just for the sake of reform. Ironically, the current process has been less open and transparent than reform efforts in 1994, which involved more hearings, more time to consider legislation, and more public vetting of options than has been contemplated here. We, and the business community at large, are still eager to work with Congress to develop a workable product that can garner broad bipartisan support, preserves the parts of the system that work, is fiscally responsible, and expands coverage, increases quality, and lowers costs. However, the products coming out of this Committee over the past seven days do not meet any of these goals, and would make the system, and America’s overall financial situation, worse, not better.
When you get past the ideological arguments, Democrats, Republicans, and business all want the same reforms – lower costs, improved quality, and better outcomes. We believe a key to accomplishing this is reforming the payment system to incent providers to give the best, most efficient care. The Chamber will strongly support Congress in enacting these needed reforms.

The Chamber is eager to work with you to enact reform, but urges your consideration and caution when crafting proposals that could prove harmful to U.S. companies. If structured properly, a Gateway could be a boon to small business. Subsidies could realign federal dollars in a way that seriously reduces the uninsured. Entitlement programs could be reformed, revamped, and improved. Even better, the coverage currently enjoyed by more than 250 million Americans could be secure and sustainable, have better quality, and be more affordable.

The Chamber looks forward to working with Congress on this and other initiatives that will help more individuals, small businesses, the self-employed, and others gain access to the highest quality, most affordable, and most accessible health care possible. But we will not support reform for the sake of reform – it must be market-driven, preserve and boost the economy, and truly protect the parts of the system that work.