



## Health Care Delivery Reform

The West Virginia Chamber of Commerce shares the goals of the U.S. Congress and the Obama Administration to stem the rising costs of health care, to cover the uninsured and to provide greater access to affordable, quality health insurance options. Moreover, few in the business community would argue that health reform is critical to the business community and to the nation – now and for the future. Businesses voluntarily pay more than \$500 billion every year for employees’ health insurance. These costs have been going up for the past decades....usually exceeding the rate of inflation.

However, the West Virginia Chamber of Commerce has strong reservations about the focus of the current federal health care reform proposal being advanced in the U.S. House of Representatives. This proposal, HR 3200, will add terribly to the federal debt already being imposed on our future generations and misses opportunities for reform in several ways.

Specifically, the West Virginia Chamber of Commerce has a number of key concerns with the health care reform legislation (HR 3200), which was passed narrowly (23-18) by the U.S. House Energy and Commerce Committee.

- The proposal stipulates that all employers with total payroll more than \$250,000 will be required to provide “Qualified Health Benefits” for their employees and their dependents or pay a pay-roll tax of up to 8 percent of payroll. Further, employers will be required to pay 72.5 percent of premiums for their employees...and a separate requirement to provide dependent coverage (and pay 65 percent of premiums).  
The W.Va. Chamber opposes this legislation’s “pay-or-play” mandate that requires businesses either to provide some level of health insurance benefits (to be later defined by a government board) or surrender a huge penalty (eight percent of payroll or a per-employee fine) to the government. This proposal will hit small businesses the hardest, and many of these either cannot afford to provide coverage or have limited options for policies. Many could be forced to cut their workforces or go out of business altogether. The timing of this couldn’t be worse since nearly all businesses are struggling with the current depressed economic situation, one worst downturns in the nation’s history.
- The proposed government-run public health insurance plan will increase cost-shift burdens on employers and destabilize private insurance coverage. There also are concerns that a public plan could become an unfair competitor because it could be big enough to drive down reimbursements to doctors and hospitals; much like Medicare does, shifting costs to the private sector. As this develops, consumers would migrate to the public plan because its premiums would be cheaper, and this ultimately could result in a collapse of private plans. Already, The Lewin Group estimates 130 million people would move from private to public insurance – this would be a disaster, and would devastate the employer-sponsored system.
- Instead of a blanket public option only plan, federal health care reform legislation could foster “association” plans that could help to provide added access and more plan options to employers, particularly small employers. This way small employers could benefit from being part of a larger “pooled” grouping of employers...including ones that span state lines. Employers and employees need greater access to affordable health insurance options.
- The W.Va. Chamber also has reservations about provisions that would forbid no annual or lifetime limits on coverage for health plans. While this is intriguing on the surface, it probably

will increase the overall cost of all health insurance plans, particularly the lowest cost plans. Insurance companies will be forced to “re-price” plans to provide for the elimination of dollar caps on coverages. This basically will reduce inexpensive plan options, which may be the only affordable options for lower income individuals and small businesses.

- The legislation also would impose new onerous record-keeping requirements on employers.

One key issue that seems left out of the deliberations is how will this nation provide medical care and services to all of the newly insured individuals? The current proposals do little to help address the need for more primary care physicians (family doctors), particularly in rural areas. The Chamber supports ensuring that more family and rural doctors will be educated and available to help meet the needs of the nearly 50 million people who might be brought into the system as newly insured.

The financing of the House health care reform plan is the toughest challenge that Congress faces. Most estimates place the price tag as being somewhere between \$1 trillion to \$1.5 trillion over ten years. One funding proposal calls for a “surtax” on upper income Americans. The W.Va. Chamber is particularly concerned about this because it will directly affect small business owners, many of whom pay their business taxes at the federal personal income tax rate.

### The Chamber’s Views

The West Virginia Chamber, along with national business groups, supports reforming the nation’s health system with these proposals:

#### **1) Get costs under control.**

- Allow small business pooling (association plans)
- Provide incentives for the expansion of wellness and prevention programs
- Coordinate care and medical homes
- Implement Pay-for-Performance reform
- Accelerate the adoption of health information technology
- Enact federal medical liability reform
- Provide for tax credits for business that provide health insurance to employees
- Tax parity: Let individuals/small business deduct the full cost of insurance expenses

Without spending a trillion dollars or raising taxes, our nation could implement these and many other reforms that would help us start to bend the cost curve.

#### **2) Reform the insurance system.**

- Modify the use of pre-existing conditions or health status
- Guarantee that any individual or entity will be issued a policy
- Limit circumstances under which a policy can be revoked.
- Place reasonable limits on rating differences
- Fund subsidies for those who cannot afford coverage
- Give serious consideration to an individual obligation to obtain coverage – of those without insurance in the U.S., it is estimated that many simply choose to live without coverage. Additionally, many are identified as aliens who have entered the U.S. illegally.

These steps, at a substantially lower cost to taxpayers, could make the nation’s health insurance system work for everyone (thereby increasing access for the uninsured), improve our health care delivery system, and make serious progress toward controlling costs. These steps have support from a vast array of stakeholders. The Congress needs to enact simple, pragmatic reforms instead ones that will do little to control costs and will add dramatically to the nation’s debt.