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Statement for the Record
Service Employees International Union

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We Can't Afford to Wait to Fix Healthcare

For at least three decades, the cost of healthcare has been rising faster than the increase in overall consumer prices, faster than wages, and faster than the overall rate of economic growth. According to the Congressional Budget Office, the share of our economy devoted to healthcare doubled over the last 30 years. Working families are losing ground as they are forced to pay more for premiums, more out-of-pocket at the pharmacy, doctor's office, and hospital, and as they sacrifice pay raises in a desperate and often futile effort to keep the coverage they have.

Since the beginning of the decade, the full cost of family health insurance premiums has doubled, while the percentage of firms offering coverage has fallen from 69 percent in 2000 to only 60 percent in 2007, according to the Kaiser Family Foundation. The number of adults who are uninsured at some point during the year rose from 38 million to 50 million over the same time period, according to a survey done by the Commonwealth Fund. The relentless rise in healthcare costs is eroding the extent to which employers offer and contribute to insurance for workers and their families, and is shrinking the scope of coverage for those workers who still have health insurance. As the number of uninsured and underinsured people grows, more uncompensated care costs are shifted to employers and workers who pay for insurance, and the cycle of cost increases and coverage erosion continues. An estimated $56 billion was spent by taxpayers and private payers to compensate for the unpaid costs of the uninsured in 2008, according to the Kaiser Family Foundation.

The uninsured are not just statistics. They are hardworking people such as Pat DeJong of Libby, Mont., an SEIU member who works as a home care aide. Pat and her husband Dan were ranchers, but had a hard time finding affordable coverage, and were uninsured when he was diagnosed with Hodgkin's lymphoma in 2000. The medical bills piled up for Pat and Dan, eventually forcing them to sell the land they loved and that had been in Dan's family for generations. Dan succumbed to cancer, and Pat remains uninsured. We can and must do better for hardworking families such as the DeJongs.

As the union representing Pat, SEIU will judge healthcare reform legislation according to whether it provides Pat with affordable choices of private and public health coverage, and whether it begins to slow healthcare cost increases for all SEIU members. SEIU's core principles for healthcare coverage include:

- Coverage must be affordable and meaningful;
- Employers, individuals, and government must share responsibility for financing and everyone must be enrolled; and

- Consumers must have a choice of healthcare provider, and a choice of private and public insurance plans.

If Congress waits to fix healthcare, it will leave families on a path where they can expect their premiums to double again to $24,000 by 2016, crushing their plans to get out of debt, pay for college costs, or save for retirement. According to the New America Foundation, at least half of all American households will spend almost half of their incomes to buy health insurance in 2016 if we stay on our current path. To wait to fix healthcare is to allow Medicare and Medicaid costs to rise from 4 percent of our economy in 2008 to 6 percent of our economy by 2016. According to CBO Director Doug Elmendorf, over the long term the rising costs of healthcare represent the single biggest challenge to balancing the federal budget. The CBO estimated in December 2008 that if we do nothing, the number of uninsured Americans will climb to at least 54 million by 2016, but CBO now acknowledges that number is likely too low, as it did not factor in the sharp hike in the uninsured caused by our current economic crisis.

Costs, Coverage, and Quality Must Be Addressed Together to Restore a Healthy Economy

A comprehensive approach to healthcare reform that expands coverage to everyone is the only approach that will slow healthcare costs and preserve coverage for those who have it now. If we allow high medical bills to drive families deeper in debt, and rising healthcare costs to put a drag on our economic recovery, we will not restore consumer confidence and generate the number of good U.S. jobs needed to put our country back on the right track.

Lisa McSwain is a small business owner in Edgecombe, Maine, and she spent $22,000 last year to cover her family. She has seen one year premium hikes of as much as 30 percent in recent years, and healthcare costs are ravaging her business. Lisa wants to do right by her employees and grow her business. We are counting on Lisa and other small businesses such as hers to generate jobs and help get us on the road to economic recovery, but to do that we must address healthcare costs and coverage together.

Americans are ready to fix healthcare. According to a poll conducted in April by the Kaiser Family Foundation, six in 10 Americans say that they or a member of their household has delayed or skipped medical treatment in the past year. A solid majority of the respondents agree that the current economic crisis makes it more important that we reform healthcare now. More than a quarter of those surveyed said someone in their household has had trouble paying medical bills over the last year, with 41 percent of African Americans struggling to pay medical bills, and households earning less than $30,000 having the most trouble of all (48 percent).

Coverage Erodes, Health Status Declines, Disparities Widen, Values as a Nation Compromised

Being uninsured is harmful to a person's health, a person's pocketbook, and to our productivity as a nation. Moreover, the growing numbers of uninsured Americans undermine our values as a nation committed to equal opportunity and a just society. The Institute of Medicine (IOM) released a report in 2001 which documented the lost productivity as well as shortened lives of uninsured Americans. The New America Foundation recently updated the IOM's estimates and concluded that we are losing $200 billion in economic activity due to the lower productivity associated with the uninsured. The uninsured are sicker and die prematurely, and uninsured children are less likely to develop normally and achieve their educational potential when their health conditions go untreated.

Our healthcare system is riddled with racial and ethnic inequities in access to high-quality care that result in poorer health and higher rates of negative medical outcomes, including serious complications and premature, often preventable death. The costs of these well-documented, persistent gaps in care extend beyond the individual to the entire healthcare system. Paraphrasing President Obama at the recent White House Summit on Healthcare, we will save money as a healthcare system if we begin to close these gaps. Healthcare inequities play a significant role in driving escalating costs. Seventy-five percent of healthcare dollars are spent to treat chronic diseases, such as asthma, heart disease, cancer, and diabetes, and minorities disproportionately suffer from chronic diseases, both in prevalence and in the severity and frequency of costly complications. All minority groups suffer diabetes at rates two to six times higher than whites, and diabetic African Americans, Hispanics, and Native Americans are two to four times more likely to have a limb amputated than white diabetics, according to the National Limb Loss Information Center.

Minorities tend to be disproportionately uninsured, and more than half of America's uninsured are people of color, according to the Kaiser Family Foundation. About 33 percent of Hispanics and Native Americans are uninsured, and 21 percent of African Americans are uninsured. As a result, many African Americans and Latinos have little choice but to rely on emergency rooms for their medical care and are much less likely to have a regular primary care physician to prevent, diagnose and manage chronic diseases.

Increasingly, the ranks of the uninsured are made up of people who work, or live in households with workers, yet they are unable to access coverage. According to the Kaiser Family Foundation, 69 percent of the uninsured live in a household with a full-time worker, and 19 percent of the uninsured live in a household where there is a part-time worker. The Service Employees International Union knows these workers, their families, and their communities well. Sixty-six percent of the uninsured earn less than 200 percent of the federal poverty level, or $24,000 for a family of four. These workers are less likely to be offered coverage at work,

much less likely to be offered spousal or family coverage, and have the most difficult time affording premiums and cost-sharing requirements if they are offered coverage at work. They are the child care workers caring for our children, the nurses' aides caring for our parents, and the janitors and domestic workers cleaning our offices and homes, and they deserve healthcare coverage.

SEIU's Path to Universal Coverage

1. Build on What Works; Build New Alternatives for a Changing Economy

Approximately 160 million people are enrolled in employer coverage, and many are satisfied with that coverage, but each year costs are going up and benefits are being squeezed. Others can't qualify for employer coverage due to waiting periods or minimum hours requirements imposed by employers, or they are classified as independent contractors and not eligible for employer coverage at all. According to the Kaiser Family Foundation's survey of employer-sponsored benefits in 2008, among firms that offer coverage, on average 80 percent of the workforce is eligible for that coverage. The standard of coverage in certain industries, such as the retail and fast-food sectors, is simply inadequate to protect workers and their families from shouldering high healthcare costs.

Small businesses, self-employed workers, students, workers between jobs, early retirees, and others need a place to go to get the same advantages available to workers employed in larger businesses and organizations. SEIU urges Congress to reform the insurance market and establish an insurance exchange to improve affordable choices by:

- Ending insurance market practices such as denial of coverage based on health status, excluding coverage for pre-existing conditions, or charging extreme rates based on age, gender, or health status-related factors. Congress should establish a minimum federal standard (floor, not a ceiling) for insurance market rating rules and phase in the new standards over a period of a few years. Those states that are above the minimum federal standards now should remain above the standards.

- Providing active oversight of the market to ensure the availability of meaningful insurance plans from which consumers can compare and choose. Rigorous standards should be set for insurers that want to participate in the new market, including standards related to marketing, the range and types of plans and coverage levels offered, adequacy of provider networks and measurement of provider and plan performance, reducing care delivery disparities and disparities in outcomes, protecting consumer rights, and limits on administrative costs. Online Web portals should be structured and supervised to rank plans for consumers based on quality scores, income, geographic, and health needs criteria.

States that demonstrate they can provide active oversight of the exchange should be permitted to do so. No other market for small group and individual coverage should be permitted outside the exchange.

- Offering federal financial assistance to individuals and families with low and moderate incomes, and those with high healthcare costs relative to their incomes, to guarantee affordability. Financial assistance should be available on a sliding scale based on income for those enrolling in the exchange, and for workers with employer plans that leave them exposed to high costs as a percentage of their income. Those with the lowest incomes should have no or minimal cost-sharing, and those with incomes between 100 percent and 200 percent of the poverty level should not to be required to spend more than 3 percent to 5 percent of their income on premiums and cost-sharing. Modest income families between 200 percentFPL and 400 percentFPL should not be expected to spend in excess of 5 percent to 8 percent of their income on total healthcare costs, and a 10 percent limit should be set for those with higher incomes in special circumstances related to high catastrophic or chronic costs. Financial assistance should be advanceable and assignable so that eligible individuals can designate a private or public plan of their choice to receive the assistance for which they qualify. Assistance should only be available to individuals in exchanges that meet benchmarks described above for reforming the insurance market.

- Offering a choice of private and public insurance plans to promote competition and contain costs. A reliable public plan assures consumers they will have continuity and stability, while private plan offerings often change year to year, and are often scarce in rural areas. Availability of a public plan is a necessary part of a comprehensive cost-containment strategy. A public plan will have lower administrative costs and offer less red tape through standardized forms and simpler policies for consumers and providers. According to the Urban Institute, there is increasing consolidation of both hospital systems and insurers, and a public plan can help create competition where it is lacking in consolidated markets. Both fully insured private and large self-insured group plans have been unable to drive delivery system reform and contain costs; they must partner with Medicare and a new public plan to adopt payment reforms and quality measurement strategies to reward quality, primary care and prevention, reduction in errors, and to serve patients in the appropriate setting with treatments backed by evidence. Risk adjustment payments may be needed for both the private and public plans, and should be based on measurable criteria not subject to gaming.

- Promoting choice and competition by allowing larger employer groups to purchase coverage and enroll in plans offered in the exchange over time as reform is phased in. As the insurance exchange gains experience in managing enrollment and administering

financial assistance, and competition is demonstrated in both choice and lower premium growth, some self-insured large employers or multiemployer plans may want to enroll in the exchange. Large employers should be able to benefit directly or indirectly from the success achieved by the exchange.

2. Share Responsibility for Financing Healthcare and Promoting Good Health

Employers, individuals, and government must all do their part to make sure we have a sustainable and affordable system that covers everybody. The journal *Health Affairs* recently published a paper by Bob Blendon and colleagues showing stronger public support for a shared responsibility approach to reform compared to an approach that relies solely on individual responsibility. SEIU believes government's role includes:

- Partnering with the states to remove barriers to full enrollment of those who are currently eligible but not enrolled in Medicaid and the State Children's Health Insurance Program. Aggressive outreach and community-based strategies are necessary, paperwork must be streamlined, and eligibility systems for other public programs must be linked with eligibility for health coverage. Allowing legal immigrants to enroll in coverage for which they are income or categorically eligible is necessary to achieve maximum coverage levels, promote prevention and a regular source of care, reduce disparities, assure providers they will be paid, and remain true to our values as a nation of immigrants.

- Covering all poor people (up to 133 percent of federal poverty level) in Medicaid with full federal funding. The federal government should work with states to maintain state fiscal effort with respect to Medicaid and SCHIP eligibility levels. Federal formulas for sharing the costs of Medicaid and SCHIP must have counter-cyclical automatic adjustments during economic downturns.

- Sponsoring new federal financial assistance to guarantee affordability for low and moderate income individuals and families, as described earlier in Section 1.

- Requiring large employers to provide a meaningful standard of coverage for all of their workers or pay into a fund to support the costs of covering them in a new exchange. Most large employers offer good coverage, and some should be recognized for leading the market and setting a high standard. Unfortunately, the voluntary approach of relying on a few responsible employers to keep all large employers at a good standard is leaving out more and more workers. A minimum standard for meaningful coverage in the large-employer segment of the market should be established, and include a minimum contribution rate toward the premium. SEIU supports an approach such as the

Commonwealth Fund's Path proposal, which includes a requirement for employers to contribute 75 percent of the premium for a plan that includes comprehensive benefits, or pay 7 percent of payroll to a fund. Fair rules governing the treatment of part-time workers for coverage are needed. Small employers below a certain size and threshold related to revenue-per- employee should be eligible for assistance to meet the meaningful standard of coverage.

- Over time, after financial assistance and other components of the plan are phased in, requiring individuals to enroll in affordable public or private coverage that meets a meaningful standard, and requiring parents to enroll their children in affordable and appropriate coverage. Any penalty for individuals who fail to enroll in affordable and meaningful coverage must allow for notice, exceptions and appeals. Individuals and parents should utilize coverage appropriately to promote their health and that of their children, and should receive culturally and language appropriate supports and education to better engage in their own self-care.

3. Establish a National Standard for Meaningful Coverage

Health insurance has eroded as deductibles, premiums, and other cost-sharing have all increased. The breadth of coverage for services varies by insurance company, and coverage limitations are often buried in fine print or not disclosed at all.

- Meaningful coverage should include coverage for medically necessary healthcare services, including medical interpretation, prescription drugs, supplies, and equipment. It should cover prevention and primary care with first-dollar coverage for low and moderate income enrollees. It should cover the services needed by patients with chronic conditions to manage their conditions and promote maximum function. It should not have arbitrary limits on the scope or duration of coverage. It should cover catastrophic expenses to prevent financial hardship and limit the annual amount most individuals can be asked to spend on healthcare as a percentage of their income. It should have a network of providers that can meet the needs of diverse patients.

- SEIU supports the creation of a national expert board or council that would be charged with defining, updating, and evaluating compliance with the standard for meaningful coverage within categories of coverage or benchmarks determined by Congress. The board should be composed of experts and stakeholders, including labor and consumer representatives; its deliberations should be open and transparent; and it should consider specific factors and criteria, such as eliminating racial, ethnic, and geographic disparities, the needs of special populations, and the costs of coverage. As a starting

point, Congress should guarantee all Americans a standard of coverage similar to the standard it guarantees itself and all federal employees. The board should limit the amount of "actuarial equivalence" that is permitted to avoid adverse selection. The board should have the discretion to update the standard based on evidence.

- We need more information about what works in healthcare. More reliable and independent evidence is needed to evaluate the effectiveness of various treatments, procedures, benefits structures, and organizational practices. SEIU supports a strong public investment in comparative effectiveness research that can be used to inform coverage decisions by public and private plans, and help assist patients in making decisions with their doctors about what is right for them. Comparative effectiveness research should be conducted in a transparent and rigorously scientific approach, and should include special populations. Patients, doctors, and other researchers should have access to all of the research financed by federal dollars to promote full confidence.

4. Long-term Services and Supports Must be Covered for Those Who Need Them

Each year, millions of individuals and families face the devastating financial consequences of long-term care needs associated with disability and aging. Medicare and private insurance do not cover these costs on a long-term basis, and individuals and families are driven to impoverishment before they can qualify for Medicaid-covered services and supports. Moreover, most states are ill-equipped to provide the range and volume of long-term care services and supports the rapidly aging baby boomers will require, which could result in unnecessary institutionalization.

Beneficiaries who are dually eligible for Medicaid and Medicare suffer disproportionate levels of chronic illness: almost seven out of eight of them have one or more chronic conditions, and one-third have moderate or severe disabilities that make it difficult for them to care for themselves without outside aid. The problem is largely that our healthcare delivery and financing systems are simply not organized to promote primary care, nor are they designed to encourage providers and health plans to coordinate care in a way that systematically improves quality and lowers costs.

We must address the needs of these individuals and families as we reform healthcare in 2009 if we are to be successful at both controlling costs and making healthcare more affordable.

- Medicare and Medicaid per beneficiary costs are highest for enrollees with serious disabilities and conditions associated with aging that limit activities of daily living and

heighten beneficiaries' risk of acute episodes, such as infections and falls. SEIU supports new approaches to long-term services and supports that promote care coordination, especially coordination across Medicare and Medicaid-funded services, which are essential to providing high quality, cost-efficient care to our sickest and most-vulnerable citizens. Special attention should be paid to the integration of acute and post-acute healthcare services, and long-term care and social support programs, especially during transitions between care settings.

- Over the next two decades, millions of baby boomers will find that, due to declining health, they need long-term care services, including nursing homes. As a result of the substantial costs of paying for long-term care, many of them will end up relying on Medicaid to finance their care after their own financial resources have been exhausted. Despite its impoverishment requirements, Medicaid today is the only reliable long-term care financing available for the bulk of its consumers. SEIU supports the relaxation of eligibility requirements for Medicaid, including asset tests, to ensure that individuals can receive much-needed care, in a variety of settings, without impoverishing themselves.

- Despite significant progress over the last 20 years, the majority of states devote the preponderance of their long-term care resources to fund care in institutions. The aging baby boomer generation will only increase the strain on state Medicaid budgets as more and more individuals require long-term care services. While some individuals will require care in institutions, the majority of long-term care consumers prefer care in their homes and communities. Home and community-based services cost significantly less than institutional care and provide consumers with both choice and control over their care. SEIU supports the expansion of home and community-based choices, especially consumer-directed care, as part of healthcare reform.

<u>We Must Seize this Moment</u>

Each year we fail to address the growing healthcare crisis, we fail Americans such as Sarah Posekany of Cedar Falls, Iowa. In 2009, we have a historic opportunity to give Sarah the chance to live the American Dream by enacting comprehensive healthcare reform. Sarah is a young adult who has been living with Crohn's disease since she was 15 years old. The disease made it difficult for her to begin college, so she lost eligibility and was dropped from her parents' health insurance plan. Sarah's condition caused her to incur hundreds of thousands of dollars in medical bills as she had multiple surgeries, and she was forced to declare bankruptcy. Sarah is working now, but her plan won't cover her ongoing costs related to treating Crohn's disease for an entire year, and her specialist is not in the plan's network. Sarah wants to enroll in community college, but her poor credit rating disqualifies her from student loans.

Pat Delong, Lisa McSwain and Sarah Posekany shouldn't have to wait any longer in America for quality, affordable healthcare coverage.