Statement
of the
U.S. Chamber
of Commerce

ON: **Roundtable Discussion – Health Care Coverage**

TO: **The Senate Finance Committee**

DATE: **May 05, 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 112 American Chambers of Commerce in 99 countries are affiliated with the U.S. Chamber of Commerce, 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.

Statement on
Health Care Coverage
THE SENATE FINANCE COMMITTEE
on behalf of the
U.S. CHAMBER OF COMMERCE (the "Chamber")
by
R. Bruce Josten
Executive Vice President, Government Affairs
U.S. Chamber of Commerce
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The U.S. Chamber of Commerce would like to thank Chairman Baucus, Ranking Member Grassley, and members of the Committee for the opportunity to participate in today's roundtable and to submit this statement for the record. The Chamber supports 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 130 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. Undoubtedly this Committee will develop proposals to get both of these groups into the system.

Covering those who cannot afford coverage will 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. An estimated 11 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 10 (9.7) million of these individuals 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're 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 will be 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.

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. Key to this function will be both the creation of a national insurance connector, and definition of a minimum standard of benefits. All potential coverage solutions for the uninsured will be unsustainable unless Congress enacts meaningful delivery system, payment, financing, and entitlement reform. The federal government may have a role in reinsurance as well to help make coverage expansion sustainable. Further, some proposals to cover the uninsured, like creating a government-run health plan or allowing Washington bureaucrats to dictate the operation of employee benefits, 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 the 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. These plans must not be weakened in the process of health reform.

A national insurance connector should serve as a marketplace where individuals and small businesses can go to obtain coverage that meets the new standards. This connector 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 lack of competition and problems encountered at the state level, the connector must allow for a high amount of plan flexibility, greater risk pooling, and a range of options.

The plans sold in the connector 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.

For some of these individuals and families, the best solution will be to create an expanded floor for Medicaid and other government programs so that they can enroll. For others, it will include offering government subsidies so that they can purchase private insurance, perhaps employer-sponsored insurance. In some cases, it may be appropriate to route this subsidy directly through an employer – subsidies and individual obligations must not encourage opting out of employer plans, and must be conscious of the adverse risks employer pools will face unless these policies are harmonized properly with the existing structure.

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, seasonal employers and businesses that operate on very small profit margins will still be unable to afford to provide benefits. The Massachusetts employer mandate failed to have a meaningful effect on the uninsured, and actually exempted most of the businesses that didn't offer insurance – but it was disruptive to existing plans. In fact, reliance on that employer mandate in part contributed to serious funding problems in the Massachusetts plan.

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 130 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 or maintenance of effort requirement 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." 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 inevitably we would if, as the Lewin Group estimates, 130 million people would shift from the private sector to 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 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 and the private insurance marketplace. If structured properly, a connector 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.