

**Testimony to the U.S. Committee on Energy and Commerce, Subcommittee on Health
By Assemblyman Jay Webber, 26th District, New Jersey General Assembly
Wednesday, June 24, 2009, 2123 Rayburn House Office Building**

Good afternoon Mr. Chairman and Members of the Subcommittee. My name is Jay Webber, and I represent the citizens of New Jersey's 26th Legislative District in the State General Assembly. I thank the Chairman and the Members of the Subcommittee for inviting me to testify about healthcare reform from the perspective of the states.

A newspaper article recently referred to New Jersey economic policies in this decade as "the perfect bad example." That title applies equally to New Jersey healthcare laws — another "perfect bad example."

Why has New Jersey performed so poorly in healthcare insurance compared to other states?

The answer is simple — bad government policies. In fact, New Jersey has been called the "poster child" for how a state government can destroy a health insurance market. New Jersey's laws and regulations have limited our selection of healthcare policies, driven insurers out of the market, skyrocketed premiums, and significantly increased the number of uninsureds in the state.

In 1992, New Jersey embarked upon an effort to reduce the number of uninsureds and improve the quality of insurance coverage in our state by passing several laws. The results of that effort proved to be a toxic mix of mandated coverages and underwriting rules that force insurance sales to any applicant ("guaranteed issue") at the same price, regardless of health, age, or other risk factors ("community rating"). Those policies have disrupted the efficient working of the state's health insurance market and artificially increased the cost of health insurance on all New Jerseyans. Increased costs, in turn, have relegated hundreds of thousands of citizens to the ranks of the uninsured. In short, New Jersey's overregulation of its insurance market has failed. About 2 years ago, even the Commissioner of New Jersey's Department of Banking and Insurance admitted as much before this Subcommittee.

New Jersey's so-called reforms badly damaged our individual health insurance market. Today, New Jersey has the highest rates in the country for individuals buying coverage for themselves. If they can afford it at all, New Jersey families pay exorbitant rates for healthcare coverage — an average annual health insurance premium of \$10,398, or nearly twice the national average. One commentator noted that the typical family policy in New Jersey now costs more, per month, than the lease of a Ferrari. Not surprisingly, 40 percent fewer people buy their health insurance on New Jersey's individual health insurance market than in 1992.

Our small group market has fared no better. According to the New Jersey Association of Health Plans, during the two-year period from January 1, 2007 to January 1, 2009, enrollment decreased in the small group market from 920,000 covered lives to about 850,000 covered lives. The climb of healthcare coverage costs has hit New Jersey small employers (those with fewer than 50 employees) the hardest, with the average cost of providing health insurance doubling in the last six years. In 2007 alone, the average cost of an insurance policy for small companies rose by an average of 9.8 percent, to \$7,251 per employee. And as costs climb relentlessly, growing numbers of small companies are dropping coverage for employees because insurance becomes unaffordable. Even if they maintain coverage, the small companies have reported scaling back hiring plans or limiting pay increases in order to afford that health insurance. For New Jersey's smallest companies (under 20 employees), 75 percent now provide health coverage to their employees, down from 92 percent just four years ago.

The artificially inflated costs of healthcare insurance and their predictable impact on New Jerseyans' economic behavior are reflected in the utter failure of our state to reduce the number of uninsured persons since the early 1990s. Whereas 13.9 percent of our population was uninsured in 1992, today our uninsured population stands at 15.8 percent, which exceeds the national uninsured rate. Last year, a record 1.4 million residents — 1 of 6 people — had no health coverage in New Jersey.

The 1990s laws not only increased costs and the number of uninsureds, but they also decreased consumer choice. In 1992, 28 insurance carriers populated the individual health insurance market. Today, only 7 insurance carriers operate in the individual market, and only 5 of those added new insureds in the last quarter.

Rather than learn our lessons on this issue, state government continues to compound our problems. While there recently was a positive policy change toward modified community rating, other government interference in the health insurance market has done more damage still. New Jersey continues to mandate that insurance policies provide certain mandated coverages for every insured, to the point where now fully 45 separate coverages must be offered in every New Jersey policy. Those coverages include mammograms and cervical cancer coverage for every male New Jersey resident, and prostate cancer coverage for every female. Individuals who do not drink alcohol must buy coverage for alcoholism treatment, and every couple in the state must buy coverage for fertility treatments, even if they have no intention of ever using such therapies. And those are not the only absurdities the system yields. Since 2002, New Jersey has implemented 15 new health insurance mandates, the cost of which have resulted in about 110,000 more uninsured New Jersey residents.

Another recent policy change imposed an 80 percent loss ratio on insurance companies and a requirement that those companies sell insurance on the individual market. Just one call from a constituent shows the result of those misguided statutes. My legislative office received a call from a CPA named Fred who had just received a letter from his small group health insurance provider that indicated the company would be pulling up and leaving New Jersey in one year. The company specifically cited the new requirements (80 percent loss ratio and individual market mandate) as the reasons for discontinuing coverage in New Jersey. Fred has an ill wife with many medical bills, and his insurance provider always pays claims in full with no squabbles. Fred does not want to change providers, but the flight of yet-another health insurance provider because of more bad laws gives him and his wife no choice.

And the beat in New Jersey goes on. Tomorrow, it is expected that the State Legislature will debate a new tax increase on health insurance premiums, with universal agreement that it will increase even more the number of New Jerseyans without health insurance.

Despite the arguments of its proponents, there is no compassion in New Jersey's present regulation of the healthcare market. The state has "compassioned" its people right out of healthcare coverage or into the poorhouse. I agree with The Wall Street Journal's statement about New Jersey's backward and misguided regime: "It is simply immoral that millions should be exposed to the possibility of financial ruin because of the all-or-nothing choice offered by the insurance regulations of states like New York and New Jersey."

One simple solution to this problem is to expand the choices New Jerseyans have in obtaining healthcare coverage. That is what my bill, the New Jersey Healthcare Choice Act (NJHCA), does. Much like the bill authored by Representative John Shadegg of Arizona, my bill would allow New Jerseyans to purchase regulated health insurance policies from other states and empower us to seek out and buy health insurance policies that best fit our needs and budgets. At the same time, the bill maintains New Jersey's core consumer protections to make sure that insurance companies keep the promises they make to our citizens.

New Jerseyans would benefit from this reform immediately. In other states, like Pennsylvania, better regulations have resulted in more affordable policies. For example, Pennsylvania residents can purchase health insurance policies for as little as 40 percent of the cost of comparable policies in New Jersey, primarily because of Pennsylvania's better regulations. Permitting New Jersey's citizens to access those policies, and others from around the country, would open the door to lower prices and policies suiting their needs and budgets.

More importantly, according to a recent study by University of Minnesota economists Stephen Parente and Roger Feldman, simply lowering government-created barriers that stand between New Jerseyans and the policies that fit them best would reduce the number of uninsureds in New Jersey by as much as 50 percent. That amounts to about 700,000 people, a number too large for any serious policymaker to ignore. And the proposal, a mere change in statutory language that provides no subsidies, does not cost a taxpayer dime.

But the case for healthcare choice goes beyond the numbers. Perhaps the best evidence that we need this law has been the dozens of unsolicited, compelling stories I have received from residents across our state. Soon after I introduced the legislation, New Jersey citizens reached out to me to emphasize the impact the bill would have on their lives. I received e-mails and letters from small business people, the self-employed, and single moms. One particularly moving note ended with the following: “For my sake and the sake of all who want to have a choice or at least an affordable alternative to health insurance, I pray for your proposal’s success.”

As Congress discusses healthcare reform, I respectfully suggest that the answer is *not* to nationalize the failed New Jersey experience in healthcare regulation. Individual mandates, guaranteed issue, community rating — those are the failed hallmarks of a failed regulatory regime that has done real damage to a state and its citizens. I encourage Congress to avoid doing to the nation what New Jersey has done to itself.