



Business Roundtable™

**Testimony to
the House Energy and Commerce Committee,
Subcommittee on Health**

John J. Castellani

President

Business Roundtable

Thursday, June 25, 2009

I am John J. Castellani, President of Business Roundtable. Chairman Pallone, Chairman Waxman, Congressman Deal, Congressman Barton: I appreciate your invitation to testify before the committee and I look forward to working with you on health care reform legislation that can win bipartisan support in Congress and broad approval among the American people. Business Roundtable believes health care reform should be addressed now as we work our way through these difficult financial times.

Business Roundtable represents the chief executive officers of leading U.S. companies with \$4.5 trillion in annual revenues and almost 10 million employees. Member companies account for nearly one-third of the total value of U.S. stock markets and pay over 40 percent of all corporate income taxes to the federal government. More to the point of today's hearing, Business Roundtable companies provide health care coverage to nearly 35 million American workers, retirees and their families.

Health care reform is an enormously complex issue that touches millions of Americans – from the 177 million Americans who receive employer-provided health insurance to the 45 million who lack insurance and must be covered. American business is a critical stakeholder in this debate.

Health Care Reform — An Economic Imperative

Simple mathematics dictates that effective health care reform must start with reducing the rate of increase in health care costs. Virtually all (99 percentⁱ) large employers with 200 or more employees offer health benefit coverage. But the cost pressures are tremendous.

Between 1999 and 2008, the cost of health insurance premiums increased by 119 percent – far outstripping the 29 percent rise in inflation.ⁱⁱ According to Hewitt Associates, since 2001 alone, health care costs for large employers – such as Business Roundtable members – have more than doubled and are expected to reach \$8,863 per employee in 2009, with some employers paying more than \$13,000 annually for every employee they cover.ⁱⁱⁱ Across the nation, total spending in 2007 was \$2.3 trillion or \$7,600 for every man, woman and child in America – 16 percent of U.S. gross domestic product (GDP). Unless we take action now to

rein in runaway costs, by 2016 health care spending will consume an estimated \$4.2 trillion or a staggering 20 percent of GDP.

To track the impact of the U.S. health care system on our ability to compete worldwide, Business Roundtable recently released our first annual Health Care Value Index. This Index clearly illustrates the disadvantage American companies carry due to our inefficient and costly health care system. If global economic competition were a 100-meter race, the United States would be giving a 23-meter head start to our major economic competitors (Canada, Japan, Germany, France, the United Kingdom) and a 46-meter head start to the three rising economic powers (Brazil, India, China). This is just one of the many ways in which U.S. business is straining to compete globally under the costs of this system.

Domestically, more than 177 million Americans receive health insurance through their employers; so it seems self-evident that any reform effort must build upon the foundation of employer-provided health care. Finding ways to lower costs and expand health coverage—while balancing the impact of any reforms on those who *have* coverage—is challenging.

Most of the 177 million Americans who have employer-based coverage say they are happy with the coverage they receive. Given the limited resources of a tight economy, we must find ways to enact further health care reforms that do not disrupt the coverage of the employed, or place further strain on an already strained federal budget.

To expand coverage for the uninsured while protecting the Americans covered through their employers Business Roundtable believes broad health care reform must be based on four key principles:

1. Creating greater consumer value and efficiency in the health care marketplace;
2. Providing more affordable health insurance options for all Americans;
3. Placing an obligation on all Americans to have health insurance coverage and encouraging all Americans to participate in prevention and chronic care programs; and
4. Offering assistance to uninsured, low-income families to meet their obligation.

In September of 2008, Business Roundtable released its health care reform plan based on these four principles. Let me briefly discuss each one individually and outline how Business Roundtable CEOs believe they would contribute toward creating the kind of bipartisan health care reform legislation this committee desires.

1. Creating Greater Consumer Value and Efficiency in the Health Care Marketplace.

There are many common sense health care reforms that enjoy strong, bipartisan support and would go a long way toward improving the efficiency of our health care system and delivering more value to health care consumers. These include:

- **Promoting the adoption of a uniform, interoperable health information technology (health IT) network.** Every Business Roundtable member has utilized information technology to become more efficient, more productive and more responsive to customers. Replacing the antiquated, pen-and-paper records still widely used in the health care sector with a modern, 21st Century health IT system would save an estimated \$81 billion annually and cut down substantially on the 100,000 U.S. deaths every year attributable to preventable medical errors. Congress can enable a national health IT network by creating the standards and incentives necessary to ensure its widespread adoption. Great progress has been made with the passage of the stimulus bill.
- **Ensuring the dissemination of consumer information on the cost and quality of health care, including information that allows consumers to compare the effectiveness of health care services.** Americans today enjoy unprecedented access through the click of a mouse to a wealth of sophisticated information, from which car to buy to how to plan for retirement to which auto insurance plan will save them the most. Yet they remain in the dark when it comes to comparing the effectiveness of doctors, hospitals and medical treatments. This must change.

- **Rationalizing the payment system for both public and private consumers,** including Medicare, to reward the value of services delivered, not simply the volume of care provided.

Empowering consumers with better information that highlights the best providers and treatments through health IT; creating incentives that encourage healthier behavior; and revising the payment structure to reward value of care over volume: these are the essential building blocks of a modern, 21st Century American health care system. Harvard University economics professor David Cutler recently estimated that these and other steps to modernize our health care system would save \$9 trillion over the next 25 years – more than enough to cover the cost of providing coverage to the uninsured.^{iv}

2. Providing More Affordable Health Insurance Options for All Americans

Out of the 177 million Americans who receive coverage through their employers, 132 million are insured by private companies. Almost all U.S. private employers offer health plans that are governed by the federal Employee Retirement Income Security Act, or ERISA. This law establishes fiduciary requirements, administrative requirements, and procedures to resolve problems in the plans. Tampering with ERISA could well endanger coverage for the 132 million Americans who receive health benefits from private employers. Indeed, it could cause the end of employer-provided care as we know it today.

It makes absolutely no sense to begin health care reform by threatening to disrupt coverage for 132 million Americans. Instead, we encourage the committee to preserve ERISA – the bedrock of employer-provided coverage. The federal ERISA statute gives employers the flexibility to design and finance plans that meet their employees' needs — a system that has proven successful in making coverage widely available to workers.

Americans who do not have access to employer-sponsored coverage must rely on the health insurance marketplace for their coverage. The structure of the market itself is state-by-

state. This marketplace has become inflexible, highly segmented, overly prescriptive, and is afflicted with dueling mandates, rules and regulations.

Business Roundtable believes there should be national rules governing the insurance marketplace that could be enforced by the states. Certain state rules, such as state solvency requirements and consumer protections, would continue to apply. This would allow for greater consistency in applying other rules, such as rate setting, guaranteed issue requirements, and risk adjustments and reinsurance issues would need to be explored.

3. Placing an Obligation on All Americans to Have Health Insurance Coverage

When it comes to health care reform, ERISA isn't broken and does not need fixing. What is broken is a system that allows 45 million Americans to fall through the cracks, with no insurance coverage. Any attempt to provide health benefits to these 45 million people must start with an understanding of exactly who they are and why they lack coverage. Of the 45 million Americans who have no health coverage:

- 4.7 million are college students;
- Slightly fewer than 10 million are non-citizens;
- About 11 million are currently eligible for public programs, such as Medicaid and SCHIP, but they have not enrolled; and
- More than 9 million have household incomes over \$75,000, but do not purchase or elect employer-sponsored coverage.

Clearly a "one-size-fits-all" solution will not address the problems of a 45 million-person group that is hardly monolithic. For many of these Americans, obtaining coverage isn't so much financial, as it is structural. To reduce the ranks of the uninsured, we need a competitive system that provides Americans with affordable options that are suitable for their families. As part of that compact, Business Roundtable believes that all Americans have

an obligation to obtain insurance coverage — through auto-enrollment or some other mechanism.

Many large employers already auto-enroll their employees into employer-sponsored health insurance coverage. This concept could be expanded to ensure broader coverage for the millions of American who, for one reason or another, are electing *not* to be insured. Many health care reform proponents have proposed creating a penalty for those who can afford insurance but do not elect coverage. Business Roundtable is open to this idea and to other suggestions aimed at achieving broader coverage.

As I discussed earlier, Business Roundtable also supports encouraging all Americans to participate in employer- and community-based prevention and chronic care programs. More needs to be done to educate and encourage participation.

4. Offering Health Coverage and Assistance to Low-Income, Uninsured Individuals and Families

For some low-income uninsured families, health care coverage is unaffordable. We believe that the government should provide financial assistance so that low-income individuals and families can purchase coverage from the private market. These targeted subsidies would be funded from the cost efficiencies gained by improving the healthcare marketplace. We want this assistance to be used either in the newly established health insurance marketplace or by paying the individual's portion of the premium if they are eligible for employer-sponsored health insurance coverage.

Positive Aspects of the Tri-Committee Bill

Some aspects of the draft Tri-Committee bill create an important foundation for health care reform. First, it recognizes that we need insurance market reforms to enable more affordable coverage options. It supports greater efforts to get Americans enrolled in programs for which they are eligible. For example, the bill would auto-enroll individuals into CHIP or

Medicaid if they are eligible. It would also offer coverage to low-income Americans who cannot afford coverage. Finally, the Tri-Committee approach places an obligation on all eligible Americans to have health insurance coverage. Such coverage, of course, must be affordable.

In addition, it is necessary to enact many of the bill's changes to the Medicare program and other efforts to make our health care more efficient. Business Roundtable supports changes that will improve the health care system. Medicare payments need to be adjusted. We will be providing the Committees with comments on these and other issues.

Health Care Reform Cautions

While there are many positive aspects of the Tri-Committee health care reform proposal, we have significant concerns with two major issues in the draft legislation and hope that you will consider some revisions.

First, preservation of ERISA is critical if reforms are to be built on the employer-based system. The Tri-Committee health care reform proposal would erode the flexibility in ERISA by requiring all health insurance coverage to ultimately meet similar requirements with which insurers must comply. It would also impose minimum benefit packages on our employees. Large employers have already designed innovative plans – including wellness and prevention initiatives– that have been tremendously successful at helping employees take greater control over their health. This approach has real potential to reduce national health care costs. And yet such programs – critical to the success of health care reform – would be jeopardized by new federally mandated benefit laws.

Second, we are very concerned about “public plan” proposals that would undermine the private marketplace. Government will never have the same cost structure as a private company, so there can never be a level playing field. There is a danger that many employees will abandon employer-provided plans, leaving our risk pools unsustainable and threatening coverage for all our employees that are happy with their current plan. Moreover, we are concerned that inadequate government payments to providers will shift additional costs to our employees. Finally, "public plans" have less incentive to innovate and capture more efficient

ways to deliver care. Instead, we urge the Committee to create even stronger rules to make the private insurance market more competitive and affordable, and we pledge to support that effort.

Conclusion

Business Roundtable understands that effective legislation will require individuals, employers, providers, insurers, and the government to work together to find the right balance to preserve what is working with our current health care system – such as employer-provided coverage enabled by ERISA – while fixing what is wrong – such as ensuring all Americans have access to affordable, quality coverage and reining in soaring health care costs.

Given the scope, complexity and cost of health care reform, bipartisan support is necessary for any legislation that will win the lasting endorsement of the American people and endure past the current political season. Health care reform is simply too important to pass on a narrow, partisan basis. Business Roundtable believes that the search for bipartisan consensus can begin by honoring the principles we have outlined and by crafting reform that is consistent with the uniquely American principles that drive our economy: competition, innovation, choice and a marketplace that serves everybody.

On behalf of Business Roundtable Members, I pledge to work with you, and all Members of this Committee, to find realistic solutions to this national problem. Thank you again for the opportunity to testify today.

ⁱ Kaiser Family Foundation from Kenneth L. Sperling, Hewitt Associates, testimony before Senate Finance Committee, 5/5/09.

ⁱⁱ Henry J. Kaiser Family Foundation, *Health Care Costs: A Primer*, 2009.

ⁱⁱⁱ Kenneth L. Sperling, Hewitt Associates, testimony before Senate Finance Committee, 5/5/09.

^{iv} David M. Cutler, Center for American Progress, *Health System Modernization Will Reduce The Deficit*.