



Setting THE record straight

April 15, 2008

Skyrocketing costs, funding concerns at center of health-care debate

The business community understands, as do lawmakers from both sides of the aisle and individual citizens – that Pennsylvania must address its health-care concerns. But covering the uninsured -- some of whom it should be pointed out, make a conscious decision not to purchase insurance – is only one of the many problems plaguing the Commonwealth's health-care system. As such, effective solutions involve more than simply expanding state-subsidized coverage. This is where the latest example – the House-passed *Access to Basic Care (ABC)* proposal – misses the mark.

"It's easy to create a government program. It's quite another matter to provide the dollars to support an entirely new effort that could top \$1 billion in costs in a few years. This is a legislative initiative that's all about show, not actually delivering a program with any prospect of passage and of helping people."

■ *Editorial, The Herald Standard*

As with Gov. Ed Rendell's original plan, ABC's potential cost and reliance on potentially unreliable funding sources put in danger its long-term fiscal soundness. Backers of this latest plan are likely underestimating the cost of the program, which would offer two of the most costly coverage mandates – behavioral health services and prescriptions drugs – and be better than most private insurance plans. This level of benefits alone would exacerbate "crowd out" concerns (employers dropping coverage and encouraging employees to sign up for the state insurance program). While supporters say this coverage can be offered for \$311, industry experts believe the cost would be substantially higher.

"This program, fully implemented as it's proposed, is going to require a huge increase in revenues to properly run it and execute it in a fashion that would meet the expectations that are being set forth."

■ *House Minority Leader Sam Smith, R-Jefferson*

The long-term fiscal stability of ABC is also in question because it relies in part on unsustainable revenue sources – new/increased taxes on smokeless tobacco and cigarettes at a time when lawmakers are considering a statewide smoking ban and hoping to reduce tobacco usage – and because the bill language itself is vague about potential future funding sources. If currently identified revenue streams are unable to pay for the program as is anticipated, individual and business taxpayers will be forced to shoulder a significant financial burden down the road.

"If policymakers fail to adequately address the cost drivers of health care...more and more businesses will struggle to provide health care to employees, and lawmakers will be forced back to the drawing board."

■ *Gene Barr, PA Chamber vice president of government and public affairs*

Adding to this concern is that ABC would do nothing to reduce the drivers of health-care costs. The Commonwealth took a positive step last year with enactment of the governor's proposal to reduce medical errors. But that is only the tip of the iceberg, and the fact remains that Pennsylvania cannot resolve its health insurance problem without effectively addressing the drivers of health-care costs. The lack of focus by some in state government on the impact to health-care costs of mandated benefits and lawsuit abuse is frustrating to the business community and others seeking effective health-care reform.

The PA Chamber will continue to advocate for those reforms that its members believe will have the greatest impact on stabilizing health-care costs and health insurance costs. These include the offering of a benefits plan that is free of mandates; meaningful legal reform that addresses the costs imposed on consumers by the practice of defensive medicine; and plans that allow consumers to have greater control over their health-care expenditures.

Contact: Lesley Smith, director of communications, 717 720-5446.

The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its membership representing nearly 50 percent of the private workforce. More information is available on the Chamber's website at www.pachamber.org



Setting THE record straight

March 8, 2007

Business speaks out about health-care reform

"No matter what the plan, if costs continue to rise at the rate they are, NO ONE will be able to afford it, personally or for their employees."

"I would love to offer and be able to pay for all my staff to have health insurance; I just don't have the budget."

"The state should be focused on trying to bring the cost of health care down in Pennsylvania, not on trying to figure out ways to extract more money from businesses in the form of tax."

"A lot of smaller companies can not afford to give their employees health insurance. ...Instead of charging more taxes, maybe work on controlling other costs that are unnecessary."

"It seems the burden of health insurance has fallen on the employer... I believe we need to improve health care in the state. However, it is everyone's responsibility."

The Pennsylvania Chamber of Business and Industry recently gave its members an opportunity to weigh in on the governor's health-care reform proposal. Now it encourages the Rendell administration and state lawmakers to consider the business community's input in the collective effort to increase access to health-care coverage, improve the quality of medical care and better control the cost of services. Some points to ponder:

1. Controlling health-care costs

Reducing medical errors/hospital infections will go a long way toward improving the quality of care, as well as lowering the cost of care. But greater focus should be placed on the other drivers of health-care costs, including lawsuit abuse and mandated benefits. PA's disjointed legal system creates an unpredictable liability climate that forces doctors to order unnecessary tests in the practice of defensive medicine. A good start toward improving the system would be for Gov. Rendell to do what candidate Rendell promised to do. That is, enact joint and several liability reforms. Placing reasonable caps on non-economic damages would be another positive step. Regarding health-care mandates, coverage requirements – PA has 31 of them – should be limited to those in which the benefit outweighs the cost since collectively, mandates can add anywhere from 20 percent to 50 percent to the cost of health care.

2. Paying for the program

Government insurance subsidies for low-income individuals and families should come from general tax revenues rather than from businesses in the form of a payroll tax. A payroll tax simply raises the cost of each employee to the employer and gives it added incentive to reduce its workforce or otherwise compensate to the detriment of workers. There is no guarantee this tax would remain at the rate proposed by the governor, especially if the drivers of health-care costs are not adequately addressed.

3. What about declining revenue sources?

The plan relies heavily on built-in revenue assumptions that may or may not materialize. Proposed cost reductions should be implemented and proven effective before a new government insurance entitlement program is adopted, as their effectiveness is critical to the new program's financial viability and success.

4. No more surprises!

The proposed 3 percent health-care payroll tax would not stay at 3 percent during the five-year phase-in period as pitched by the administration, but rather would increase to 3.5 percent in years four and five. This cat was let out of the bag during the Labor and Industry Department's budget hearing last week. While the administration has met with the PA Chamber and other impacted parties several times to discuss concerns and recommendations, not once was it ever mentioned that the payroll tax would increase in the out years of the plan. For an issue this important, surprises aren't conducive to a constructive debate.

Contact: Lesley Smith, director of communications, 717 720-5446.

The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its membership representing nearly 50 percent of the private workforce. More information is available on the Chamber's website at www.pachamber.org



PRESS RELEASE

FOR IMMEDIATE RELEASE
Tuesday, March 18, 2008

For more information, contact
Lesley Smith, director of
communications, 717 720-5446

Fiscal stability questioned under latest health-care plan

HARRISBURG, PA – The **Pennsylvania Chamber of Business and Industry** today said that while it is still reviewing details of a health-care plan passed this week by the state House of Representatives, real questions exist about the long-term fiscal stability of the proposed program.

PA Chamber Vice President Gene Barr said the business community is still digesting the plan unveiled this week by House Democrats, which would expand AdultBasic by providing coverage to uninsured Pennsylvanians earning up to 200 percent of the federal poverty level. However, like the governor's health-care plan before it, the latest proposal doesn't focus enough attention on controlling health-care costs, and underestimates the cost of the program, which would be better than most private insurance plans. Barr said that fact alone would exacerbate "crowd out" concerns of employers dropping coverage and encouraging employees to sign up for the state insurance program.

"We believe there are genuine concerns about the future fiscal viability of this latest health-care plan, which relies on unsustainable revenue sources and would guarantee coverage for two of the most costly coverage mandates – behavioral health services and prescription drugs," Barr said.

The PA Chamber also expressed disappointment that lawmakers rejected an amendment that would have enabled small employers to offer a basic benefits package to employees, but welcomed the plan's rejection of the ill-advised health-care payroll tax strongly opposed by the business community.

The chamber also cautioned lawmakers that Pennsylvania cannot effectively address its health insurance concerns without also taking significant steps to reduce health-care costs.

"If policymakers fail to adequately address the cost drivers of health care, it makes little difference what health insurance plan is ultimately passed," Barr said. "Down the road, more and more businesses will struggle to provide health care to employees and lawmakers will be forced back to the drawing board to find new ways to pay for providing coverage for the uninsured."

The PA Chamber continues to support solutions that will enable greater competition among private health-care providers; focus on consumer-driven health care; and control the cost-drivers of health care, including mandated benefits and lawsuit abuse.

###

The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, serving more than 24,000 members and customers statewide. More information is available on the PA Chamber's website at www.pachamber.org.



Setting THE record straight

Oct. 10, 2007

Payroll tax would not solve uninsured problem

According to the PA Chamber's 17th annual Economic Survey, 80 percent of respondents said health-care costs are a major deterrent to business growth and job creation. That's not surprising considering that of the 73 percent of businesses that said they offer health-care benefits to employees, 71 percent experienced an increase in premiums over the last year, most by double digits and some by greater than 25 percent.

The Rendell administration and the General Assembly are right to focus attention on solving the Commonwealth's health-care crisis – no debate there. Where the debate lies is in how to accomplish this goal without making things worse for all parties that have a vested interest in an effective solution. To this end, certain aspects of the governor's *Prescription for Pennsylvania* health-care plan remain problematic.

Payroll tax would hurt small business

The proposed payroll tax would be assessed on all employers. Those that currently provide health care would be forced to meet as of yet unknown requirements in order to determine whether they would be credited for providing that health care. In particular, the tax would be disastrous for small businesses that already are unable to afford health insurance coverage for their employees. For these businesses, the proposed 3 percent tax would amount to a doubling of their Personal Income Tax rate.

As state health-care spending rises, nothing guarantees the tax would remain at 3 percent. In fact, it's already projected to increase to 3.5 percent in the out years of the plan. This is particularly worrisome because the plan relies heavily on built-in revenue assumptions and declining revenue sources, and appears to underestimate the cost of providing benefits to enrollees in a state program. The administration's plan includes two of the most costly mandates – prescription drugs and behavioral health services. It's questionable at best whether the state can provide such a comprehensive benefits package for \$280 a month.

Payroll tax could exacerbate the number of uninsured Pennsylvanians

If the administration's goal is to reduce the number of uninsured Pennsylvanians, a health-care payroll tax could prove to have the opposite effect. Only a proposed six-month go-bare period would prevent employers from dropping their health-care plan and enrolling in the state program. Many employers struggling with rising health-care costs could in fact opt to pay the 3 percent payroll tax because it would be more cost-effective to do so. This would result in an unanticipated influx of individuals into the state program at a time when there already is a waiting list for the existing Adultbasic program.

A payroll tax also would not guarantee that more Pennsylvanians will have health-care coverage for another reason: the administration's plan does not require people to obtain coverage. A small employer could be forced to pay the 3 percent tax while its employees could not opt for coverage because they don't want to pay the required copayments and deductibles. Young people with a feeling of invincibility could take their chances – knowing emergency room care is always available if they get hurt – and opt to spend their money on what they perceive to be better options.

In order to create a more cost-effective system that ensures access to quality and affordable health care, lawmakers should consider options that would enable greater competition among private health-care providers; focus on consumer-driven health care; and control the cost-drivers of health care, including mandates and lawsuit abuse. Lawmakers *must* look beyond a reform plan that hurts job creators, leaves cost issues largely unresolved and hinders accessibility.

Contact: Lesley Smith, director of communications, 717 720-5446.