

Written Statement for the Record by
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For the U.S. House of Representatives
Education and Labor Committee

Hearing on the Tri-Committee Proposal for Health Care Reform

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Mr. Chairman, Members of the Committee:

Thank you for inviting Families USA to participate in today's hearing on health care reform. Families USA is a non-profit organization that advocates on behalf of consumers in health care policy debates. Our analysis of the House bill, grounded in our consumer perspective, finds that the House bill will provide significant help to *both* uninsured and *insured* Americans. We applaud the three House Committees that worked cooperatively to draft this pro-consumer proposal. It will end discrimination and unfair practices by insurance companies, make quality health insurance coverage truly affordable for hard-working families, give Americans the choice to keep the coverage they have now or choose from new options, and make sure that everyone of us has health insurance coverage we can count on to protect our families.

The Urgent Need for Coverage Stability

For consumers who can't buy coverage now, the House bill is significant help on the way. For consumers who struggle to pay more and more for premiums and get less and less coverage each year, the House bill shows that significant help is on the way.

And none too soon. For the American people, fundamentally reforming our nation's health care system is of utmost urgency. One out of three Americans under the age of 65, 86.7 million people, went without health insurance for some period of time during 2007 and 2008. Of these

uninsured, four out of five were from working families. The crisis of the uninsured is not about a small segment of our population; it is about our friends, our neighbors and our family members.

There are millions of people like Christine and her husband from North Carolina. Christine works two part-time jobs—a total of 60 hours per week. Her husband is a carpenter. While he used to make good money, he hasn't been getting any business because of the economic downturn. That's why Christine had to take a second job, and why they had to cancel their medically underwritten, non-group private insurance coverage. The premiums rose to \$600 a month for the two of them, and they just couldn't afford to pay. And Christine says it wasn't even good coverage. She describes it as a discount plan for the self-employed. "Do we pay the light bill this month, or do we keep our insurance?" asks Christine. These were the kinds of choices Christine's family had to make. And, of course, neither of her part-time jobs offers health insurance. "Everything is scary when you're uninsured," she says. "I had a breast cancer scare about a year ago." Breast cancer runs in her family, so of course they paid out of pocket to get her a mammogram. Fortunately, it turned out she didn't have cancer. They also pay out of pocket to manage her husband's diabetes. Christine reports that even those costs can really add up and squeeze their family budget. Just recently Christine told us that she paid \$220 to get treatment for bronchitis and strep throat. She let it go for a week, trying to get over-the-counter remedies, hoping that it was just allergies.

When you factor in the effects of the recession—job losses and the accompanying loss of job-based coverage, the tightening of family budgets, and pressure on the bottom lines of American businesses—you can expect the number of uninsured Americans to rise to record levels if nothing is done. We can't afford to do nothing. If left as is, the rising costs of health care will be unsustainable for individuals, businesses, and our overall economy. Take, for example, John in South Carolina who lost his IT job last November. He couldn't afford to pay the full premiums to keep the insurance he had through his job. The family tried to keep coverage through the medically underwritten, non-group private market, but it didn't cover any of his children's allergies, psoriasis, or other pre-existing conditions. As John put it, maintaining even this private market coverage "completely cleaned them out."

American families want peace of mind – knowing that if they lose their job or move to a new job they will still have health insurance coverage. Mr. Chairman, the House bill will provide that peace of mind to American families—providing affordable, quality health coverage through the good times *and* the tough times.

Even before the recession, many small businesses were already struggling to be able to help their workers pay for insurance coverage. A couple examples from Maryland are small business owners Eileen and Mark. Eileen has owned a small communications and design firm for 30 years. She recently had to reduce the amount she contributes to premiums for her employees again—this time from 65 percent to 60 percent. She'd like to provide more help to her workers but her premiums in the small group market keep going up higher and higher as her employees grow older and some have health problems. Mark owns a moving and storage company that his father started in 1956. He wants to keep providing family coverage for his workers but says he is giving into the pressure of rising premiums and may only offer individual coverage soon. He doesn't know how long he will be able to afford to offer any coverage for his workers.

Small business owners across our nation need help so that they can afford to provide health insurance to their workers. Businessmen understand that if their workers are covered by insurance and have access to health care, they will be more productive on the job and less turn-over from illness can be prevented. Thank you, Mr. Chairman, for including in the Housel bill concrete help to small businesses by stabilizing premium increases and providing small business owners subsidies to help with the cost of coverage.

The Urgent Need for Cost Stability

At the same time that the number of Americans going without insurance is rising, people who have insurance are struggling to be able to keep what they have and pay for their share of rising premiums. We have a crisis of affordability. Premiums for both job-based and individually purchased health insurance have risen rapidly over the last few decades: From 2000 to 2008, the average worker's share of average annual family premiums rose from \$1,656 to \$3,354, an increase of nearly 103 percent. Although families are paying more and more for coverage, they

are getting less and less: On average, deductibles and copayments are increasing, there are more limits on covered services, and other limits are being placed on benefits in an effort to hold down the cost of coverage. *Insured* families across our nation are at clear risk of going into debt and bankruptcy because of costly medical bills.

The House bill will deliver very concrete relief to people with insurance in a number of ways. First, individuals, families, and businesses will have a new and transparent place to go to compare plans and premiums in a standard format—the Exchange. The Exchange will offer four standard levels of insurance benefits packages; all levels will cover core benefits and include cost-sharing protections. Consumers and businesses will understand what they are buying. The coverage won't leave people with more holes than coverage or a denial slip and an unpaid medical bill when they get sick and file a claim. Second, the insurance companies offering plans in the Exchange will be required to abide by reasonable regulations that help hold down premium growth. For example, the Exchange will restrict how high an insurance company can set premiums for a given plan, and if premiums are too high in relation to the cost of health care services paid for by an insurer, refunds will be provided to consumers. Third, the Exchange will offer a public plan option that will compete with private insurers to make sure the purchasers of insurance (individuals and businesses) are able to secure the most value for their premium dollars.

Coverage Stability = Cost Stability

The House bill—by providing access to quality, affordable health coverage to millions of Americans—will save countless lives. And the American people understand the moral imperative of the issue. Less obvious, however, is the fact that covering the uninsured will help contain rising health care costs for people *with* health coverage today and improve the quality and efficiency of our health care system—both primary goals for national health reform. These two problems—uninsurance and high premiums—are interrelated. In fact, the presence of uninsured people in our nation's health care system *adds* to the cost of the health insurance premiums that American consumers and businesses must pay for coverage. **If we reduce the number of uninsured, we reduce the cost of health insurance.** This is true for several reasons.

First, the cost of care for people who don't have insurance doesn't just disappear. We all pay—in the form of higher medical bills and higher insurance premiums—for the care provided to the uninsured. When people who don't have insurance get sick, many delay or forgo care. And when they can no longer ignore serious symptoms, they see doctors and go to hospitals. They struggle to pay as much as they can of their medical bills (nationally, more than one-third of the cost of care for the uninsured is paid by the uninsured themselves, out of their own pockets). Much of the remaining cost is financed by doctors and hospitals charging higher rates for services provided to people with insurance. Insurance companies pass these increased costs on to purchasers of insurance through higher premiums. In 2008, on average, \$1017 of the cost of family health insurance coverage was attributed to the cost of caring for the uninsured—an amount that can be characterized as a “hidden health tax” that all of us with insurance now pay.

Second, if everyone is in the health care system, we can slow down the growth of health care spending. If everyone has quality, affordable health care—including preventive services, as well as early diagnosis and treatment of conditions—we can *manage chronic disease* rather than *manage the crises* that result from delayed care. When everyone has coverage, health conditions can be treated early, before they become expensive problems that drive up total health care spending. If we can slow the growth of health care spending as a share of our GDP, we'll be better able to invest in education, our national infrastructure, and other national priorities.

Third, when everyone has quality, affordable coverage, cost-saving public health goals are achievable. Doctors play a key role in motivating patients to reduce obesity, control high blood pressure, lower cholesterol, and reduce other risk factors. Efforts to improve our nation's overall health through public health initiatives cannot be successful if millions of people are left behind because they don't have insurance.

Fourth, public health threats and epidemics cannot be monitored and addressed when so many people in our nation are uninsured. In order to address health threats such as flu viruses, Lyme disease, West Nile virus, and tuberculosis, we need to be able to develop a complete picture of disease prevalence and patterns of transmission. When we leave millions of people outside the

health care system, we hinder our efforts to identify patterns and deal with these threats early and effectively.

Mr. Chairman, the House bill—by providing affordable, quality health insurance to all—is a win-win for every American in this country. Health care reform is not “just” about the one out of three Americans who went without health insurance coverage during the last two years, it is also about making our health insurance more affordable and our health care system work better for every one of us who has insurance today.

Health Care Reform that Builds on the Foundation of Our Current, Uniquely American System

Now some fear mongers are telling consumers that they will lose the choice to keep the coverage they have now through their job. This is odd to me. For anyone who has been following the debate and reads the draft of the House bill must know they are misleading American consumers. No one will be forced to leave the coverage they have now or change doctors. Yes, they might *choose* to leave it—because there will be new options that may work better and be more affordable for some families. That’s how a robust marketplace works—it offers a range of choices and provides good information about those choices to consumers.

Families USA applauds the approach of the House bill. It builds on the system we have today. I think of it this way. We are doing some “re-modeling”—making improvements and additions. The House bill takes the current system and keeps what works and fixes some of the leaks and problems—so that insurance is more affordable, covers what you need when you need it, and doesn’t take away choices but actually provides more choices.

Health Care Reform: Real Help to Consumers

From the American consumer’s perspective, there are numerous important features in the House bill that will improve the current health insurance system for consumers. The following are some of the important attributes of the legislation.

1) The House bill will stop insurance company discrimination

- The House Bill will stop insurance companies from denying coverage to people because they have a pre-existing condition or are in less-than-perfect health.
- The House bill will stop insurance companies from excluding from coverage pre-existing conditions. Insurance companies will have to cover what you need – not write loopholes into policies that leave consumers with unpaid medical bills.
- The House Bill will stop insurance companies from dropping your coverage or raising your rates because you filed a claim for payment of a medical bill.
- The House Bill will stop insurance companies from putting confusing clauses and fine print into policies so not even a health policy professor can tell what is covered and what is not.
- The House bill will stop insurance companies from denying payment of medical bills because you didn't dot an "i" or cross a "t" on your insurance application form or because you didn't know – even though your doctor didn't either – that you had a health care problem.

2) The House bill will make health insurance coverage more affordable for all Americans.

- The House bill provides robust premium subsidies to help individuals and families for the purchase of insurance coverage. Subsidies will be available to hard-working American families with incomes up to \$88,200 for a family of four. Subsidies will be provided on a sliding scale so people needing the most help get it.
- The House bill caps how much consumers have to spend out-of-pocket on deductibles, copayments and other costs so that people with insurance are protected from high medical expenses and bankruptcy when they or their family members get sick.
- The House bill provides health care safety net coverage through the Medicaid program to people with disabilities and people at the very lowest income levels – people who often have special health care needs and no current coverage options available. Virtually all major health care stakeholders—including the American Medical Association, the American College of Physicians, the Federation of American Hospitals, the U.S. Chamber of Commerce, the National

Federation of Independent Businesses, the Business Roundtable, the AARP, the Pharmaceutical Researchers and Manufacturers of America, and America's Health Insurance Plans, to name only a few—are on record expressing support for serving the lowest income populations through Medicaid. These diverse groups recognize that the Medicaid program provides unique services and protections for our most vulnerable Americans.

3) The House bill gives consumers more choices of health insurance plans and options.

- The House bill creates an insurance exchange—a new marketplace of insurance plans that will be easy for consumers to use and will provide accurate, understandable information about benefits and consumer rights.

- The House bill's new exchange or marketplace will have reasonable rules about how insurance companies operate—how they must treat their customers and when they must promptly pay medical bills. There will be help available to consumers when they have a problem with their insurance company—they won't have to fight the company on their own and all alone.

- The House bill's new exchange will give consumers the choice to purchase a public health insurance plan. This plan won't have special rules or money to give it an advantage over private insurance; it will provide new competition to private insurance plans on value for the dollar and service. We believe that such a public plan option will drive value through reduced administrative costs, and will provide a stable, portable option for consumers.

- Not a single consumer across the nation will be forced out of their current employer-based coverage. In fact, the House bill makes sure that more employers offer coverage to their workers. Many uninsured today work for small businesses that want to provide coverage but can't afford to do so. The House Bill provides a new small business tax credit for some small businesses with 25 or fewer employees to help with the cost of coverage.

4) The House bill provides for health insurance coverage consumer can count on.

- The House bill will stop insurance companies from offering benefit packages that are more holes than coverage. Plans will cover essential medical services without odd limits on how much is covered or for how long a time. Plans will cover preventive services like check-ups, screenings, and lab tests without any copayments. And insurance companies won't be able to design plans that work for the young and healthy and leave the rest of us behind.

- The House bill will provide a range of insurance options that can be easily compared. Consumers will know what a plan covers, what they may have to pay out of their own pockets, and won't have any surprise bills. Sick consumers will be able to focus on their getting better rather than dealing with a possible medical bankruptcy.

There is clearly a long list of “pluses” for consumers in health care reform. What will be expected from consumers in return? The House Bill asks that each and every American be responsible for having health insurance—but only after the new fair insurance rules and marketplaces are in place and premium subsidies are available. Even then, the responsibility to purchase insurance will be waived for individuals and families who would face a special financial hardship to do so. No legislation can see into the future to understand the kinds of special family situations that might arise, so there is room to protect families with special financial struggles.

In conclusion, for American consumers who believe the current health insurance system works well for them—the House bill protects you. For American consumers who believe that the current health insurance system is like that house in the real estate ads coined a “handy-man’s special”—that is, it needs some leaks fixed, perhaps an addition, a little re-modeling, but it holds great promise—the U.S. House of Representatives provides a toolbox to get the improvements done.