MANAGED COMPETITION UNDER HSA

- HSA would slow the growth rate of health costs through market, management, and administrative reforms aimed at enhancing competition.

- Let me explain how the reformed system would work:

  - For the first year the National Health Board (NHB) would calculate premium targets for each alliance. Such targets would reflect the cost for services in the benefits package and be based on health costs in the alliance area. Each year the NHB would update the targets using a health care inflation factor.

  - In a given year, plans submit premium bids to alliances. If the weighted average premium for all of an alliance's plans exceeds that year's target, as calculated by the NHB, the over-target plans may resubmit lower bids. If the alliance's average still exceeds the target, payments to plans over the target would be reduced according to a formula set in the HSA. These plans would have to make comparable reductions in their providers' payments.

MANAGED COMPETITION UNDER HSA (CONTINUED):

- o The increase in the cap from year to year is based on the Consumer Price Index plus changes in an alliance's population. An additional cushion of 1.5 percentage points would be allowed in 1996, dropping to 1.0 in 1997, 0.5 in 1998 and no cushion in 1999 and 2000. NHB would recommend to Congress a method to determine future premium caps. If Congress does not act, HSA provides default future caps based upon increases in GDP and population.

o Some people have equated this process with price controls.

o But I must stress that there is an important distinction between price controls and HSA premium caps. Price controls involve government regulation of the prices of products in the economy. Such controls are difficult to implement and regulate, requiring considerable government resources and bureaucracies that interfere with private sector decision making and limit efforts to improve efficiency.

MANAGED COMPETITION UNDER HSA (CONTINUED):

- In contrast, premium caps do not involve micro regulation. They are, in essence, budgetary limitations within which private health plans must operate similar to budgets under which many private and public entities operate today. Within these overall budgets, the health plan has the freedom to manage its operations to provide quality care and control costs in a variety of ways, including through more efficient administration, more reasonable provider reimbursement, and more flexibility to determine the best allocation of resources.

- An illustration of price controls is the Medicare fee schedule, which sets specific payment levels for each service. In contrast, a budget concept is more akin to a capitated payment level which allows more flexibility in payment for individual services as long as the total payments stay within an overall budget.

PREVENTING AN UNDESERVED WINDFALL: IMPORTANCE OF SETTING THE INITIAL PREMIUM

- The savings from moderating health costs should accrue to the federal government, businesses and families, not to the health industry as an undeserved windfall.

- Critical to this effort is establishing a mechanism under which the health industry does not get paid twice for uncompensated care -- that is, for the care of the currently uninsured.

- Universal coverage will bring the currently uninsured into the health system and fully compensate the health care industry for their care.

- This is different from the current system in which the uncompensated care of the uninsured is passed on to people with private insurance in the form of higher premiums. Today, uninsured people pay only 21 percent of their health costs. The remaining burden is passed on to people with private insurance, whose premiums are significantly higher than they would be were it not for the cost shifting due to uncompensated care.

PREVENTING AN UNDESERVED WINDFALL (CONTINUED):

- o Under health care reform, all Americans will have health insurance and the health care industry will be directly compensated for all individuals. **Thus, private insurance premiums will no longer need to be inflated to cover the shortfall from the uninsured.**

- o If premiums continue to be inflated, the health industry would be paid twice for the currently uninsured, conferring a huge windfall on the health care industry.

- o Premium levels must reflect the new reality that insurers will be directly compensated for the care of all the currently uninsured and the uncompensated care surcharge built into the current premium will be taken out. If not, businesses and families will be out billions of dollars in higher premium payments. That would be a huge and undeserved windfall to insurers and providers.

PREVENTING AN UNDESERVED WINDFALL (CONTINUED):

- o The HSA provides full compensation to insurers for the currently uninsured, while maintaining the current treatment of costs for Medicaid. Therefore, there are no losses for the health industry when the premium for the first year is set at the HSA level. And in fact, CBO corroborated that HSA's initial premium level would allow providers to receive the same payments, on average, that they do today.

- o The bottom line is that providers and insurers are held harmless, while keeping costs to families, businesses and the federal government at a reasonable level.

- o Absent a mechanism which effectively deals with uncompensated care, there is no guarantee that premiums will be constrained in the first year. Competitive forces may work to avoid a windfall to the health industry for uncompensated care. But they may not. Instead the health industry might keep the windfall, resulting in higher initial premiums, and huge cost to businesses, families and the government.

PREVENTING AN UNDESERVED WINDFALL (CONTINUED):

o In fact, the Health Insurance Association of America and Hewitt & Associates estimate that, absent constraint, insurers would set premiums higher than the initial premium in the HSA.

o Now, I happen to believe that managed competition will work to contain health care costs. However, any legislation considered in the Senate is governed by CBO scoring, and CBO will not score significant savings from managed competition alone. CBO will only score the full anticipated savings if we have a back-up in place, like premium caps.

o As you all know, CBO scoring is important because there is a 60 vote point of order against any bill which CBO determines is not deficit neutral over ten years. In fact, if we brought the HSA to the floor today it would have a 60 vote point of order against it because CBO estimates it would increase federal costs by $126 billion over ten years. That is why many of the options I've discussed reduce costs relative to HSA.

PREVENTING AN UNDESERVED WINDFALL (CONTINUED):

- o Without premium caps, CBO would estimate that federal costs of the HSA would increase substantially. It would be extremely difficult to offset these substantial costs, virtually guaranteeing that the bill would increase the deficit and have a 60 vote point of order against it.

- o The HSA's premium caps give maximum latitude to competition, while at the same time ensuring that CBO will give us maximum credit for the savings associated with health care reform.

IMPORTANCE OF SETTING THE INITIAL PREMIUM AN EXAMPLE

o Now I'd like to outline the implications -- using private actuarial estimates -- of a premium cap structure in which the initial premium is not constrained, but subsequent growth is controlled by the HSA caps. The only difference between this example and the HSA is that HSA constrains the initial premium, and this alternative does not.

o The results of an unconstrained initial premium are dramatic. Under this example, total costs relative to HSA could increase significantly between 1996 and 2004, transferring as much as $600 billion from businesses and families to the health industry. Federal costs over that period could also increase substantially due to higher premium levels.

[NOTE: The Administration has asked that you not include in your presentation an estimate of federal cost increases under this example. If you are specifically asked, however, they recommend that you use a range of between $130 billion to $450 billion over the 1996-2004 period, with the exact costs dependent upon how much of the windfall the health industry keeps.]

AN EXAMPLE (CONTINUED):

- o These amounts represent windfalls that would be shared between providers and insurance companies. They would be the real winners from universal coverage; significantly increasing their profits at the expense of business, families and government.

- o Further delaying implementation of the annual cap constraint could worsen the financial impact on government, families and business, transferring even more windfall to the health industry.

ALLOWING HIGHER GROWTH RATES AFTER THE FIRST YEAR

- You can see why it is important to set the premium at an appropriate level in the first year.

- However, if an appropriate baseline is set, one could consider allowing greater growth rates thereafter than those in HSA. Such changes are not as prohibitively expensive as proposals which would leave the initial premium unconstrained.

- To illustrate this point, let me briefly present two options that we discussed at the retreat: (1) Allowing growth rates each year that are 1 percentage point higher than HSA; and (2) Allowing growth rates in 1999 and 2000 that are 1 percentage point higher than the HSA.

- The first option -- higher growth rates each year -- responds to concerns that growth rates in the HSA are generally too low. Relative to HSA, it could increase the federal cost of subsidies by $27 billion between 1996 and 2000, and by $74 billion between 1996 and 2004. Businesses and families could also pay substantially more than under HSA.

HIGHER GROWTH RATES AFTER FIRST YEAR (CONTINUED):

- The second option -- allowing a 1 percentage point higher growth rate in 1999 and 2000 -- responds to concerns that it is too constraining to allow health care costs to grow only at the inflation rate by the end of the decade. Relative to HSA, it could increase the federal cost of subsidies by about $6 billion between 1996 and 2000, and by $16 billion between 1996 and 2004. And as in the previous option, costs to businesses and families could also increase relative to HSA.

- I do not want to minimize the magnitude of cost increases under either of these options. Even allowing higher growth rates in only 1999 and 2000 could erode some of the deficit reduction we would achieve under the models I have already presented to you.

- But in contrast to the financial risk we would be taking by failing to set an appropriate premium level in the first year of reform, the cost of permitting somewhat higher growth rates after the first year may be more manageable.

FEDERAL COSTS OF RELAXING HSA GROWTH RATES
($ billions)

	1996-2000	1996-2004
Increased Costs Relative to HSA:		
Growth rate 1% higher than HSA every year................	$27	$74
Growth rate 1% higher than HSA in 1999 & 2000......	$6	$16

Administration estimates based on CBO premium estimates.

CONCLUSION

- Slowing health care costs is a fundamental goal of health care reform.

- The HSA attempts to constrain growth by enhancing competition, but as a backstop also includes premium caps. Such caps are also necessary to get full credit from CBO for the savings associated with lower health care costs.

- To effectively contain costs, we must (1) set a first year premium which does not confer a windfall onto the health industry, and (2) moderate the growth rate of health care costs thereafter.

- As I've demonstrated, failing to set the initial premium at an appropriate level creates severe financial risks for American families, businesses, and the federal government.

- Once the initial premium is set, relaxing future growth rates could increase costs relative to the HSA, but would not be as prohibitively expensive as proposals which would not constrain the initial premium.

INTRODUCTION

- o Slowing health costs is a fundamental goal of health care reform.
- o HSA would constrain health care growth rates through management, insurance market, and administrative reforms that enhance competition.
- o As a backstop to competition, HSA also includes premium caps. Caps are also critical for CBO scoring.
- o Cost controls must (1) ensure the initial premium level confers no windfall on the health industry and (2) moderate the growth rate of health care costs thereafter.
- o This presentation illustrates the consequences of:
  - o not setting the initial premium at an appropriate level, and
  - o allowing a somewhat higher premium growth rate over time than does HSA.

MANAGED COMPETITION UNDER HSA

- Under HSA's managed competition:

  - In the first year the National Health Board (NHB) calculates premium targets for each alliance, reflecting cost of services in the benefits package and health costs in the alliance area. NHB updates targets annually based on a health care inflation factor.

  - If the average premium for all of an alliance's plans exceeds target, the over-target plans may resubmit lower bids. Ultimately, payments to over-target plans would be cut according to an HSA formula. Over-target plans also would have to reduce payments to their providers.

  - Annual cap increase is based on CPI plus changes in alliance population. A cushion of 1.5 percentage points is also allowed in 1996, dropping to 1.0 in 1997, 0.5 in 1998 and no cushion in 1999 and 2000.

- This process differs from price controls, which are inflexible government regulation of product prices in the economy. Such controls are difficult to implement and regulate; interfere with private sector decision making; and limit efficiency improvements.

- Premium caps, in contrast, do not involve micro regulation. They are budgetary limitations within which private health plans have the freedom to manage their operations to provide quality care and control costs in a variety of ways, including through more efficient administration, more reasonable provider reimbursement, and more flexibility to determine the best allocation of resources.

PREVENTING AN UNDESERVED WINDFALL: IMPORTANCE OF SETTING THE INITIAL PREMIUM

- o Reform must include a mechanism under which the health industry does not get paid twice for uncompensated care.

- o Today, uncompensated care costs of the uninsured are passed on to those with private insurance in the form of higher premiums.

- o Under health care reform, all Americans will have health insurance -- the health care industry will be compensated for all individuals. **Private insurance premiums need no longer be inflated to cover the shortfall from the uninsured.**

- o If the uncompensated care surcharge built into the current premium is not taken out, the health industry would get a windfall by being paid twice for the uninsured, while businesses, families and government would have to pay billions of dollars in higher premiums.

- o The HSA's initial premium holds the health industry harmless by fully compensating insurers for the currently uninsured, and maintaining current treatment of Medicaid costs. CBO estimates that HSA's initial premium would give providers the same payments, on average, that they get today.

- o Absent a mechanism to deal with uncompensated care, there is no guarantee that competitive forces will constrain first year premiums.

- o In fact, the Health Insurance Association of America and Hewitt & Associates estimate that, absent constraint, insurers would set premiums higher than the initial premium in the HSA.

- o While many believe that managed competition will moderate health costs, health care reform legislation is governed by CBO scoring. CBO will not score significant savings from managed competition alone. It will score full anticipated savings only if there is a back-up in place, like premium caps.

- o CBO scoring is critical because a 60 vote point of order lies against legislation which CBO estimates increases the deficit over ten years. Without premium caps, CBO would substantially increase its estimate of HSA's costs. Absent substantial cuts to offsets these additional costs, the bill would increase the deficit and have a 60 vote point of order against it.

IMPORTANCE OF SETTING THE INITIAL PREMIUM AN EXAMPLE

- The importance of setting the initial premium is illustrated by a premium cap structure under which the initial premium is not constrained, but subsequent growth is controlled by the HSA caps.
- Under this example, total costs relative to HSA could increase significantly between 1996 and 2004, transferring as much as $600 billion from businesses and families to the health industry. Federal costs over that period could also increase substantially due to higher premium levels.
- These amounts are windfalls to providers and insurance companies, who would increase their profits at the expense of businesses, families and government.
- Further delaying implementation of the annual cap constraint could worsen the financial impact on government, families and business, transferring even more windfall to the health industry.

ALLOWING HIGHER GROWTH RATES AFTER THE FIRST YEAR

- If an appropriate initial premium is set, allowing greater-than-HSA growth rates in subsequent years would not be as costly as proposals which don't constrain the initial premium.

- Two options presented at the retreat illustrate this:

  - Allowing annual growth rates 1 percentage point higher than HSA; and

  - Allowing 1999 and 2000 growth rates to be 1 percentage point higher than HSA.

- The first option could increase federal subsidy costs by $27 billion between 1996 and 2000, and by $74 billion between 1996 and 2004. Businesses and families could also pay substantially more than under HSA.

- The second option could increase federal subsidy costs by about $6 billion between 1996 and 2000, and by $16 billion between 1996 and 2004. Costs to businesses and families could also increase relative to HSA.

- While these options could erode some of the deficit reduction possible under other models, the risk is substantially less than an option which fails to set an appropriate premium level in the first year of reform.

FEDERAL COSTS OF RELAXING HSA GROWTH RATES
($ billions)

Increased Costs Relative to HSA:	1996-2000	1996-2004
Growth rate 1% higher than HSA every year................	$27	$74
Growth rate 1% higher than HSA in 1999 & 2000......	$6	$16

Administration estimates based on CBO premium estimates.

CONCLUSION

- Slowing health costs is a fundamental goal of health care reform.
- HSA would slow growth of health care costs through enhanced competition, with premium caps as a backstop. Caps are also necessary for CBO scoring.
- Effective cost controls must (1) set a first year premium which does not confer a windfall onto the health industry, and (2) moderate the growth rate of health care costs thereafter.
- Failing to set the initial premium at an appropriate level has severe financial risks for American families, businesses, and government.
- Once the initial premium is set, relaxing future growth rates could increase costs relative to the HSA, but would not be as expensive as proposals which would not constrain the initial premium.

Mitchell
file

INTRODUCTION

- o Universal coverage is a fundamental element to controlling rising health care costs and to ending the cost shifting that burdens employers who now provide insurance.

- o This presentation addresses the issue of universal health care coverage and the best means to achieve it.

  - o CBO has concluded that a voluntary health care system would not achieve universal coverage. State experience confirms that voluntary systems would leave many Americans uninsured.

  - o In contrast, CBO estimates that a mandatory health care system would lead to universal coverage.

  - o Despite claims to the contrary, studies and state experience show that an employer mandate would have very little net impact on jobs.

  - o An HSA-like employer mandate builds on our current health care system and is favored by the American public. An individual mandate departs from the current employer-based system, is viewed apprehensively by the public, and will likely increase federal costs.

CURRENT VOLUNTARY SYSTEM IS NOT WORKING

- An increasing number of Americans are losing health insurance in today's voluntary market. In 1992, 39 million Americans were uninsured, up from 34 million in 1989. By 2004, CBO estimates that 44 million Americans will lack insurance. Among the nonelderly:

  - Most individuals with private insurance -- 88 percent -- receive coverage through an employer, while only 12 percent purchase private insurance through other means.

  - Most of the uninsured -- 84 percent -- are either workers or dependents of workers.

  - The number of Americans with employer coverage dropped by 3 million from 1989 to 1992.

WHY WE NEED UNIVERSAL COVERAGE

- Universal coverage is necessary if all Americans are to receive adequate health care. Studies show that the uninsured do not receive timely or appropriate care. And when they finally do seek care, their problems tend to be worse and more expensive to treat.

- Universal coverage is critical to controlling health costs. CBO's analysis of the Cooper/Breaux bill states that a key feature of any market-based cost control mechanism is universal health insurance coverage that eliminates cost shifts from the uninsured to the insured.

  - According to Lewin, one-third of employers' current premium costs result from cost shifting, the largest part due to working spouses whose employers contribute nothing today. HSA would eliminate most of this cost shifting and significantly lower per worker costs for those employers who offer insurance today.

- Finally, health policy experts warn that health insurance market reforms without a mandate could actually increase the number of uninsured. This occurs because, under community rating in a voluntary system, costs will inevitably rise for those with low risk who are currently insured and, if it's a voluntary system, many of them will drop out.

EVIDENCE ON VOLUNTARY SYSTEMS

- o Both CBO analyses and state experience demonstrate that voluntary systems will not achieve universal coverage.

CBO Analysis of Managed Competition Model:

- o CBO's analysis of Cooper/Breaux concludes that a voluntary system which includes insurance market reforms and large subsidies for lower income households will not achieve universal coverage. By 2004, CBO predicts 26 million Americans would still be uninsured under Cooper/Breaux.

- o Even this partial solution -- which would increase the number of insured from 85 percent to 91 percent and leave 26 million Americans without insurance -- is extremely expensive. Assuming an HSA-like benefit package, federal subsidy costs in the bill exceed savings by $300 billion from 1996 to 2004. Cost shifting also continues.

State Experience:

- o State experience confirms CBO's conclusion. Several states unsuccessfully tried to expand coverage through financial incentives to purchase insurance voluntarily.

  - o The Robert Wood Johnson Foundation ran demo projects in 10 states designed to make insurance more affordable and available to uninsured small businesses and individuals. Strategies included increased cost sharing, premium subsidies of up to 50% for small firms, and limiting pre-existing condition exclusions.

  - o But these projects had modest impact: Tampa had the best results, and even there only 17 percent of non-insuring firms with fewer than 25 employees enrolled in the project.

- o Voluntary system proponents argue that the demos failed because businesses were uninformed, and the projects took place in an unreformed insurance market and were too limited.

  - o But Florida's universal coverage initiative suggests that even a well-publicized state-wide system including voluntary alliances and market reform will not lead to universal coverage. Governor Chiles has predicted that Florida's voluntary system will insure only about half of the currently uninsured, leaving about 12 percent of all Floridians uninsured.

MANDATORY SYSTEMS ACHIEVE UNIVERSAL COVERAGE

- CBO's analysis of the HSA concludes that HSA's employer/individual health insurance mandate would result in universal coverage.

- Hawaii's experience with a mandatory health insurance system supports CBO's conclusion that a mandatory system would achieve far greater coverage than a voluntary system would.

  - In 1992, only 4 percent of Hawaii's population was uninsured, the lowest rate of any state, compared to 15 percent nationwide. Coverage is not universal in Hawaii because the state's mandate excludes some groups, such as part-time workers, the unemployed, and dependents of workers.

ECONOMIC IMPLICATIONS OF AN EMPLOYER MANDATE

- o Most economists agree that an employer mandate with subsidies for small business as included in HSA will have a minimal net job impact. In fact, HSA's lower health costs and generous employer subsidies would, on average, leave firms better off financially. In 2004, CBO estimates that firms' health costs would drop by $90 billion under HSA's employer mandate.

- o CBO concludes that HSA's net job impact would be minimal, and "would probably have only a small effect on low-wage employment." Researchers at the Employee Benefit Research Institute, Lewin-VHI, the Rand Corporation, and others, concur.

- o Even job loss among workers at or near minimum wage may be small:

  - o A Princeton study found that California's 27 percent minimum wage increase in 1988 caused no job loss among low wage workers, and had no overall affect on retail trade jobs. Similarly, a Harvard-Princeton study found no negative job impact on Texas' fast-food industry when the federal minimum wage rose 27 percent between 1990 and 1991.

  - o HSA, which would increase costs for the smallest minimum wage firms by no more than 15 cents an hour, should have a similarly small net impact on low wage firms. No firms receiving subsidies under HSA would pay more than 34 cents more an hour for minimum wage workers, a small increase when compared to the last minimum wage increase of $0.90 an hour.

- o State experience supports these conclusions. While Hawaii has had an employer mandate since 1975, its economy performs better than the national average on several fronts.

  - o Since enacting its mandate, private non-farm employment in Hawaii has increased almost twice as fast as in the nation as a whole, and its unemployment rate has dropped relative to the national average. In each of the last 14 years, in fact, Hawaii's unemployment rate has been below the national average.

  - o Hawaii's rate of business failure has been consistently lower than the national average. And Hawaii's small businesses have one of the lowest bankruptcy rates in the nation, and one of the highest rates of business startups.

INDIVIDUAL VS. EMPLOYER MANDATE

- o HSA requires employers and employees to split insurance costs on an 80/20 basis. Giving employers primary responsibility makes sense:
  - o It builds on today's system, in which almost 90 percent of private insurance is bought through work with an employer contribution.
  - o 84 percent of the uninsured are workers and their families, so it makes sense to cover them through an employer-based system.
- o The public think employers should contribute to their workers' health costs:
  - o An April poll found 66 percent of Americans favor an employer mandate.
  - o A February ABC/Washington Post poll found 73 percent of Americans favor federal law requiring all employers to provide health insurance.
- o The alternative to an employer mandate is an individual mandate. An individual mandate raises several concerns:
  - o To make health care affordable, an individual mandate would require substantial subsidies which could increase federal costs relative to HSA.
  - o Firms now providing coverage may drop it under an individual mandate -- particularly if federal subsidies provide a safety net for workers. Polls show that the public fears such an outcome.
  - o Some economists believe that workers would be unaffected by losing employer health coverage because employers would increase worker wages to compensate for any cut in health benefits. However, even if employers did pass back wages to employees, there is no guarantee that it would occur instantaneously, nor that it would be evenly distributed among workers.

CONCLUSION

- Universal coverage is necessary to control health care costs and provide adequate health security to all Americans.

- The only way to assure universal coverage is to require it. CBO estimates that HSA would achieve universal coverage, while a highly subsidized voluntary system with managed competition would leave 26 million Americans uninsured -- at a cost of hundreds of billions of dollars.

- State experiences confirm that voluntary systems would leave millions of Americans without health care insurance.

- State experience and economic analysis also demonstrate that an employer mandate would not significantly decrease jobs, and instead may enhance employment opportunities.

- An HSA-like employer mandate builds on our current health care system and is favored by the American public. An individual mandate is a radical departure from the current employer-based system, is viewed apprehensively by the public, and will likely be more expensive for the federal government.

FAX

DATE: ______________ **TIME:** ______________

TO:

RECIPIENT: Chris Jennings

ORGANIZATION: ______________

FAX NUMBER: 456-7431

FROM:

PERSON SENDING: Lisa Nolan

ORGANIZATION: ______________

NUMBER OF PAGES: ____
(including this one)

COMMENTS: Latest draft, which (hopefully) incorporate all of Mitchell's comments. Could you give it one last look to make sure it's OK. Thanks!
P.S. - It's coming over in 2 pieces.

Mitchell - Amend?

Short

INTRODUCTION

- o Universal coverage must be a goal of any reform effort if we are to control rising health care costs and treat fairly insuring employers.

- o This presentation addresses the issue of mandates in health care reform, and why they makes sense as the way to achieve universal health care coverage.

  - o CBO has concluded that a voluntary health care system would not achieve universal coverage. State experience confirms that voluntary systems would leave many Americans uninsured.

  - o In contrast, CBO estimates that a mandatory health care system would lead to universal coverage.

  - o Despite claims to the contrary, studies and state experience show that an employer mandate would not have a significant net impact on jobs.

CURRENT VOLUNTARY SYSTEM IS NOT WORKING

- An increasing number of Americans are losing health insurance in today's voluntary market. In 1992, 39 million Americans were uninsured, up from 34 million in 1989. By 2004, CBO estimates that 44 million Americans will lack insurance. Among the nonelderly:

    - Most individuals with private insurance -- 63 percent -- receive coverage through an employer, while only 10 percent purchase private insurance through other means.

    - Most of the uninsured -- 84 percent -- are either workers or dependents of workers.

    - The number of Americans with employer coverage dropped by 3 million from 1989 to 1992.

WHY WE NEED UNIVERSAL COVERAGE

- Universal coverage is necessary if all Americans are to receive adequate health care. Studies show that the uninsured do not receive timely or appropriate care. And when they finally do seek care, their problems tend to be worse and more expensive to treat.

- Universal coverage is critical to controlling health costs. CBO's analysis of the Cooper bill states that a key feature of any market-based cost control mechanism is universal health insurance coverage that eliminates cost shifts from the uninsured to the insured.

    - According to Lewin, one-third of employers' current premium costs result from cost shifting, primarily due to working spouses whose employers contribute nothing today. HSA would eliminate most of this cost shifting and significantly lower per worker costs for those employers who offer insurance today.

- Without a mandate, market reforms could increase the number of uninsured, as health insurance costs rise for low risk firms and individuals, causing them to drop out of the system, further raising premiums for those in the system, causing more low risk firms and individuals to drop coverage, and so on.

EVIDENCE ON VOLUNTARY SYSTEMS

- Both CBO analyses and state experience demonstrate that voluntary systems will not achieve universal coverage.

CBO Analysis of Managed Competition Model:

- CBO's analysis of the Cooper bill concludes that a voluntary system which includes insurance market reforms and large subsidies for lower income households will not achieve universal coverage. By 2004, CBO predicts 26 million Americans would still be uninsured under Cooper.

- Even this partial solution is extremely expensive. Assuming an HSA-like benefit package, federal subsidy costs in Cooper exceed savings by $300 billion from 1996 to 2004. Cost shifting also continues.

State Experience:

- State experience confirms CBO's conclusion. Several states unsuccessfully tried to expand coverage through financial incentives to purchase insurance voluntarily.

  - The Robert Wood Johnson Foundation ran demo projects in 10 states designed to make insurance more affordable and available to uninsured small businesses and individuals. Strategies included increased cost sharing, premium subsidies of up to 50% for small firms, and limiting pre-existing condition exclusions.

  - But these projects had modest impact: Tampa had the best results, and even there only 17 percent of non-insuring firms under 25 enrolled in the project.

- Voluntary system proponents argue that the demos failed because businesses were uninformed, and the projects took place in an unreformed insurance market and were too limited.

  - But Florida's universal coverage initiative suggests that even a well-publicized state-wide system including voluntary alliances and market reform will not lead to universal coverage. Governor Chiles has testified that Florida's voluntary system will insure only about 50 percent of the currently uninsured, leaving 10 to 12 percent of all Floridians uninsured.

MANDATORY SYSTEMS ACHIEVE UNIVERSAL COVERAGE

- CBO's analysis of the HSA concludes that HSA's employer/individual health insurance mandate would result in universal coverage.

- Hawaii's experience with a mandatory health insurance system supports CBO's conclusion that a mandatory system would achieve far greater coverage than a voluntary system would.

  - In 1992, only 6 percent of Hawaii's population was uninsured, the lowest rate of any state, compared to 15 percent nationwide. Coverage is not universal in Hawaii because the state's mandate excludes some groups, such as part-time workers, the unemployed, and dependents of workers.

ECONOMIC IMPLICATIONS OF AN EMPLOYER MANDATE

- Economists agree that an employer mandate with large subsidies for small business as included in HSA will have a minimal net job impact. In fact, HSA's lower health costs and generous employer subsidies in general would leave firms better off financially. In 2004, CBO estimates that firms' health costs would drop by $90 billion under HSA's employer mandate.

- CBO concludes that HSA's net job impact would be minimal, and "would probably have only a small effect on low-wage employment." Researchers at the Employee Benefit Research Institute, Lewin-VHI, the Rand Corporation, and others concur.

- Even job loss among workers at or near minimum wage may be small:

  - A Princeton study found that California's 27 percent minimum wage increase in 1988 caused no job loss among low wage workers, and had no overall affect on retail trade jobs. Similarly, a Harvard-Princeton study found no negative job impact on Texas' fast-food industry when the federal minimum wage rose 27 percent between 1990 and 1991.

  - HSA, which would increase costs for the smallest minimum wage firms by no more than 15 cents an hour, should have a similarly small net impact on low wage firms. No firms receiving subsidies under HSA would pay more than 34 cents more an hour for minimum wage workers, a small increase when compared to the last minimum wage increase of $0.90 an hour.

- State experience supports these conclusions. While Hawaii has had an employer mandate since 1975, its economy performs better than the national average on several fronts.

  - Since enacting its mandate, Hawaii's unemployment rate has dropped relative to the national average, and private non-farm employment has increased almost twice as fast as in the nation as a whole.

  - Hawaii's rate of business failure has been consistently lower than the national average. And Hawaii's small businesses have one of the lowest bankruptcy rates in the nation, and one of the highest rates of business startups.

INDIVIDUAL VS. EMPLOYER MANDATE

- HSA requires employers and employees to split insurance costs on an 80/20 basis. Giving employers primary responsibility makes sense:
  - It builds on today's system, in which over 90 percent of private insurance is bought through work with an employer contribution.
  - 84 percent of the uninsured are workers and their families, so it makes sense to cover them through an employer-based system.
- The public think employers should contribute to their workers' health costs:
  - An April poll found 66 percent of Americans favor an employer mandate. By a 69 percent to 26 percent margin, voters say the President should veto a bill that covers everyone but requires workers to buy insurance without help from their employers.
  - A February ABC/Washington Post poll found 73 percent of Americans favor federal law requiring all employers to provide health insurance.
- The alternative to an employer mandate is an individual mandate. An individual mandate raises several concerns:
  - To make health care affordable, an individual mandate would require substantial subsidies which could increase federal costs relative to HSA.
  - Firms now providing coverage may drop it under an individual mandate -- particularly if federal subsidies provide a safety net for workers. Polls show that the public fears such an outcome.
  - Some economists believe that workers would be unaffected by losing employer health coverage because employers would increase worker wages to compensate for any cut in health benefits. However, even if employers did passback wages to employees, there is no guarantee that it would occur instantaneously, nor that it would be evenly distributed among workers.

CONCLUSION

- Universal coverage is necessary to control health care costs.
- The only way to assure universal coverage is to mandate it. CBO estimates that HSA would achieve universal coverage, while a highly subsidized voluntary system with managed competition would leave 26 million Americans uninsured.
- State experiences confirm that voluntary systems would leave many more Americans without health care insurance than would a mandatory system.
- State experience and economic analysis also demonstrate that an employer mandate would not significantly decrease jobs, and instead may enhance employment opportunities.
- An HSA-like employer mandate builds on our current health care system and is favored by the American public. An individual mandate is much less popular with the public, and could be more expensive.

Long

INTRODUCTION

- o Universal coverage must be a goal of any reform effort. Not only is universal coverage a humane objective, it is also necessary if we are to control spiralling health care costs and treat fairly those employers who now provide health care coverage.

- o Some have suggested that we can achieve universal coverage without a mandate on employers or individuals.

- o Today I'd like to discuss the issue of mandates in health care reform, and why I think a mandate makes sense as the way to achieve universal health care coverage.

- o The non-partisan Congressional Budget Office concluded that universal coverage would not occur under a voluntary health care system. State experience confirms that voluntary systems would leave many Americans without health care insurance.

- o A mandatory health care system, on the other hand, would lead to universal coverage in CBO's estimation. State experience corroborates this conclusion.

- o And despite claims to the contrary, studies and state experience show that an employer mandate would not have a large net impact on jobs.

CURRENT VOLUNTARY SYSTEM IS NOT WORKING

- An increasing number of Americans are losing health insurance in today's voluntary market. In 1992, 39 million Americans were without insurance, up from 34 million in 1989. By 2004, CBO estimates that 44 million Americans will lack insurance. Among the nonelderly:

  - Most individuals with private insurance -- 63 percent -- receive coverage through an employer, while only 9 percent purchase private insurance through other means.

  - Most of the uninsured -- 84 percent -- are either workers or dependents of workers.

  - The number of Americans with employer coverage dropped by 3 million from 1989 to 1992.

WHY WE NEED UNIVERSAL COVERAGE

- Universal coverage is essential if all Americans are to receive adequate health care. Studies show that the uninsured do not receive timely or appropriate care. And when they finally do seek care, their problems tend to be worse and more expensive to treat.

  - For example, the uninsured are twice as likely as the privately insured to be hospitalized for diabetes, hypertension, and other conditions which could be treated in a doctor's office.

  - And 71 percent of the uninsured report that they postponed seeking care which they felt they needed because they could not afford it, compared to 21 percent of the privately insured.

- Universal coverage is also critical to controlling health care costs. In its analysis of Congressman Cooper's bill, CBO stated that one of the key features of any market-based mechanism to control health care costs is universal health insurance coverage that eliminates cost shifts from the uninsured to the insured.

  - A 1991 Lewin study estimates that one-third of employers' current premium costs result from various forms of cost shifting, the largest part due to working spouses whose employers contribute nothing today. HSA would eliminate most of this cost shifting and significantly lower per worker costs for those employers who offer insurance today.

- Furthermore, health policy experts warn that health insurance market reforms without a mandate could actually increase the number of uninsured as health insurance costs rise for low risk firms and individuals, causing them to drop out of the system, further raising premiums for those in the system, causing more low risk firms and individuals to drop coverage, and so on.

EVIDENCE ON VOLUNTARY SYSTEMS

- o Some have suggested that we can achieve universal health care coverage by introducing insurance market reforms and subsidies into the current voluntary system. But both CBO analyses and state experience demonstrate that such voluntary systems will not result in universal coverage.

CBO Analysis of Managed Competition Model:

- o In its recent analysis of the Cooper bill, CBO concludes that a voluntary system of health insurance coverage which includes insurance market reforms and large subsidies for lower income households will not solve the problem of the uninsured. Even ten years after enactment CBO predicts 26 million Americans (or 9 percent of the population) would remain uninsured under Cooper.

- o And the Cooper plan's partial solution -- which reduces the number of uninsured by just 40 percent -- is achieved only at a very large federal cost. Assuming a benefit package comparable to HSA's, subsidy costs in the Cooper plan exceed savings by $300 billion from 1996 to 2004.

- o While providing health insurance to 91 percent of all Americans moves closer to universal coverage, it still leaves out 26 million Americans, and continues the massive cost shifting that occurs in the current system.

State Experience:

- o State experience bears out CBO's conclusion that a voluntary system will not achieve universal coverage.

- o Several states have unsuccessfully tried to expand health care coverage by providing financial inducements to voluntarily purchase insurance.

  - o For example, the Robert Wood Johnson Foundation ran demonstration projects in ten states designed to make health insurance more affordable and available to uninsured small businesses and individuals. Strategies included increased cost sharing, premium subsidies -- up to 50 percent in some cases -- for small firms and limiting pre-existing condition exclusions.

- o But these projects had modest impact: Tampa had the best results, and even there only 17 percent of non-insuring firms under 25 enrolled in the project.

o Critics cite reasons for these dismal results: area businesses were uninformed, the projects were too limited, and they took place in an unreformed insurance market.

- o Yet Florida's universal coverage initiative suggests that even a well-publicized state-wide system which includes voluntary alliances and market reform will not lead to universal coverage.

- o In testimony before the Finance Committee earlier this year, Governor Chiles indicated that Florida's voluntary market-based system will fall far short of its universal coverage goal, insuring only about 50 percent of the currently uninsured, and still leave 10 to 12 percent of all Floridians uninsured after reform.

MANDATORY SYSTEMS ACHIEVE UNIVERSAL COVERAGE

- o While a voluntary health insurance system would leave millions of Americans uninsured, a system which requires health insurance coverage would result in universal coverage.

- o In its analysis of the President's health care bill, CBO concludes that the HSA's employer/individual health insurance mandate would result in universal coverage.

- o Hawaii's experience with a mandatory health insurance system supports CBO's conclusion that a mandatory system would achieve far greater coverage than a voluntary system would.

  - o In 1992, only 6 percent of Hawaii's population was uninsured, the lowest rate of any state in the nation, compared to 15 percent nationwide. Coverage is not universal in Hawaii because the state's mandate excludes some groups, such as part-time workers, the unemployed, and dependents of workers.

ECONOMIC IMPLICATIONS OF AN EMPLOYER MANDATE

- o Despite claims by some that an employer mandate would destroy jobs, economists agree that an employer mandate with large subsidies for small business as included in the HSA will not have a large net impact on jobs. In fact, employers in general would be financially better off under the HSA's employer mandate, since HSA's lower health care costs and generous employer subsidies reduce businesses' costs. In 2004 alone, CBO estimates that businesses' health costs would drop by $90 billion.

- o According to CBO, HSA's net effect on jobs would be minimal, and "would probably have only a small effect on low-wage employment." Researchers at the Employee Benefit Research Institute, Lewin-VHI, the Economic Policy Institute, the Rand Corporation, and the Council of Economic Advisors agree that the HSA's effect on employment would be minimal.

- o While some economists suggest there may be fewer jobs in the retail and food service industries under HSA, they also suggest that any losses in those areas should be offset with gains elsewhere, including in manufacturing and health services.

- o And although many economists agree that the greatest effect of an employer mandate could be on workers at or near the minimum wage, recent studies even call into question that effect.

    - o A Princeton study found that when California raised its minimum wage by 27 percent in 1988, no job loss among low wage workers occurred, and overall employment in the retail trades was unaffected. Similarly, a Harvard-Princeton study found no negative employment effects in the Texas fast-food industry when the federal minimum wage rose by 27 percent between 1990 and 1991.

    - o HSA, which would increase costs for the smallest minimum wage firms by no more than 15 cents an hour, should have a similarly small net impact on low wage firms. No firms receiving subsidies under HSA would pay more than 34 cents more an hour for minimum wage workers. In comparison, the last minimum wage increase was $0.90 an hour.

- Actual experience at the state level supports these conclusions. While Hawaii has had an employer mandate in place since 1975, its economy performs better than the national average on several fronts.

    - Since Hawaii instituted an employer mandate, its unemployment rate has dropped relative to the national average, and private non-farm employment has increased almost twice as fast as in the United States as a whole.

    - Hawaii's rate of business failure has been consistently lower than the national average. And Hawaii's small businesses have one of the lowest bankruptcy rates in the nation, and one of the highest rates of business startups.

INDIVIDUAL VS. EMPLOYER MANDATE

- Up until this point, I have limited my discussion of mandates to employer mandates. At this time I'd like to discuss how an employer mandate compares with an individual mandate.

- The HSA, of course, requires both employers and individuals to contribute to the cost of health insurance. Before subsidies, employers pay 80 percent of the average per worker premium, families pay no more than 20 percent of the average premium. Placing the bulk of the responsibility on employers makes sense for several reasons:

  - It builds upon the current system, in which over 90 percent of private insurance is purchased through the workplace with an employer contribution.

  - 84 percent of the uninsured are workers and their families, so it makes sense to cover them through an employer-based system.

- Moreover, poll after poll shows that the American people believe that employers should contribute to their workers' health care costs:

  - An April poll found that 66 percent of Americans favor an employer mandate. In contrast, by a 69 percent to 26 percent margin, voters say the President should veto legislation that covers everyone but requires employees to purchase insurance without help from their employers.

  - A February ABC/Washington Post poll found 73 percent of Americans favor federal law requiring all employers to provide health insurance.

  - A February CBS poll found that Americans favor an employer-based system over an individual requirement 53 percent to 27 percent.

- The alternative to an employer mandate is an individual mandate which absolves businesses of any responsibility to provide health care insurance to their workers. Yet an individual mandate raises several concerns:

- To make health care affordable to low and moderate income individuals, an individual mandate would require substantial federal subsidies. Depending on how generous they are, these subsidies could increase federal costs relative to HSA.

- An individual mandate may reinforce the recent trend of employers dropping coverage. Businesses currently providing coverage may drop it under an individual mandate -- particularly if federal subsidies provide a safety net for their workers. Polling data indicate that this is exactly the outcome the public fears in the absence of an employer mandate.

- Some economists believe that even if employers do drop coverage, workers would be no worse off because employers would increase their wages to reflect any cut in health benefits.

    -- However, even if employers did passback wages to their employees, there is no guarantee that it would occur instantaneously, nor that it would be evenly distributed among workers.

    -- I know I would have trouble convincing my constituents that they needn't worry about losing their health care benefits because some economists assure me that their bosses will make it up to them with salary increases.

CONCLUSION

- Despite huge and growing expenditures on health care, more and more Americans are without health insurance.

- If we are ever to control spiralling health care costs, we must assure that all Americans are in the health care system.

- The only way to assure health care coverage for all Americans is to mandate coverage. Let me remind you again, CBO estimates that the HSA would result in health care coverage for all Americans, compared to the 26 million left uninsured under a highly subsidized voluntary system with managed competition.

- State experiences confirm that voluntary systems would leave many more Americans without health care insurance than would a mandatory system.

- State experience and economic analysis also demonstrate that an employer mandate would not significantly decrease net jobs, and instead would enhance job opportunities for some.

- An HSA-like employer mandate builds on our current health care system and is favored by the American public. An individual mandate is much less popular with the public, and could be more expensive.

5/16/94
- Mitchell employer mandate presentation
[illegible]

INTRODUCTION

o Universal coverage is a fundamental element to controlling rising health care costs and to ending the cost shifting that burdens employers who now provide insurance.

o In this presentation I'll address the issue of universal health care coverage and the best means to achieve it.

o The non-partisan Congressional Budget Office concluded that universal coverage would not occur under a voluntary health care system. State experience confirms that voluntary systems would leave many Americans without health care insurance.

o A mandatory health care system, on the other hand, would lead to universal coverage in CBO's estimation. State experience corroborates this conclusion.

o And despite claims to the contrary, studies and state experience show that an employer mandate would have very little net impact on jobs.

Introduction (continued):

- An HSA-like employer mandate builds on our current health care system and is favored by the American public. An individual mandate departs from the current employer-based system, is viewed apprehensively by the public, and will likely increase federal costs.

CURRENT VOLUNTARY SYSTEM IS NOT WORKING

- An increasing number of Americans are losing health insurance in today's voluntary market. In 1992, 39 million Americans were without insurance, up from 34 million in 1989. By 2004, CBO estimates that 44 million Americans will lack insurance. Among the nonelderly:

  - Most individuals with private insurance -- 88 percent -- receive coverage through an employer, while only 12 percent purchase private insurance through other means.

  - Most of the uninsured -- 84 percent -- are either workers or dependents of workers.

  - The number of Americans with employer coverage dropped by 3 million from 1989 to 1992.

WHY WE NEED UNIVERSAL COVERAGE

- Universal coverage is essential if all Americans are to receive adequate health care. Studies show that the uninsured do not receive timely or appropriate care. And when they finally do seek care, their problems tend to be worse and more expensive to treat.

    - For example, the uninsured are twice as likely as the privately insured to be hospitalized for diabetes, hypertension, and other conditions which could be treated in a doctor's office.

    - And 71 percent of the uninsured report that they postponed seeking care which they felt they needed because they could not afford it, compared to 21 percent of the privately insured.

- Universal coverage is also critical to controlling health care costs. In its analysis of Congressman Cooper's bill, CBO stated that one of the key features of any market-based mechanism to control health care costs is universal health insurance coverage that eliminates cost shifts from the uninsured to the insured.

- A 1991 Lewin study estimates that one-third of employers' current premium costs result from various forms of cost shifting, the largest part due to working spouses whose employers contribute nothing today. HSA would eliminate most of this cost shifting and significantly lower per worker costs for those employers who offer insurance today.

- Finally, health policy experts warn that health insurance market reforms without a mandate could actually increase the number of uninsured as health insurance costs rise for low risk firms and individuals, causing them to drop out of the system, further raising premiums for those in the system, causing more low risk firms and individuals to drop coverage, and so on.

EVIDENCE ON VOLUNTARY SYSTEMS

o Some have suggested that we can achieve universal health care coverage by introducing insurance market reforms and subsidies into the current voluntary system. But both CBO analyses and state experience demonstrate that such voluntary systems will not result in universal coverage.

CBO Analysis of Managed Competition Model:

o In its recent analysis of the Cooper Breaux bill, CBO concludes that a voluntary system of health insurance coverage which includes insurance market reforms and large subsidies for lower income households will not solve the problem of the uninsured. Even ten years after enactment CBO predicts 26 million Americans (or 9 percent of the population) would remain uninsured under Cooper.

o And the Cooper Breaux plan's partial solution -- which reduces the number of uninsured by ~~just~~ 85 to 71 40 percent -- is achieved only at a very large federal cost. Assuming a benefit package comparable to HSA's, subsidy costs in the Cooper Breaux plan exceed savings by $300 billion from 1996 to 2004.

Evidence on Voluntary Systems (continued):

- While providing health insurance to 91 percent of all Americans moves closer to universal coverage, it still leaves out 26 million Americans, and continues the massive cost shifting that occurs in the current system.

State Experience:

- State experience bears out CBO's conclusion that a voluntary system will not achieve universal coverage.

- Several states have unsuccessfully tried to expand health care coverage by providing financial inducements to voluntarily purchase insurance.

    - For example, the Robert Wood Johnson Foundation ran demonstration projects in ten states designed to make health insurance more affordable and available to uninsured small businesses and individuals. Strategies included increased cost sharing, premium subsidies -- up to 50 percent in some cases -- for small firms, and limiting pre-existing condition exclusions.

Evidence on Voluntary Systems (continued):

- o But these projects had modest impact: Tampa had the best results, and even there only 17 percent of non-insuring firms under 25 enrolled in the project. which did not have coverage, only 17% enrolled in the project.

o Critics cite reasons for these dismal results: area businesses were uninformed, the projects were too limited, and they took place in an unreformed insurance market.

- o Yet Florida's universal coverage initiative suggests that even a well-publicized state-wide system which includes voluntary alliances and market reform will not lead to universal coverage.

- o In testimony before the Finance Committee earlier this year, Governor Chiles ~~indicated~~ predicted that Florida's voluntary market-based system will fall far short of its universal coverage ~~goal,~~ goal of insuring only about ~~50 percent~~ half of the currently uninsured, and still leave about ~~10 to~~ 12 percent of all Floridians uninsured after reform.

MANDATORY SYSTEMS ACHIEVE UNIVERSAL COVERAGE

- While a voluntary health insurance system would leave millions of Americans uninsured, a system which requires health insurance coverage would result in universal coverage.

- In its analysis of the President's health care bill, CBO concludes that the HSA's employer/individual health insurance mandate would result in universal coverage.

- Hawaii's experience with a mandatory health insurance system supports CBO's conclusion that a mandatory system would achieve far greater coverage than a voluntary system would.

  - In 1992, only 4 percent of Hawaii's population was uninsured, the lowest rate of any state in the nation, compared to 15 percent nationwide. Coverage is not universal in Hawaii because the state's mandate excludes some groups, such as part-time workers, the unemployed, and dependents of workers.

ECONOMIC IMPLICATIONS OF AN EMPLOYER MANDATE

- Despite claims by some that an employer mandate would destroy jobs, economists agree that an employer mandate -- particularly one with subsidies for small business as included in the HSA -- will have little net impact on jobs. In fact, on average, employers would be financially better off under the HSA's employer mandate, since HSA's lower health care costs and generous employer subsidies reduce businesses' costs. In 2004 alone, CBO estimates that businesses' health costs would drop by $90 billion.

- According to CBO, HSA's net effect on jobs would be minimal, and "would probably have only a small effect on low-wage employment." Researchers at the Employee Benefit Research Institute, Lewin-VHI, the Economic Policy Institute, the Rand Corporation, and the Council of Economic Advisors agree that the HSA's effect on employment would be minimal, ~~either positive or negative~~.

- While some economists suggest there may be fewer jobs in the retail and food service industries under HSA, they also suggest that any losses in those areas should be offset with gains elsewhere, including in manufacturing and health services.

- And although many economists agree that the greatest effect of an employer mandate could be on workers at or near the minimum wage, recent studies even call into question that effect.

  - A Princeton study found that when California raised its minimum wage by 27 percent in 1988, no job loss among low wage workers occurred, and overall employment in the retail trades was unaffected. Similarly, a Harvard-Princeton study found no negative employment effects in the Texas fast-food industry when the federal minimum wage rose by 27 percent between 1990 and 1991.

  - HSA, which would increase costs for the smallest minimum wage firms by no more than 15 cents an hour, should have a similarly small net impact on low wage firms. No firms receiving subsidies under HSA would pay more than 34 cents more an hour for minimum wage workers. In comparison, the last minimum wage increase was 90 cents an hour.

- Actual experience at the state level supports these conclusions. While Hawaii has had an employer mandate in place since 1975, its economy performs better than the national average on several fronts.

  - Since enacting its mandate, private non-farm employment in Hawaii has increased almost twice as fast as in the nation as a whole, and its unemployment rate has dropped relative to the national average. In each of the last 14 years, in fact, Hawaii's unemployment rate has been below the national average.

  - Hawaii's rate of business failure has been consistently lower than the national average. And Hawaii's small businesses have one of the lowest bankruptcy rates in the nation, and one of the highest rates of business startups.

INDIVIDUAL VS. EMPLOYER MANDATE

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  - It builds upon the current system, in which almost 90 percent of private insurance is purchased through the workplace with an employer contribution.

  - 84 percent of the uninsured are workers and their families, so it makes sense to cover them through an employer-based system.

Individual vs. Employer Mandate (continued):

- Moreover, poll after poll shows that the American people believe that employers should contribute to their workers' health care costs:

    - An April poll found that 66 percent of Americans favor an employer mandate. In contrast, by a 69 percent to 26 percent margin, voters say the President should veto legislation that covers everyone but requires employees to purchase insurance without help from their employers.

    - A February ABC/Washington Post poll found 73 percent of Americans favor federal law requiring all employers to provide health insurance.

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- The alternative to an employer mandate is an individual mandate which absolves businesses of any responsibility to provide health care insurance to their workers. Yet an individual mandate raises several concerns:

- To make health care affordable to low and moderate income individuals, an individual mandate would require substantial federal subsidies. Depending on how generous they are, these subsidies could increase federal costs relative to HSA.

- An individual mandate may reinforce the recent trend of employers dropping coverage. Businesses currently providing coverage may drop it under an individual mandate -- particularly if federal subsidies provide a safety net for their workers. Polling data indicate that this is exactly the outcome the public fears in the absence of an employer mandate.

- Some economists believe that even if employers do drop coverage, workers would be no worse off because employers would increase their wages to reflect any cut in health benefits.

  -- However, even if employers did pass back wages to their employees, there is no guarantee that it would occur instantaneously, nor that it would be evenly distributed among workers.

-- I know I would have trouble convincing my constituents that they needn't worry about losing their health care benefits because some economists assure me that their bosses will make it up to them with salary increases.

CONCLUSION

- Despite huge and growing expenditures on health care, more and more Americans are without health insurance.

- Universal coverage is necessary to control health care costs, and provide adequate health security to all Americans.

- The only way to assure health care coverage for all Americans is to require it. Let me remind you again, CBO estimates that the HSA would result in health care coverage for all Americans, while a highly subsidized voluntary system with managed competition would leave 26 million Americans uninsured -- at a cost of hundreds of billions of dollars.

- State experiences confirm that voluntary systems would leave millions of Americans without health care insurance.

- State experience and economic analysis also demonstrate that an employer mandate would not significantly decrease net jobs, and instead would enhance job opportunities for some.

Conclusion (continued):

- An HSA-like employer mandate builds on our current health care system and is favored by the American public. An individual mandate is a radical departure from the current employer-based system, is viewed apprehensively by the public, and will likely be more expensive for the federal government.

Judy > premium cap

Close group - caps & triggers

mandate
Trigger & premium cap — Later afternoon 3:30 4:00
Late tomorrow afternoon.
As done as we can get a proposal

Under 100 — regular mods for cnty and

— individual models

5F draft trigger — 400 per member ho & cov.

— 2.8%

Trigger problems