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before the

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Chairman Andrews, Congressman Kline, and Members of the Subcommittee, I am honored to be here today to testify on improving health coverage for American employers and American families. As you well know, health care reform is critical to restoring the financial health and well-being of our nation's families. Reform means reducing the crushing burden of rising health care costs on America's families, businesses, and governments at all levels. It also means ensuring that everyone has reliable, meaningful, affordable health coverage. Reform efforts that achieve one but not both of these goals will be incomplete. That's why policymakers and health care experts are considering the idea of a national health insurance exchange—an improved health care market that would offer individuals and employers a new avenue for acquiring private or publicly sponsored health insurance. My focus today, however, is on assuring access to affordable, meaningful coverage for all workers who obtain health coverage through their employer, which in some circumstances may be outside of the national insurance exchange.

Market issues

Problems in the nation's health insurance markets are one of the driving forces behind health care reform. Headline stories usually focus on problems in the so-called nongroup market, where individuals struggle on their own to obtain meaningful health insurance coverage at a reasonable cost and mostly fail to find it. But the employer market—where 160 million Americans obtain their health insurance—boasts plenty of problems as well. Most striking, of course, is the rapid escalation of premiums for employer-sponsored insurance, which have increased 119 percent since 1998.[1] In addition, nearly 9 million workers employed by larger employers (companies with 100 or more workers) were uninsured in 2007.[2]

The business characteristics of companies influence whether an employer offers coverage. Companies that employ a high proportion of low-wage workers, a high proportion of part-time workers, or a high proportion of younger workers are the least likely to offer health benefits.[3] Workers employed by large companies are most likely to be offered benefits, with 99 percent of companies with 200 or more workers offering health benefits. Yet even the employees of these larger companies cannot be certain they will be eligible for this coverage or that health coverage will be within their financial reach.

Even among these larger firms, for example, 21 percent of workers are not eligible for coverage. And regardless of company size, only 71 percent of employees who work for companies with many low-wage workers are eligible for coverage, compared to 81 percent of employees at companies with a low proportion of low-wage workers.

Large companies are less likely than small ones to require employees to pay a substantial portion of their health insurance premiums. But even among larger employers, 6 percent of them require employees to pay more than half the cost of a family premium.[4] And even if workers are eligible for and can afford the coverage their employer offers, they

cannot be confident that this coverage will be good enough to pay for their health care needs. The Commonwealth Fund 2007 Biennial Health Insurance Survey, which examined the prevalence of underinsurance[5] among adults with health insurance, found that while adults with employer-sponsored health insurance are less likely to be underinsured than those who purchase coverage through the individual market, even employees in large companies experience underinsurance.[6]

Of course, employers—and large employers in particular—have also pioneered innovative approaches to health coverage and cost control. In a set of case studies examining employers' experiences offering health benefits, the Center for American Progress profiled two multinational employers' care coordination strategies and employee education efforts. One company worked with local providers to improve care for common conditions within their workforce and created employee education initiatives such as "welcome to health insurance" phone calls to educate employees about their benefits, appropriate use of the emergency room, and the importance of establishing a primary care provider.

The other company created a decision-support program for employees, which provided information on best practices, treatment options, and provider quality ratings for employees with particular diagnoses.[7] These initiatives—and similar efforts by other major employers—have reduced their health care spending and blazed the trail for delivery system improvements in the broader health care system.

Nevertheless, the escalating costs and coverage gaps in the employer market suggest that as we seek to provide all Americans with guaranteed, affordable health insurance, we must find solutions for those with employer-sponsored coverage as well as the uninsured.

Principles for improving the employer market

With these market conditions in mind, Congress may wish to consider exactly how health reform addresses the gaps in the employer market so evident today. Guaranteeing adequate, affordable coverage for all Americans regardless of where they obtain their health insurance is a key component of health reform. Health care reforms that establish fundamental inequities between a national health insurance exchange and the employer-based health insurance market (the source of most Americans' health insurance today) will ultimately compromise our efforts to fix our broken health care system. Therefore, as Congress moves forward with reform legislation, I urge you to keep in mind three basic principles for improving the employer market:

First, make sure that American families can access health care whether they obtain their coverage inside or outside the exchange. Basic consumer protections should apply to all health insurance, whether the policy originates from the insurance exchange, an employer-purchased policy, or a self-insured employer plan.

Second, health coverage should be adequate and affordable inside and outside the exchange. Many employers who offer health coverage will be able to meet the benefit

and affordability standards that apply within the exchange.

Third, consider additional options for vulnerable workers. All workers should have access to affordable coverage, but low-income workers should have additional avenues for enrolling in coverage that works best for them. By enabling these workers to obtain coverage through the exchange—even though they work for large employers who do not participate in the exchange—Congress can improve these workers' overall financial health and well-being.

Steps forward for the employer market

As Congress considers reforms to our nation's health insurance markets, it must consider changes that will help workers in large businesses acquire and maintain adequate, affordable health coverage. One option would be to enable all employers to purchase coverage through the exchange, including large employers. The principles behind the exchange—a healthy, competitive market that provides individuals with a range of easily comparable insurance options available without regard to health status or insurance history—would provide coverage guarantees that all workers should enjoy. Similarly, all workers can benefit from the opportunity to choose between private coverage and a public health insurance plan within the exchange, particularly because vigorous competition on price and quality across private and public plans should drive down costs.

Members of Congress, however, may decide that the risks of opening the exchange to all employers outweigh the benefits to workers—particularly the possibility that employers with older or sicker workforces may enter the exchange in large numbers, thus destabilizing rates during the start-up phase of the exchange. Instead, Congress may wish to consider improvements to the health insurance market outside of the exchange—improvements that can guarantee coverage and consumer protections for all workers with employer-sponsored health insurance.

There are many issues to consider here, but I will examine some improvements that should provide additional coverage guarantees for workers outside of a health insurance exchange, and then discuss other choices the committee may consider with respect to low-income workers.

First, to make sure that workers who obtain coverage outside of the exchange enjoy equivalent access to coverage and to health care, Congress may wish to consider coverage rules and insurance standards for all employers. Other witnesses will discuss problems with pre-existing condition exclusions and lifetime limits on health insurance coverage. Additional issues include other types of access protections, such as complaints and appeals processes, enrollment mechanisms, plan information requirements, other enrollee rights, and plans' responsibility to make data available for monitoring and oversight activities as well as research. By imposing equivalent requirements on plans that sell coverage within and outside of the exchange, as well as employers who self-insure, Congress can ensure that regardless of where Americans obtain their health

insurance they can know their health benefits will be accessible and protected.

A second set of concerns relates to other issues at the heart of health care reform—whether coverage is adequate and affordable. It is likely that within the health insurance exchange, plans will offer policies designed around a standard benefit package. One of Congress's balancing acts will be to weigh the competing claims of adequate benefits and costs. Another challenge will be to ensure that health coverage and health services are affordable for low- and middle-income families. Congress will need to determine income eligibility for government help with premiums and cost-sharing, and the size of these subsidies. For families who obtain coverage through the exchange, the questions facing Congress are straightforward even if the answers require a balance between ensuring access and controlling public costs. But the balancing act between good benefits, family affordability, and total costs is equally important in the employer market that remains outside of the exchange.

Any steps Congress may take to guarantee good coverage in this market will probably represent little or no change for many large employers, since these new requirements are likely to reflect many employers' current practices. For example, to ensure affordability, Congress may choose to require companies that offer coverage outside of the exchange to pay a minimum proportion of plan premiums. Similarly, to ensure that health benefits are adequate, Congress may choose to apply the same benefit standards to policies sold inside and outside of the exchange. Of course, if the final health reform package includes an individual requirement to carry health insurance, then this requirement will also interact with standards for employer-sponsored benefit packages. An individual coverage requirement would necessarily include a minimum benefit standard—and an expectation that workers could meet this requirement through the coverage offered by their employer. If Congress chooses to explicitly share responsibility for health coverage across individuals and employers, then it may be best to apply the same coverage standard to both parties—a standard that would also apply to coverage inside and outside the exchange.

Many large employers will be able to meet new affordability and coverage thresholds. But these steps will increase costs for the employers who offer substandard benefit packages today, and for employers who cover only a modest proportion of health insurance premiums themselves. A pay-or-play requirement raises similar concerns. Congress will therefore want to consider the tradeoffs involved and likely outcomes for these types of employers and their workers.

Employers who will experience new costs to reach coverage and affordability standards may drop coverage altogether unless they are required to maintain it. If they are mandated to maintain coverage, then they may cut wages or jobs to cover the cost, or they may directly pass increased benefit costs to workers while maintaining their current contribution levels. These possible employer reactions—wage and job losses or increased benefit costs for workers—would particularly hurt low-income or low-skilled workers. Of course, the availability of lower-cost coverage through the exchange—particularly with the additional competitive pressure of a public health insurance plan—

should also slow the growth of health care costs for the entire system, thus reducing pressure on wages. But in the short term, more highly skilled workers may simply find new employment if their employer drops coverage or passes increased costs to their work force. Lower-skilled workers, on the other hand, would have less ability to evade these consequences and to obtain affordable coverage.

Congress may therefore want to establish good benefits and affordability standards for coverage outside the exchange while providing a safety net or escape valve to protect low-income workers. One option would be to enable workers to individually choose to enroll in exchange-based coverage. Employers could be required to pay into the exchange what they would have otherwise paid to cover the worker, and the worker would pay premiums to the exchange that would be reduced by the appropriate premium subsidy for their income level. Congress could limit this approach to those employees who would be better off with exchange-based coverage, largely because they would receive a premium subsidy through the exchange and therefore pay less for coverage in that market.

Conclusion

While problems in the nongroup market have garnered the lion's share of attention in the policy debate, Congress must also make choices to guarantee adequate, affordable coverage to Americans who work for large employers. However, the benefits of making these decisions are irrefutable. Reforming our nation's health care system is a challenging task but the results will be worth the effort—lower costs and better coverage.

Thank you for your commitment to providing affordable, high-quality health coverage for all Americans. I look forward to working with you to achieve this goal.

Endnotes

[1] Kaiser Family Foundation, "Trends in Health Care Costs and Spending" (March 2009), available at http://www.kff.org/insurance/upload/7692_02.pdf.
[2] P. Fronstin, "Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2008 Current Population Survey," *EBRI Issue Brief No. 321,* September 2008, available at http://www.ebri.org/pdf/briefspdf/EBRI_IB_09a-2008.pdf.
[3] Kaiser Family Foundation/Health Research Education Trust, "Employer Health Benefits 2008 Annual Survey," available at http://ehbs.kff.org/pdf/7790.pdf.
[4] Ibid.
[5] This study classified individuals as "underinsured" if they experienced either out-of-pocket medical expenses that equaled or exceeded 10 percent of income, deductibles that equaled or exceeded 5 percent of income, or, if the respondent had income below 200 percent of the federal poverty level, out-of-pocket medical expenses that amounted to at least 5 percent of income.
[6] C. Schoen, S. Collins, J. Kriss and M. Doty, "How Many are Underinsured? Trends Among U.S. Adults, 2003 and 2007," *Health Affairs* 27 (4) (2008): w298-2309.
[7] M. Seshamani, "Opportunity Costs and Opportunities Lost: Businesses Speak Out About the US Health Care System" (Washington: Center for American Progress, April 2007), available at http://www.americanprogress.org/issues/2007/04/pdf/health_business_case_study.pdf.