

## Congress and Health Reform

***The road ahead for healthcare reform may be rocky but an end appears in sight, at least by 2012. HR leaders need to get up to speed on the issue, if they wish to have their concerns considered. One major issue at stake is whether employees will be required to remain in employer plans.***

By Dallas Salisbury

Last week the Senate Finance Committee held the first in a series of a dozen hearings on health reform.

Many on the Committee, including Chairman Max Baucus, D-Mont., and ranking minority member Chuck Grassley, R-Iowa, were on the committee when it considered this topic in the early 1990s.

Ironically, the problems are the same – only bigger – and the proposed solutions cover the same territory. The Internet and video have made personal health records, distance medical delivery, and other "solution contributors" more possible, but technology has also driven up utilization and costs.

Health industry consolidation has reduced the number of players, but the human-genome mapping and other technological advances, have changed the balance of interests. And, healthcare is now more for-profit than in the past -- as United Healthcare, Wellpoint, Aetna, Cigna and Humana have replaced the largely nonprofit or mutual insurance company system in place when the Clinton administration pursued reform in the early '90s.

Wall Street now has a much more active interest in health reform. Higher health spending can mean higher profits, higher stock prices, bigger 401(k) balances, etc. As a result, the complexity of interest groups involved in reform has never been greater.

And, while all three presidential candidates endorse reform, the prospect for major changes cannot be viewed as a slam dunk, regardless of 2008 election outcomes.

But, combined with bipartisan Congressional will, reform may come during the term of the next President. And now is the time for HR leaders to begin assessing that landscape.

The most widely co-sponsored legislation on the table now is the "Healthy Americans Act", with 16 co-sponsors from both sides of the aisle.

Chief sponsor Sen. Ron Wyden, D-Ore., describes the bipartisan proposal as one that will "provide affordable, high quality, private health coverage for every American, regardless of where they work or live." With Grassley among the co-sponsors, that brings the senior Republican on the Finance Committee into the support circle.

The plan would:

- \* Guarantee private healthcare coverage for all Americans;
- \* Allow employers to maintain the programs they now sponsor;
- \* Require employers to place the value of health insurance on the W-2 as taxable income;
- \* Provide for health benefits equal to those that members of Congress now enjoy;
- \* Provide incentives for individuals and insurers to focus on prevention, wellness and disease management;
- \* Establish tough cost-containment measures that save \$1.48 trillion over 10 years; and
- \* Be fully paid for with the \$2.2 trillion [currently spent on healthcare](#) in America today.

"Under the Healthy Americans Act, health coverage would be portable. Individuals could keep the coverage they have as they move from job to job. Insurance would also no longer be tied to employment. If an individual is laid off, leaves their job voluntarily, or develops a serious illness, he or she would continue to be covered," according to Wyden.

"All employers, along with individuals and the government, will share the responsibility of financing healthcare. During a two-year transition period, employers who provide employee health benefits would be required to convert their workers' healthcare premiums into higher wages.

"Employers who don't currently offer health benefits would have to make phased-in 'Employer Shared Responsibility

Payments,' which would be used to provide financial assistance to individuals and families of modest income.

"After two years," according to Wyden, "all employers would make 'Employer Shared Responsibility Payments.' These payments would reflect the relative ability of small and large employers and low- and high-wage industries to make such payments, and would have no direct impact on the coverage that is available to their employees."

Employees would be required to purchase private health coverage, which could include remaining in their current employer plan.

A major issue for employers will revolve around whether workers are required to remain in the employer plan. If workers take the money and run, it could lead to the disintegration of many employers affordable insurance pools as the good risks flee to cheaper coverage.

The details of this provision will be one of the most important in determining the future of the employer role.

To ensure that it's affordable, the plan would fully subsidize the premiums for those who live below the poverty line. Those people between 100 percent and 400 percent of the federal poverty line would also receive subsidies on a sliding scale to help pay their premiums.

"As for the insurance companies, the Healthy Americans Act stipulates that insurance companies be required to cover every individual who chooses to enroll and that they be prohibited from raising prices or denying coverage if individuals are sick or are at risk of becoming sick," according to Wyden.

"Previous and existing health problems, occupation, genetic information, gender and age could no longer be used to determine eligibility or the price paid for insurance."

My last column reviewed the proposal of Sen. John McCain, who contemplates an individual market, but does not contain these 'market reforms.' My prior columns on the proposals of Sens. Hillary Clinton and Barack Obama noted that they both embrace these 'market reforms.'

As Baucus opened his hearing on May 6, he noted that "there is abundant common ground for reform."

He then noted widespread agreement for universal coverage, for slowing the growth in healthcare costs with value-based purchasing, for comparative effectiveness, and for greater use of health information technology and electronic health records. He endorsed the 'market reforms' noted above.

Grassley focused heavily on cost and premium levels in his opening remarks.

He noted: "We need to figure out how to make the health-insurance market work better so people can buy coverage that suits them. It makes the most sense to build on the private health-insurance system.

"As you all know, people are used to their employers providing health benefits. They like that their employers work with the insurers and brokers to find a plan for them. They like that their employers take care of the billing. They like that their premium contribution automatically comes out of their paycheck.

"And by and large," he said, "they are satisfied with their health plans. We learned 14 years ago during the Clinton health-plan debate that even in the midst of calls for change, many people like what they have. So health reforms should not up-end the system and do harm while trying to help the folks without insurance."

For employers it is critical to note that [both parties now intend to keep employers in the mix](#) . And, that both parties are talking about [fundamental change in the tax treatment](#) of health premiums and costs.

Grassley contends: "There are serious inequities in the tax system. These inequities make insurance much cheaper for rich people and more expensive for low-income folks. It just isn't right that someone buying health insurance for himself must pay with after-tax dollars, while a person getting insurance through work pays with pre-tax dollars."

Employers old enough to remember Section 89 of the Tax Reform Act of 1986 – which would have required the 'value of health insurance calculation' – know that the type of requirement being discussed on both sides of the aisle could be a big challenge to implement and could require employers to drastically change the way they do total rewards and compensation communications.

The [Congressional Budget Office is working hard](#) to make every member of Congress understand that a failure to deal with healthcare spending could lead to the fiscal collapse of our government.

That reality is being absorbed, making health reform likely prior to the 2012 elections, and giving employers a warning that the time to focus is now.

Whatever Congress does, it will have significant implications for the 99 percent of large employers and the 66 percent of small employers that now provide health insurance to their workers.

Whatever the reform, employers will help to pay, and their workers will be affected, so they might just as well get ahead of the curve in understanding what is going on, and if they so desire, try to shape what happens.

For more information:

\* [Read](#) the Lewin Group's "Cost and Coverage Estimates of the Healthy Americans Act."

\* Read the [CBO report](#) on health spending.

\* Read Wyden's press releases on the [CBO's review of the Healthy Americans Act](#) and [an amendment offered to](#) the Healthy Americans Act.

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