

Testimony of

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Increasing Access to Health Insurance Coverage and Moving Toward Universal Healthcare Coverage: Defining the Goals and Identifying the Steps September 5, 2007 Glens Falls

Good morning, Commissioner Daines, Superintendent Dinallo and distinguished panel members. I'm Mark Amodeo, and I am the Director of Corporate Affairs at The Business Council of New York State. I also direct The Business Council's Healthcare & Health Insurance Committee. The Business Council is the leading statewide business organization in New York for business advocacy and economic development. I send warm regards and sincere regrets from Business Council President Kenneth Adams who is unable to participate today.

On behalf of Kenneth and The Business Council's more than 3,100 member companies of all sizes representing all regions of the state and all sectors of the economy, thank you for the opportunity to appear before you today and for your willingness to listen to the many stakeholders in the dialogue over health system reform and increasing access to health insurance coverage as the administration considers universal coverage for New York.

I would like to start my remarks by thanking Governor Spitzer and his administration for their commitment to reforming New York's healthcare system and the Governor's pledge to help make healthcare affordable for all New Yorkers.

In so many ways, the current system of high Medicaid spending, billions in taxes levied on health coverage, dozens of benefit mandates, and what many view as "institution-centered care" has impeded New York's economic potential and appeal, and contributed to the high cost of health care, health insurance, doing business and simply, the high cost of living in New York.

New York is No. 1 in Medicaid spending. We have the second highest average monthly premium for family coverage at small businesses, according to a survey by America's Health Insurance Plans. According to AHRQ's Medical Expenditure Panel Survey, New York has the 11th highest average premium for private sector family coverage. At \$128 billion, we are second highest in personal healthcare spending, according to the Centers for Medicare and Medicaid's state-of-provider data. With the anticipated release of fresh CMS state-of-residence data, there's every expectation that New York will be close to or at the top for per capita personal health care spending among the 50 states.

These spending numbers alone are cause for concern; set against healthcare outcomes they paint a discouraging picture. But, it is our hope, indeed our expectation, that

adoption of several key reforms will significantly improve business conditions and help build a stronger, more competitive economy while increasing healthcare quality and affordability.

We support the administration's efforts to control Medicaid costs and reconfigure the acute and long-term care systems. A patient-centered approach to care, the emphasis on improving quality, efficiency and accountability, and the investment in health information technology (HIT) are vital to creating a more business-friendly New York and making more efficient use of the state's healthcare dollar.

In particular, The Business Council strongly endorses increased use of HIT as a means of improving quality and reducing costs. Chaired by Steve McCormick who manages Anheuser-Busch's Baldwinsville plant and who is also president of the Health Advancement Collaborative of Central New York, The Business Council's Healthcare & Health Insurance Committee has identified HIT as a top priority.

The widespread adoption of innovative technologies like electronic prescribing and electronic medical records should be encouraged throughout New York. We applaud the rebidding of HEAL NY (3) grant funding and its more comprehensive, statewide emphasis on interoperability. We have been working with the New York eHealth Collaborative, which includes Business Council Board of Director co-chair Linda Sanford of IBM. And, we look forward to working with Deputy Commissioner Evans on what we recognize is a complex issue, but one that we believe holds tremendous opportunity as part of New York's reform agenda.

We share the Governor's concern communicated in his speech this past January at the Rockefeller Institute in which he laid out his healthcare reform agenda: that in order to increase access to coverage and move toward universal health coverage, we must first restructure New York's healthcare delivery system to lower costs. Our fear is his: that without restructuring the system and lowering costs, "an undue burden will be forced on families, businesses and government to cover the cost of universal coverage."

I can tell you that the burden is already a heavy one for many New York employers – particularly small businesses - and getting heavier as the cost of healthcare continues to increase. Healthcare – what it costs and how to pay for it – is a critical issue for our members. In fact, as some of you have heard personally from Kenneth Adams or perhaps read in a press report, it is the number one issue for our Business Council members.

In a survey conducted late last fall, The Business Council's members resoundingly identified the cost of doing business in New York State as their greatest concern, and tagged employee healthcare – again, the cost of healthcare and how to pay for it - as their largest, single issue, followed by workers' comp, energy and taxes.

One respondent wrote in the comments portion of the survey: "Hidden taxes (surcharges) on health insurance and health care are passed on to businesses of this state, thereby increasing their overall tax burden and increasing their cost for health coverage".

Presumably, the respondent was referring to the more than \$1.8 billion in HCRA surcharges that help finance dozens of state healthcare initiatives including hospital and clinic bad debt and charity care and graduate medical education, and hundreds of millions more from the premium tax on commercial health insurers and the Insurance Department assessment.

Another wrote: "Benefit mandates for health insurance also increase insurance premiums, and add to the overall cost of providing business-based health insurance. All of these mandates are implemented without regard to what effect they have on outcomes, quality of care, and the overall cost of health care."

These are just two of the comments we received from the survey, and I'm fairly certain the targets of their criticism – taxes on health insurance, which can add as much as 5 percent to the cost of coverage, and insurance mandates, which according to a NovaRest Consulting analysis increase premiums by an estimated 12 percent - come as no surprise to you. For years employers have cited these cost drivers that contribute to their burden.

After years of supporting legislation that would create a mandate review commission to objectively analyze the impact of proposed mandates, our members are thrilled that the Healthcare Quality and Cost Containment Commission has finally been established. We urge its prompt implementation. Accountability for how the HCRA taxes are spent and the scrutiny now underway of how the state distributes GME and bad debt and charity care funds is also a welcome development.

As it does for the nation's economy, the rising cost of healthcare has huge implications for New York's ability to grow economically, including job growth and retention. The current healthcare system has a significant part in the uncompetitive cost burden facing New York's employers, and something must be done.

The administration's restructuring and reform initiatives aimed at reducing healthcare costs send a powerful signal to employers that Albany is serious about doing something to help them and to help make our business climate more competitive and attractive, including making health coverage more affordable.

Though there was certainly no lack of urgency before it was announced, last week's news from the Census Bureau that the number of uninsured New Yorkers had increased further confirms the problem of affordability and access to coverage.

New York must continue working to reduce the number of uninsured. As you know, the cost of their care essentially becomes a responsibility we all share. According to the Institute of Medicine, "the nation as a whole is economically disadvantaged as a result of the poorer health and premature death of uninsured Americans," estimating that the lost economic value of uninsurance is between \$65 billion and \$130 billion annually.

But, we must also find ways to prevent the erosion of job-based coverage. We must help those businesses – particularly small businesses - that are doing the right thing by providing coverage to lower their costs so they can keep providing coverage.

Thanks to employers, job-based coverage is working for more than 10 million New Yorkers. It is the foundation of health insurance in New York, and we must work to preserve it and help it grow. It's not a perfect system and it's getting harder to maintain as rising costs push premiums higher. That only about 50 percent of small businesses in New York State offer coverage to their workers illustrates how acute the affordability problem is for small businesses, which make up 75 percent of The Business Council's members.

The Business Council is committed to working with the administration on the issue of increasing access to health insurance and we applaud the incremental approach you are taking.

Access to good, basic health coverage for all New Yorkers is a goal that we think could be achieved by working on filling the gaps in the current system as you are doing with the planned expansion of Child Health Plus eligibility and the simplification of Medicaid enrollment.

Having said that, there is a place for public and private coverage. It is important to find the right balance between the two, mindful that expanding public programs relies on taxpayer support, including New York's employers. With the right mix of innovative solutions and flexible products supported by system reform and lower costs, we think the goal of coverage for all New Yorkers can be reached.

But, if the state's roadmap toward health coverage for all New Yorkers means passing through toll plazas at "Individual Mandate Gulch" and "Pay or Play Pass", then that's a route The Business Council can't support.

To help fill the gaps of the uninsured and to strengthen job-based coverage in New York, special attention must be given to the cost plight of small businesses with a critical need to design new, creative, lower-cost alternatives in the form of broad changes to state programs and reforms of the small group market.

Two possible solutions could include a recent proposal to combine the small group, individual and Healthy New York markets, and making changes to Healthy New York.

Merging the markets is an intriguing proposal that deserves thoughtful consideration. Among a number of elements, the proposal would combine the individual and small group pools, create a limited number of standard benefit plans that would be community rated by product, and employ a reinsurance subsidy.

Separate and apart from the proposal to merge the markets, we also think that changes to Healthy New York should be considered to help fill the gaps of the uninsured –

particularly for small businesses, which make up only 28 percent of Healthy New York enrollment. The creative use of riders, changes to the plan's benefit structure, simplifying access – these tactical steps should be considered to help improve the success of Healthy New York.

The Business Council is committed to being part of the on-going dialogue, and we look forward to continuing to work with the Administration and the Legislature on the state's healthcare reform agenda.

Thank you for your attention. I'll be happy to answer any questions you may have.