



**Testimony Submitted to
Hearing on Health System Reform and Affordable Universal
Coverage
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I am Andrew Rudnick, President & CEO of the Buffalo Niagara Partnership, which represents Western New York 2,500 employers. I would like to thank the Partnership for Coverage Task Force for inviting me to submit testimony for this hearing, which I am afraid previous commitments prevented me from attending.

The issue of health care reform and increased access to affordable health care coverage is critical for the viability New York State's economy and has increasingly become one of the greatest impediments to business growth and opportunity across the State.

In many ways the current system of high Medicaid spending, billions in taxes levied on the health system and dozens of benefit mandates which contribute to the high cost of health coverage, have hindered both New York's economic appeal and the potential growth of many businesses. We applaud Governor Spitzer and his administration for their commitment to reforming the system.

Moreover, our State is also home to the second largest average monthly family premium for individual coverage at over \$2,000 and an average annual premium of \$13,164 for small businesses. Compounding the affordability of commercial coverage is the cost incurred by taxpayers for Medicaid where New York is #1 in Medicaid spending across the country. Finally, with excess hospital bed capacity, inadequate primary care physicians in certain areas, and excessive long term care needs, the underlying costs of health care services are increasingly leading New York into a health care crisis.

With these troubling circumstances at the forefront of our health care system, we share in the goal to enact key reforms to increase access, affordability and quality of care throughout the State. The Buffalo Niagara Partnership believes that such reforms are

an integral step in improving business conditions and to building a stronger, more competitive economy.

We hope that the Partnership for Coverage Task Force remains focused on the fact that major reform without first restructuring the existing delivery system to decrease cost could place an additional undue burden on the already substantial weight carried by New York's business community. Currently, on top of what are already considered to be uncompetitive broad-based tax rates, businesses in New York have the cost of "hidden taxes" on health insurance and health care in the form of surcharges passed on to them. These surcharges, which stand at an estimated **\$2 Billion**, are used to help finance hospital and clinic bad debt and charity care, graduate medical education and other public goods programs.

U.S. Census data shows that these tax burdens are having a detrimental effect on employer-based coverage as we are seeing an overall decline in job-based coverage statewide while government-based coverage is increasing.

In addition, the ever-growing number of mandated benefits placed on coverage in New York increase premiums by an estimated 12.2%, or an increase in single coverage of \$445 a year and in family premiums of \$1,066 a year, present additional cost increases that strike at the heart of the business community's ability to provide coverage to employees.

The rising costs of health care coverage have monumental implications for New York's ability to grow economically. Among these implications are a New York employer's ability to retain its current employees as well as a business's ability to grow economically. The administration's incremental restructuring and reform initiatives aimed at reducing healthcare costs will not only help many of our members retain quality employees, but will send a message to all employers that state government is serious about creating a well thought out solution.

New York must continue working to reduce the number of uninsured. As you are aware, there are an estimated 1.6 million uninsured and it is our responsibility to make the necessary reforms to provide them care. However, we must also find ways to counteract the decline in employer-based coverage. It is also our responsibility to help those businesses, particularly small businesses that are making sacrifices in order to do the right thing and provide coverage to their employees.

The current system of employment-based coverage is rooted in New York's history. With more than 10 million people currently covered through their employer, job-based coverage represents the back bone of New York's health care system. While this system is not perfect by any means, it has the potential, if properly reformed, to significantly increase the percentage of small businesses providing coverage to their employees.

The Buffalo Niagara Partnership supports the Governor's proposed incremental reform approach to universal coverage and also supports his emphasis on a partnership between private and public insurance. Taking a building block approach is the right answer, allowing for calculated and scrutinized reforms rather than one proposed silver bullet. This approach will ensure that New York does not fall victim to the pitfalls of an unproven, costly and poorly implemented overhaul which are being experienced by other states, such as Massachusetts.

Access to affordable and quality healthcare for all New Yorkers is a goal that we think can be achieved incrementally by filling the gaps in the current system through key changes that would make the system more efficient. An example of this is the Governor's proposed expansion of Child Health Plus.

Having said that, there is a place for both public and private coverage. It is important to examine proposals for change that balance the tax based programs such as Child Health Plus, Family Health Plus, Medicaid and Healthy New York with flexible and innovative solutions in the private market.

There is also a place for plan innovation, customer choice and product design without excessive government rules and restrictions. For example, while the goal of the Healthy New York program was laudable, the extensive application requirements, waiting periods and eligibility criteria have hindered its growth and, as evidenced by the few members of small businesses that participate (28%), it has proven to be unsuccessful.

We here at the Buffalo Niagara Partnership have reviewed a number of proposals and found one that we think begins to address the current plight of small businesses in an innovative way building on job-based coverage. The Conference of Blue Cross Blue Shield Plans of New York State have proposed key reforms which would, among other reforms, merge the small group and individual markets, establish separate community rates for each product offered on an open enrollment basis and provides a stop loss subsidy to offset high cost claims. The reforms within their plan could significantly lower the cost of individual and small group coverage in New York. It is this type of a balanced approach that targets the actual insured population, which should be implemented prior to any universal coverage initiative.

Moreover, the Blue's proposal would impose a minimum loss ratio on all standard products combined among all health plans. This reform resonated with our organization as it showed that the health plans were willing to make a sacrifice in order to contribute to the affordability of health coverage.

The Buffalo Niagara Partnership is committed to being part of the on-going reforms to the New York State health care system and we look forward to working with the

Partnership for Coverage Task Force in developing a plan to increase the access, affordability and quality of health coverage across the State.

Thank you for providing this opportunity for me to submit testimony on this important matter facing businesses across New York State.