



# **A BLUEPRINT FOR SENSIBLE HEALTH CARE REFORM**

**ADOPTED BY THE SELF-INSURANCE  
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## TABLE OF CONTENTS

INTRODUCTION .....	1
COST CONTAINMENT .....	2-3
EMPLOYER-BASED HEALTH SYSTEM PROTECTION .....	4
SMALL BUSINESS POOLING ARRANGEMENTS.....	5
TAX INCENTIVES .....	6
CONSUMER DRIVEN HEALTH CARE .....	7
ABOUT THE SELF-INSURANCE INSTITUTE OF AMERICA.....	7

# **A BLUEPRINT FOR SENSIBLE HEALTH CARE REFORM**

## **INTRODUCTION**

As the country enters the latest round of intense debate over health care reform, it is important to remember that the U.S. health care system works well for the vast majority of people. The enactment of ERISA in 1974 created an option of uniform benefits regulation that expanded health coverage to roughly 73% of the U.S. workforce. Nevertheless, there are several challenges that the current system has not adequately addressed, including the high cost of care, which impedes the ability of some people to get access to affordable health insurance and quality care, leading to a growth in the number of currently uninsured Americans. The public policy question is whether the country can address those problems in a limited and affordable way or whether we need to fundamentally restructure the whole health care system – i.e. single payer universal coverage.

The Self-Insurance Institute of America, Inc. (SIIA) believes that the current employment-based system of healthcare provides a strong foundation to build upon. This paper identifies some of the most important health policy challenges and provides solutions on how SIIA believes they should be addressed. These reforms are targeted to problems that prevent people from gaining access to affordable health insurance and quality care. They are important steps that build upon the employer-based system to significantly improve the state of healthcare in the country.

SIIA's wide-ranging membership took a detailed look at the healthcare reform issue and what ultimately resulted in this proposal is a comprehensive solution. We start with the notion that employers know their workers and families on a first-hand basis and are in the best position to oversee health benefits. We also address the commonly agreed upon notion that something is wrong with the direction and foundation of the healthcare pricing system. Also, as 97% of working Americans work for small businesses and approximately half of the estimated uninsured work for small businesses who cannot afford to provide benefits, we offer some valuable solutions that will help ease the burden for small business to provide their employees coverage. We also highlight tax incentives in areas of preventative health care and also look to expand the consumer-driven healthcare system. As healthcare reform will remain a top-domestic agenda item, the membership of the Self-Insurance Institute of America, and the over 70 million employees and their families who receive health coverage through self-insured plan, offer the following proposal.

# COST CONTAINMENT

## **Background:**

Spending nationwide on healthcare has increased far greater than rates of inflation or wages. While some of this can be attributed to advancements in medical and bio-technology, a significant portion of the increase is a result of inefficiencies in our healthcare system.

While there is a strong foundation through our employer-based system for a successful healthcare system, full achievement is currently constrained by an outdated and inept delivery system and marketplace. We currently spend more nationally on healthcare, in terms of a nominal dollar amount and in percent of GDP, than any other country in the world. Unfortunately, we are getting far less than the desired results from such a financial commitment.

## **Problem we seek to address:**

Inefficiencies, lack of competition, over-use or inappropriate use of services as well as a lack of a technologically-modern system all significantly adds to the high cost of healthcare in this country. Improvements must be made to reverse this trend to ensure access to and adequate coverage for all Americans.

## **Solutions:**

***Price Simplification:*** In an effort to help consumers compare the relative cost of services and/or procedures offered by different providers, a simplified price transparency system would be beneficial.

***Price Transparency:*** Most consumers take advantage of comparison-shopping when they are in the market for a new car, electronics and everyday items. Unfortunately, it is a different story when it comes to healthcare. Medical providers charge different rates depending on the nature of the insurance the consumer possesses. Consumers need consistency in pricing and the medical providers need to be able to set one rate for their services to reduce administrative burdens. Consumers most hurt by the lack of price transparency are the uninsured themselves. SIIA supports:

- Price transparency in the healthcare system so that consumers (and insurers) can shop around for the best prices and plan for healthcare expenditures.
- Encouraging providers to supply consumers upfront the cost of the expected visit/service. Also encourage a price comparison from a readily available database.
- Greater nationwide access to price information (consumer rankings) for medical services.
- Dedicate resources within Health and Human Services (HHS) to collect healthcare data by region and lists prices for services, treatments and procedures, as well as quality assessments by consumers. Patients will be able to know, by procedure or type of illness, which hospitals, physicians and other providers meet established, industry-accepted quality standards.

*The Department should provide:*

1. A registry (updated monthly) of the average cost charged by pharmacies of the 100 most frequently used drugs.

2. A registry (updated semi-annually) of the cost of the 100 most common services provided by hospitals.
3. A registry (updated semi-annually) of the cost of the 100 most common services provided by providers.

***Health Information Technology:*** Improvements to our Health Information Technology (HIT) system will significantly improve the quality of care for those in our healthcare system while also achieving noticeable cost savings through an efficiency of administration. As patients move either geographically, or even from provider to provider, often times their medical history or personal requirements get lost in the process. SIIA supports:

- Creation of a lifetime personal electronic medical record so consumers could have control over the use of their personal health records and ensure it is secured and protected. The electronic record would be privately owned, portable and would ensure privacy protection.
- Tax credits and financial grants to help providers and payors purchase, implement and keep current electronic health-record systems and other components of a fully wired health care practice.
- Adoption of uniform health IT standards that must be adopted within 5 years.
- Ensure compliance with Federal requirements to protect the privacy of individually identifiable health information.

***Preventative Health and Wellness:*** Certain lifestyle and dietary patterns for today's population have significantly increased their risk for poor health. A large percentage of healthcare costs in our country go toward treating complications from being overweight and a lack of exercise. Also, many major procedures and diseases could be prevented by screenings and testing, such as cholesterol tests and Cancer screenings. SIIA supports:

- Federal medical education loan reimbursement for healthcare providers who receive board certification in preventative medicine.
- Tax credits and other rewards to employers that offer wellness programs and preventative care methods (including on-site doctors and medical staff).
- Individual financial incentives (in proportion to premiums paid) as rewards for healthy behavior.

***Quality Incentives:*** Incentives should be provided to reward quality care by providers and we must improve the reporting system. This will help move closer to a consumer and value-based healthcare system that will allow free-market principles to make our healthcare system more efficient. SIIA supports:

- Pay for Performance - Payors should consider reimbursing providers based upon actual health outcomes and standards, rather than procedures.
- Standards and protocols to be developed in order to help payors, employers and individuals ensure the most efficient results.
- Continue the development and implementation of national, uniform quality standards.

# EMPLOYER-BASED HEALTH SYSTEM PROTECTION

## **Background:**

Employment-based group health plans provide health coverage to more than 160 million Americans, with roughly 70 million covered by self-insured plans. The main factor contributing to the success of employment-based health plans is the broad preemption provision of ERISA. Employers are more likely to offer health benefits that are subject to uniform regulation rather than a hodgepodge of conflicting and inconsistent state and local laws. Congress must preserve the aspects of the system that works.

## **Problems we seek to address:**

Many States are looking at creative ways to avoid ERISA preemption in order to carry out their health policy initiatives. ERISA preemption allows an employer with a nationwide workforce to maintain a nationwide health program, with all of the cost savings and administrative efficiencies such a program would entail. Erosion of ERISA will lead to a patchwork of state regulations that would undoubtedly lead to severe administrative difficulties and unnecessary expenses for employers as they attempt to comply with rules that differ from state to state.

## **Solutions:**

***Defend ERISA Preemption:*** Federal preemption fosters uniform administration and reduces the costly burden of multi-state regulation. Without ERISA many employers will be forced to choose between increasing the employee share of health coverage or eliminate coverage entirely. The complexity of administering a health plan that treats workers differently across State lines is inefficient and costly. SIIA supports:

- A sense of the Senate (House) resolution declaring its intention to protect ERISA preemption and oppose granting state ERISA waiver requests.
- Allowing small businesses to pool their resources to self-insure employee benefits while having the ability, through ERISA, to circumnavigate conflicting State laws.

## SMALL BUSINESS POOLING ARRANGEMENTS

### **Background:**

The number of uninsured in this country has been growing steadily over the past several years. It is estimated that over 60 percent of the working uninsured work for, or depend on, small employers who lack the financial ability to provide health coverage.

### **Problem we seek to address:**

A large percentage of uninsured individuals are self-employed or employed by small businesses that cannot afford to provide coverage largely due to the lack of competition in the health care marketplace. In fact, 65 percent of small-business owners indicate high cost as the main reason why they do not offer health insurance. Additionally, since small companies are governed by state law, they are subject to varying state regulations and mandates that can increase costs by as much as 45 percent. Solutions are needed that permit small businesses to work together and take advantage of economies of scale to obtain affordable health coverage for their employees.

### **Solution:**

*Small Business Assistance Pools:* The Congressional Budget Office estimates that small business pooling arrangements would save the typical small-business owner between 15 – 30 percent on health insurance. SIIA supports:

- Allow certain pooling arrangements to be regulated by the Department of Labor.
- Extend ERISA preemption protection only to those arrangements and participants that adopt specified corporate governance standards, solvency protection standards and certification requirements. Plans that do not meet the enacted requirements would thus be subject to state regulation. The DOL would be responsible for oversight of the plans and would have the power to suspend or revoke the plans.

# TAX INCENTIVES

## **Background:**

Tax incentives for mid- and large-sized employers that offer health coverage has been credited as one of the most significant vehicles to entice businesses to provide this benefit. Small employers and self-employers cannot take such advantage of the tax code, thus resulting in far smaller percentage of those employed in these sectors.

## **Problem we seek to address:**

The tax code needs to be reformed to increase fairness for small and self-employed employers. The current tax code treats big business' employee health care costs as a deductible business expense, but for certain small businesses, health care costs are treated as merely another form of taxable compensation. Tax incentives to these groups that provide health coverage will significantly increase the number of insured and adequately-insured Americans. Incentives can also help increase the use of less traditional techniques in the fields of preventative health and wellness, which can help lead to lower long-term healthcare costs.

## **Solutions:**

***Small Business Tax Incentives:*** Tax credits to help small businesses afford employees' health care coverage and put them on a level playing field with larger employers. Allow small business who either join an employer-pooling arrangement or who don't and fall under a means-tested income limit TBD by the DOL to receive targeted tax incentives. SIIA supports:

- A sliding scale tax credit to all businesses with fewer than 50 employees. Companies with fewer than ten employees would be eligible to claim a credit of 50 percent of the cost of each eligible employee's policy. Companies with 25 to 50 employees would be eligible to claim a credit of 35% and so on.
- A tax deduction for claims incurred for health insurance related to small group coverage and small business health plans or claims paid out by small self-insured employers.

***Self-Employed Tax Incentives:*** A large number of uninsured individuals are self-employed as private coverage is costly and there are no tax benefits associated with purchasing coverage. Self-employed individuals are at a distinct disadvantage to employees that work for larger corporations which enjoy economies of scale and tax benefits. SIIA supports:

- Amending the Internal Revenue Code to allow self-employed individuals to deduct health insurance costs in computing the tax on self-employment income.

# CONSUMER DRIVEN HEALTH CARE

## **Background:**

Consumer-driven health care (CDHC) puts the consumer in greater control of their own healthcare. It incorporates free-market principles, allowing consumers to make decisions based on quality and price, and for them to then have the ability to negotiate for lower prices and/or expanded services. While this might not be the best course for a majority of Americans, having a strong CDHC system in place will take some of the burden off employers (especially in the small business sector) and help lower costs and increase quality for all healthcare consumers.

## **Problem we seek to address:**

Under current IRS regulations, medical savings accounts used as part of CDHC, Health Savings Accounts (HSAs) and Flexible Savings Accounts (FSAs), are restricted and are thus not able to be implemented to their greatest benefit. Making small improvements to the contribution levels and to the way these accounts are taxed will play a role in healthcare cost-containment and improvements in quality. SIIA supports:

## **Solutions:**

***Improvements to HSAs and FSAs:*** As these consumer-driven accounts have been limited, the following expansions are recommended. SIIA supports:

- Allow individuals participating in an HSA to deduct the premiums for the high-deductible health insurance policies from their taxable income in conjunction with an HSA.
- Increase contribution limits to HSAs (with attention to early retirees aged 55 – 64) and allow them to incorporate flexible spending and health reimbursement arrangements.
- Allow spouses to make increased “catch-up” contributions to a single HSA.
- Eliminating the “use it or lose it rule” which states that the money in FSAs must be spent within the “plan year” as defined by the cafeteria plan (commonly the calendar year), and any money that is left unspent at the end of the plan year is forfeited back to the company.

## ABOUT SIIA

SIIA is a national trade association that represents companies involved in the self-insurance and alternative risk transfer marketplace. Additional information about the association can be accessed online at [www.siia.org](http://www.siia.org), or by calling (800) 851-7789.



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