POLICY PAPER:

IMPROVING AMERICA’S HEALTH CARE

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Improving America’s Health Care

The Self-Insurance Institute of America, Inc. (SIIA) represents the employers, administrators and other companies serving the self-funded employer. According to the 2006 Annual Survey of Employer Health Benefits conducted by the Kaiser Family Foundation and the Health Research and Education Trust, approximately 55% of all employees covered by an employer-sponsored health plan are in a self-funded plan.\(^i\)

SIIA and its membership represent those employers that voluntarily provide benefits to nearly 88 million Americans. As a result, we are heavily involved in creating solutions through lower costs and improved access to health care coverage. The following represents SIIA’s core principles in approaching the concerns raised about health care in America.

SIIA believes:
- Every American should have access to basic, affordable health care coverage.
- We should build upon the employment-based system that covers 62% of the non-elderly population.
- We should eliminate barriers to coverage for the working uninsured.
- We should improve the safety net for the impoverished and long-term uninsured.

The economics of health care are far more complex than most of us are willing to admit. There is no silver bullet, no magic pill. To design interventions, we must understand the causes and the interactions. The following points help define the context for the debate on how to address rising costs and a growing population of uninsured individuals.

- Employer-sponsored health care benefits provide health insurance coverage to 159.5 million Americans or 62% of the non-elderly population.\(^ii\) Further, employers pay on average 84% of the premium for single coverage and 73% of the cost of family coverage.\(^iii\)

- The employer-based system has come under criticism because it is not universal coverage. The criticism has focused on the number of uninsured (46.1 million or 17.9% of the non-elderly population, which numbers approximately 257.4 million people\(^iv\)) and the high cost of health care. According to the Employee Benefits Research Institute, “While claims of the demise of employment-based health benefits have been made, EBRI research has found that this is simply not the case…. Employment-based health benefits have historically – and continue to be – the most common source of insurance in the United States.”\(^iv\)
The 46.1 million reported to be uninsured are not covered by employer-based coverage, or other public programs such as Medicare, Medicaid or the State Children’s Health Insurance either by choice or by failure to meet the qualifications for coverage.

Of the uninsured reported in 2001 through 2004, 16.9 million people or 6.6% of the non-elderly population were uninsured for the entire four-year period and approximately 10.3% of the non-elderly population was uninsured for the two-year period covering 2003 and 2004.

37% of the uninsured population was uninsured for one to four months, 22% was uninsured for five to eight months, 9% was uninsured for nine to 11 months, and 33% was uninsured for 12 months or longer. “Even though many individuals may lose health insurance during any given month, the majority remains uninsured for a short time, and may even be eligible for coverage under COBRA or various state continuation-of-coverage laws.”

The greatest proportion of the uninsured for the full four-year period was 18 to 24 year olds.

15.2% of uninsured workers chose not to be covered by an employer’s plan. The reasons for this were: the plan was too costly at 64.4%, they didn’t need or want coverage at 9.2%, and other at 26.4%.
83.5% of workers offered health benefits by their employers enroll in coverage. “Few workers eligible for health coverage are uninsured (about 4% from 1995-2005).”

In 2005, 62% of non-elderly individuals (those below age 65) were covered by an employment-based health plan, with 70.6% of working adults covered, 37.7% of nonworking adults covered and 57.5% of children covered.

13.8% of uninsured workers between the ages of 18 and 64 were self-employed in 2005 and 35.7% of uninsured workers between the ages of 18 and 64 were employed by a firm with fewer than 25 employees in 2005.

The cost of health care coverage has risen 3.5 times the rate of overall inflation between 2000 and 2006. But even with that type of increase, we must be aware that more than price inflation is involved in the rise in health care costs. According to a PricewaterhouseCoopers study on the factors behind the rising costs of health care, 27% of the increase is related to general inflation, 43% is related to increased utilization (increased demand, more intensive diagnostic testing and new medical treatments), and 30% is related to broader access, higher costs and higher priced technologies.

In addition to inflation, we have seen a significant cost increase in the area of medical technology, but we have also seen the cost of lifestyle related illnesses rise. Finally, the population has been aging and with increased age, comes increased health care needs.

In order to lower the cost of providing employer provided health care benefits, we propose a balanced partnership approach between the Government, Employers, Providers, Health Plans, Insurers, Third Party Administrators, and Individual Consumers of health care. Following are a set of recommendations SIIA proposes to begin making progress in the health care debate:

**Government**

- Enact Association Health Plan (Small Business Health Plan) legislation to allow smaller employers to pool their risks and share costs to obtain the advantages of the larger employers
- Provide for parity of tax treatment of health care coverage for the self-employed
- Maintain incentives for employers and unions to provide health care benefits
- Continue to develop and refine tax incentives for individuals to become wise health care consumers (e.g. consumer driven health care and provider price and quality transparency)
- Encourage public reporting of provider billing and quality of care outcomes via the Internet
- Mandate health care electronic records with patient access and the ability to transmit records to other providers with the patient’s consent
- Standardize provider pricing using the Medicare standard and continue to refine and update the billing procedures and codes
- Require the health care system to be transparent in pricing and compensation
- Improve continuation coverage for the short-term uninsured
- Improve the safety net for:
  - Children – continue SCHIP funding
  - Single adults at or below the Federal Poverty Level

**Employers**

- Offer access to health benefits to **all** employees
- Ensure health care education is available to employees including access to a health care advocate
- Utilize sophisticated tools, such as HRAs, HSAs, VEBAs, Risk Retention Groups and Captive Insurance Arrangements to encourage consumerism and manage plan expenses, thereby achieving lower health plan costs
- Provide incentives to employees to lead a healthy lifestyle, to seek preventative treatment and to follow through with preventative measures

**Providers**

- Promote an understandable, efficient and reasonable billing and payment system based on the Medicare system with an upward adjustment of a percentage of Medicare allowable billing
- Track and disclose the quality and outcomes measures. This would include both morbidity and mortality data (information on the number of specific procedures the Provider has performed and the outcomes) and the costs
- Educate Patients on their health conditions being treated, the respective standard treatment protocols and second opinions from experts in the medical field
- Implement Electronic Health Records (EHRs)

**Health Plans / Third Party Administrators / Insurers**

- Provide incentives for provider outcomes or process quality (EHR)
- Provide education and information sources to allow patients to assess the cost and quality of the health care provider
- Support administrative “best practices” to reduce administrative overhead

**Individual Consumers**

- Proactively take primary responsibility for their general health and preventative care treatment for themselves and their family
- Identify a “health care advocate” and a personal trainer (tax deductible)
- Educate themselves on healthy lifestyles and develop specific plans to address their individual health needs
- Use the health care system efficiently and wisely
- Include health care in retirement planning
Summary

Our current system of employer provided health care benefits is not broken, but it could use some improvement. We believe that access to affordable health care coverage for the uninsured can be provided without replacing the employer-based health plan system, which currently provides coverage for 159 million Americans. Our nation faces two key challenges for improving America’s Healthcare: 1) providing access to health insurance coverage for the uninsured and 2) reducing the rate of increase in the cost of health care.

Reducing the rate of increase in the cost of health care can be achieved through implementation of SIIA’s recommendations for a partnership effort of Government, Employers, Providers, Health Plans, Insurers, Third Party Administrators and Individual Consumers. By working together, we can improve our health insurance, health care and personal health.