Potential Impact of Health Care Reform on the Business Community in Nebraska

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The consensus of the conjoint group charged to anticipate the impact of potential legislation on health care reform naturally stems from its own experience at UNMC, UNMC-Physicians and the Nebraska Medical Center. Nevertheless, it intends that its analysis have broader application to other institutions and professions, whether academic or not, whether urban or rural.

Introduction
In recent years, many in the business community have reached consensus that the United States health care system is in need of comprehensive reform. The United States currently spends 17% of its Gross Domestic Product (GDP) on health care, which is the greatest percentage spent by any country. The non-partisan Congressional Budget Office (CBO) estimated earlier this year that figure could grow to 20% in the next decade. The cost of providing health care has become too burdensome for many employers as premiums continue to rise every year. Many employers, “large and small,” are responding by scaling back coverage or dropping health benefits altogether. Of the approximately 46 million uninsured individuals in the United States, 57% are employed full time.

Congressional Committees in both chambers have acted on their respective health reform bills. Whatever is finally decided will impact the business community. Three issues in particular are insurance market reforms, taxes and financing and encouraging wellness and prevention efforts for employees. This paper will focus on these issues and analyze what their inclusion in health reform legislation could mean for business in Nebraska.

Insurance market reforms
Changes in the insurance market have been an integral part of the health care reform debate. The rate at which insurance premiums have increased over the last several decades is staggering and has become a serious issue for all businesses, particularly for the small businesses who serve as major job creators for Nebraska’s economy. Employer based coverage makes up approximately 62% of the insured population in the United States, and several provisions focus on maintaining and expanding this coverage. Furthermore, of those 62% covered by employer based insurance, half come from companies that self insure, for which insurance companies are not as much of an issue as the rising health care costs. The Business Roundtable recently released a report which illustrates that the benefits of effective health care reform far outweigh the cost of inaction. The report shows that without effective reforms, employment-based health costs will almost triple from $10,743 per employee today to $28,530 by 2019.

A contentious issue in the health care debate is coverage mandates for both employers and individuals. There are currently no coverage mandates nationwide in America, but
the proposals in the House of Representatives include a mandate for employers to provide coverage or pay a penalty. Some in the business community have had lingering concerns about employer mandates since the failed Clinton Administration reform proposals of the mid-1990s. Many small businesses have raised concerns about being unable to afford the high costs of providing benefits to their employees. Individual mandates also exist in the proposed bills but subsidies are available for low and middle income Americans up to 400 percent of the Federal Poverty Level.

The health care legislation attempts to expand the number of affordable insurance plans available to small employers and their employees. As many small businesses are limited to one or two coverage options in certain states, some argue insurance providers benefit from artificial price inflation due to this near-monopolistic environment. This is reflected by a study presented to the Senate Small Business Committee by the Government Accountability Office (GAO) that shows in most states, the largest five insurers control 90% of the market. Therefore, one argument in favor of these reforms is that if small businesses are given access to more choice and coverage plans, prices will fall and result in more affordable coverage.

**Tax Issues**

Financing something as comprehensive as health reform is challenging, particularly if the goal is for the final product to remain budget neutral. The legislation in both the House and Senate is funded mostly by offsets in the Medicare program along with certain tax increases. The House of Representatives legislation was offset largely by tax increases for high income Americans. The bill would place a 5.4% surtax on individuals and families with annual gross income exceeding $1 million. Individuals and families with annual income above $350,000 would face a 1% surtax, and those making between $500,000 and $1 million a year would be hit with a 1.5% surtax. The Senate Finance Committee felt it was better public policy to pay for their legislation within the health care system. Their main financing method is taxing so called “Cadillac” health insurance plans. The proposal would impose a 35% excise tax, beginning in 2013, on the value of plans above $8,000 for single coverage, or $21,000 for family coverage. The tax would be paid by insurers or by employers if their plan is self insured. The Senate Finance Committee also taxes medical device manufacturers and pharmaceutical companies.

While tax increases have a negative connotation, they could have the benefit of limiting excessive utilization of health benefits. Individuals with “Cadillac” health plans may be more likely to seek non-essential treatments whereas individuals with plans including deductibles and co-pays are less likely to do so. Taxing these high plans might lower costs by forcing benefit plans to be restructured and cause individuals to reconsider seeing a doctor for minor issues. This tax is expected to only affect about 7% of Americans and should have little impact on individuals in Nebraska since premiums in this state are much less than those in other parts of the country, however there is concern among employers that the value of “non-Cadillac” plans could, over a short time, rise to Cadillac, e.g. excise tax, levels.
The creation of a value added tax or a general income tax increase would be harmful because the extra costs could force employers to either lower their labor costs which would lead to more uninsured, or scale back their benefits which could lead to more individuals being “under insured.” Businesses could also decide to pass along these costs to consumers in the form of higher prices for their services.

Other businesses are trying to get their employees more involved in their health care. Many in business believe one of the causes of rising healthcare costs is the fact that the healthcare consumers are disconnected by insurance from the cost. Therefore, many employers are trying to get employees to have a stake in their own health care costs by the use of High Deductible Plans with Health Savings Accounts (HSA). For example, here in Omaha, Union Pacific Railroad provides non-union employees with family coverage $2300 in a tax free HSA. They also give them another $100 if they take a wellness assessment, another $100 if they get an annual physical (which UP pays 100%) and another $100 if they don't smoke or go through smoking cessation, for a total then of $2600. If they don't spend the $2600, they get to keep it in an HSA and roll it over year after year. Employees are not taxed on the principal or the interest it earns in the account. Almost 90% of Union Pacific’s non-union employees have elected this type of plan and it has proven to be very effective for Union Pacific and other employers by helping employees to become better consumers.

**Wellness and Prevention**

Providing incentives for wellness and prevention of chronic diseases enjoys bipartisan support amongst policy makers. According to the Centers for Disease Control (CDC), chronic diseases such as heart disease, cancer, stroke, diabetes and obesity contribute to more than 75% of health care costs. And, while they are the most common and costly of all health problems, they are also the most preventable. As the CDC points out, “common health damaging, but modifiable behaviors - tobacco use, insufficient physical activity, poor eating habits and excessive alcohol use - are responsible for much of the diseases, disability and premature death related to chronic disease.” They also markedly reduce productivity, an economic impact on business. Proposals in both the House of Representatives and Senate include wellness provisions.

Businesses large and small can take the lead in prevention efforts for employees with results that improve employees’ health and lead to lower insurance costs. SimplyWell is an Omaha-based health solutions organization which provides companies all over the country with health screenings that are integrated with a web-based, HIPAA-compliant health management application. Earlier this year, SimplyWell was named one of the top ten examples of “what works” by the Center for Healthcare Transformation (CHT). The case study cited by CHT dealt with Greater Omaha Packing Inc (GOP), the fifth largest beef processing company in the United States. Since signing on with SimplyWell in 2001, GOP’s healthcare costs have increased only 2.4%; far below the national average in that time span (which, according to the Kaiser Family Foundation, was approximately 131% over the previous decade). The health benefits to employees have been profound as well. Repeat participants over the past five years have experienced a 27%
improvement in normal blood pressure readings while 16.7% fewer participants have elevated total cholesterol and 41.3% participants have decreased elevated glucose levels.

One provision in the Senate Health Education Labor and Pensions (HELP) Committee’s bill would create a council of various representatives from federal agencies that would focus on educating the public and businesses on healthy living concepts. The Senate Finance Committee also proposes a tax credit that would cover 50% of the costs paid by an employer for providing a qualified wellness program. A bipartisan amendment that passed the Senate Finance Committee would allow companies more flexibility to change workers’ premium costs based on employee participation in workplace wellness programs. The amendment would allow employers to offer workers participating in wellness programs such as weight loss and smoking cessation classes a premium discount of up to 30 percent of the cost of that employee’s health coverage, thus increasing an existing federal regulation that caps rewards at 20 percent.

Under the proposed law, secretaries of the HHS, Labor and Treasury departments would have the option to increase that limit to 50 percent. Proponents of the amendment cite the success of the grocery store Safeway, which enjoyed flat healthcare costs after it instituted discounts on insurance premiums for employees who joined voluntary programs to control their smoking, obesity, blood pressure or cholesterol.

About the Health Care Reform Group
The Health Review Group consists of representatives from UNMC/TNMC/UNMCP assembled to analyze health care reform proposals and to serve as a resource to policy makers and Nebraskans. The Group has issued white papers on a number of health reform issues to provide an objective analysis of the impact reform may have on the institution and the citizens we serve. For further information, please email unmchcr@unmc.edu or visit us online at www.unmc.edu/healthcarereform.