



Business

**Statement for the Record**

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**Senate Finance Committee**

**Roundtable Discussion on Health Care Coverage**

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I am John J. Castellani, President of Business Roundtable, an association of chief executive officers of leading U.S. companies with \$5 trillion in annual revenues and almost 10 million employees. On behalf of the Roundtable, I am submitting this testimony for the Committee's review. Member companies comprise nearly a third of the total value of the U.S. stock markets and represent over 40 percent of all corporate income taxes paid to the federal government. Collectively, Business Roundtable companies returned \$114 billion in dividends to shareholders and the economy in 2006. Business Roundtable appreciates the invitation to participate in the roundtable discussions and looks forward to working with Chairman Baucus, Senator Grassley and other Senators on this Committee, in discussing ways to improve our health care system so that all Americans can have access to affordable health care coverage.

As the provider of health coverage to almost 35 million Americans, Business Roundtable companies play a significant role in helping American workers and their families obtain medical care. Health care costs are a key issue for us as they are inhibiting job creation and damaging our ability to compete in global markets. They are also imposing a major strain on the household incomes of many Americans. In these times of financial insecurity, maintaining jobs and retaining the health care benefits is an enormous strain for many Americans. We believe health care reform should be addressed now as we work our way through these difficult financial times.

### **Divided We Fail**

We appreciate the opportunity to be here today with our colleagues involved in Divided We Fail (DWF). Together, we have called on Congress to enact bipartisan health care reform. DWF represents more than 50 million people; this organization includes Business Roundtable, AARP, the Service Employees International Union (SEIU) and the National Federation of Independent Business (NFIB). The group was launched over two years ago to call on Congress to enact bipartisan health care reform and to improve the long-term financial security of all Americans. We have principles that we believe all Americans should have access to affordable health care;

that wellness and prevention efforts should be priorities; and that a focus on long-term care is necessary.

On long-term financial security, we believe Social Security must be strengthened, there should be financial incentives to save, and we need to provide all Americans with the tools to help manage their finances. DWF provides constructive input on the changes that are needed on health care reform. Most Members of Congress have joined in our pledge, along with more than one million Americans. And, we have worked together in support of various pieces of legislation.

### **Health Care Reform**

Today, *all* employers make difficult economic decisions about whether to offer health insurance and face enormous increases year after year. For employers with 200 or more employees, over 98 percent offer health benefit coverage. But the cost pressures are tremendous.

First, one-sixth of our economy is spent on health care. In 2007, total national health expenditures were expected to rise 6.9 percent — two times the rate of inflation. Total spending was \$2.3 trillion in 2007, or \$7,600 per person. Total health care spending represented 16 percent of the gross domestic product (GDP). U.S. health care spending is expected to increase at similar levels for the next decade reaching \$4.2 trillion in 2016, or 20 percent of GDP.

Second, over 177 million Americans get health insurance coverage through their employer. We must build upon our employer-based system. Today, 55 percent of private sector employees get their coverage through “self-insured” plans; 45 percent receive benefits through the “fully-insured” market. However, there are many Americans who do not have health insurance coverage.

Finding ways to expand health coverage, with balancing the impact of any reforms on those who do have coverage, requires deliberate discussions. As a society, we cannot afford to put \$1 trillion in subsidies into a health care system that is flawed. We need broad reforms that meet four key objectives:

1. Creating greater consumer value and efficiency in the health care marketplace;
2. Providing more affordable health insurance options for all Americans;
3. Placing an obligation on all Americans to have health insurance coverage and encouraging all Americans to participate in prevention and chronic care programs; and
4. Offering assistance to uninsured, low-income families to meet their obligation.

#### **Health Care Reform – Business Roundtable's Principles**

Today, these four principles are the building blocks of Business Roundtable's plan for improving the health care marketplace for all Americans. In September of 2008, we released a document entitled "Health Care Reform in America: A Business Roundtable Plan." We all recognize that the American health care system is among the best in the world. However, the high cost of health care imposes an enormous burden on all Americans – raising the cost of health coverage for those who have coverage and those who do not have coverage. Business Roundtable supports policies that will provide greater accountability, enhance efficiency, and create value for all consumers of health care services.

We have had many discussions with the Committee about ways to create greater value in our health care system. And, we applaud your commitment to identify options that are key to the success of reform. We support:

- Continued adoption of uniform, interoperable health information technology standards and incentives to use health information technology;
- Dissemination of consumer information on the cost and quality of health care and comparison of the effectiveness of health care services and supplies; and

- Promotion of changing payments by public and private payers, including Medicare, to reward value of services provided, not volume.

In addition, Business Roundtable strongly urges that any plan adopted by Congress reinforce the existing employer-based system through which Americans currently receive health benefits. The federal ERISA statute that governs these plans gives employers the flexibility to design and finance plans that meet their employees' needs – a system that has proven successful in making coverage widely available to workers. Tampering with this law at this time could cause massive dislocations for those 132 million Americans who have private workplace coverage.

When it comes to health care reform, the federal Employee Retirement Income Security Act, or ERISA, isn't broken and does not need fixing. What is broken is that there are 45 million Americans without insurance coverage – because their employers don't offer it, they don't elect it, they can't afford it, they don't enroll in programs where they are eligible, or they can't get it in the private marketplace. We must address this issue now. Let me provide more detail about our principles on health care coverage and subsidies for those who are low-income and uninsured.

### **Providing More Affordable Health Insurance Options for All Americans**

Over 177 million Americans obtain health insurance coverage through their employers – almost 133 million through private employers. Almost all private employers offer plans that are governed under ERISA. This law establishes fiduciary requirements, administrative requirements, and procedures to resolve problems in the plans. We encourage the Senate Finance Committee to continue supporting this federal framework for those employers who offer their employees health care benefits. We need flexibility to continue offering innovative benefits for our employees. This is the primary benefit of ERISA for employer – flexibility in offering our employees the benefits that they need, that we can afford, and that are consistent across-state lines.

Many Americans, who do not have access to employer-sponsored coverage, must rely on the health insurance marketplace for their coverage. The structure of the market itself is state-by-state. This marketplace has become inflexible, is overly prescriptive, creates market segmentation, and is afflicted with dueling mandates, rules and regulations. We believe that there should be national rules governing the insurance marketplace that could be enforced by the state. Certain state rules, such as state solvency requirements and consumer protections, would continue to apply. This would allow for greater consistency in applying other rules, such as rate setting, guaranteed issue requirements, and risk adjustments and reinsurance issues would need to be explored.

We need a better marketplace for all Americans to get **affordable** and **portable** health insurance coverage. We would like to work with you on finding the right balance for individuals who do not have coverage through their employer or to help small employers find affordable coverage for their workforce if they choose to offer benefits.

### **Placing an Obligation on All Americans to Have Health Insurance Coverage**

While many Americans do have health insurance coverage through their employer, millions of Americans do not have coverage at all. At Business Roundtable, we have been educated on who are those Americans who do not have health insurance coverage. Today, there are some 45 million Americans who do not have coverage.

- 4.7 million are college students;
- Just fewer than 10 million are non-citizens;
- About 11 million are currently eligible for public programs, such as Medicaid and SCHIP, but they have not enrolled; and
- More than 9 million have household incomes over \$75,000, yet they do not purchase or elect employer-sponsored coverage.

We believe a "one-size-fits-all" solution will not work because this group is far from monolithic. For many of these Americans, obtaining coverage isn't so much financial, as it is structural. We need to have a competitive system that provides Americans with **affordable** options that are suitable for their families. However, we believe that all Americans should have health insurance coverage – as an obligation through auto-enrollment or some other mechanism.

For example, we support the concept of auto-enrollment by individuals who are eligible for benefits. Many large employers auto-enroll their employees into employer-sponsored health insurance coverage. This could be a way to ensure broader coverage for many of those who are not electing. Other ideas that have been discussed include imposing a penalty for those who can afford insurance, but do not elect coverage. We are open to suggestions so that we can achieve broad coverage.

We also support encouraging all Americans to participate in employer- and community-based prevention and chronic care programs. Many Business Roundtable employers offer prevention and chronic care programs to their employees and there are many worthwhile efforts in which Americans can participate. More needs to be done to educate and encourage participation.

#### **Offering Health Coverage and Assistance to Low-Income, Uninsured Individuals and Families**

For some low-income uninsured families, health care coverage is unaffordable. We believe that the government should provide financial assistance so that low-income individuals and families can purchase coverage from the private market. These targeted subsidies would be funded from the cost efficiencies in improving the health care marketplace and by expanding the number of lives that are covered by the less fragmented health insurance marketplace. We want this assistance to be used either in the newly established health insurance marketplace or by paying the individual's portion of the premium if they are eligible for employer-sponsored health insurance coverage.

## **Health Care Reform Cautions**

While there are a lot of positive opportunities to create the right balance between improving the delivery system and expanding coverage, we do have some cautions that we want to share with the Committee.

First, we urge the Committee to proceed cautiously in discussions about minimum or essential benefit packages, especially as it applies to employer-sponsored coverage. The state mandated benefit laws have increased costs in the states and limited choice in plan offerings. Large employers have innovative plan designs that promote wellness and health promotion, chronic care services and other necessary benefits.

Second, we are very concerned about “public plan” proposals that would compete in the private marketplace. We do support national rules to create a more competitive and affordable insurance marketplace for individuals and small businesses. We believe that you must tackle issues relating to transition that will expand the availability of these affordable options over time.

## **Conclusion**

- We want to work with you on finding solutions – and our plan is also to use the power of the market to drive down costs, drive up quality and improve access to health care for all Americans. All ideas are good and we want to discuss the pros and cons of each idea – but we know that this legislation will require individuals, employers, providers, insurers, and the government to participate in finding the right balance in sharing the responsibility and successes of health care reform. We want to work with you, and all Members of this Committee, to find realistic solutions to improve our current fragmented system.

- Our principles and ultimately your proposal must emerge from the uniquely American principles that drive our economy: competition, innovation, choice and a marketplace that serves everybody. We want to work with you to find practical, common sense solutions.

Thank you for the opportunity to participate at the roundtable.