
MEMORANDUM

To: The Blue Ribbon Commission on Health Care Reform
From: The Business Task Force
Subject: Final Report of the Business Task Force on the 5 proposals reviewed by the task force
Date: October 18, 2007

Pursuant to the charge of the Commission the Business Task Force has met on five occasions. The initial meeting was introductory in nature and included a general review of the four approaches to reform. The next two meetings were spent examining in more detail the original four proposals with two proposals being discussed at each meeting. The final two meetings were spent discussing proposal 5 and overall general considerations that were found in multiple proposals.

We recognize that health insurance coverage is, at least for the foreseeable future, tied to the workplace and we accept that responsibility. At the same time, though, it has evolved to the point where business finds itself diverting attention from its main business to health coverage with its concurrent expense of time and financial resources. We believe there must be a happy medium that will serve both employees' and employers' interests.

In general, the Business Task Force had concerns with elements in any of the proposals that would create additional administrative burdens and/or costs on employers, or that created an uneven playing field for businesses. At the same time, members noted that businesses are willing to play a role in education around healthy lifestyles and coverage options.

This final report regarding our discussions to date is forwarded to you with a caution that there may not be unanimity on all discussion points below and that some members of the Task Force may not have reviewed this document.

This document is an overview of key design considerations that were found in multiple proposals and how these considerations could have an effect on businesses. Attached are additional documents that highlight our discussion regarding specific considerations in each proposal.

- The Task Force spent considerable time reviewing employer mandates and believes that, as a general rule, they would be harmful to business.
 - The mandate for employers to offer insurance to employees creates an unequal playing field:
 - Not all employers (e.g., self-funded employers) would be subject to them.
 - In-state (local) employers may be at a disadvantage compared to out of state employers who are not subject to a similar mandate.

- An employer mandate could create a disadvantage to an employer who wishes to remain in Colorado and could be a deterrent to an employer deciding upon moving to Colorado.
 - An employer assessment is another form of a mandate and would have the same negative impact on business as outlined above.
 - The exception to the generally negative view of employer mandates was a proposed requirement for employers to provide Section 125 plans. In general, the Task Force did not view this as an onerous burden, although they noted that there could be an increased cost to employers who currently do not offer this type of plan (e.g., through plan fees and increased HIPAA compliance needs). However, it was recognized that there are off-setting tax benefits that could help to ease the financial burden.
 - Despite its generally favorable view of the Section 125 plan mandate, the Task Force suggests that there be an exemption for very small businesses (e.g., less than 5 or 10 employees).
- The Task Force generally felt that there may be a place for individual mandates.
 - Individual mandates appropriately place responsibility for insurance on individuals rather than the employer. Employers should not be responsible for enforcing mandates.
 - Reducing the uninsured population would reduce the cost shifting to business that occurs today to pay for the medical care that uninsured individuals receive.
 - Requiring all individuals to be insured, and requiring individuals to elect their employer's coverage, could have a positive impact on business since it will reduce adverse selection by not allowing the healthy to purchase other plans.
 - However, Task Force members did note some concerns about individual mandates:
 - The depth and form of the mandate could have a negative cost consequence on business if wages must increase so that the employee can afford the mandate.
 - There is concern regarding potential additional administrative costs on employers associated with enforcing an individual mandate such as coordination with the state, processing of subsidies, etc.
 - There is a question as to whether or not there may be a shift of population from the uninsured to the underinsured because of the basic plan's modest annual maximum level of benefits.
 - The requirement to purchase the employer's insurance has a potential negative consequence to employers: It could increase employers' costs since most employers assume only a certain percentage of employee will choose to be covered. Currently only businesses with fewer than 50 employees are required to pay at least 50% of the employee's premiums. This could create an unequal playing field if employees are required to select the employers insurance under an individual mandate unless the 50% rule applies to all.

- In addition, the requirement to purchase an employer's insurance could have a negative consequence for certain groups of employees. Some may end up paying higher premiums than they would if they were allowed to purchase in the individual market; others may find themselves underinsured or unable to enhance their coverage if required to purchase the employer's plan.
 - Possible solutions include making a supplemental plan available through the Exchange/Connector, or allowing employees to purchase a voucher from the employer to secure coverage through the Exchange/Connector (if permitted by Colorado law) and without additional cost to the employer.
- The Task Force supports expanding public programs but does so with a caution.
 - The Task Force recognizes the potential for public program expansions to reduce the cost shift due to uncompensated care. Members also applaud the idea of a Medicaid buy-in as a means of assuring that talented people can continue to work.
 - At the same time, though, some Task Force members noted concerns:
 - What would happen if those programs are expanded and the state experiences another recession?
 - Increasing these program costs will affect all taxpayers.
 - Without ensuring sufficient provider participation in Medicaid and CHP+ – which means, at least in part, increasing reimbursements – public program expansions could in fact exacerbate the existing cost shift.

Overall, the Task Force recommends that Medicaid expansion be considered carefully and done with a surgeon's knife rather than a blunt instrument.

- Concerns re: insurance market reform
 - The Task Force noted the potential for reforms in the individual market and enhanced purchasing capacity through the Exchange/Connector to have a destabilizing impact on the small group market, encouraging employers to drop coverage and forcing employees to move into the individual market.
 - The question was raised on the need to review the definition of the small group market to see if it is still appropriate with the current business demographics of Colorado and if it creates a fair or unfair playing field for businesses.
- Concerns re: subsidies.
 - There will be an increased administrative expense for employers who have a significant portion of their employees eligible for subsidies.
 - Events affect eligibility throughout the year (e.g., marriage, birth, etc.). Having to re-qualify based on these events could be a huge administrative burden to employers, but also an important necessity. The Task Force discussed using the Section 125 rules as a basis for these types of events.
 - Where the subsidy goes – i.e., to the employer or employee – must be clarified, since this will affect the administrative time and expense to employers.

- Concerns re: financing.
 - We need to be wary of any financing measures that are directed at specific products and/or industries.
 - Funding with insurance premium tax would create an unequal playing field amongst employers since self-funded companies and government agencies don't pay these taxes.
- Concerns re: benefit caps.
 - The Task Force expressed concerns regarding benefit caps in some proposals. While we recognize that maximum benefit levels of \$35,000 to \$50,000 would adequately cover most individuals, the group believes that such caps are insufficient for many others. Given the potential for anyone to experience a catastrophic event, the Task Force fears that this would not be sufficient.
 - In addition, benefits caps create the potential for underinsurance, which can exacerbate the cost-shift.
- 24-hour coverage.
 - The Task Force was specifically asked to provide reactions to the 24-hour coverage option in the 5th proposal. However, the Task Force had difficulty understanding how this provision would work.
 - Positives:
 - If it would remove all of an employer's liabilities for workers comp, it would appear to be an attractive alternative.
 - Could eliminate some redundancies.
 - Concerns:
 - Potential long-term impact on health insurance premiums, noting that if all claims were to now go through health insurance and not workers comp, health coverage premiums would go up.
 - They also noted concerns regarding the potential for increased regulation and having bureaucrats, rather than claims adjusters, making claims decisions.
 - Task Force members noted that, when an employer has a workers comp claim, there is an incentive to get that employee back to work quickly. They were not sure that incentive would remain under a 24-hour system.

General Observations

- When exploring health care reform, we must look at the broader economic climate and consider other potential economic impacts, both positive and negative.
- In general, the Task Force noted that the proposals do not fully address the full spectrum of medical care cost drivers. They expressed concern that, in the absence of significant measures to rein in health care cost inflation, costs will likely continue to increase rapidly, which will mean future increased costs for employers.

- The Task Force continues to have questions about the Exchange/Connector and Coverage Clearinghouse concepts and feels that there is insufficient understanding of how those elements would work to feel confident at this time that they would be effective.
- The Task Force recommends the Commission work with subject matter experts to flesh out important detail specifications that are currently missing from most proposals.
- The Task Force felt that the adoption of health information technology is an admirable goal and is best encouraged but not mandated.
- The Task Force endorses efforts to promote healthy lifestyles and preventive care.
- Reinsurance provisions are unclear and need more study.
- The Task Force noted that it did not have time to explore in detail the impacts of any of the suggested reforms on workforce development and productivity. Some considerations along these lines that merit further exploration are:
 - Increased worker productivity through better access to preventive care.
 - Reducing the potential of discriminatory hiring and firing practices resulting from efforts to control an employer's health care costs.
 - How income limits and means testing for public programs discourage capable citizens from performing meaningful work and keeping them impoverished (adding to taxpayer burden and restricting the aggregate workforce).
 - Disparities in regulations across different groups (individual, small group, large group, ERISA), such as those that create additional burden to small employers (higher premium costs with less risk-pooling protection compared to large group & ERISA plans).
 - Increasing wellness initiatives to improve worker productivity.
- The Task Force is basing its input on the information provided by the Lewin Group, but the Task Force questions some of that information.
- The discussion of the 5th proposal did not take into account modeling results since those had not been released by the time this report was due.

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