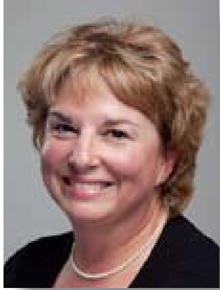
IS H.R. 3200 GOOD POLICY FOR IOWA BUSINESSES?



Patti Brown
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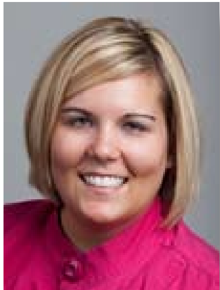

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OVER THE PAST TWO MONTHS, SINCE AMERICA'S AFFORDABLE HEALTH CHOICES ACT OF 2009, H.R. 3200, WAS INTRODUCED IN THE HOUSE OF REPRESENTATIVES, AMERICANS HAVE VIGOROUSLY DEBATED HOW TO PAY FOR HEALTH CARE AND HOW TO REFORM MANY ASPECT OF OUR HEALTH CARE DELIVERY SYSTEM.

Voters around the country and across Iowa have attended town hall meetings and have asked their congressional representatives "have you read the bill?" H.R. 3200 is hardly the "lite" summer read you would take with you on vacation. At 1017 pages, it takes more than 2 reams of paper to print this proposed piece of legislation and when done, it weighs in at just over 10 pounds.

America's Affordable Health Choices Act of 2009 provides an opportunity to look closer at both the problems with the current state of health care financing and to carefully weigh and measure not only the congressional proposal before the nation, but other proposals that are not addressed by the bill.

The bill states its purpose is to "provide affordable, quality health care for all Americans and reduce the growth in health care spending" while "building on what works in today's health care system while repairing the aspects that are broken."

H.R. 3200 is a wide-sweeping bill that covers a lot of territory and would mandate many new regulations on not only the health care and insurance industries, but on American businesses. Some of the bills proposals are sensible attempts to address some of the problems in the health care and health insurance industry today; some of the proposals are expensive and burdensome; and some proposals are highly controversial.

The bill mandates that everyone will have health care insurance, and that businesses will either provide their employees a qualified health benefit plan (QHBP) that meets the government's guaranteed minimum floor of "acceptable coverage," or they will pay a graduated penalty between 2 percent and 8 percent depending on depending on the size of their payroll. Firms with payrolls under $250,000 would be exempt from the employer mandate.

Businesses will be required to pay a mandatory minimum contribution to their employees' coverage of 72.5 percent for individuals and 65 percent for families. They will also be required to file annual reports with the government for each employee covered. There are additional new rules to be followed regarding contributions for part-time employees to insure the contribution meets guidelines.

Employers with 10 or fewer employees (or 20 employees in a two year period) can opt out of providing a QHBP and have their employees receive insurance coverage through a "public option." The cost for opting out would be 8 percent of a firm's payroll, which for many businesses would be less expensive than maintaining a private health insurance plan. This could result in an enormous shift of individuals and families from private plans into the non-competitive government plan. And with less demand for private insurance coverage, fewer insurance businesses will offer it. In the end, instead of stimulating competition in a free market system, H.R. 3200 will effectively choke off competition and choice.

Self-employed individuals will be mandated to carry "acceptable" insurance or they will pay a tax penalty of 2.5 percent of their modified adjusted gross income up to the cost of the average national premium for an individual or a family.

A surtax will be imposed on higher-income individuals as a way to pay for the mandated reforms; individuals earning $280,000 and couples earning $350,000 or more would pay a tax penalty of 1 percent. Individuals with incomes of $500,000 to $1,000,000 would pay a tax penalty of 1.5 percent and couples earning more than $1 million would pay a tax penalty of 5.4 percent.

The "play or pay" mandate that requires businesses to either provide insurance or be penalized based on their size payroll is not good policy and it will have negative consequences on small Iowa businesses. It creates a disincentive for businesses with a payroll in the $400,000 range to grow larger which would subject them to the next higher tax penalty group. There are approximately 259,671small businesses in Iowa that employ 500 or few employees, and 56,400 firms that employ fewer than 20 employees, many of which would be directly affected by this earnings ceiling.

Businesses should neither be mandated to provide insurance nor penalized for not providing it. Instead of more government regulation, businesses should be given incentives to help transition employees over a period of time from employer-provided insurance to the free market where as individual customers, employees could purchase their own health insurance in the same manner they purchase their own auto insurance and home owners' insurance, based on their income and family needs.

As businesses transition from paying for health care premiums, they will be able to offer employees higher wages and salaries which will help drive the economy. Government can encourage consumer-friendly ways for individuals and families to purchase health care insurance and provide incentives for choosing to establish health savings accounts.

Patti Brown and Brinn Shjegstad are principles with Iowa Policy Institute, LLC, a publicpolicy research firm. To read or download a copy or IPI white paper analysis of H.R. 3200 "First, do no harm: An analysis of America's Affordable Health Choices Act of 2009 and its impact on Iowa," go to www.iowapolicyinsitute.com.

DID YOU KNOW?

- **In 1965 the federal government introduced Medicare, a social insurance program designed to provide health coverage to people 65 and older, without regard income or health status. Today, Medicare covers 45 million people, including 505,000 Iowans.**
- **Medicaid, created in 1965 through Title XIX of the Social Security Act, is a means-tested program that covers 40 million people nationwide, including 296,000 Iowans.**
- **Grinnell Community Hospital in Grinnell, Iowa offered the nation's first prepaid hospital care program in 1921 at an annual cost of $8 for a single person per year for free hospital care for 3 weeks; $12 per year for husband and wife, $5 for one child and $2.50 for each additional child.**
- **The average cost of annual health care premiums paid by Iowa workers between 2000 and 2009 for family coverage increased 78.6 percent from $1,505 to $2,688. Average premiums for individual coverage increased 60.5 percent from $500 to $802. Employers' portion of annual premiums for family coverage rose an average of 79.6 percent from $4,982 to $8,949, and 80.3 percent from $1,999 to $3,506 for individual coverage.**
- **The insurance business is a highly consolidated, highly regulated field that ranks 86th among American industries with net profit margin of 3.3 percent and dividend yields of 0.1 percent.**
- **Iowa's state population is 3,002,555 and about 283,000 Iowans, or 9.5 percent of the state's population is uninsured, compared to the national average of 15.4 percent.**
- **Currently 45 percent of all Americans have health coverage provided for in full or in part by taxpayer dollars in the form of Medicare, Medicaid, Veterans Administration, active duty military and reservists, local, state and federal employees, and federal contract employees. This does not count the number of dependents covered through employer-provided plans.**

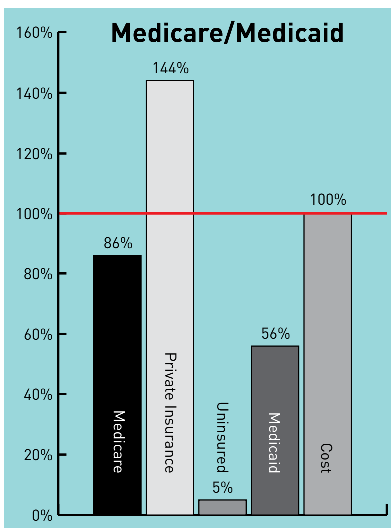
HEALTH CARE REFORM: A DEBATE MISSING THE TARGET

Steve Flood
Senior Vice President
Holmes Murphy & Associates

FIRST, WE NEED TO UNDERSTAND THAT THE UNITED STATES CANNOT SUSTAIN ITSELF ON THE STATUS QUO, BUT HOW DO WE FIX IT? NO MATTER WHICH SIDE OF THE DEBATE YOU CHOOSE, THE ONLY REAL WAY TO REDUCE HEALTHCARE COSTS IS TO EXAMINE THE ROOT OF THE PROBLEM, DISEASE. We cannot put enough money in any system if we keep producing diseases at the current rate. Reform is useless until we begin targeting the production of diseases that is driving up medical costs for all citizens, increasing insurance costs, and ruining the quality of life for a big part of our population.

Contributing to the rapidly increasing costs of healthcare is the devastating rate at which this country is producing lifestyle related diseases. Our obesity rate is higher than any other industrialized nation. When compared to 31 other industrialized nations, the United States spends more on healthcare than any other country, due in a large part to our lifestyle choices.

The sky-rocketing production of disease is the key driver of rising health care cost in the United States and should be the focus of our efforts. In the past decades, infectious diseases were the underlying cause of death. About two-thirds of all deaths in the United States now result from chronic diseases most often induced by behavior and lifestyle choices. If this trend continues, our children will be the first generation of Americans to have a shorter life expectancy than their parents. We are producing self-induced disease at rates never seen before. What this means is the common enemy is not the current health care system, the government, the insurance companies, or pharmaceutical companies but the self-induced diseases brought on by individuals. In order to effectively combat the healthcare of the United States, we need to begin by reducing the amount of disease in the country.



Looking at the statistics regarding our nation's current health care system is staggering. The government adds to increasing costs by in Medicare and Medicaid. Medicare currently reimburses 86% while Medicaid reimburses 56% of medical costs accrued by patients and private insurance covers 144% of medical costs. As a result of this disparity in government reimbursements, insurance costs for private insurance carriers are inflated to make up for the growing number of Medicare expenditures, which translates to a higher cost to private insurance consumers. Considering the government is already $36 trillion in debt, with Medicare and Medicaid, I would have to ask why we would want the government to take over more of the system, based on this track record.

Another topic of debate is the number of uninsured citizens in United States. These statistics reveal the breakdown of the number uninsured citizens in America and why we have a discrepancy in numbers.

Of the uninsured:

- 12.1 million are eligible but have not enrolled in government assistance programs
- 17.6 million are at an income above $50,000 per year but choose not to be covered
- 9.7 million are undocumented or non-citizens
- 7.9 million are college students or are college-age students

The Truth About Uninsured

Uninsured/Insured Numbers – 2007 — Total US Population – 299.1M

Insured Lives – 253.4 Million – 84.7% of U.S.		
Private Coverage* – 201.9 Million		Government Coverage* 83.1M
Employment-Based Coverage 177.3M – 59.3%	Direct Purchase 26.6M – 8.9%	

Uninsured – 45.7M – 15.3% of U.S.						
12.1M eligible but not enrolled in SCHIP/ or Medicaid**			17.6M at or above $50K+		9.7M Non-citizens	7.9M College-Aged
6.1M Kids	2.4M Adults	3.6M Parents	8.5M $50K+	9.1M $75K+	~6.0M Undocumented	4.7M College Students

*Numbers don't add up because (1) some coverage (Medicare) "counted" as both Government and Private Coverage and (2) possibility of more than one type of coverage in single year (no mutual exclusivity). **National Institute for Health Care Management

THE HOPE

When looking at claim costs, the individuals with more health risk factors have exponentially driven up health care expenses. Thus, by attacking the health risk factors that contribute to disease, we are not just treating the symptoms, but getting to the source of the problem and reducing cost.

Traditional wellness programs have not been able to produce clinical improvement in entire populations. At best, the wellness programs help the healthy stay healthy, but the most at risk get worse. We have found a way to identify the most at risk, stop claims from happening, and lessen the severity of cost with the Holmes Murphy Proprietary Risk Clustering Search Engine. We are focusing our efforts on Metabolic Disease; the reasons why are simple.

THE IMPACT OF METABOLIC SYNDROME

Metabolic Syndrome is a combination of risk factors which increase the likelihood of heart disease, stroke, or diabetes. An estimated 30% of American adults have Metabolic Syndrome. Individuals with metabolic disease have a 725% greater risk of Type II Diabetes and 276% greater risk of Cardiovascular Disease.

There are five risk factors that contribute Metabolic Syndrome:

1) **Glucose:** An overabundance of energy calories creates excess glucose in the body. A fasting blood glucose level of 100 mg/dl or higher is considered at-risk.
2) **HDL:** Excess glucose in the liver leads to decreased HDL (good) cholesterol. Your levels should be 40 mg/dl or higher for men and 50 mg/dl or higher for women.
3) **Triglycerides:** The liver converts excess glucose into fatty acids which become triglycerides. Triglycerides should not exceed 150 mg/dl.
4) **Waist circumference:** Excess glucose in the liver is deposited in the body's midsection. When measured across the belly button, men should be less than 40 inches and women should be less than 35 inches.
5) **Blood Pressure:** Extra weight in the midsection leads to an increase in blood pressure. Blood pressure above 130/85 is considered at risk.

Individuals with three or more of these risk factors are diagnosed with Metabolic Syndrome. Having Metabolic Syndrome drastically increases the probability you will experience serious health problems and increase your health care expenditures.

A 2006 Milliman Study found individuals with Metabolic Syndrome have:

- More coronary artery disease and stroke events
- Higher medical costs in the years after the events
- Higher medical costs in years before an event (even when no event has occurred)

The study continued to show the costs of having Metabolic Syndrome are more than double than a person without Metabolic Syndrome. What this proves is the declining health care of individuals is due most in part to lifestyle-related choices, rather than healthcare as a system. The key to lowering costs and, most importantly, save the lives of millions of Americans, is to effectively reverse the clinical risk factors which contribute to Metabolic Syndrome.

THE SOLUTION TO RISING COSTS AND DECLINING HEALTH

~~There is more that can be done to save lives and money~~. Holmes Murphy has been an active advocate in helping employers gain results with clinically-focused, behavior-based programs that reverse the risk factors associated with Metabolic Syndrome. For any wellness program to work, clinical improvement of key biometric measurements is necessary. To achieve positive results, the plan must be structured to obtain a minimum of 90% participation; if not, those most at risk of disease may be missed.

Wellness programs built on self-reported data do n[illegible]rk. ~~Going beyond traditional wellness programs,~~ our programs use biometric screenings to identify and reverse the prevalence of risk factors. Individuals were able to reduce their risks associated with Metabolic Syndrome, improve their lifestyle, and reduce healthcare expenditures.

These studies on clinical wellness plans provide hope for the overwhelming healthcare concern in the United States. Business leaders across the country are turning to wellness as a way to target results in reducing overall costs for employees. As citizens, business leaders, and elected officials, if we work proactively to improve the well-being of the country, we can reduce costs, increase individual health, and eventually lower the prevalence of disease.

COURTENAY - COLUMN BREAKS WORK GREAT IN FIRST AND SECOND COLUMNS - CAN YOU EDIT THIS THIRD COLUMN TO CUT TWO LINES?

Steve Flood has 25 years of Employee Benefits expertise, he is an industry leader in the adoption of Consumer Driven Health Plans and a pioneer in the design and implantation of wellness programs to improve the overall health stats of employees and reducing employer costs.