

SHRM's Public Policy Statement on Health Care Reform (9/14/2009)

Health Care

Public Policy Statement

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Background

Today's employers recognize the importance of offering competitive employee health care benefits to recruit and retain a talented and productive workforce. HR professionals are responsible for designing and implementing health benefit plans that meet the needs of an organization's workforce and its dependents. According to latest data from the U.S. Census Bureau, in 2003, 174 million Americans were covered by employment-based health insurance, while 15.6 percent of the population, or 45 million people, were without health insurance coverage.

The principle federal laws that govern employee benefit plans are the Internal Revenue Code of 1986, the Public Health Service Act, the Health Insurance Portability and Accountability Act of 1996, and the Employee Retirement Income Security Act (ERISA) of 1972. Fully insured health plans, in which the insurer assumes the risk of paying for covered services, are governed by state insurance regulations. Self-insured plans, in which an employer rather than an insurer assumes the risk of paying for covered services, are regulated by ERISA and are not subject to state insurance regulations. ERISA and state authority, however, apply to both public and private fully-insured health plans.

Issue

Rising health care costs are a serious burden on both employers and employees. Chronic medical conditions, such as diabetes, hypertension, or asthma, are key drivers to increased costs, accounting for 70 to 80 percent of total health care costs.

In addition, health insurance premiums have risen at double-digit rates over the last several years, outpacing both inflation and wage increases. Average annual premiums for single coverage are approaching \$5,000 and more than \$10,000 for family coverage. While employer-sponsored health insurance reaches more than three out of every five non-elderly Americans, the number of employers offering health benefits has decreased in recent years. According to the 2004 Kaiser Health Benefits Survey, the percentage of employers offering health benefits has declined from 68 percent in 2001 to 63 percent in 2004. This trend is especially true among small employers, as premiums for employer-sponsored coverage have risen above some employers' ability to pay.

Despite consecutive years of double-digit cost increases, the majority of employers continue to offer health coverage to their workforce for recruitment and retention purposes. However, in order to partially offset these rising costs, HR professionals are forced to cost shift a larger portion of the premium to employees, implement higher deductibles, and increase patient cost sharing. As employees' share of costs increase, the number of workers who opt to forgo employer-sponsored coverage continues to grow, adding to the 45 million uninsured Americans. The economic impact of the lack of health insurance on lost productivity, absenteeism, turnover and increased health care costs is estimated to be as much as \$152 billion per year.

The health care system is facing more than just a cost crisis. According to the Institute of Medicine, up to 98,000 people die in hospitals every year from medical errors and roughly 7,000 people die annually from medication errors. Although the United States spends more

on health care than any other country in the world, the nation's health care delivery system is marked by serious inefficiencies that often have an adverse impact on the quality of health care services. Advances in health care quality, through new technologies and best practice guidelines, may improve health outcomes for patients and reduce costs for employers and employees. Greater use of health information technology can also help facilitate better access to important data on health outcomes to evaluate the cost-effectiveness of health care services and procedures. Currently, this information is not readily available, which hinders employer efforts to promote greater involvement and accountability in purchasing health care services.

HR professionals have a significant opportunity to impact the health care cost crisis and drive patient safety and quality improvement efforts through employer health plan purchasing power and employee education. By working collectively and leveraging their buying power with other purchasers, HR professionals and employers can influence the marketplace, creating demand for a higher quality health care system. HR professionals can help foster change in employee and provider behavior by educating employees about the cost of health care and how to make purchasing decisions based on quality. By ensuring that employees understand their health care benefits and know how to utilize them efficiently and to their best advantage financially, HR professionals can help control the future cost of employee health benefits.

Although reforming the health care system is a priority for purchasers, consumers, payers, providers and policy makers, national consensus on the best way to increase access to coverage and reduce health care costs has not emerged. A key element of any reform proposal, however, is ensuring better health care quality and greater access to health outcomes data.

SHRM Proposed Position

SHRM believes every American citizen should have access to a basic core of health care services. This coverage may be achieved in different ways and at different levels, but any approach to health care reform must offer affordable access to care for all Americans. Because the human and economic costs of the uninsured pose serious consequences to the United States, all stakeholders, including purchasers, consumers, payers, providers, and policy makers have a shared interest in improving access to health care.

SHRM believes that any health care reform effort should be based on a model that has built-in incentives to balance both quality and cost efficiencies. Improvements in health care quality can be achieved by reducing medical errors, improving patient safety, expanding health information technology, and disclosing provider performance outcomes and pricing. As part of the efforts to control rising costs, purchasers and individuals must have access to important health information to be informed consumers of health care and take an active role in the purchase of their care.

Employers' stake in the health of their employees is growing, mainly due to rising health care costs and the desire for a healthier workforce. SHRM believes employers should be encouraged to provide preventative care and wellness programs to improve the health status of employees. In order to achieve a healthier workforce, however, employees must also be responsible for taking proactive steps to improve their own health status.

SHRM believes that addressing the problem of the uninsured depends on the careful coordination of all stakeholders. The Society supports the continuation and strengthening of an employer-based system that is built on market-based measures. Employers should be encouraged to voluntarily provide employee health care benefit programs. The problem of the uninsured, however, is a societal problem that cannot be resolved only by employers and other payers. Efforts to address the uninsured must focus on system-wide improvements and

cost containment through advances in quality, technology, and performance.

SHRM believes any effective health care reform proposal should address the following key principles:

Health Care Access:

Basic Core of Care—SHRM encourages the basic core of health care services to include certain aspects of preventive care. Many expensive procedures could be avoided if people were encouraged to seek preventative care in those instances proven cost-effective (e.g. well baby and prenatal care, colorectal exams).

Employer Flexibility—Numerous types of health care coverage are available through the voluntary, employer-based system, including consumer-driven, managed care, fee-for-service, defined benefit, and defined contribution health plans. Allowing employers to determine the best health plan model for their organization, based on the needs of their workforce, is critically important to ensure employee satisfaction and reduce health care spending.

Shared Financial Responsibility—Incentives should encourage individuals to act as good consumers in choosing health care services that are not only cost-effective, but produce quality outcomes. Reasonable cost-sharing arrangements, including deductibles, co-payments, and contributions by plan participants should be encouraged so as not to insulate consumers from the true cost of health care services.

Tax Incentives—Tax incentives should be used as vehicles to expand coverage and should be provided on an equitable basis regardless of the individual or form of business (e.g., self-employed, partnership, small business or corporation).

Coverage and Access—All Americans should have access to affordable health care coverage. Employers should be encouraged to voluntarily provide health insurance coverage to their workforce. Health care coverage should address portability, risk sharing and community ratings.

Mandated Participation—“Pay or play” proposals, which require employers to either purchase health coverage for their workforce (play) or pay into a government fund (pay), would be a financial burden for employers and would not encourage employers to offer coverage. Indeed, such proposals may lead to increased coverage by public sector programs, decreased coverage from employers, or the potential collapse of the employer-based system.

Sharing Risks as a Group—Employers should be permitted to form risk-sharing groups to obtain affordable coverage. The government should provide incentives and/or sponsor public/private vehicles for risk sharing and/or insurance. Any proposal should include standards, similar to ERISA, regarding the practices, structure, reporting procedures, quality and solvency of the health plan and must not exclude high-risk individuals or employers with high claims experience.

ERISA Preemption—ERISA preemption must be maintained and strengthened, including the preemption of state anti-managed care laws. A uniform set of federal rules and regulations should be created to govern those purchasing health care, rather than the wide variations that exist from state to state. Preemption under ERISA should be expanded to address all health care standards.

Health Care Costs:

Medical Malpractice—Reform of the medical malpractice system should contribute to the

reduction of health care costs. SHRM supports efforts to strike a balance between protecting patients harmed by medical malpractice and preventing unnecessary and costly litigation that contributes to rising health care costs. Reform proposals should ensure that injured patients have timely access to legal recourse; legal proceedings are expedited and legal fees are fair; damages are fair and consistent; and standards of care are followed.

Cost Containment—All stakeholders, including both employers and employees, have a shared responsibility in controlling health care costs. Cost containment strategies should focus on preventing and managing chronic health care conditions that often lead to catastrophic costs for employers and employees.

Reinsurance—An alternative for sharing the risk of catastrophic and chronic health care costs is through reinsurance options, either through private reinsurance or government backed reinsurance. Key provisions for reinsurance proposals are: strengthening of the private reinsurance market; funding mechanisms; participation requirements; and the level of government involvement in any government-backed reinsurance proposal.

Health Mandates—Requiring additional health care coverage mandates would only increase health care costs, resulting in higher premiums for both employers and employees. As employee premiums rise, some workers are unable to afford this benefit and opt to forgo health care coverage, leading to more uninsured Americans.

Health Care Quality:

Health Care Information—SHRM supports policies that promote greater transparency and access to information in the health care system. In order for individuals to make informed decisions about the cost-effectiveness of health care services, they must have access to provider performance measures and outcomes. Health care providers should be required to report quality information and to disclose the cost of health care procedures and outcomes. This information on the cost and quality of services will assist purchasers and consumers in choosing cost-effective health care providers and services.

Health Information Technology—Greater use of health information technology will help reduce costs and improve patient safety by reducing errors and inefficiencies in the delivery of care. SHRM supports policies that promote both public and private investment in the resources, standards, and technology needed to create an effective information network, including the creation of Electronic Health Records.

Outcomes Data—To improve health care quality, consensus must be reached on national standards for quality measurement and public reporting of health care performance data. SHRM supports efforts to promote a standard approach to measuring and reporting health care quality.

Role of HR—HR professionals can drive improvements in health care quality through their role in designing and purchasing health care for their organizations and through employee education efforts. By leveraging their buying power with other purchasers, HR professionals and employers can increase demand for better quality care, which will help control the future cost of employee health benefits.