

LEGISLATIVE PRIORITY: HEALTH CARE

BY A. RICHARD HEFFRON

State Chamber Position

The rising cost of health care is having a negative effect on employers' bottom line as they struggle to provide a basic need for their workers. This problem is not limited to Delaware: it's nationwide.

Defining the Problem

While the quality of health care has undoubtedly improved over the past 50 years, the changes in delivery and increases in price have had a huge impact on the cost of doing business.

Since 2000, the cost of employer-sponsored health insurance has grown by double digits each year, according to a study by the Kaiser Family Foundation. In 2004 the average increase was 11.2 percent and it is anticipated that 2005 will show a similar increase. The number of workers covered by their employer dropped from 65 percent in 2001 to 61 percent in 2004. There are 5 million fewer jobs providing health insurance benefits in 2004 than there were four years ago, the study reports. Consequently, the number of small firms offering health benefits to their workers has dropped by five percent.

This burden is reflected in a business' balance sheet, the employees' paychecks and the consumer price tag.

For example, American automobile manufacturers estimate that they pay more for health insurance (\$1,200 - \$ 1,500 per vehicle) than they pay for steel. This cost is passed along to the consumer. Employees are also asked to shoulder more of the burden through increased contributions to their health coverage, and higher co-pays and deductibles.

In smaller companies, the burden can be more dramatic. One Chamber member that employs 25 people reports that in the past five years health care costs as a percentage of payroll have grown by over 100 percent. In the coming year the owner expects another 25 percent jump. This will necessitate the implementation of employee co-pays for the first time, and will also result in lower- than-expected salary increases. If costs continue to escalate, the next alternative will be job cuts.

Health insurance costs also have a negative effect on job growth. Surveys show that some employers will refrain from hiring because the cost of insuring additional employees outpaces the productivity gains.

Finding Solutions

There are no easy answers. But we can take the first step: Government officials, insurers, payers, providers, and users of the system must get serious about facing the crisis and explore creative means of controlling medical cost inflation.

Some approaches are outlined below:

- Healthy lifestyle programs, such as the Lieutenant Governor's Challenge, try to reduce demand by encouraging people to become healthier and to make better lifestyle choices.
- Health Savings Accounts give employees control over how their health care dollars are spent.
- Certificate of Need programs, reimbursement rate caps, and cost-cutting technology cut the cost of the supply of health care.
- Regulatory strategies aim to control the price and business of health insurance.

Redistributing the cost is another option. Large businesses have begun to realize the effect that the uninsured and uncompensated can have on their premiums. *The New York Times* reported in January that 60 large employers are banding together to form a purchasing pool to offer low-cost health care to part-time employees, consultants, contractors and retirees.

Locally, Governor Ruth Ann Minner endorsed the concept of a statewide health insurance purchasing pool for businesses and families to obtain health insurance. Legislation to implement the idea is being drafted by statewide elected officials, legislators and the Governor's office.

While these proposals are certainly not a final solution, they are an example of what business can do to find an innovative means of addressing the problem.

Given the seriousness of rising health care costs to our country's economic prosperity, no options should be off the table. All those involved need to commit to making the system more cost effective, efficient and focused on making people healthier. The choices will be difficult and painful in some instances, but the consequences of standing still are much worse. ■



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