



Setting ^{THE} record straight

June 27, 2007

Adding to the cost of health care adds nothing to reform debate

The affordability and accessibility of health care is a significant concern for Pennsylvania businesses and residents alike. As a result, it has become necessary for the state to find effective ways to increase access to health-care coverage, better control the cost of services and improve the quality of medical care. While differences of opinion exist about how best to accomplish these goals, it's doubtful that any stakeholder would say that deliberately making health care more expensive is the right way to go.

Yet that's what the General Assembly would do if any of the numerous health-care mandates pending in the legislature are allowed to become law.

Mandated health benefits are cost drivers

When viewed cumulatively, state mandated benefits increase the cost of providing health insurance. A recent national study revealed that benefit mandates and regulation are responsible for 15 percent of health-care cost increases, adding an estimated \$10 billion to the nation's health-care costs.

Pennsylvania currently imposes more than 30 benefit mandates on fully insured health plans, and several new mandates are being advanced in the General Assembly. The most costly of these would require health insurance coverage for autism spectrum disorders. Actuarial analysis estimates the first-year cost impact of this mandate to be \$27.5 million, with additional premium increases projected to be between 5 percent and 8 percent.

The cumulative impact of these mandates imposes additional financial burdens on the payers of health insurance, whether they are public or private. These burdens would be imposed on the very businesses providing family-sustaining jobs, paying good wages and offering health-care benefits.

Few options for small business

In some instances, large employers may become self-insured in order to control health-care costs and to avoid state-mandated benefits. However, small employers, who generally do not have the ability to self-insure, face the difficult decision of cost sharing with employees or eliminating health insurance coverage altogether. Studies have shown that each new benefit will increase by 1.5 percent the likelihood that a small business may not be able to afford or offer coverage. In essence, enacting benefit mandates has the opposite effect than the intended purpose of covering more individuals. Doing so increases the number of working uninsured.

The PA Chamber sympathizes with families who are caring for autistic children and understands the complexity of the issue, as it also recognizes the difficulties faced by anyone who is or who has a friend or family member battling a specific illness or condition for which new mandates are being proposed. However, many of the services that would be mandated by the proposed autism legislation are already covered under the Medical Assistance program. There is great concern about the cost shift from the public to the private sector, a cost shift that falls directly on small and medium-size businesses, as well as on individuals. As a result, some employers and their employees will be paying twice for coverage – once in taxes that fund the Medical Assistance program, and once in increased insurance premiums.

These concerns are the reason the PA Chamber has long advocated for a moratorium on the expansion of mandated benefits unless sufficient evidence exists that the benefits of the mandate clearly outweigh the costs.

At a time when health-care costs continue to increase, allowing more mandated benefits is both counterproductive and imprudent. This is the last thing Pennsylvania should be doing as elected officials and stakeholder groups continue the challenging task of reaching a consensus on solutions to the state's health-care affordability and accessibility crisis.

Contact: Lesley Smith, director of communications, 717 720-5446.

The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its membership representing nearly 50 percent of the private workforce. More information is available on the PA Chamber's website at www.pachamber.org.