



Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Public Hearing entitled
PPACA and Pennsylvania: One Year of Broken Promises

Before the:

Subcommittee on Health

Presented by:

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Chairman Pitts and distinguished members of the Subcommittee, thank you for the opportunity to testify before you today on the pressures businesses are facing in the wake of the passage of federal health care reform legislation. I commend your efforts to further understand the impact the new health care law will have on the ability of businesses to compete, grow and create jobs as well as their capacity to offer their employees health care benefits.

I am Gene Barr, Vice President of Government and Public Affairs for the Pennsylvania Chamber of Business and Industry (Chamber). The Chamber is the largest, broad-based business advocacy association in the Commonwealth. We represent business of all sizes ranging from Fortune 100 companies to sole proprietors crossing all industry sectors. Our membership comprises nearly fifty percent of the private workforce.

The Chamber did not support the status quo before passage of the health care law. We opposed the misnamed Patient Protection and Affordable Care Act (PPACA) because it failed to rein in costs, and instead increased them, while loading job creators with mandates, regulations, new taxes and burdens. Rather than solve the problems in the health care system, PPACA largely ignores costs and instead redistributes money from producers in order to fund vast new entitlements and expand old ones – this was not an improvement over the status quo, it was a step backwards. Rather, the Chamber believes that we should replace PPACA and instead advance market based reforms, with a focus on lowering costs, increasing competition, and improving the health care delivery system.

Reforms made across the health system have interactive effects, and none will be felt more acutely than in the employer market. Small and large employers can expect systemic transformation over the next few years that will likely limit their options, increase benefit costs for many, reduce benefit costs for some, raise compliance costs, and change how health care is financed for all.

The basic premise of the law fundamentally shifts the foundation of employer-sponsored benefits in America. What has been a voluntary and flexible system will now be a one-size-fits-some landscape. Employers will be required to offer health benefits or face a penalty. Some small employers can also choose to offer coverage through an exchange rather than sponsor their own plan. Individuals must purchase coverage or pay a fine. Without adequate incentives to address steeply rising medical costs, insurance is likely to become more expensive. Because of the mandatory nature of the law, employers may find it more difficult to offer affordable coverage, may become competitively disadvantaged, and may drop coverage altogether in an effort to stay in business.

The legislation imposes a mandate that many employers provide health insurance and effectively forces some employers to change what the coverage must cover. This includes a minimum package of benefits determined by the law. Some employers may weigh the cost of providing coverage against these penalties and decide to drop coverage altogether. Under this scenario, workers will suffer as flexible employer coverage is replaced by public programs.

The Chamber does not believe that a mandate on employers to sponsor health insurance will make serious headway to cover the uninsured, but rather could lead to a loss of jobs.

Employers who can afford to sponsor health insurance typically provide generous benefits – and most large employers do. Employers who cannot currently afford to offer health insurance benefits will not be able to do so simply because they are mandated to do so – small employers and businesses that operate on very small profit margins will still be unable to afford to provide benefits.

The Chamber strongly supports building more options and flexibility into the private insurance market, not expanding the public programs that are already bankrupting states and the federal government; that is why we so strongly support consumer-directed health care and programs that put employees and consumers in charge of their own health care dollars, programs like Health Savings Accounts and Flexible Spending Arrangements. Unfortunately, the Act does not make these programs more attractive; it places new mandates and limits on them, like prohibiting the use of HSA and FSA funds to purchase over-the-counter products without a prescription, and capping total FSA contributions. This does not lead to controlling costs or increasing efficiency.

It is true that there are parts of the legislation that will be beneficial to businesses and consumers. For instance, an increased flexibility in HIPAA requirements will allow employers to vary health insurance premiums, encouraging employees to participate in wellness programs. New initiatives like Accountable Care Organizations and the CMS Innovation Center will help public programs catch up to the value-driven practices that

private plans are developing. Grants to help small businesses create wellness programs could spur positive change, if Congress decides in a separate bill to fund them.

However, the benefits of these provisions are far outweighed by the problems created by the Act. After all, consumers will be the ones who pay the Act's hundreds of billions in new taxes. Taxes on insurance policies, on medical devices, on prescription drugs, all will trickle down to consumers. Taxes on employers who cannot afford to provide coverage will result in lower salaries and lost jobs. Lowered payments to doctors and hospitals by government programs will lead to higher premiums for those with private health insurance. And new taxes aimed at the wealthy will fall squarely on small business owners. Massive tax increases are not conducive to spurring economic growth and stemming our high unemployment.

Making health insurance affordable for all begins with real reforms – reforms that protect doctors from frivolous lawsuits, change the way we pay providers to incentivize quality and not quantity, unleash small businesses to pool their purchasing power on their own and to look for more affordable policies in other states, and making serious efforts to crack down on fraud and abuse. These are the kind of reforms that were neglected in the Act. While the existing political reality makes a total repeal of the law impossible during this Congress, I am hopeful that Congress will make it a priority to repeal the most objectionable provisions like the employer mandate and as it did with the onerous 1099 reporting requirement, which impose burdens on businesses and hinder job creation and growth.

Thank you for this opportunity to testify, and I look forward to your questions.