

**Resolution in Support of Key Principles to be Incorporated into the
Federal Health Care Reform Proposal**

The Greater Houston Partnership supports legislation that includes the following eight key principles in the federal health care reform proposal.

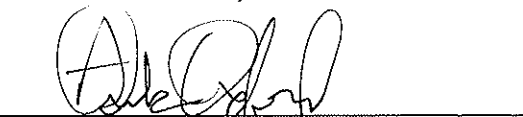
As the primary business advocate of a 10-county Houston region, the Greater Houston Partnership recognizes the current state of national health care adversely affects the business community and requires immediate reform. Federal reform should address lowering costs, increasing access to appropriate health services for uninsured and underinsured individuals through innovative, cost-effective approaches to purchase health insurance and improving quality of health care for individuals, employees, employers, medical practitioners and facilities, insurance companies and local, state and federal government.

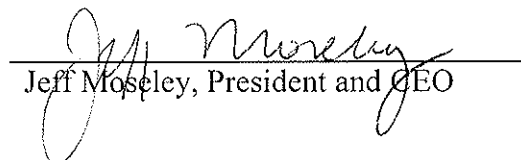
The Greater Houston Partnership recommends the following eight key principles be embodied in any federal health care reform plan proposed. These principles reflect the general components critical to reforming the health care system in the United States.

- 1) Reduce the rate of health care inflation
- 2) Require shared accountability among all health care consumers and payers to end cost-shifting unto businesses
- 3) Encourage fair share health care
- 4) Preserve Employee Retirement Income Security Act (ERISA) provisions related to health benefits plans
- 5) Reform the existing health insurance market
- 6) Institute tax parity for purchasing health insurance coverage
- 7) Promote innovative approaches for small businesses to access affordable health insurance
- 8) Encourage provider transparency

The Greater Houston Partnership urges lawmakers to oppose legislation that will result in restricted access to quality, affordable health insurance.


Daniel G. Bellow, Chairman


Patrick Oxford, Secretary


Jeff Moseley, President and CEO

MEMORANDUM

DATE: October 7, 2009

TO: Greater Houston Partnership Board of Directors

FROM: Daniel J. Wolterman, Chairman
Health Care Policy Advisory Committee

SUBJECT: Resolution of the Board of Directors in Support of Key Principles to be Incorporated into the Federal Health Care Reform Proposal.

RECOMMENDATION

The Greater Houston Partnership supports legislation that includes the following eight key principles in the federal health care reform proposal.

As the primary business advocate of a 10-county Houston region, the Greater Houston Partnership recognizes the current state of national health care adversely affects the business community and requires immediate reform. Federal reform should address lowering costs, increasing access to appropriate health services for uninsured and underinsured individuals through innovative, cost-effective approaches to purchase health insurance and improving quality of health care for individuals, employees, employers, medical practitioners and facilities, insurance companies and local, state and federal government.

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BACKGROUND

As the primary business advocate of a 10-county Houston region, the Greater Houston Partnership recognizes that without a strong and reliable health care delivery system, it is difficult for the Partnership and its regional economic development allies to compete in a global economy against competitors who have significantly lower health care costs. In addition, we know it is difficult for businesses to attract and recruit highly-skilled and talented employees and businesses to relocate to the Houston region. Federal reform is paramount to lower the cost, increase access to and improve the quality of health care for individuals and employees in the United States. Consequently, the Partnership strongly recommends the U.S. Congress and administration incorporate the following key principles into the federal health care reform proposal.

1) Reduce the rate of health care inflation

The overriding issue for any reform to the federal health care system is to reduce the rate of health care inflation, ultimately lowering the cost of providing health care to employees. For businesses and employers, lowering cost will help make businesses more competitive and employees more productive.

The Partnership recommends the following concepts be carefully considered in pursuit of reducing the rate of health care inflation. The Partnership is neither endorsing each of these concepts nor suggesting all concepts be absolutely included in the federal health care reform proposal.

- Medical liability tort reform
- Combating fraud and abuse
- Provider self-referral restrictions
- Provider payment reform, including pay for performance
- Comparative effectiveness research
- Evidence-based medicine
- Wellness and prevention
- Coordination of care and medical homes
- Living wills and end-of-life issues
- Administrative simplification
- Physician and nurse empowerment
- Long-term care reform
- Health information technology

2) Require shared accountability among all health care consumers and payers to end cost-shifting unto businesses

The Partnership recognizes the current state of national health care is a result of the actions and inactions of all parties in the medical industry, including uninsured and insured individuals, employees, employers, medical practitioners, facility administrators, health care providers, insurance companies and federal and state government (Medicare and Medicaid).

Businesses are willing to accept a portion of the health care costs necessary to provide medical coverage to their employees, but should not have to bear the burden of cost-shifting from governments and individuals who choose not to pay their fair contribution for medical services. The Partnership strongly encourages government to end cost-shifting processes and require shared accountability among all health care consumers and payers.

The Partnership does not oppose establishing an individual mandate requiring all individuals to have qualifying health insurance that meets federal minimum coverage standards. However, businesses should not bear the cost of insuring individuals who are not covered through employer-sponsored health insurance plans. According to the Congressional Budget Office, an individual mandate could raise billions in revenue for the federal government. This could serve to offset some of the necessary, limited subsidies to low-income individuals to help them purchase insurance.¹

3) Encourage fair share health care

As the primary business advocate for a 10-county region, and with a membership of more than 2,100 companies, the Partnership advocates for fair share health care in which all health care payers pay their fair contribution of health care costs. Payers include all individuals, employees, employers, insurance companies and local, state and federal government.

Presently, businesses pay an unreasonable burden of health care costs. The Partnership promotes individual accountability by encouraging employers, insurance companies and government to require higher premiums for individuals and employees exhibiting risky or unhealthy behaviors.

Furthermore, the Partnership opposes legislation instituting employer mandates without offering incentives. Several challenges arise in requiring employers to contribute a specified amount of total payroll per year to offer health care

¹ Josten, Bruce. "U.S. Chamber of Commerce Positions on Health Care." E-mail to Emily Kao, Manager, Public Policy. Greater Houston Partnership, Houston, Texas. 16 July 2009.

coverage to their employees. With companies of various sizes, fairness and equality in contribution will be difficult to administer and maintain.

Also, the concept behind employer mandates was to ensure all employees have health care coverage. However, an employer mandate, as currently proposed, requires only that the employer offer health insurance to his or her employee; it does not require employers to insure any dependants.

4) Preserve the Employee Retirement Income Security Act (ERISA) provisions related to health benefits plans

The Employee Retirement Income Security Act (ERISA) is a U.S. federal statute that establishes minimum standards for employee pension and benefit plans. Although ERISA does not require employers to provide health insurance to its employees, it regulates administration of health benefit plans for those employers who choose to issue them.

Of the 160 million Americans covered by employer-sponsored health plans, approximately half are “self-funded” governed by ERISA.² Nearly all large employers (businesses with 500 or more employees) operate ERISA plans.

ERISA provides employers several advantages including:

- Administrative simplicity – employers can maintain uniform national health and retirement benefit plans because ERISA pre-empts states from imposing regulation on employer-sponsored benefit plans. Under this statute, employers can have the same health benefit plan with the same benefits and eligibility requirements nationwide, without having to keep track of all state-by-state variations in eligibility, mandated benefits, etc. If ERISA is eroded, the cost of offering health benefits plans for employers will rise. Multi-state employers will not be able to purchase a single insurance plan and will be forced to purchase multiple policies determined by individual states’ departments of insurance.
- Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) – an individual has the right to continue his or her health insurance coverage under an employer-sponsored group health benefit plan for a limited period of time after he or she has left an employer.
- Health Insurance Portability and Accountability Act of 1996 (HIPAA) – prohibits a health benefit plan from refusing to cover an employee’s pre-existing medical condition and from discriminating on the basis of health status, genetic information or disability. If a new employee had

² Agency for Healthcare Research and Quality. “Medical Expenditure Panel Survey.” www.meps.ahrq.gov. 2008.

“creditable coverage” prior to employment at the employer with an ERISA plan, then he or she is guaranteed not to have any pre-existing provisions applied.

5) Reform the existing health insurance market

Reforming the health insurance market will help to make insurance coverage more affordable and available to small businesses, self-employers, insured individuals and uninsured individuals.

Components of insurance market reform should include:

- Eliminating pre-existing conditions or health status limitations
- Guaranteeing that any individual or entity will be issued a policy
- Guaranteeing that policies will not be revoked
- Guaranteeing portability of health insurance among states, regardless of job change, job relocation or job loss
- Limiting rating differences due to age and gender, etc.

6) Institute tax parity for purchasing health insurance coverage

Health insurance premium costs should receive comparable tax treatment, both fair and equitable, whether paid through an employer-based setting or through the private marketplace. Individuals and businesses should be allowed to purchase health insurance with pre-tax dollars.

Presently, the tax code favors employment-based health insurance almost exclusively. This tax treatment undermines portability (Forty percent or more of new entrants into the workforce change jobs within a year.) According to the U.S. Department of Labor, someone entering the labor market today will have ten to fourteen jobs by age 38; one out of four workers today is working for a company for which they have worked less than one year and more than one out of two workers are working for a company for which they have worked less than five years.³

7) Promote innovative approaches for small businesses to access affordable health insurance

Presently, in the United States, there are millions of Americans who are uninsured. Nearly sixty percent of those are employed by small businesses. Of

³ Josten, Bruce. “U.S. Chamber of Commerce Positions on Health Care.” E-mail to Emily Kao, Manager, Public Policy. Greater Houston Partnership, Houston, Texas. 16 July 2009.

the Partnership's 2,100 members, approximately 66.2 percent are comprised of small businesses, defined as member companies employing fewer than 50 employees, and 87.1 percent are comprised of businesses employing fewer than 500 employees.

Promoting innovative approaches for small businesses to access affordable health insurance is a critical component to sustaining a thriving business community in the Houston region, where nearly 92,000 of the region's businesses employ fewer than 500 employees.

Such approaches may include:

- Consumer-driven health options
- Small business pooling (small business health plans)
- Reinsurance
- Reimbursement system reform
- Tri-share program

8) Encourage provider transparency

Individuals and employers need to be able to make wise, informed decisions about the quality and cost of their medical care, including which doctors, clinics or hospitals to visit, which procedures or treatments are most effective or which facilities are most expensive. To enhance their decision making abilities, individuals and employers must have greater access to information on the cost and quality of the various health care services available to evaluate the best options. Further, transparency encourages competition among medical care providers, lowering costs for individuals and businesses providing health benefits to their employees.

LEGISLATION NEEDED

The Partnership requests legislative initiatives for the federal health care reform proposal that include the eight key principles outlined.

FISCAL IMPACT

The eight key principles recommended for incorporation into the federal health care reform proposal are intended to reduce the rate of health care inflation, increase access and improve the quality of health care services available to insured and uninsured individuals, employees and employers, medical practitioners and facilities, insurance companies and local, state and federal government.

KNOWN OPPOSITION

No known opposition at this time.

RESOURCES REQUIRED

None.