

Weighing the cost of health reform

Small employers may benefit, but insurance companies, hospitals battle public option

By Shankar P.

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Insurance companies fear President **Barack Obama's** proposed health care reform will decimate them. Hospitals think it will put access ahead of cost and quality. Large employers don't want to be forced to offer insurance to employees.

The majority of their concerns can be boiled down to two words: public option.

William Marino, president and chief executive of **Horizon Blue Cross Blue Shield** of New Jersey, opposes the plan for its so-called public option component, according to a video on his company's Web site. A government-run plan "will lead to a single-payer, government-controlled health care system similar to Canada or Great Britain," which Horizon opposes, he said, though it does support measures to rein in costs and improve access to care.

If a public option becomes available, about 119 million individuals out of 170 million insured in the private market would shift to the government plan, said **Thomas Rubino**, director of public affairs at Horizon.

But small businesses said they like the idea of a public option. One supporter is **Henry Passapera**, co-CEO of **P&R Trading Inc.**, an aircraft parts supplier in East Rutherford. Passapera provides insurance coverage for his 12 employees; the company pays 85 percent of the premiums, costing some \$20,000 a year.

Passapera said the public option will bring enough competition to force other insurers to lower their rates.

"As small-business owners, we want our costs to stop escalating," he said. At the same time, he said it is critical for businesses like his to offer insurance to employees — or "they will look for a company that does."

Like insurers, hospitals also want to scrub the public option from the reform conversation.

"The public option is not an option; it will become the sole source" and therefore hurt competition, said **John Gribbin**, chairman of the Princeton-based New Jersey Hospital Association, and president and CEO of **CentraState Medical Center**, in Freehold.

The debate on reform should "deal with cost and quality before access" to care, an approach the government is shunning, he said.

Gribbin said the nation cannot follow the example of Massachusetts's policy approaching universal coverage: "They have driven down the uninsured rate, but it is now taking up to six weeks to get doctors' appointments — earlier, it was more like six days."

Gribbin called for a strategy to rein in costs, increase the supply of primary-care physicians with more seats at medical colleges, and only then segue into improving access. Hospitals, in doing their part, could focus on their processes to deliver care to lower costs and improve treatment outcomes.

In one such initiative, CentraState is launching a three-year "gain-sharing" program involving 12 hospitals. The plan is to use data tools to align physician practices, improve efficiencies and lower costs, passing some of those savings to the participating doctors, Gribbin said — not to patients.

The public option has met resistance from employer groups like the New Jersey Chamber of Commerce, too. Of its 2,100 members, 85 percent employ fewer than 100.

"The employee would have less choice if there was only one plan and the government was the only game in town," said **Jim Leonard**, senior vice president of government relations.

The chamber also opposes a business mandate like compulsory insurance coverage. Obama's plan estimates 95 percent of small businesses will be exempt from compulsorily providing their employees insurance coverage.

A U.S. House of Representatives reform proposal now being floated include penalties for employers who don't offer insurance to their employees, said **Don Mallo**, vice president of human resources at **Extensis**, a professional employer organization in Woodbridge.

Under this concept, employers with annual payrolls of more than \$400,000 must provide coverage and contribute 72.5 percent of the premium (employees pay the remainder), or pay an 8 percent penalty, Mallo said. Small employers with payrolls between \$250,000 and \$400,000 also have to pay 72.5 percent of employee premiums, but the penalties range from 2 percent to 6 percent, he said; those with revenue of less than \$250,000 are exempt from providing insurance.

But penalties may not work when employers find the fine cheaper than the premiums. "In New York City, is it cheaper to park in a garage and pay \$80, or park illegally and pay the fine and the toll?" is what businesses will ask, Mallo said.

