

Small Business Testimony

**House Health Care, Access & Affordability Committee
Representative Jim Raussen, Chair**

**Senate Health, Human Services and Aging COMMITTEE
Senator Kevin Coughlin, Chair**

**Monday, July 30, 2007
5:30 p.m.**

Keith Ashmus
Frantz Ward LLP
2500 Key Center
127 Public Square
Cleveland, OH 44114-1230

Good afternoon, Chairman Raussen and Chairman Coughlin. My name is Keith Ashmus. I am here as a small business owner and also as representative of COSE, The Council of Smaller Enterprises. COSE's total membership is over 17,000 members, making us one of the largest business membership organizations in the country. Our average sized member company employs 6.5 people. For over 25 years, COSE has offered group health insurance plans to our members. Through our health insurance program, we provide our members, their employees and their families access to high quality, affordable health care benefits. In total, COSE health insurance programs protect over 200,000 Ohioans.

As you know, more and more small business owners are no longer able to provide health insurance options to their employees. In fact, based on a recent Kaiser Family Foundation report, now fewer than 50% of small business with less than 10 employees offer health care. This is not because they don't care about their employees, but because they can no longer afford it. Many suggest that the way to "fix" the health care crisis in Ohio is by expanding group purchasing for small business owners. Unfortunately, that would not provide enough of an impact to improve the "health care" crisis in Ohio. Association buying groups **are** a good idea, but the value they bring as purchasing groups is no longer enough to make a real difference in commoditized markets. The

bulk of the cost is in the **cost of care**, so to the extent the purchasing groups cannot affect the behaviors that drive the cost of care, they will not substantially impact cost.

You may ask how, as a group that brings members together to provide discounts on products like health care, can we say this? Are we trying to monopolize the market? Our program started over 25 years ago and the health insurance market was much different then. Insurers would not cover small businesses and often cancelled policies after the first claim. We have worked over the years to protect small group insurance, and in the process have reduced the differences between competing small group products. We are here to lend you our expertise and caution as we internally work to support our members knowing that health care can't be our only hook anymore.

For a number of years, we've seen Congress debate the idea of association health plans. The promises of Association Health Plans are a fallacy. "Success" for those approaches relies on risk selection and the avoidance of mandates. Allowing more groups to come together to purchase health insurance still does not deal with the inequalities of ERISA and non-ERISA groups. Small business owners are the ones who face the burden of new regulations and mandates. ERISA plans do not have mandates; individual plans do not have mandates—it's only small businesses who face the cost of buying coverage that they really do not need or want—and at higher and higher premiums.

If part of banding together also involves eliminating mandates or solvency requirements, costs could go down. However, unless these changes apply across the entire market, the result will be cherry-picking of risks and actual higher prices for small business as a whole, as documented in a study conducted by Mercer Risk Finance & Insurance Consulting for the National Small Business Association. What needs to change is how we look at care. We need to shift from an entitlement mentality to a personal responsibility mentality. How do we do this? We require that everyone has some form of basic health coverage. And, COSE is working on drafting legislation to do just that.

We know, requiring is mandating and mandating is an ugly word, so call it what you want; but without getting everyone into the system to spread the risk associated with unpredictable health conditions, you will not see a fundamental change. The idea is to require all individuals to have

health care coverage, similar to auto insurance. There would be a **basic** health care package, allowing those with specific needs to “add-on”. The required basic package would include only necessary benefits and would recognize the need for higher deductibles for those able to afford them. There would be public support to enable those in poverty to purchase the basic policy. The shape of the package would help return a greater share of health insurance to its role as a financial backstop, rather than a reimbursement mechanism for all expenses. This would change the habits of consumers. Incumbent on any requirement to obtain coverage is the need to ensure that appropriate coverage is available to all. A coverage requirement would make insurers less risk averse, making broader insurance reform possible. Insurance standards would limit the ability of insurance companies to charge radically different prices to different populations and would eliminate the ability of insurers to deny or price coverage based upon health conditions, in both the group and individual markets. Moreover, the program must include the opportunity to upgrade to wellness programs and management of chronic diseases, such as diabetes, with appropriate incentives and sanctions to encourage individuals to manage their own conditions so that the high costs of acute episodes are avoided. Provider practices must be improved so we do not have to pay the costs of avoidable hospital acquired infections and prescription errors, for example. Price and quality information has to be available so individuals can be informed consumers of health services, even when using insurer resources to pay for most care.

We believe that employer participation should be optional. If the required basic plan is priced correctly, most small business owners would indeed provide that coverage to their employees. Employers know that health care is an excellent recruitment tool. Employers are looking for the best and the brightest. If those employees can get their required coverage paid for by a small business, they will be receptive to working there.

Again, we do not think that we can find a sustainable solution without getting everyone into the system to spread the risk and make insurance work as it should. We look forward to sharing our ideas with you soon. I’m happy to take any questions that you may have.