COMMITTEE ON
EDUCATION AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2176 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

June 23, 2023

Marcie Strouse
Partner
Capitol Benefits Group
9854 Colby Ave.
Clive, IA 50325

Dear Ms. Strouse:

Thank you again for testifying at the April 26 Subcommittee on Health, Employment, Labor, and Pensions hearing on "Reducing Health Care Costs for Working Americans and Their Families."

Enclosed are additional questions submitted by Subcommittee members following the hearing. Please provide written responses no later than July 14, 2023, for inclusion in the hearing record. Responses should be sent to Michael Davis of the Committee staff who can be contacted at (202) 225-7101.

We appreciate your contribution to the work of the Subcommittee.

Sincerely,

Bob Good
Chairman
Subcommittee on Health, Employment, Labor, and Pensions

Enclosure

Questions for the Record for Marcie Strouse

HELP Subcommittee Hearing
"Reducing Health Care Costs for Working Americans and Their Families"
April 26, 2023
10:15 a.m.

Chairwoman Virginia Foxx (R-NC)

1. Do you agree with Ms. Corlette's statement that "many small employers are not sophisticated purchasers of health benefits, and may not realize the financial risks and fiduciary duties they take on when they self-fund their plan"?[1] Why or why not?

Response

Small employers are the backbone of our economy. They are very sophisticated in running their business because most employers hold many roles within their company. They are not only the owner managing the aspects of getting their products out to the consumer, but they are also engaged in payroll, staffing, compliance, and benefits. The employers I work with want to know what is happening and be a part of every detail of their business. They rely on partners to provide expertise like insurance agents, CPAs, HR professionals, financial planners, and others pertinent to their day-to-day processes. They are ultimately the final decision makers, though, and pride themselves on understanding all the different aspects to make an educated decision. They know their company and their employees, so owners are very important when pulling together benefits packages. Remember that in a small employer setting, most of the employees are from within the communities where these companies are based. They feel a strong need to support their entire team, meaning they must be engaged and understand how their team will be impacted. Small employers we work closely with are more engaged and sophisticated than some large ones we work with, who can be removed from the details.

2. Your written testimony indicated that you are consistently talking to employers. What are they finding burdensome about the existing reporting requirements under the *Affordable Care Act*, and what would you recommend Congress do to alleviate some of the burdens?

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[1] *Reducing Health Care Costs for Working Americans and Their Families: Hearing Before the Subcomm. on Health, Emp., Lab., & Pensions of the H. Comm. on Educ. & the Workforce*, 118th Cong. (Apr. 26, 2023) (statement of Sabrina Corlette, Research Professor & Co-Dir., Ctr. On Health Ins. Reforms, Georgetown Univ. McCourt Sch. of Pub. Pol'y), https://edworkforce.house.gov/uploadedfiles/4.26.23_health_care_costs_hearing_corlette_testimony_final.pdf.

Response
The IRS was invited to write the section of the ACA related to employer reporting for purposes of verifying compliance with the law for providing coverage for groups over 50+. The IRS created a one-size-fits-all reporting solution that comported with IRS requests for information without respect to the employer's ability to comply.

Employer groups are not homogeneous groups. Group size matters in terms of resources and capabilities. Large group employers tend to have larger HR departments, budgets, and many self-insure, taking on the risk and most can either hire an outside firm or execute the reporting. Mid-size groups tend to have robust HR departments and are often self-insured, but some may be fully insured. Under the ACA, small groups are defined as up to 100 lives. Under 50 do not have to comply with the employer mandate. For those 50+, they must report to the IRS. They typically lack a robust HR department or in many cases, have no HR department at all. The manager may be stocking the shelves and figuring out the reporting requirements between managing the business. Agents often assist these clients with reporting.

During the legislative process, employers were never consulted to determine if the process contemplated by the federal agency would work for employers.

Employer groups spent several years in consultation with Treasury and the IRS to smooth out the process, but those changes were limited due to statutory requirements.

A voluntary prospective reporting system has been under consideration by Congress for several years. It would have allowed employers an alternative to provide employer coverage information upfront to the IRS/Exchanges in exchange for relief from some of the reporting requirements. Recently, the House of Representatives passed the Employer Reporting Improvement Act on suspension, but the prospective reporting was removed after technical assistance with Treasury.

Rep. Susan Wild (D-PA)

1. Hospitals and hospital outpatient departments (HOPDs) play a critical role in providing many communities—including my own—with reliable access to high-quality health care. What is your response to concerns that site-neutral payment policies could lead to hospital closures and reduce patients' ability to consistently access high-quality health care services, especially in rural communities?

Response
Under the federal government payment system, providers are paid for a number of procedures performed in physician offices. Those same procedures performed in a hospital setting receive an additional robust facility fee payment on top of the procedure fee.

Private equity has started moving into the hospital merger and acquisition space to take advantage of this billing loophole by purchasing physician practices and folding the physician practice under the hospital shingle, thus, allowing it to overnight charge the larger reimbursement for no additional quality or service improvement.

Patients whose copayments and deductibles are increasing at a rapid rate are feeling the price pressure. What may have been a $25 copay is now $100. Sicker patients cannot defer treatment because of the higher out-of-pocket costs and are stuck paying the higher fees.

MedPAC last summer analyzed this phenomenon and determined that there were considerable savings for the government and employers/employees. Their recommendation included redirecting some of those savings back to safety net hospitals and rural hospitals to soften the reduction of payments.

Hospitals and other providers should not find relief from low government reimbursements by reaching into the pocket of employers. Employer plans already pay a significantly higher reimbursement for all services to offset lower Medicare/Medicaid reimbursement. Taking advantage of a “loophole” in billing that allows hospitals, in this case, to artificially bill for services is harming consumers.