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THE VOICE FOR HEALTH CARE CONSUMERS

Statement for the Record

House Committee on Education and the Workforce

Subcommittee on Health, Employment, Labor, and Pensions

Hearing on "Reducing Health Care Costs for Working Americans and Their Families"

Prepared by *Families USA*

April 26, 2023

FamiliesUSA.org
1225 New York Avenue, NW, Suite 800
Washington, DC 20005
main 202-628-3030 / fax 202-347-2417

Chairs Foxx and Good and Ranking Members Scott and DeSaulnier, on behalf of Families USA, we want to thank you for holding this timely hearing on legislative solutions to reduce health care costs for families.

Your focus on reducing health care costs comes at a critical time - our health care system is in crisis, too often providing poor quality care at unaffordable rates.[i] We look forward to today's discussion on meaningful ways to improve health care affordability, including by addressing dishonest billing practices that result in higher costs for consumers. However, we are also concerned that some policies being discussed as potential ways to improve affordability, such as proposals to expand the use of health plans that are exempt from state and federal regulations, do not address the fundamental causes of our health care affordability crisis. Instead, they threaten access to consumer protections and meaningful health coverage.

Urgent Need to Address the U.S. Health Care Affordability Crisis

Almost half of all Americans report having to forgo medical care due to the cost, almost a third have indicated that the high cost of medical care is interfering with their ability to secure basic needs like food and housing,[ii] and over 40 percent of American adults – 100 million people – face medical debt.[iii] High and rising health care costs are a critical problem for national and state governments, and affect the economic vitality of middle-class and working families - crippling the ability of working people to earn a living wage. Today's real wages — wages after accounting for inflation — are roughly the same as four decades ago, while employer health insurance premiums have risen dramatically.[iv] At the same time, nearly 90% of large employers say that rising health care costs will threaten their ability to provide health care benefits to employees over the next five to 10 years if costs are not lowered.[v]

At its core, our nation's affordability crisis is driven by a fundamental misalignment between the business interests of the health care sector and the health and financial security of our nation's families – a business model that allows industry to set monopolistic prices that have little to do with the quality of the care they offer. To meaningfully lower health care costs and improve affordability, Congress should focus on addressing these high and irrational prices, which are driven by trends in health care industry consolidation that have eliminated healthy competition.[vi]

To that end, we are encouraged by the consideration of draft legislation today that would crack down on 'dishonest billing' practices. These practices stem from broken financial incentives in the payment structures that provide hospitals higher reimbursement rates for outpatient services than for the exact same services provided at independent physician offices. This broken financial incentive encourages health systems to buy physician practices and rebrand them as outpatient facilities in order to generate higher reimbursement and charge consumers higher prices. Dishonest billing occurs when hospitals intentionally reclassify a doctor's office they own as a hospital-based setting in order to charge consumers higher prices. An analysis by Northwestern University found the price of physician services increases 14 percent[vii] after a hospital purchases a physician practice. The result is higher premiums, higher copays, and higher deductibles for families and individuals. This broken incentive is ripe for Congressional oversight and action.

Concerns with Association Health Plans and Stop-Loss Policies

It is important to note that proposals to improve health care affordability by expanding the prevalence of "junk insurance," including short-term plans and association health plans (AHPs), are not viable solutions as they undermine meaningful efforts to meaningfully increase affordability for our nation's families, and ultimately leave consumers without important protections and at risk of financial ruin. AHPs don't have to cover all of the benefits that other plans sold to individual and small businesses must cover.[viii] In many states, AHPs are not subject to the same licensure and oversight requirements, leaving consumers at risk if an AHP is badly managed.[ix] If that AHP experiences financial problems and cannot cover expenses, families may be exposed to financial ruin as state agencies may not be able to enforce consumer protections to ensure that their claims will be paid.[x] Moreover, companies that sell AHPs may try to avoid selling to businesses or populations prone to high medical expenses, focusing instead on particular businesses and geographic areas that tend to have healthy workers.[xi] This is deeply concerning, as it can leave those most in need of coverage without any options.

Efforts to further encourage the use of self-insured health plans coupled with stop-loss policies, or 'level-funded plans', are also concerning for individuals and families. These plans are also exempt from most state laws that provide important health insurance protections, including benefit mandates, requirements to cover people regardless of their health status, and protections for workers and employers from excessive financial risk.[xii] These types of plans fail to provide the affordable, comprehensive coverage they purport to provide and ultimately undermine meaningful efforts to provide comprehensive, affordable health coverage to families and individuals. Additionally, some small employers may not fully understand the risks of 'level-funded' plans. Currently, less than a third of covered workers in small firms are in self-funded health insurance plans with a stop-loss policy.[xiii] In some of these plans, the dollar amount of medical claims after which the stop-loss coverage kicks in, also known as the attachment point, is so low that the stop-loss carrier is really carrying the risk rather than it being a true self-funded arrangement.

AHPs and level-funded plans not only pose risks to those families who rely on them for insurance, they can negatively impact families that access insurance in the traditional insurance markets by eroding risk pools.[xiv] AHP and level-funded plans do not evenly spread out the cost of insuring less healthy individuals like traditional insurers do. As a result, the "cost-savings" that supporters of AHPs and stop-loss policies claim as a benefit are actually rooted in their reliance on discriminatory practices that push families who regularly utilize their insurance coverage for things like the treatment of chronic conditions into traditional, comprehensive insurance which increases costs for the entire market.[xv]

Conclusion

Millions of individuals and families lack access to affordable, quality health care. Congress has both the power and the responsibility to enact policy changes to address this crisis. Families USA appreciates the leadership from members of the Committee on Education and the Workforce on improving health affordability. We look forward to continuing to work closely with the Chairs and Ranking Members of both the full committee and the Subcommittee on Health, Employment Labor, and Pensions to ensure all families have access to quality, affordable health and health care.

Please contact Jane Sheehan, Director of Federal Relations at Families USA, JSheehan@familiesusa.org, for further information and to let us know how we can best be of service to you.

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[iv] Drew DeSilver, "For Most U.S. Workers, Real Wages Have Barely Budged in Decades," Pew Research Center, August 7, 2018, https://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-fordecade. See also, Gary Claxton et al., Health Benefits in 2022: Premiums Remain Steady, Many Employers Report Limited Provider Networks for Behavioral Health. Health Affairs, October 27, 2022. https://www.healthaffairs.org/stoken/tollfree/2022_11_CLAXTON/full

[v] 8 "Vast Majority of Large Employers Surveyed Say Broader Government Role Will Be Necessary to Control Health Costs and Provide Coverage, Survey Finds," Kaiser Family Foundation, April 29, 2021, Vast Majority of Large Employers Surveyed Say Broader Government Role Will Be Necessary to Control Health Costs and Provide Coverage, Survey Finds | KFF

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[viii] "Final Rule Rapidly Eases Restrictions On Non-ACA-Compliant Association Health Plans", Health Affairs Blog, June 21, 2018. DOI: 10.1377/hblog20180621.671483

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[x] Protect Our Care, *Reminder: Association Health Plans Have Long History of Fraud and Unpaid Claims*, https://www.protectourcare.org/reminder-association-health-plans-have-long-history-of-fraud-and-unpaid-claims/

[xi] Ibid.

[xii] Kaiser Family Foundation, *2022 Employer Health Benefits Survey*. October 27, 2022. https://www.kff.org/report-section/ehbs-2022-section-10-plan-funding/

[xiii] Ibid.

[xiv] USC-Brookings Schaeffer Initiative for Health Policy, *Taking a Broader View of 'Junk Insurance'"*. July 2022. https://www.brookings.edu/wp-content/uploads/2020/07/Broader-View_July_2020.pdf

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