



by Christine Stearns
Vice President,
Health & Legal Affairs

At Issue

Affordability is Key to Health Insurance Reform

It is old news that health insurance premiums are skyrocketing. Employers have been struggling with their costs growing at a double-digit rate of increase for years. Unfortunately, NJBIA's 2007 Health Benefits Survey finds that the story isn't over: costs increased by 11.3 percent to an average of \$7,561 per employee in 2006. Over the last five years, health insurance costs have risen by a compound rate of increase of 80 percent.

What's new is that the state's policymakers now appear to understand that healthcare costs are out of control and that the system needs to be fixed. Health insurance costs have been rising at about 12 percent annually over the last five years according to the NJBIA survey. That's three to four times faster than the rate of inflation.

The stakes are extremely high. In New Jersey, where the cost of operating a business is much higher than in most other states, runaway health insurance inflation is costing us jobs, investment and tax revenues.

Rising costs also threaten our ability to afford coverage at all. Considering that employers provide health insurance for 5.5 million New Jerseyans, the issue of cost is clearly linked to the rising number of uninsured.

Many of the problems causing the rapid increase in healthcare costs are national in scope, but New Jersey does not have to wait for policymakers in Washington to act. Our healthcare system has identifiable flaws that can be fixed now. We can begin by building on the employer-based system to expand coverage to improve the affordability, quality and value of coverage for all.

NJBIA supports targeted, market-based reforms that enhance the employer-based system to provide affordable access to quality care. Here's what legislators can do:

- **Expand Health Insurance Coverage.** New Jersey must

expand the pool of New Jerseyans who have insurance coverage and develop a stable funding source for hospitals that provide charity care to the uninsured. This will help relieve some of the pressure on health insurance premiums since the cost of providing care for uninsured people is partially responsible for higher premiums.

- **Make Small Employer Health Insurance More Affordable.** Any plan to reform the state's health insurance system should focus on assisting small employers who purchase their health insurance through the state's regulated health insurance programs. Small employers should be allowed more flexibility in designing their own plans. There should also be a "basic" health plan that is more affordable. Legislators should also look at reinsurance, where the state covers a portion of a health plan's claims once they reach an extremely high threshold.
- **Improve the Quality of Healthcare in New Jersey.** System-wide changes have the potential to reduce healthcare costs by promoting quality and efficiency. The Legislature should act to promote electronic health records, greater use of report cards, value-based reimbursement, and reduced medical errors.
- **Hold the Line on State-Imposed Health Coverage Mandates.** The Legislature has passed dozens of laws mandating costly insurance coverage for specific conditions. Many are not based on good medical science, but on the emotional appeals of affected parties. The Legislature must hold the line on any new health mandates and review existing mandates to assess their medical efficacy.
- **Provide Direct State Tax Incentives.** Small businesses that provide employee health coverage should receive direct tax relief to help defray soaring costs. Individuals and small businesses should be allowed to deduct the full cost of that insurance from their state income taxes or be given a state tax credit.

Often, the debate about healthcare reform centers around who pays for it—employers, individuals, or the government. No matter what happens with healthcare reform, if we do not make health insurance more affordable, the problems will only get worse. ❧