

Testimony of Michael Wheeler
Har-Rob Fire Apparatus Service & Sales
On behalf of The Employer Alliance for Affordable Health Care

**Topic: Public Hearing on the “New York Health” bill
to create state single payer health coverage**

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Medical Alumni Auditorium
Weiskotten Hall
Upstate Medical University

Assemblyman Gottfried, I thank you for the opportunity to participate in this discussion on a single payer system of health care. My name is Michael Wheeler and I am the treasurer and co-owner of Har-Rob Fire Apparatus Service and Sales in East Syracuse. I am here today on behalf of The Employer Alliance for Affordable Health Care, a grassroots coalition comprised of more than 3,000 sole proprietors and small business owners who believe that reducing health care cost is essential to ensure that everyone has access to basic, affordable health care. Founded in 1997, we continue to advocate for affordable health insurance, and focus on changes that can be easily, and cost effectively achieved without causing additional harm. I ask that before you make any changes to the health insurance delivery system, that you consider first the unique challenges that are faced by the small business community.

I would like to tell you about my company. Har-Rob Fire Apparatus Service and Sales began in 1975 when two friends, John Harris Sr., and Charles Robinson, saw the need for a company that specialized in the maintenance and repair of fire apparatus. Our mission was, and still remains, to provide quality service at a reasonable price. In 1989, in responding to the needs of our customers, Har-Rob expanded with a sales force that included not only vehicles, but all types of firefighting equipment. Today we have 16 employees. Through the years, we've tried to remain true to our founders' mission – to provide quality service at a reasonable price. However, our ability to keep our products reasonably priced and to remain competitive relies heavily on factors that we cannot control, and one major factor is the cost of our employees' health care.

New York is NOT known for its business-friendly policies, so you can understand why the notion of lawmakers taking complete control of the health care system is a substantial concern to those of us in the business community. This concern is heightened when you consider our experience operating under the conditions of the Patient Protection and Affordable Care Act. In a nutshell, for most of us, health insurance premiums are still not affordable. At Har-Rob Fire Equipment, our premiums will increase by 12.73% on January 1, 2015. Har-Rob used to cover 100% of our employee's health insurance premiums, but over the years we've had to implement a cost sharing program, which is currently set at an employer contribution of 65% and employee contribution of 35%.

Unfortunately, double-digit increases are now the norm for small businesses and while we agree with you that the system does indeed need to change, I would like to express our concerns.

The New York State Legislature should not be in the healthcare business – History clearly shows us that when state government gets involved, costs go up. For more than a decade The Employer Alliance focused our efforts on health insurance mandates because there is a clear connection between the number of mandates and higher cost. This was verified in the 2003 study titled New York State Mandated Health Insurance Benefits, conducted by NovaRest Consultants. While the nature of mandates is changing, we must all learn from past practices and be certain that any future changes achieve the type of health insurance coverage that we all desire. Our members strongly feel that New Yorker would be better served by a more practical approach of working within the current health insurance delivery system to substantially reduce health care costs.

I am often asked why I support the concept of employer-based health care. Many small business owners believe that is in the best interest of not only our business, but also our communities, to make sure that our employees have health insurance coverage. A generous benefits package does help us to attract and, more importantly, retain, a solid base of employees. Scott Miller, the Employer Alliance founder, started this coalition in part, because he wanted to ensure that his employees had health care coverage so they could focus on work and not have to worry about their medical care. Through 2005 he paid 100 percent of his employees' individual health insurance, but now, like most of us, his company pays a flat percentage of the cost. Next week you will be in Buffalo, where you will hear from business people like Norm Brodfuehrer, of AMSCO, Inc., a sheet metal contractor and another Employer Alliance member. In 2014, the health insurance plan utilized by Norm, his family and employees, was dropped and replaced by a plan that met the new federal standards. He contacted a health insurance broker to look into other companies and their recommendation was just to sign up with the New York State Exchange and let his employees choose their own plans. As a result of this change, both he and his employees pay higher premiums, but receive less coverage.

In discussing this particular proposal, one of our major business concerns must be who will pay for Single Payer Coverage? While the proposal calls for a graduated surcharge on personal income tax, it also suggests a payroll assessment similar to FICA, which once again means that the business community will be bearing the brunt of paying New York's health care costs.

Some employers that purchase coverage through the exchange qualify for tax credits. And many individuals buying through the exchange receive premium assistance. In both cases, the support is

paid for with federal dollars. Under the plan suggested here, these subsidies presumably disappear while employers would pay a payroll tax and individuals pay higher income taxes.

Businesses like mine already contribute to the more than \$4.8 billion in Health Care Reform Act surcharges and other health insurance taxes that New York currently collect. Many programs funded by these taxes, like bad debt and charity care, graduate medical training of thousands of physicians and numerous other programs will not disappear but will continue needing funding, thus increasing the small business burden.

While we agree that New York's health care system must be reformed, I must also question the timing of this endeavor. We are now entering the fifth year of federal reform and the second of the exchange New York created under the reform law, and this legislation could be a distraction with the on-going implementation – a process, I must add, to which the state has made a substantial financial investment.

Any changes that are made should be based on facts, not assumptions. This particular proposal assumes that providers will accept reimbursement at a government set level. In reality, it is becoming increasingly difficult to get providers to agree to accept Medicaid rates, as demonstrated by studies we see reported in the news.

Health care is not, and should not be, a one-size-fits-all solution. We support the desire to ensure that everyone has access to basic, affordable health insurance coverage, but believe a better solution would be to take small steps to make it more affordable. We encourage lawmakers to pursue efforts to reign in utilization or rising hospital and drug costs. Simple price controls, as employed by other single payer systems, will have the undesired effect of virtually eliminating innovation and efficiency. Instead of revamping the whole system, we suggest incremental changes that will achieve the following:

MEDICAL COST TRANSPARENCY

Research shows that in states where price data was made available ahead of time, the end result was reduced health care cost without any negative impact on patient care. New York must establish protocol requiring hospitals and health care providers to disclose the cost of their services up front.

NO MORE FEES, TAXES OR ASSESSMENTS, ESPECIALLY THOSE WITH NO DIRECT IMPACT ON HEALTH CARE

The added costs that are placed on health insurance carriers result in increases to consumers. The New York State Health Care Reform Act specifically imposes numerous “surcharges” on health insurance including the Covered Lives Assessment and Patient Services Assessment. A fee by any other name still creates hardship for consumers.

FINALIZE THE HEALTH CARE QUALITY & COST CONTAINMENT COMMISSION

Established in 2007, the commission would review any proposed mandated health insurance benefits to provide an objective “cost-benefit analysis” before legislative action would be taken on specific proposals. Now that health insurance coverage is dictated by the basic benefits package, this commission is an even greater priority, as any coverage changes could ultimately impact both consumers and taxpayers. As I stated earlier, any decisions that are made related to health insurance coverage should be made based on fact, not conjecture. The Health Care Quality and Cost Containment Commission is a good first step in achieving this control.

PERSONAL RESPONSIBILITY

Health insurance is the only type of insurance where typically the primary purchaser is not the primary user. While many advances have been made in this area, we must continue to help consumers understand that a healthier population will have lower overall health care costs. We must continue to empower people to make healthier choices in terms of diet, exercise and lifestyle that will result overall benefit to their well-being.

SHARE SAVINGS DIVIDENDS WITH EMPLOYERS

Any universal health system in New York will include savings derived from Medicaid efficiencies including reduced charitable emergency room visits and overall quality improvements.

These savings should be shared with employers to further support coverage in the private sector and should serve as a brake against increasing premiums. The Alliance will be examining this issue more

closely in the future and will offer a more comprehensive proposal on the appropriate use of these “savings.”

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Assemblyman Gottfried and distinguished panelists, as New York progresses in this new era of health care, we must continue to find ways to support the business community and the critical role that it plays in supporting New York’s economy.

The Employer Alliance will continue dialoging with our members to determine ways to foster their ability to access and afford health insurance. We look forward to working together to create a more sensible and rational healthcare system. Thank you for your time.