



Setting THE record straight

March 8, 2007

Business speaks out about health-care reform

"No matter what the plan, if costs continue to rise at the rate they are, NO ONE will be able to afford it, personally or for their employees."

"I would love to offer and be able to pay for all my staff to have health insurance; I just don't have the budget."

"The state should be focused on trying to bring the cost of health care down in Pennsylvania, not on trying to figure out ways to extract more money from businesses in the form of tax."

"A lot of smaller companies can not afford to give their employees health insurance. ...Instead of charging more taxes, maybe work on controlling other costs that are unnecessary."

"It seems the burden of health insurance has fallen on the employer... I believe we need to improve health care in the state. However, it is everyone's responsibility."

The Pennsylvania Chamber of Business and Industry recently gave its members an opportunity to weigh in on the governor's health-care reform proposal. Now it encourages the Rendell administration and state lawmakers to consider the business community's input in the collective effort to increase access to health-care coverage, improve the quality of medical care and better control the cost of services. Some points to ponder:

1. Controlling health-care costs

Reducing medical errors/hospital infections will go a long way toward improving the quality of care, as well as lowering the cost of care. But greater focus should be placed on the other drivers of health-care costs, including lawsuit abuse and mandated benefits. PA's disjointed legal system creates an unpredictable liability climate that forces doctors to order unnecessary tests in the practice of defensive medicine. A good start toward improving the system would be for Gov. Rendell to do what candidate Rendell promised to do. That is, enact joint and several liability reforms. Placing reasonable caps on non-economic damages would be another positive step. Regarding health-care mandates, coverage requirements – PA has 31 of them – should be limited to those in which the benefit outweighs the cost since collectively, mandates can add anywhere from 20 percent to 50 percent to the cost of health care.

2. Paying for the program

Government insurance subsidies for low-income individuals and families should come from general tax revenues rather than from businesses in the form of a payroll tax. A payroll tax simply raises the cost of each employee to the employer and gives it added incentive to reduce its workforce or otherwise compensate to the detriment of workers. There is no guarantee this tax would remain at the rate proposed by the governor, especially if the drivers of health-care costs are not adequately addressed.

3. What about declining revenue sources?

The plan relies heavily on built-in revenue assumptions that may or may not materialize. Proposed cost reductions should be implemented and proven effective before a new government insurance entitlement program is adopted, as their effectiveness is critical to the new program's financial viability and success.

4. No more surprises!

The proposed 3 percent health-care payroll tax would not stay at 3 percent during the five-year phase-in period as pitched by the administration, but rather would increase to 3.5 percent in years four and five. This cat was let out of the bag during the Labor and Industry Department's budget hearing last week. While the administration has met with the PA Chamber and other impacted parties several times to discuss concerns and recommendations, not once was it ever mentioned that the payroll tax would increase in the out years of the plan. For an issue this important, surprises aren't conducive to a constructive debate.

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The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business association, with its membership representing nearly 50 percent of the private workforce. More information is available on the Chamber's website at www.pachamber.org