

the bottom line

why universal coverage is good for business

bruce bodaken
chairman and ceo
blue shield of california

why should business care?



“Everybody needs money. That’s why they call it money.”

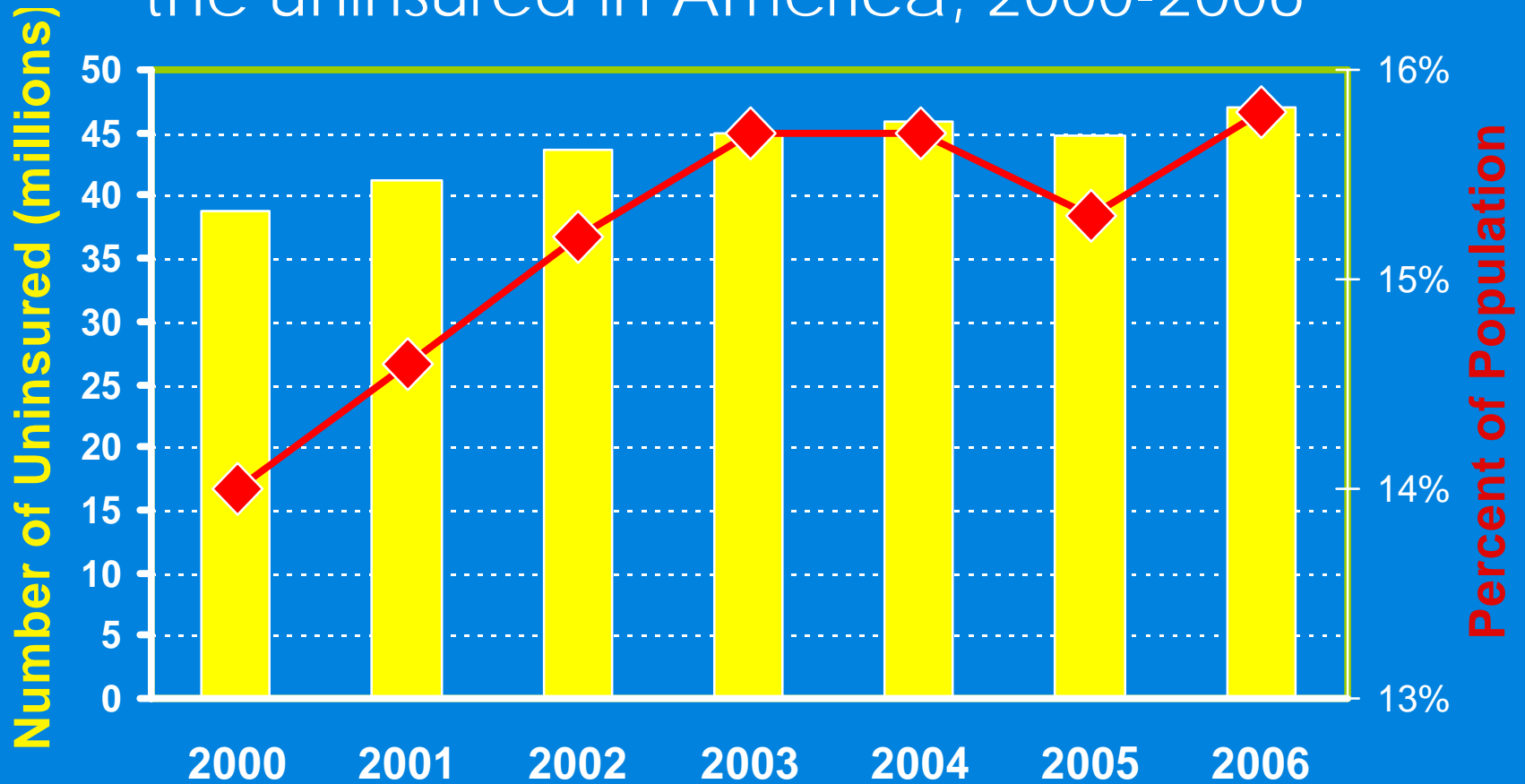
Danny DeVito in “Heist”

universal coverage improves efficiency

- shares cost broadly and evenly
- improves productivity and eliminates labor market distortions
- enables cost and quality improvements
 - fewer ER visits
 - preventive care
 - disease management
 - administrative efficiencies

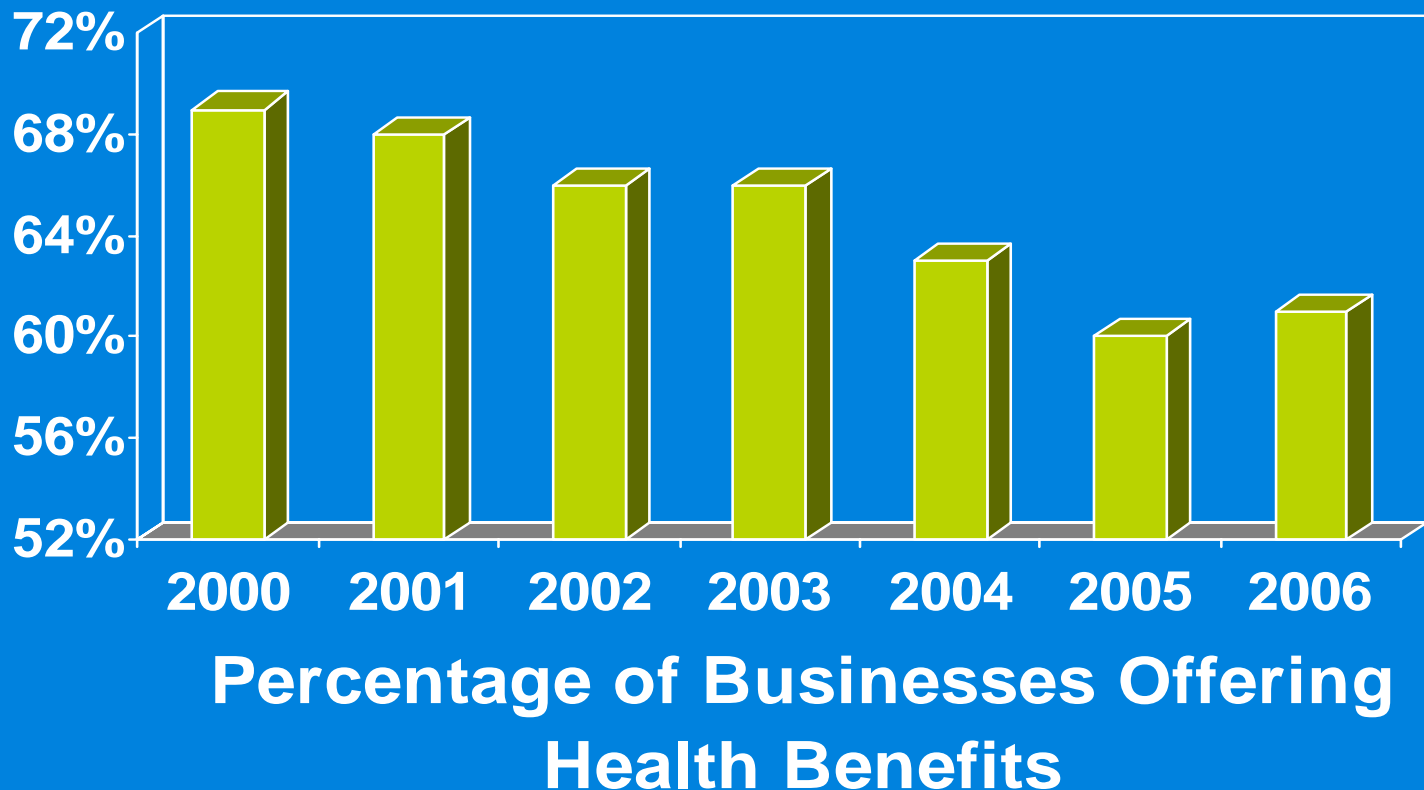
and It's the right thing to do

the uninsured in America, 2000-2006



as more businesses drop coverage,
costs are shifted to those that offer it

In 7 years,
businesses
offering
coverage
dropped
from 69%
to 61%



Source: Kaiser Family Foundation, 2007

cost-shift to large employers is significant

- 2004 Blue Shield of California study
 - underpayments by public programs resulted in 10% increase in hospital rates for private payers
- 2006 RAND/University of Illinois study
 - cost-shifting from Medicare and Medicaid increased private payer costs by 16%.
- 2007 New America Foundation study
 - 10% cost-shift from uncompensated care in California

health and productivity

- total cost to employers from chronic illness exceeds direct cost of health care
- cost of back and neck pain (per 1,000 employees)
 - Medical and pharmaceutical costs > \$170K
 - Total cost to employers (including medical) > \$500K
- causes of additional expense
 - disability costs
 - lost production/ idle assets
 - planned overstaffing

Source: *Journal of Occupational and Environmental Medicine* (2007)

business should do more.... and expect more

- incentivize workers to adopt healthy lifestyles
 - discounts for weight loss and smoking cessation
 - comprehensive employee wellness programs
- demand value from plans and providers
 - evaluate health plans on prevention, wellness and network efficiency
 - work with plans to deter anticompetitive behavior
- encourage government to improve the system
 - pay competitive, performance-based rates for public programs
 - facilitate IT advances

california 2007: business leads push for reform



sampling from among dozens
of major employers



business groups partner with
labor, health care providers
and health plans

a year of strange developments, even for california

- republican governor offers sweeping universal coverage plan with fees on business and providers
- democratic leaders propose less than universal coverage
- insurers support guarantee-issue
- hospitals agree to tax themselves
- business proposes sales tax

framework for a deal

- sliding scale employer contribution (1% - 8%)
- individual mandate/guaranteed-issue with solid enforcement
- 5% - 7.5% cap on individual contributions to premium
- moderate deductible (\$1500 - \$2500)
- structure in bill linked to financing on ballot
 - employer fee
 - hospital tax
 - sales tax

will it succeed?

- some in labor oppose individual mandate
- business ok with sales tax, but not a big mandate
- delicate balance between individual contribution and scope of benefits
- ballot measure will be a challenge
 - california sales tax already high
 - some businesses will oppose
 - single-payer advocates likely to oppose

but 80% want significant change, and combo of governor, labor, business, AARP and Democrats is powerful in a high-turnout presidential election year

beyond california

- democratic presidential candidates promise universal coverage
- wyden bill has bipartisan support in senate
- time for business community to engage
 - help make reform work
 - or risk an unacceptable outcome