

### **Try peer pressure instead of government mandates-September 1994**

Concern over national health care reform is one issue, but we need to be equally concerned over Arizona health care reform.

Small employers have been unable to provide any meaningful input into the decision-making process surrounding health care reform in Arizona.

Of course, they have had occasional representation from those who, in a mundane way, support their interests. But, for the most part, the decisions involving reform are made behind the scenes.

They are made by those who, by reason of their position, are insulated from the real cost of health care, as their is paid for in full -- either by their employers or by taxpayers. They also are made by consortiums of large special-interest groups and large employers who, for the most part, are self-insured and thus insulated from the state health care mandates that are imposed on small employers.

Those who would like to change the health care system in Arizona have every intention of limiting the choices for small employers.

But a local bill that did not involve limiting choice was the Arizona Basic Health Plan for Small Employers, which took effect in July. This plan guarantees group insurance coverage for all qualified employers with 25 to 40 eligible employees.

A small employer qualifies if it has not provided a health plan to its employees for at least 90 days immediately prior to applying for coverage. In addition, the plan may not contain waiting periods of more than 12 months for pre-existing conditions.

Premiums that I have been able to obtain for this "guaranteed" coverage range from what is considered standard or book rates, to more than 30 percent above these rates.

Recently, however, a committee member from the group formed by the governor to develop the benefits for the "basic package" under Senate Bill 1109 indicated that premiums charged as a result of this legislation would be 15 to 17 percent lower than "current plans on the market."

It is this type of surrealistic image that is a hallmark of those entrusted with representing the interests of small employers. It also is symptomatic of the so-called experts who, in addition to being dangerously unaware, continue to provide self-serving, erroneous information to those in our Legislature -- who, amazingly, keep believing them.

As a result, the Legislature passes laws that are perceived as solutions but are, in fact, only partial attempts.

Health insurance reform is important, but it is being confused with access to health care: The insurance industry is being asked to meet legislative policy such as the financing of health care for employers regardless of risk.

In 1993, New Jersey passed a version of SB1109 that guaranteed health care coverage down to one-person groups, regardless of their health. Benefits were standardized, and insurance companies were required to set premiums based on their entire pool of insured. Reportedly, one of the results of this legislation has been a 41 to 85 percent increase in premiums.

The other factor that will affect the acceptance of Arizona's small-business reform package is the 90-day waiting period that the employer must undergo to become eligible for coverage.

The Arizona Health Care Cost Containment System and the providers that offer the AHCCCS Health Care Group plan used to be included under this provision. That was summarily eliminated with the stroke of a pen, thus skewing the "level playing field" to their advantage.

They could do this because they are not regulated by the Arizona Department of Insurance, so they

are allowed to dictate their own business practices. Other health care providers, which are regulated, cannot offer their plans to groups of 25 to 40 unless those employers go 90 days without coverage.

In addition, a regulated health care provider insuring an employer that already has a group plan cannot impose a waiting period for any pre-existing conditions within that group. On the other hand, an AHCCCS Health Care Group provider does not have to comply with this provision, and will always have a waiting period for pre-existing conditions on an inpatient basis for the first 12 months of coverage.

Another issue small employers must deal with is the recourse they have should any of these unregulated plans fail for any reason. They may not be able to turn to the Insurance Department if the insurance company in question is not covered by the Arizona Guaranty Fund. For details, pick up the free Insurance Department brochure called *Some Questions to Consider in Choosing an Insurance Company*.

While we witness the debate in terms of the numbers of uninsured and the accessibility of health care, the underlying problem is always going to be cost.

The small-group market is very competitive now. Possible factors include competition, market positioning and pressure from potential legislation.

A lot of posturing is going on among providers pending any federal reform. While premiums historically continue to rise, those increases are virtually non-existent now.

The ranks of uninsured are growing -- not because they are young and don't feel they need health insurance, but because their employers don't provide it.

There needs to be a way to encourage employers to provide benefits in order to create a level playing field and to stifle the legislative agenda that will emanate from such special-interest groups as the Arizona Affordable Health Care Foundation.

One rather novel idea is for companies not to do business with vendors that do not provide some form of health insurance. Maybe the ones that did provide insurance could be identified as Preferred Vendors of Arizona. Then, perhaps, others would be pressured into doing something about it.

Unfortunately, this idea is far too simplistic for the reformers -- and peer pressure seems to be localized among our youth.