

Thank you Chairman Shirky and members of the committee. My name is Scott Lyon and I am Senior Vice President for the Small Business Association of Michigan overseeing our efforts regarding health insurance and employee benefits. I have spent roughly 30 years at the intersection of small business, health insurance and government relations. SBAM is a statewide trade association representing over 20,000 member businesses from all across Michigan.

Along with me this afternoon is Wendy Block, Director of Health Policy and Human Resources for the Michigan Chamber and Rick Murdock, Executive Director of the Michigan Association of Health Plans. We have broken our testimony down into three general sections:

1. Why we are engaged in this conversation
2. What we want to see in a result
3. How we intend to get there

I have to confess that years ago, I thought that the uninsured was someone else's problem, but not anymore. In Michigan we have somewhere in the vicinity of 1.2 million people that are uninsured. Michigan having that many residents without insurance is a problem, but why is it a problem that the Michigan business community cares about? I will give you three reasons:

1. Many of those uninsured work for one of our member companies. The number of small businesses, those with fewer than 50 employees that can still afford to offer health insurance coverage to their employees has slipped to below 37%.
2. Health insurance costs too much. I know that the average member of the Small Business Association of Michigan today spends nearly \$8,700 per employee per year on health insurance premiums and I know that these premiums are representative of the costs paid by all businesses.
3. Experts estimate that between 6% and 8% of the money our members pay in health insurance premium to fund "uncompensated care." These costs are estimated at \$400 for an employee only plan and \$1,100 a year for a family of four. So, our members that can still afford to offer health insurance to their employees are paying three time - once for their own employees, once to help cover the cost of the uninsured and lastly in the taxes that we all pay.

As our CEO Rob Fowler testified a couple of weeks ago, SBAM is not a fan of the Affordable Care Act, we lobbied hard against it and SBAM did not all of the sudden become advocates for the uninsured. From conversations with Wendy and the Chamber, I know that they are on the same page. Plain and simple the opportunity to get some relief to the three realities brings us to this conversation.

Along with the Chamber, the Michigan Association of Health plans and many other organizations we are engaged in this conversation and I want to let you all know that:

- We are comfortable with the direction headed,
- The key principles of reform that are being discussed make sense to us and we should not overlook or downplay this opportunity to reset the table,
- The ability to form a baseline measurement of the current amount of uncompensated care is critical,
- And it is our hope is that through these conversations and the resulting measurements, that between the Department of Community Health and the Department of Insurance and Financial Regulation that, as more people move from the roles of uninsured to insured, we can identify and remove these cost from our members premiums.

At this point I am going to turn this over to Wendy to discuss what we would like to see as a result of this effort.

Wendy's Testimony:

Good afternoon, Mr. Chair and Members of the Committee. As Scott said, my name is Wendy Block and I am the Director of Health Policy and Human Resources for the MI Chamber of Commerce. Thank you for the opportunity to be here this morning to discuss how you take this issue of uncompensated care and the cost-shift and translate it into real savings to purchasers of private health insurance.

As Scott explained, the business community is involved in the Medicaid Reform and Expansion debate for two reasons. First, because we believe this proposal will reduce the uninsured cost-shift, the mechanism whereby hospitals recover their losses for caring for Michigan's uninsured citizens by obtaining higher reimbursement rates in their contracts with health insurers. These costs are ultimately passed on to, and paid for by, those purchasing private health insurers, largely MI job providers. The other reason we support the Medicaid Reform and Expansion proposal is because it will protect some employers, especially those in industries with a large number of low-wage workers, from having to pay employer penalties under the ACA.

When the Chamber and SBAM testified before this committee in late May, we stated, if Medicaid Reform and Expansion is done correctly, it should translate into

premium relief for private health insurance purchasers. This is not to suggest we expect premiums to go DOWN under this proposal. We know this is not realistic due to all of the various tax increases and mandates contained in the ACA.

Rather, we are suggesting you have an opportunity to bend the cost curve through this legislation. By reforming and expanding Medicaid you will be putting more people on the insurance rolls and uncompensated care costs (estimated to be \$1 billion today) decrease. This, in turn, should reduce the hidden, annual tax paid today by health insurance purchasers to support the uninsured population. The key is to make sure this actually happens.

Following our testimony, Chairman Shirkey formed an ad hoc workgroup to tackle the cost-shift issue. The goal? To determine a statutory method to identify, capture and realize uncompensated care cost savings. I am here to report that, following several meetings with stakeholders, including the MI Chamber, SBAM, MI Health & Hospital Association, MI Association of Health Plans and BCBSM, we have reached a consensus on how to best address this issue in a way that builds on foundations and systems that are already in place and in a way that is reflective of market forces.

At this point, I will turn things over to Rick Murdock from the MI Association of Health Plans to walk through the proposed solution to identifying, capturing and realizing uncompensated care cost savings through the proposed legislation. Thank you.

Rick's Testimony

Good afternoon Mr. Chairman and members of the Committee. As mentioned, my name is Rick Murdock, I am Executive Director of the Michigan Association of Health Plans. I was pleased to participate in conversations and meetings of the ad hoc group convened by Chairman Shirkey and believe we now have a workable approach to identify, capture and realize uncompensated care savings related to additional persons (currently uninsured) receiving insurance coverage. The language that we have recommended would do the following:

Identify/Capture.

First, we have a mechanism in place for the Department of Community Health to evaluate the impact of coverage on uncompensated care. This is the annual costs reports of Michigan hospitals that track uncompensated costs and in particular "charity care"—that is costs related to services for those without insurance. The approach is that these costs should change from the "base year" to each future year and will be reflected in this annual cost report. So our baseline would be 2014 and evidence of reduction in uncompensated costs reflected annually thereafter.

Realize.

Further, as many know, health insurers provide annual filing with the Insurance Commissioner. Under the Insurance Code, the Commissioner is charged with approval of rates and under additional circumstances the Federal Government will be involved in approval (rates proposals above 10%). Under the recommended language, the justification for rate adjustments will be reviewed by the Commissioner to determine the impact on the reduction in uncompensated costs that no longer would be passed on by hospitals. This would be part of the review for rates applicable to individuals and business community.

Further, based on the evidences provided in the costs reports, the Department of Community Health would proportionally reduce Disproportionate Share Hospital, DSH, payments for the purpose of producing general fund savings—this would begin in April of 2015 and integrated into the FY 16 budget for full year savings.

Summary.

We have an approach to specifically identify the change in uncompensated costs—we have the mechanism to assure the reduction in costs is reflected in the rates proposed by insurers, and we have a state budget saving element. Further the costs should also be passed on for those who self insure.

I will know turn this over to David Finkbeiner of the Michigan Health and Hospital Association to comment on the costs savings

David Finkbeiner

Chairman Shirkey, thank you for the opportunity to participate in the ad-hoc workgroup and to assist in moving this issue forward. The MHA believes that what Mr. Murdock has outlined is a Michigan specific solution designed to achieve two major goals. 1. To get more people health coverage and 2. To reduce the burden on employers who provide health insurance coverage for their employees. The MHA supports the plan as outlined.

Thank you.