HR and Mission: Discussion Forum

Health Care Reform – A New Day
Gary Miller and Craig Mosin of DePaul University with an opening statement by Sister Carol Keehan, DC, president and chief executive officer of the Catholic Health Association of the United States (CHA)

Craig and I are dedicating this column to a discussion of health care reform, one of the most significant issues for our country in recent times. We expect that, beginning this year, health care reform measures will create entirely new challenges and opportunities for Catholic colleges and universities, as well as for their faculties and staff. President Obama has said, “Health care reform cannot wait, it must not wait, and it will not wait another year.” Following through on this bold statement, the president started a national dialogue on this issue that included round tables representing a wide range of interest groups. We are deviating from our typical back-and-forth dialogue style to present more straightforward coverage of this topic.

We are extremely honored that one of the round table participants and one of the nation’s foremost experts in health care, Sister Carol Keehan, DC, president of the Catholic Health Association*, provided us with some insights on this issue as it pertains to Catholic employers:

As the national health care reform dialogue moves into the next phase, employers should watch developments closely. If reform efforts are successful, the three related issues of cost, quality and access will be addressed in a cohesive way. Currently employers that provide any kind of health benefits to their workforce face “cost shifting,” wherein they pay ever-increasing premiums to cover employees because the costs of treating the uninsured are offset by higher prices elsewhere in the system. For employers and workers alike, this means group coverage comes at a high and growing cost: between 2000 and 2008, health insurance premiums rose more than 78 percent, while wages rose only 15 percent, according to U.S. Sen. Max Baucus (D-Mont.), chairman of the Senate Finance Committee. Reform can change this scenario by making coverage more affordable across the board. Effectively using tools like information technology to provide safer, greater quality care will also help to slow cost growth.

Catholic employers in particular should support a reformed system not only because of the economic consequences but because of the social justice implications. As a matter of human dignity, everyone is entitled to health care. Like any basic element of life, health care sustains us and should always be accessible and affordable for everyone—when they need it, where they need it, no exceptions, no interruptions. The Catholic Health Association (CHA) advocates for a system that protects human dignity from conception to natural death, showing special concern for the poor and vulnerable and delivering efficient, high-quality care at a cost that is sustainable over time.

With health reform discussions moving closer to legislation, it is critical for employers, Catholic and otherwise, to pay close attention to the emerging details, understand the implications of various policy options and sort through the misinformation that often surfaces. Visit CHA’s Website at www.chausa.org to track all the important developments.

*(The Catholic Health Association is the nation’s largest group of not-for-profit health care sponsors, systems, and facilities.)*

Sister Keehan raises many excellent points. Taking only her comments about the rapidly growing cost of health care since 2000 would be reason enough for all employers to embrace health care reform, including universal coverage. Simply put, without dramatic reform, the current health care system in the United States is unsustainable. By the way, this applies not only to employer group plans and individual policies, but also to Medicare, which officials have warned will be exhausted by 2017 at the current rate of expenditure.

To bring Medicare into actuarial balance would require more than doubling the payroll tax currently set at 2.9 percent for both employers and employees. Without getting cost under control through dramatic reform efforts, quality health care will very soon be beyond the financial reach of most Americans.

Sister Keehan also stated that access and quality are related to cost and that all three components must be addressed in a cohesive way for reform to be successful. It’s worth taking a little time to understand some ways that quality and access interact with cost. One way to assess quality is by looking at the number of medical errors. By some measures, medical errors are the third-leading cause of death in this country. The cost of these medical errors is high not only in terms of human life, but also in terms of the additional medical expenditures necessary to treat the health problems created by these errors. This is one reason why quality must be part of the formula for a successful reform effort.

Regarding access to coverage, the costs physicians and hospitals incur when treating uninsured individuals who cannot pay end up being passed along to patients with insurance. So as the number of uninsured Americans increases, so does the cost of health care for those who pay the medical bills—insurance companies, the government, and employers as well as those who have medical coverage through these organizations (to the extent that they are required to pay a share of the premium).
Additionally, uninsured individuals tend to delay treatment of health conditions until their conditions become severe resulting in more intense and costly treatments. When they do receive treatment, it’s usually in a hospital emergency room, which is one of the most expensive and least effective ways to obtain non-emergency care.

Of course, as Sister Keehan states, health care reform is not just a cost issue, but also a matter of principle. Her point that health care is a basic element of life is a strong argument for Catholic employers, in particular, to support health care reform. Health care is a basic human right directly connected to each person’s fundamental right to life.

That being said, however, employers need to be astute about how they integrate their internal group plans with the reformed health care system. It’s not too early to begin considering these issues that include employer mandates, the creation of a public plan, additional requirements related to plan design and eligibility, and revised tax rules for employer group health plans. Catholic colleges and universities should begin internal discussions on these important issues very soon in order to be ready to act when legislation is proposed or passed. For those who want to get involved in the national dialogue, the time is now. The importance of private higher education getting involved in the development of reform legislation is discussed toward the end of this column.

Before discussing the first issue of employer mandates, it’s important to note that employer coverage itself isn’t a contested issue. The Obama administration, as well as both large and small employer groups, appears to be committed to the current model of employer-provided group medical coverage. In fact, health care reform legislation will likely require employers to offer group medical coverage to employees. Under such a mandate, employers would either have to “play” by offering coverage to its employees or “pay” into a government fund that subsidizes a public health plan, a plan for those for who do not otherwise have access to health insurance or cannot afford coverage. If a mandate were enacted, small businesses would likely be exempted. For employers not exempt from the mandate, the pay portion remains to be worked out by Congress: How much should employers pay if they do not offer medical coverage or restrict certain classifications of employees from their group plans?

If non-profits or smaller colleges are exempt from a mandate (if they don’t have to pay or play) or if the pay amount is minimal, this may be an opportunity for some Catholic colleges and universities to drop their group health plans altogether. Naturally, this course of action would only be prudent for Catholic employers if a high quality-public plan option were available; such an option is one of the health care reform issues currently being debated in Congress. That being said, relief from having to provide a group medical plan would save millions of dollars annually in premium payments (or in direct claim payments for self-insured plans) for most institutions. No longer offering group health coverage to faculty and staff would also relieve these institutions from onerous administrative and compliance requirements—no more insurance brokers and consultants, health plan ERISA attorneys, or annual enrollments.

Another consideration for all employers, and possibly even Catholic employers that purchase fully insured plans off the shelf, are the issues of inadequate benefit levels and gaps in coverage. An example of the first concern would be a group medical plan with a low lifetime coverage maximum, say one million dollars or less. Once that maximum is hit, the plan stops paying, resulting in a participant’s medical bills no longer being covered by insurance. Individuals in these circumstances essentially then join the ranks of the uninsured, even though they are not counted as such. Many are forced into bankruptcy each year by overwhelming health care bills. Employers unwilling to increase low lifetime coverage limits would be doing their employees a service by allowing them to opt into the public plan, if it becomes available. Of course, under present circumstances, there is no public plan option so even a plan with a low lifetime maximum is better than no insurance at all.

Gaps in coverage can be harder to detect. Sometimes a gap can be caused simply by an insurance company that has a proclivity to deny large claims or exclude claimants as eligible for coverage. Questionable denials of claims and eligibility are a frequent occurrence in our country’s private medical insurance system and hopefully health care reform legislation will address these abuses.

A related concern is that of employers who offer group coverage, but simply cannot afford to cover all of their employees. For instance, non-profits and small businesses, especially those that rely heavily on part-time staffing, are often forced to exclude these employees because of cost. If health care costs can be contained with effective health care reform legislation, this may provide an opportunity for such employers to use the savings to expand affordable coverage to all classifications of employees. Of course, if the health care reform legislation includes an employer mandate, employers may be required to cover all employee
classifications anyway. Consequently, as early as next year some institutions could be put into a position of making hundreds or thousands of additional participants eligible for coverage in their health plans.

As of this writing, it appears that only employees who work 30 hours or more per week would be subject to an employer mandate. However, this raises other issues for Catholic colleges and universities. For instance, how will hours be measured for adjunct faculty? What about part-time staff employees who are scheduled for less than 30 hours per week, but actually work more? For many institutions, this hours tracking requirement alone could involve complicated and expensive system, reporting, health plan eligibility management, and time reporting changes.

While the nuances surrounding these issues alone are a lot for employers to process, there will also likely be tax changes to help finance the reform initiatives. The cost of the reform measures being considered has been put at roughly $1.2 trillion over 10 years, possibly less if the reform efforts are phased in. One very likely source of revenue being considered by Congress is reducing the tax exclusion employees receive when they purchase their medical insurance through an employer’s group plan. Currently, not only is the employee’s portion of the premium tax free (through a Section 125 plan), but also the share of the premium picked up by employers is nontaxable to covered employees. This tax break costs the federal government roughly $200 billion per year. Limiting this tax break could go a long way toward financing the reform initiatives.

It’s not likely that the entire tax exclusion would be eliminated, but group medical plan premiums could become taxable for highly paid faculty and staff. Or premiums for insurance beyond the cost of a basic plan could become taxable for all covered employees. Flexible Spending Accounts may also be on the chopping block and the loss of this tax savings device could affect all faculty and staff. These possible tax code changes, if enacted, would raise some touchy issues for Catholic colleges and universities: Should affected employees be made whole? Should other tax-savings health accounts, such as Health Savings Accounts, be implemented?

We’ll close with a thought on the importance of Catholic higher education getting involved in the health care reform dialogue as legislation is being finalized. Simple legislative changes that take into account the unique needs of private higher education could make the new rules significantly less administratively onerous without diminishing the effectiveness of the reform efforts. An example, already mentioned above, is the possible new requirement to identify health plan coverage eligibility based on hours. If this requirement had a slight modification that permitted higher education to use credit hours taught versus hours worked for determining adjunct faculty eligibility, this would relieve the necessity of possibly costly system and administrative changes.

While clearly for Catholic employers, principled leadership with a concern for mission, social justice and human dignity will drive the direction Catholic institutions take on these health care reform issues, effectively integrating internal plans and policies with the reformed health care system will require informed and astute business decisions and effective management in order to achieve the desired mission, quality, and cost objectives.

As always, Craig and I invite our readers to enter into this dialogue by sharing their thoughts and experiences, as well as their practical and effective solutions, on any of the topics we address in our columns. To facilitate this, we have a blog (http://hr-forum-ccu.blogspot.com/) where readers can comment on this column or any of our past columns. We encourage your feedback to help direct more attention to these issues.

We would also like to post links to your mission statements as well as HR and compensation philosophy documents if you would like to share them with our readers. This will permit a fuller discussion of how mission and Catholic Social Teaching enters into the employment process.

The opinions expressed in this column are ours alone and do not represent DePaul University.