

United States Senate

WASHINGTON, DC 20510

January 27, 2004

USA Today Supports Association Health Plans

Dear Colleagues:

On Friday, January 23, *USA Today* published an editorial endorsing Association Health Plans to reduce the number of uninsured and lower the cost of health insurance at no cost to the taxpayer. **The editorial, which is attached, does an excellent job of framing the debate on this issue as one between small businesses stuck in a dysfunctional market and the big insurance companies that have a vested interest in maintaining the status quo.**

As Congress works towards providing health care to the uninsured, it is important to recognize who these individuals are: The employed but uninsured represent 85% of the total uninsured population, and 60% of the uninsured population work for, or are in a family of someone who works for, a small business.

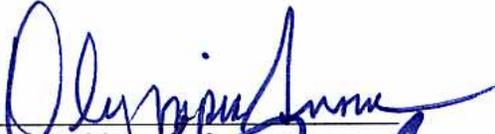
USA Today recognizes that "AHPs" offer many benefits to small businesses and their employees including:

Lower costs for insurance. The economies of scale that small businesses could get by banding together would allow them to negotiate lower coverage costs. Since 2000, premiums paid by small business employees have risen an average of 13% a year, compared with 11% for those working for large businesses, according to the Kaiser Family Foundation, a non-profit health research group.

Greater leverage for patients. Employees of small businesses could have stronger advocates if they encountered problems with their coverage. A large association representing hundreds or thousands of firms would have considerably more sway over insurers than a single employee or his small businesses employer.

We hope that you will find the *USA Today* editorial of interest and join us in supporting AHPs and the Small Business Health Fairness Act (S. 545) to create greater opportunities for small businesses to provide health care to the working uninsured.

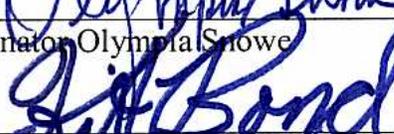
Sincerely,



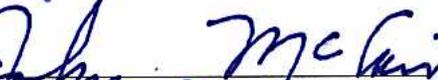
Senator Olympia Snowe



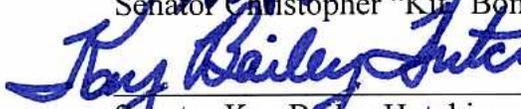
Senator Jim Talent



Senator Christopher "Kit" Bond



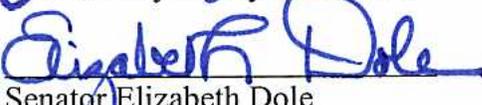
Senator John McCain



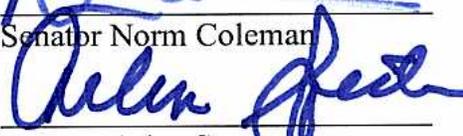
Senator Kay Bailey Hutchison



Senator Norm Coleman



Senator Elizabeth Dole



Senator Arlen Specter



USA TODAY EDITORIAL
Friday, January 23, 2004

Why prospects for reforming health care look so dim

Tucked deep within the promises and policies of his State of the Union address, President Bush uttered three words that speak volumes about Washington's paralysis in addressing the plight of the 41 million Americans who lack health insurance. In between his discourse on Medicare and his support for a low-income health care tax credit, Bush called for something called "association health plans."

These plans allow small businesses to band together into national pools to negotiate discount health insurance rates closer to those available to big corporations. They aren't a radical idea. Nor would they come close to solving all of the nation's health care woes. But they would address an important problem: the steep costs small businesses must pay to offer medical coverage. Because they can't spread their risk throughout a large workforce, they pay higher rates for their insurance. Partly as a result of this limitation, only 49% of small employers offer health insurance, compared with 98% of large companies, according to the U.S. Department of Labor.

Yet even this small, common-sense reform has touched off fierce opposition from powerful groups ranging from Blue Cross and Blue Shield to state health commissioners. They claim it would gut state regulations that consumers need without reducing the ranks of the uninsured.

The controversy raises a vexing question: If one incremental change can set off so many special-interest battles, what hope is there for the broader health care reform the nation needs to extend coverage to all and stem skyrocketing costs for those who have insurance? Currently, one in five individuals lack insurance at some point each year, and premiums have seen double-digit increases for three years in a row.

Bush isn't the only one who believes association health plans hold promise. In June, the House of Representatives overwhelmingly passed legislation allowing such small business pools. Opposition has blocked action in the Senate.

Both sides claim they are willing to compromise or offer alternative proposals. But in the nine years that small employers have been begging for help, Washington hasn't responded. Now, the pop from Bush's Tuesday night speech and a commitment by Senate Majority Leader Bill Frist, R-Tenn., to take up the matter as part of a broader health care package may brighten the outlook.

If so, small businesses, and their employees, could gain numerous new benefits.

Among them:

Lower costs for insurance. The economies of scale that small businesses could get by banding together would allow them to negotiate lower coverage costs. Since 2000, premiums paid by small business employees have risen an average of 13% a year, compared with 11% for those working for large businesses, according to the Kaiser Family Foundation, a non-profit health research group. In 2003, the inability to find affordable insurance surpassed taxes as the single most troubling issue for small business owners in a survey conducted by the National Federation of Independent Business.

Greater leverage for patients. Employees of small businesses could have stronger advocates if they encountered problems with their coverage. A large association representing hundreds or thousands of firms would have considerably more sway over insurers than a single employee or his small-businesses employer.

The Blue Cross and Blue Shield Association argues that such plans would "cherry pick" the healthiest employees and leave the sickest, most expensive patients in existing insurance pools that would have to pay higher rates. It also says associations would be exempt from state regulations, stripping consumers of protections from unscrupulous insurers.

The worries, while valid, could be addressed without killing an otherwise-promising idea. Federal oversight of health insurance does need strengthening. A good place to start would be with a patients' bill of rights that guarantees consumers a more effective avenue of appeal when their claims are denied. That reform also is stalled in the Senate because of opposition from insurers.

Both sides in the association debate have their own interests to protect. Insurers such as Blue Cross and Blue Shield don't want to cede leverage to their customers to negotiate better deals. On the other side, small businesses don't want the hassle and expense of dealing with state health regulations, even those that protect patients. Yet, instead of working to find common ground, both sides have dug in.

Their feuding is a microcosm of the larger problems facing health-reform proposals. Health care is now a \$1.5 trillion business and represents 15% of the entire economy. With such enormous sums at issue, the public's needs too often give way to protecting special interests.

Until all sides commit to compromise, change can't occur. A good way to break the logjam is to start modestly: working together to help the small employers that are among the most hard-pressed in the current health care climate. That small success could serve as an important model for addressing bigger health care issues on the horizon.