

## **Floor Statement of Michael B. Enzi**

### **The Health Insurance Marketplace Modernization and Affordability Act of 2005**

November 2, 2005

Mr. President, together with Senator Nelson of Nebraska and Senator Burns, I am pleased today to introduce “The Health Insurance Marketplace Modernization and Affordability Act of 2005.” This is a bipartisan effort aimed at relieving the worsening crisis of cost and coverage in America’s health insurance system.

As I speak today, we are nearing almost five years of double-digit growth in health insurance premiums – increases that have repeatedly exceeded more than five times the rate of inflation. Since 2000, for example, group premiums for family coverage have grown nearly 60 percent, compared to an underlying inflation rate of 9.7 percent over the same period.

Those hardest hit are America's small businesses and those individuals outside of employer-provided insurance. These are the ones with the least market leverage and the weakest ability to pool risk. Already, among the very smallest of our businesses, those with fewer than 10 employees, only 52 percent offer coverage to their employees.

As a former small business owner, I understand the difficulties these employers face when trying to provide health insurance for their employees.

A constituent of mine, Mitchell Blake of Jackson, Wyoming, recently told me his story, and it illustrates what is happening to thousands of small businesses across America. Mr. Blake owns a small architecture firm with eight employees. He believes, like so many small business owners across America, that providing insurance for his employees not only

promotes a healthy workforce but is simply the right thing to do.

In the nine years since his firm opened, the deductibles for employees' health insurance quadrupled, co-pays rose by more than 35 percent, and monthly premiums grew by 20 percent. Since 2001, the company's profits have dropped by nearly one-third, due in large part to providing health insurance coverage.

Mr. President, I am realistic. The biggest drivers of health care costs are ones that defy short-term solutions. These include advances in costly medical treatments, Americans' continuing appetite for such treatments, lack of transparency in pricing, and an outdated third-party payment system that insulates consumers from seeing the true cost of care they receive. Addressing these deep problems in a fundamental

way will require years of effort and a great deal of political will.

And yet, like most members in this body, I am hearing an ever-growing chorus of concern from my constituents about health insurance – and most especially from small businesses.

America's families and small businesses don't want us to wait for the perfect solution or the perfect moment. They need real help, and they need it now.

Recognizing this increasing concern, and as the new Chairman of the Senate's Health, Education, Labor and Pensions Committee, I have made it a priority in recent months to seek the counsel of stakeholders, citizens, experts, and fellow members of Congress on how we might

come together on a package of health insurance reforms we can realistically hope to enact in this Congress.

The most well known proposal now on the table is the approach known as association health plans, or AHPs.

Under this proposal, which was introduced in this Congress by Senators Snowe and Talent, qualifying trade associations would be permitted to band together their members for purposes of offering health coverage.

Mr. President, association health plans hold significant promise -- particularly in the pooling of risk, economies of scale, and market clout they could lend to thousands of small businesses.

At the same time, however, the AHP bills in their current form may also go too far in allowing some association plans to play by a separate set of rules than those governing the

rest of the small group insurance marketplace -- thereby tempting adverse selection and market disruption. Another concern is the fact that the current AHP proposals would shift primary oversight over many association plans away from the states and move it to the federal government.

Regrettably, debate over these AHP pros and cons has hardened into a political and stakeholder stalemate – a stalemate that has helped block constructive action on new health insurance reform for nearly a decade.

It is time we broke this logjam and moved forward.

Toward this end, I sincerely appreciate the hard work of Senators Snowe and Talent and other AHP proponents in working with me on possible compromise approaches. And similarly, I am encouraged by what appears to be a growing pragmatic spirit among traditional AHP critics.

Mr. President, the legislation we are introducing today is a compromise approach.

This legislation blends a modified version of the current Snowe/Talent AHP legislation with several additional reform initiatives applicable not just to association plans, but also to the wider health insurance marketplace.

It is built around several fundamental principles, including: 1) giving associations a meaningful role, but on a level playing field; 2) streamlining the current hodgepodge of varying state regulation; 3) preserving the primary role of the states in health insurance oversight and consumer protection; 4) making lower-cost health plan options available; and 5) achieving meaningful reform without a big price tag that could cloud prospects for passage.

With regard to association-based health plans, this bill preserves most of what is known as the “fully insured” component of the current AHP bill. That is, like the current AHP bill, my legislation would allow associations to independently pool their members for purposes of buying health coverage, thereby giving them needed strength in numbers and bargaining power.

Unlike the current AHP bill, however, this legislation does not include the much more controversial option for associations to self-insure. Primary regulatory oversight of coverage issued to associations would remain at the state level and would not be transferred to federal control. Although far from perfect, our state insurance commissions are much closer to the real problems confronted by purchasers of insurance in their communities than would be a federal agency in Washington.



Like the current AHP bill, this legislation would enable associations to take advantage of more streamlined rules in the areas of benefit design and rating. In an important departure from the current AHP bill, however, this greater streamlining would be made available not just to associations, but also to other purchasers of insurance. This adjustment will go a long way toward easing critics' fears that the current AHP bill would create an unlevel playing field and market disruption.

In short, Mr. President, association-based plans should have the opportunity to harness the advantage of independent pooling and play a commercially meaningful role in the coverage marketplace. However, the coverage offered to association members should be subject to underlying regulatory and consumer protection requirements substantially comparable to those applicable to other entities offering similar coverage.

Mr. President, in addition to addressing coverage offered through associations, the legislation we are introducing today also makes several very important improvements in the health insurance marketplace as a whole.

For example, this legislation would permit issuers of coverage, both to associations and others, to offer lower-cost health plans free from some, though not all, of the current state benefit mandates that have proliferated over the past decade.

Under this bill, those mandates that are currently in place in at least 45 states would continue in effect, but carriers would be permitted to offer plans that do not include other mandated benefits. The intent of this provision is not only to enable the offering of more affordable plan options, but also

to make it easier for carriers to offer coverage on a multi-state basis and in more markets.

Mr. President, this legislation would also set in motion a process to create greater harmonization in the current costly and competition-inhibiting hodgepodge of varying state health insurance regulation.

However, even as it moves the system to greater uniformity in the rules applied, this approach would also carefully retain the current structure of state-based oversight and administration of insurance.

This harmonization approach is patterned in general terms after the process used in the early 1990s to achieve greater stability in the Medicare supplemental (Medigap) market.

The bill would establish a harmonization commission under the Secretary of Health and Human Services to develop harmonized standards for health insurance regulation. The commission would work in close consultation with the NAIC and the states, and would consist of members representing a full range of perspectives and stakeholders.

Upon issuance of model standards by the commission and their certification by the Secretary, the states would have two years to adopt them. If a state did not adopt the standards within the required timeframe, an insurer, following certain certification requirements, would be permitted to sell insurance in that state following the harmonized federal rules.

Mr. President, I want to take a moment to thank Senator Gregg, my predecessor as chairman of the HELP Committee. It is due in no small part to his efforts in the last

Congress that health insurance market harmonization has matured in the policy community as a needed and valuable step. I look forward to working with him to make this and other aspects of this legislation as effective as it can possibly be.

It is important to note that responsibility for oversight and management of the insurance market would remain with the states. What would change is that the rules being applied would become more uniform across state lines. This will enable a wider range of plans to be offered, because the offering of insurance on a multi-state basis will become easier. Competition will improve and costs will go down as more plans enter more markets.

Mr. President, this bill reflects and incorporates much thoughtful input from those on many sides of this difficult issue. Such input continues even as I speak. Indeed, there

are a number of important issues that remain to be worked on as we proceed with consideration of this bill.

For example, we will be continuing discussions on how to smoothe the interaction between association-based plans and the individual insurance market. Similarly, work remains to be done in the calibration of transition rules, including with respect to the handling of older blocks of business vis a vis new plan options that will arise under the new system.

Another issue deserving of further attention is the handling of the way carriers can become licensed in multiple states, and opportunities for making this process as smooth as possible while maintaining the authority of state insurance commissioners.

Mr. President, I am open to suggestions, and I am open to compromise -- but I am not open to continued inaction.

My intention is for this bill to serve as a foundation for the swift finalization and passage of a health insurance reform package that will deliver real relief to America's small businesses and struggling families.

I ask unanimous consent that a summary of the legislation and the bill itself be included in the record at the conclusion of my remarks and those of the bill's cosponsors.

I thank the Chair.