

# BENEFIT

## *Plan Developments*



A report covering plan design and legislative changes

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## Worker-Friendly Reforms Anticipated As Democrats Take Control Of Congress

As the Democrats take control of both houses of Congress, the minimum wage, health care policy, and tax issues are among their top legislative priorities. Commenting on the Democratic agenda, incoming Senate Majority Leader Harry Reid (D-NV) said, "One result Democrats will fight for next Congress is an economy that lifts working Americans and the squeezed middle class. Today in America, the rich are getting richer. The poor are getting poorer. And the middle class is being squeezed, between higher everyday expenses and jobs that pay less and less."

Reid vowed that "Democrats will reach out to Republicans to raise the minimum wage, provide tax relief for working families, cut the cost of health care, and make college more affordable."

House Speaker-Elect Nancy Pelosi (D-CA) has called raising the federal minimum wage a top priority for the House when the 110th Congress convenes in January. Sen. Edward Kennedy (D-MA) announced in mid-November that the minimum wage will also lead the agenda of the Senate Health, Education, Labor, and Pension Committee when he takes over as chairman.

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As sponsor of the Fair Minimum Wage bill, Kennedy has long advocated raising the federal minimum wage, which has been at its current level of \$5.15 an hour since 1997. Under Kennedy's proposal, the minimum wage would rise to \$6.55 one year after enactment and to \$7.25 the following year. Recent attempts by Congress to pass a minimum wage increase have failed because legislative add-ons have generated opposition. In August, Democrats voted down a bill that would have cut the estate tax in addition to raising the minimum wage.

After the November 7 midterm election, Kennedy pointed out that voters in Arizona, Colorado, Montana, Missouri, Nevada, and Ohio had approved ballot measures in support of raising the state minimum wage. A total of 28 states have approved a minimum wage higher than the federal level.



# BENEFITS INC

9301 Southwest Freeway, Suite 270

Houston, TX 77074

Phone: (713) 772-1700 • Fax: (713) 772-3100



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“America has spoken, and the new Congress will listen. If there’s one message from this election that emerged loud and clear on a domestic issue, it’s raise the minimum wage. No one who works for a living should have to live in poverty,” Kennedy said.

Democratic leaders have also expressed their support for a number of other issues high on the agenda of organized labor, including overturning the ban that currently prevents Medicare from negotiating with drug companies for lower prescription drug prices. Rep. John Dingell (R-MI), who is expected to chair the House Energy and Commerce Committee, has said Democrats would aim to close the gap in Medicare Part D coverage known as the “doughnut hole” and give the program the power to negotiate discounts on drugs—a practice specifically prohibited under the 2003 legislation that created Medicare Part D. Democrats have also stressed their commitments to expanding health care coverage to all children and providing federal funding for embryonic stem cell research.

To assist college students faced with rising tuition bills, Democrats have announced plans to slash interest rates on student loans in half and to offer families a 100% annual tax credit for tuition worth up to \$3,000. A number of Democratic leaders have also vowed to repeal the alternative minimum tax (AMT), which has a disproportionate impact on upper-middle class families in high-tax states, such as New York and California.

While outspoken in their opposition to Republican efforts to create private accounts for Social Security, Democrats are promoting AmeriSave, an alternative retirement savings plan intended to supplement guaranteed Social Security benefits. Under AmeriSave, low- to middle-income families would be eligible for a dollar-for-dollar match on the first \$1,000 contributed to an IRA or 401(k) plan. The proposed legislation would also encourage automatic enrollment in 401(k)s and create a tax credit for employers offering workers the option of converting their retirement savings into an annuity upon retirement.

At the unveiling of the AmeriSave plan, Pelosi said, “At a time when middle-class families are facing mounting health care costs, higher costs of tuition, and higher gas prices at the pump, saving for retirement is an even greater challenge.”

Pelosi added, “AmeriSave will help middle-class families build retirement security by expanding opportunities to save, and ensuring pension fairness, guaranteeing workers receive the benefits that they have been promised after a lifetime of hard work.”

## Health Insurers Urge Congress To Extend Coverage To The Uninsured

With the goal of providing health care coverage for all children within three years and most adults within a decade, the insurance industry group America’s Health Insurance Plans (AHIP) has proposed an expansion of public health insurance programs and federal subsidies for the purchase of private coverage.

In a recently published report outlining its proposals, “A Vision For Reform,” AHIP observed that the estimated 46 million Americans lacking health insurance have fallen between the cracks. “They may not be living in absolute poverty and they may not qualify for public programs, but they are simply unable to afford health care coverage,” the report said. “Or perhaps they work for employers that are too burdened by global competitive pressures to offer health insurance.”

In the report, AHIP called upon Congress to enact legislation that would provide significant incentives to states to broaden eligibility requirements for enrollment in existing public programs. Specifically, the association proposes expanding the State Children’s Health Insurance Program (SCHIP) to make eligible all uninsured children from families with incomes below 200% of the federal poverty level

and all adults with incomes under 100% of the federal poverty level.

In addition, AHIP called upon the federal government to provide subsidies for the purchase of private health insurance to families and individuals with incomes below 400% of the federal poverty level. The amount of assistance offered would be proportionate to income. AHIP recommends encouraging recipients of the premium subsidies to obtain coverage through their employers or private insurers.

Noting that some six million of the uninsured have incomes above 400% of the federal poverty level, AHIP said it favors creating tax incentives that would encourage these individuals to purchase private insurance. At the same time, however, AHIP said it opposes any changes to the current tax treatment of employer-sponsored health care plans.

The association further called for the establishment of a new Universal Health Account (UHA) that would allow full tax deductibility for health insurance premiums and qualified medical expenses. Under the AHIP proposal, the federal government and the states would match a portion of contributions made by low- to moderate-income families.

To achieve these goals, AHIP urged Congress to increase funding to states for SCHIP and premium assistance programs. The full implementation of these proposals would cost the federal government approximately \$300 billion over a 10-year period, according to AHIP.

George Halvorson, chairman and CEO of Kaiser Permanente and chairman-elect of AHIP, said, "The access crisis causes millions of Americans to forgo the preventive care and treatment for chronic illness that they need. By ensuring everyone has access to coverage, we can make families more secure, workers more productive and, ultimately, make this a healthier nation."

While the 2006 midterm elections produced a Democratic majority in Congress that could favor the AHIP plan, critics have pointed out that full coverage

will be difficult to achieve without mandates on individuals and employers, and that the proposals fail to address the pressing problem of rapidly growing health care costs. Observers have also noted that AHIP members would benefit directly from increased enrollment in health care plans.

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## Employers Support Measures To Provide Health Care Coverage

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U.S. employers of all sizes recognize the value of offering health care benefits in attracting and retaining workers; however, smaller employers would like coverage to become more affordable, and larger employers want improvements in quality and reductions in administrative costs, according to a study published in the November/December 2006 issue of *Health Affairs*.

The study, "Employers' View On Incremental Measures To Expand Health Coverage," was written by Sara R. Collins of the Commonwealth Fund, and Heidi Whitmore, Jon Gabel, and Jeremy Pickreign of the Center for Studying Health System Change (HSC). The findings were based on the 2005 annual Survey of Employer-Sponsored Health Benefits conducted by the Henry J. Kaiser Family Foundation and the Health Research and Educational Trust, data on employers' views of policy strategy from the Commonwealth Fund, and a survey of 2,995 randomly selected employers.

When asked to assess the value of offering health care benefits, 93% of the employers surveyed agreed that medical coverage is important in retaining qualified employees, and 91% said it is important in attracting qualified employees. In addition, 78% of respondents rated providing health benefits as important in




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improving employees' performance, 94% agreed it plays a significant role in improving employees' health, and 95% said it is important in improving employees' morale. Large firms (200 or more employees) were found to be only slightly more likely than small firms (between 3 and 199 employees) to place importance on providing health care benefits.

The authors observed that the study's findings reveal "an employer community that continues to maintain a sense of responsibility for the provision of health insurance to its employees. Rather than running for the exits, as they are often portrayed in the media, companies that offer coverage hold a positive view of health benefits, both in their role in attracting and retaining highly qualified employees and also in improving the health and performance of their workforces."

However, the authors noted, "employers also appear sensitive to the externalities of free-riding among their colleagues that do not offer coverage." The study found that among all firms, including those that do not currently offer health benefits, two-thirds strongly or somewhat agreed with the statement that "all employers should share in the cost of health insurance for employees, either by covering their own workers or by contributing to a fund to cover the uninsured." Small firms were found to be as likely as large firms to hold this view.

Researchers also asked employers about their willingness to support health insurance reform that would require administrative action on their part. Results showed that 90% are willing to provide eligible low-income employees with information about how to apply for government-administered health programs, 72% are amenable to assisting employees in enrolling in government-sponsored programs

by making payroll deductions to the state for premiums, 81% are willing to reduce an eligible employee's withholding tax by the amount of any available tax credit, and 70% are prepared to collect a tax credit and apply it to the employee's share of the premium. However, just 46% said they are willing to support legislation that would provide federal premium assistance to former workers who elect COBRA coverage if employers are obligated to help administer the plan. Small companies tend to be more open to these administrative reforms than large companies.

Employers were found to be somewhat less interested in participating in reform options requiring financial support. The survey showed that 51% of firms are interested in contributing to a premium that would allow their workers to enroll in a federal or state health plan for public employees, 51% would consider contributing a portion of the premium for their workers who enroll in public health insurance plan, and 63% believe it is important that the federal government offer reinsurance to protect employers from liability for catastrophic health care costs above a certain amount, even if employers are required to pick up some of the costs.

When asked which of five possible strategies they believe would be most beneficial in reducing administrative costs associated with providing health benefits for employers, insurers, and providers, 22% of the employers surveyed chose the establishment of universal quality performance standards for providers, 21% cited standardization of health benefits, 18% selected standardization of payment methods, 17% said joint purchasing of health benefits by employers, and 15% chose joint purchasing of health benefits by employers and public insurance programs.



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