



May 15, 2009

Sen. Max Baucus  
Chairman  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20500

Sen. Charles Grassley  
Ranking Minority Member  
Senate Finance Committee  
219 Dirksen Senate Office Building  
Washington, DC 20500

Dear Chairman Baucus and Ranking Member Grassley:

On behalf of the 150,000 members of the National Small Business Association (NSBA), I am pleased to present our statement in response to your April 29, 2009, paper titled “Description of Policy Options: Transforming the Health Care Delivery System: Proposals to Improve Patient Care and Reduce Health Care Costs.”

NSBA is the nation’s oldest small-business advocacy group representing employers in every state. As an organization, we represent all sectors and industries of the U.S. economy from retail to trade to technology—our members are as diverse as the economy which they fuel. More than one in two people in the U.S. private workforce—70 million—work for or run a small business, according to data from the U.S. Small Business Administration Office of Advocacy and U.S. Census Bureau. Since 1989, small business has created 93.5 percent of all net new jobs, totaling 21.9 million new jobs in the past 19 years—or 4,000 jobs per day.

Clearly small businesses have a large stake in the outcome of the health care reform deliberations. NSBA has been engaged in health care policy for decades, and in 2003 published *Small Business Health Care Reform—A Long-Term Solution for All*. This broad reform proposal of the health care system seeks to achieve universal coverage, focus on individual responsibility and empowerment, the creation of the right market-based incentives, and a relentless focus on improving quality while driving out unnecessary, wasteful, and harmful care.

In annual NSBA surveys over the past decade, health care reform has ranked number one or number two on the list of priorities for small-business owners, and continues to be among the top challenges facing the future growth and survival of their businesses. The decisive factor that small businesses cite for not offering health insurance to their employees is cost. Sixty-nine percent of small businesses surveyed in 2008 said they want to offer health insurance, however only 38 percent were able to do so—down from 67 percent in 1995. The cost of health insurance premiums has increased by 119 percent since 2001, far-outpacing inflation, which was increased 29 percent during that period. Since 2001, the very smallest companies, those with 3 to 24 employees, have experienced the highest premium increases of all U.S. firms—often two to four percentage points higher than large business. The ability to offer health insurance is creating a significant competitive disadvantage for small firms, as 99 percent of large businesses offered health insurance in 2008.

NSBA appreciates the open and transparent process undertaken by the Senate Finance Committee in circulating proposed health care delivery options for public comment. As a significant stakeholder, NSBA is pleased to be engaged in the forethought of health care reform. NSBA anticipates an opportunity to play a greater role in the deliberations underway for health care coverage and financing options—issues that have direct impact on small businesses. However, before issues of coverage and financing can be considered, the cost of health care must be brought under control. Without the necessary reforms to the delivery system, small business will continue to suffer, and so will the nation's economy.

Our comments on delivery system options address the general needs foreseen by small business owners, their employees and dependents to address the quality, affordability and choice of health care services they need and deserve. Overall, the collective response to the delivery system options from the small business community is the need for accelerated, yet careful, implementation of the provisions that will provide health care cost containment.

## **Reducing Costs by Increasing Quality and Accountability**

Health care quality is enormously important, not only for its own sake, but because medical mistakes, waste and inefficiency add billions to our annual health care costs. Medical errors, hospital-acquired infections, and other forms of waste and inefficiency cause additional hospital re-admissions, longer recovery times, missed work and compensation, increased strain on family budgets and, in the most severe cases, death. In fact, medical errors are the eighth leading cause of death in the United States. The medical costs alone probably total into the hundreds of billions of dollars.

What financial pressures are we bringing to bear on the provider community to improve quality and reduce waste? Almost none. In fact, we may be doing the opposite, since providers make yet more money from re-admissions and longer-term treatments. It is imperative to reduce costs through improved health care quality. Rather than continuing to pay billions for care that actually hurts people and leads to more costs, we should pay more for quality care and less (or nothing) when egregious mistakes occur.

Insurers should reimburse providers based upon actual health outcomes and standards, rather than procedures. Evidence-based indicators and protocols should be developed to help insurers, employers, and individuals hold providers accountable. The core of the Senate Finance Committee's delivery system reform proposal is focused on shifting the Medicare program from volume-based purchasing to value-based purchasing. NSBA has been a long-time supporter of reforming reimbursement policy to a pay-for-performance model, and urges the Committee to pursue such changes expeditiously.

Through digital prescription writing, individual electronic medical records, and universal physician IDs, technology can reduce unnecessary procedures, reduce medical errors, increase efficiency, and improve the quality of care. This data also can form the basis for publicly-available health information about each health care provider, helping patients make informed choices.

The U.S. medical system can also benefit from thinking outside the box. While traditional doctors' offices and hospitals remain the primary mechanism of health care delivery, creative and effective alternatives should also be taken into consideration. There are myriad programs in existence today, such as Volunteers in Medicine, community and retail clinics, urgent-care and 24-hour clinics, that can offer near-term relief to many individuals in underserved communities, and to uninsured individuals.

### **Availability of Information**

Small businesses are particularly disadvantaged when it comes to being able to access information. While large businesses that self-insure conduct quality studies and compile provider information, small businesses are at the mercy of their insurance carrier to provide them with such data. As a result, little to no provider information with regards to cost or quality is made widely available. This disadvantage will be a heavy burden on individuals as well, if they are not armed with the information needed to make important health care decisions.

Insurance companies and health care providers should take the lead of the Centers for Medicare & Medicaid Services (CMS) in compiling provider information and quality rankings, and making them publicly available, easily accessed and understandable. Also included in these rankings should be common-sense pricing lists. Current services, such as Nursing Home Compare and Home Health Compare, offer the framework that should be extended to providers and facilities along the continuum of care. Increased information flow to consumers will ensure better decision making and improve the long-term health status of Americans by empowering them as a partner, with their primary care provider, in their own health. Engaging consumers in their own care requires accurate and abundant information that will help individuals evaluate the options and make their own best decision.

NSBA supports the need for hospitals, physicians and other providers to make publicly available, a plain-language list of in-patient and out-patient procedures' costs and risk-adjusted outcomes. This information should be updated at least annually and the number of

procedures included incrementally over time until all procedures' cost and outcomes are publicly listed.

### **Waste, Fraud and Abuse**

The detection, prevention and elimination of waste, fraud and abuse in our nation's health care system are essential to achieve an affordable health care system. In addition, particular focus should be directed to entities responsible for fraud and abuse oversight so that the appropriate forces can aggressively investigate and prosecute violators to ensure a sustainable health care system.

Small business owners are directly impacted by waste, fraud and abuse in the nation's health care system. Associated with these losses are billions of taxpayer dollars and limits on quality health care for consumers. NSBA fully supports provisions that ensure the integrity of public health care systems.

### **Conclusion**

Thank you for the opportunity to provide the small business perspective on the Senate Finance Committee's delivery system reform options. The small business community needs substantial relief from escalating health insurance premiums. This level of relief starts with reforms to the health care delivery system. The more quickly these reforms are implemented, the easier it will be for small businesses to afford quality health care for themselves and their employees and dependents.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd McCracken", with a long horizontal flourish extending to the right.

Todd O. McCracken  
President