

**Comments on the Interim Recommendations of the
Citizens Health Care Working Group by the
American Federation of State, County and Municipal Employees (AFSCME)
August 30, 2006**

The American Federation of State, County and Municipal Employees (AFSCME) appreciates the opportunity to comment on the Interim Recommendations of the Citizens' Health Care Working Group released in June 2006. AFSCME is a longtime supporter of quality, comprehensive health care coverage for all Americans. As the nation's largest union of workers employed in the public service with more than 1.4 million members, we are acutely aware that our health care system is broken. The high cost of health care threatens to destroy the economic security of America's working families. Union members are struggling to maintain a decent standard of benefits in the face of overwhelming pressures. The average family medical plan cost nearly \$11,000 in 2005 and, not surprisingly, health benefits have become the major issue in every large contract we bargain. Only a comprehensive solution can ultimately guarantee the economic security of working families.

Working families too often are forced to choose between stable pensions, wages and health care. Rising co-pays and premiums and cuts in benefits are the norm. Choice among providers is more limited. The growth in health costs now far outstrips workers' wage increases and ability to pay, and impedes employers from adequately investing in salaries, retirement benefits and, in some cases, ongoing business operations.

Union members are among the nearly 50 million uninsured Americans who face the highest medical prices in the world, or the millions more who are under-insured and have trouble paying high bills or face bankruptcy. Even union members with good benefits share these insecurities, as they support others without comprehensive benefits and face related pressures at their workplaces. There are also hundreds of thousands of workers who provide vital personal care services to children, the disabled and the elderly who go without adequate health care themselves.

The rise in the uninsured and uncompensated care coupled with cutbacks to public health programs like Medicaid and Medicare puts tremendous financial pressures on home care providers and health care institutions where our members work. These include hospitals, nursing homes, outpatient and community health settings, mental health facilities, home care agencies, centers for the developmentally disabled and those who provide in-home support care. It causes cost-shifting to taxpayers and the insured through higher premiums and taxes. Eventually, most uncompensated care is paid by government at all levels, causing diversion of resources from needed public services and affecting public workers in all sectors.

It is with these issues top of mind that AFSCME has developed a set of principles focused on cost, quality, coverage and fairness in financing to guide our work on health care reform, and to educate and engage our membership in recommending solutions for change. AFSCME is evaluating the Working Group's recommendations based on our solutions for change.

AFSCME supports:

- **Short and long-term health care reform strategies at the national and state levels that focus on cost, coverage, quality and fairness.** Reform should focus on relieving cost pressures and providing coverage for everyone. Reforms must: contain costs, not shift them to workers or to government; increase access to insurance coverage for all; emphasize quality and reduce medical errors; and require all to share responsibility for financing ,including employers.
- **Guaranteed health care for everyone.** A new universal system could incorporate a unified, single-payer approach or a series of inter-related public and private programs. We support expansion of public pooling options for employers and individuals through risk aggregation and purchasing models based on the federal employees' system (FEHBP) or similar, Medicare, SCHIP and Medicaid.
- **Prioritizing quality care, care coordination, and prevention.** We should treat patients based on standards of care and medical evidence. We cannot fight rising costs without improving quality. This includes support for caregivers to help them provide quality care, and reforms to use government's vast purchasing power to squeeze out excessive profiteering by some health care providers and to instill standardized information technology and implementation of best treatment practices.
- **Policies that encourage or require employers to offer coverage.** We support reforms to encourage or mandate employers to offer coverage and help lower employer costs, such as a government assumption of certain catastrophic care costs, expanding SCHIP for all children, and increasing public subsidies for employer-sponsored retiree health care.

On the whole, the Working Group has put forward thoughtful ideas for reform. Many of the recommendations are consistent with AFSCME's positions on health care reform, and we will note promising proposals in our commentary. However, the Interim Report also points to some policies which we oppose, and omits important ideas for reform.

Recommendation on Universal Coverage: *The Working Group recommends that "It should be public policy that all Americans have affordable health care." You also state that system reform will require new revenues and "shared responsibility for financing."*

AFSCME's position: We absolutely agree with the Working Group that all Americans should have access to affordable health care. The primary focus of public policy needs to be controlling national health care costs and guaranteeing that all Americans have the health care they need. Health care for all must be a national priority. Urgent federal government action is needed to rein in costs, reduce uncompensated care, and preserve our current health benefit system.

However, the Working Group fell short of recommending that a national system of *comprehensive* coverage be extended to all Americans, instead focusing on protecting individuals and families from high costs. However, "high cost" is not well defined and, in fact, achievement of a consensus on such a definition would be difficult, at best. The Working Group

also seems to be implicitly adopting an “individual mandate” model with income based subsidies. We believe such an approach will prove to be both ineffective and inefficient. AFSCME categorically opposes any plan that will lead to disaggregation of risk which implicitly require individuals to compensate insurance providers for bearing risk. The Working Group’s suggestion for catastrophic coverage is also inconsistent with the recommendation for a “core benefit” package that includes wellness and preventative care.

We believe that the Working Group has a mandate to go farther in support of a national, comprehensive system of coverage provided through publicly-provided programs or strongly regulated public-private plans. We would suggest that you highlight these public options given the clear majorities of persons in your surveys supporting a national, comprehensive system as well as the wide support enjoyed by comprehensive Medicare and the Veterans Affairs’ health care system. We also think it is essential that the Working Group make more specific suggestions for the financing of such comprehensive health coverage.

Recommendation on Defining a Core Benefit Package: *The Working Group recommends that a “core” benefit package for all Americans be defined. You suggest that a private-public commission would design a core benefit package that is available to everyone which would include wellness, physical, mental and dental services and be based on current scientific evidence. You state that additional coverage could be purchased.*

AFSCME’s position: We agree with the Working Group that reforms must ensure the availability of comprehensive core benefits with preventive care as you have outlined in order to prevent erosion of existing standards of coverage. We also agree that there should be provisions for the purchase of additional coverage beyond a core package, to help ensure that existing good benefits provided by employers are not reduced.

Recommendation on Catastrophic Coverage: *The Working Group recommends that Congress should “guarantee financial protection against very high health care costs” through a national program for everyone (public or private) that provides catastrophic coverage against very high out of pocket costs and bankruptcy. It appears that individuals would be mandated to carry or buy such coverage, and that subsidies would be provided for low income persons. You suggest in one “framework” example that new government regulations could be created to help “build an insurance market” to offer affordable coverage through new risk pools, benefit standardization, and guaranteed reissue provisions.*

AFSCME’s position: AFSCME agrees that too many of us are vulnerable in the event of a serious injury or illness. Employers or third parties bear substantial risks for coverage, and this is reflected in the prices of health care. AFSCME supports the creation of a catastrophic program, but one initially focused on sustaining the group health benefits system often provided through employment based benefits. An individual mandate without a mandate on employers to pay their fair share and maintain large risk pools will simply shift costs to workers. We unequivocally oppose any program that would lead to a multi-tiered system of coverage and/or one that further opens the doors to insecure, high deductible plans. We also oppose further experimentation with Health Savings Accounts that disaggregate risk pools and require greater levels of self-insurance through the introduction of high co-payments and/or deductibles. We

believe that participants in your surveys, given their support for comprehensive core benefits, would share our opposition to these risky financial schemes and the shortcomings of this approach should be clearly stated in your report.

Your surveys indicate the participants believe that all stakeholders should take responsibility for health care, including individuals. However, we believe that such “shared responsibility” implicitly includes a responsibility of employers to provide coverage, unless and until we have a universal system of coverage available through publicly-accountable programs such as an enhanced traditional Medicare system or a government-organized multiple payer system. Because health care in this country is primarily made available through employment based groups, your recommendations should specify the responsibility of employers to provide affordable insurance and specific recommendations to address the sustainability of the employment based health care system should be developed.

In addition, your proposal discusses limited reforms to the insurance market, but does not adequately explore the concept of creating a catastrophic plan through government. Medicare, for example, pools catastrophic costs. Individuals in your surveys were not asked to comment on the details of such a catastrophic program and whether it would be public or private. Thus, we would suggest that both public and private options for catastrophic claims risk pooling be given equal weight and attention in your recommendations.

Recommendation on Quality Care and Efficiency: *The Working Group states that the government should “promote efforts to improve quality of care and efficiency”.*

AFSCME’s position: We agree that government can be a strong agent for change to promote quality and efficiency improvements in our health care system. We waste billions of dollars per year due to medical errors, inappropriate care, lack of care coordination, poor disease management and more. A focus on quality is an essential part of cost control.

Your focus on quality, however, neglects to adequately discuss the issue of resources provided to existing public programs. Underfunding of public health infrastructure and services and recent cuts to Medicaid and other public health insurance programs are devastating to providers, vulnerable groups and our community health care. Your discussion of quality reforms should also strongly emphasize the need to have adequate, sustainable resources available for secure public programs – without which the numbers of uninsured would be significantly higher.

When cutbacks are made to Medicaid and Medicare, institutions must reallocate resources, which create pressure on providers in ways that can substantially impact care. For example, quality provider to patient staffing ratios are often reduced by cutbacks as AFSCME nurses well know, and these in turn ripple throughout the whole health care system.

Your focus on quality reforms should include recommendations to safeguard and provide more support to providers and caregivers. This support must include adequate reimbursement levels for home and institutional based providers, so this workforce can finally achieve decent health benefits, wages, and working conditions.

In addition, you suggest that quality improvements should include “reduction in fraud and waste in administration and clinical practice.” This recommendation, while important, is too narrow, and should be clarified and expanded to include fraud, waste and abuse in the system as a whole as it relates especially to for-profit providers of prescription drugs and health care.

The respondents at the Community Meetings gave ample justification for the Working Group to recommend that efficiencies and improvements be made to the way that privatized health services are delivered and health care corporations are regulated. There should be recommendations included in your Final Report to strongly support government’s use of its purchasing and regulatory powers to rationalize the prices of prescription drugs and reign in the profits of insurance companies and other health corporations.

We thank you for the opportunity to comment on the Interim Recommendations and ask that your Final Recommendations be revised to incorporate our comments. We appreciate the important work of the Working Group and we look forward to reviewing your Final Report.