



**Committee for Economic Development**

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**BUSINESS GROUP CALLS FOR MAJOR OVERHAUL  
OF HEALTH CARE SYSTEM**

- New Report Urges Employers To Take More Responsibility -

MAY 1, 2002, WASHINGTON, D.C., -- The U.S. health care system is facing a future of rising costs, more limited access, and inadequate quality. The willingness of large private employers to confront these challenges will determine whether we can reverse these trends. This is the conclusion of a new report titled, *A New Vision For Health Care: A Leadership Role For Business*, released by the Committee for Economic Development (CED), a nonprofit, nonpartisan group of more than 200 business and education leaders, in Washington, D.C., today.

The policy debate over health care is centered on managed care, but, according to the report, the healthcare system is in trouble because the incentives it gives to both providers and users are flawed. "The problem is not a lack of good intentions, but a series of structural flaws," Charles Kolb, President of CED said. A subcommittee of CED Trustees led by co-chairs, Peter Benoliel, Chairman, Executive Committee, Quaker Chemical Corporation; Jerome Grossman, M.D., CEO, Lion Gate Management Corporation; and Steffen Palko, Vice Chairman and President, XTO Energy Inc. produced the paper.

The CED report argues that a retreat by employers from active efforts to improve health care will harm their businesses, their employees, and the nation. "Employers should do more, not less, by becoming smarter and more demanding purchasers of care," said Dr. Jerome Grossman, who is also the Director of the Health Care Delivery Program at the Kennedy School of Government at Harvard University. "There is no easy overnight solution, but we as business leaders, we must step up to the challenge," he added.

“We believe employers should work with government and labor to transform health insurance into a market-oriented, user-friendly service industry with accountability to purchasers and patients for cost and quality,” said Steffen Palko.

CED acknowledges that employers cannot fix these problems by themselves, but must align their own incentives and practices while also reaching out to the other major stakeholders in the system – small business, labor, government, managed care organizations, physicians, and hospitals – to restructure the market to foster competition and accountability.

CED recommends fundamental changes in the way business and government purchase health care. Specifically, large private and public employers can:

- Offer a wide variety of responsible health plan choices to employees in exchange for their greater financial responsibility
- Help to establish, operate, and manage regional purchasing cooperatives that offer affordable plans to small firms
- Structure their contributions to health insurance coverage in a way that encourages cost discipline, but remain active in screening and negotiating with health plans, managing health benefits, and promoting quality care
- Share provider networks and their discounted rates with small employers
- Expand coverage eligibility to part-time workers and other employees currently ineligible for such benefits

Government is a purchaser, law maker, and regulator when it comes to health care. Given these roles, CED suggests that government can improve quality and reduce costs through the following public policies:

- Restructure Medicare on the model of the Federal Employee Health Benefits Program and strengthen initiatives to reduce fraud and abuse in Medicare and Medicaid
- Cap the currently open-ended federal tax subsidy to promote cost discipline and equity

- Preserve the ERISA preemption that allows self-insured firms to control costs and provide uniform benefit packages across the states
- Enact responsible patients' rights legislation that protects patients against delays or denials of care, without prohibiting payment mechanisms that reward appropriate and effective standards of care or exposing businesses to unlimited litigation costs
- Address quality problems by expanding research and helping to establish national standards of care

Government can also address some of the problems facing small companies and lower-income workers by providing tax credits or direct premium assistance to small businesses and low-income workers to help them purchase health care coverage and by expanding efforts to enroll eligible low-income workers in programs such as Medicaid and the State Children's Health Insurance Program.

Peter Benoiel, Chairman of the Executive Committee at Quaker Chemical Corporation and co-chair of the Subcommittee stated that "CED's goal is to bring the U.S. closer to a well-functioning health care system that would provide affordable health coverage to all Americans and promote improvements in the health of our population."

*A New Vision for Health Care: A Leadership Role for Business* is available from the Committee for Economic Development, 261 Madison Avenue, New York, NY 10016, telephone – (212) 688-2063 (dial ext. 229 to order), fax – (212) 758-9068. The full text of the report will be available on our website, [www.ced.org](http://www.ced.org).

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CED is a nonprofit, nonpartisan organization of more than 200 business leaders and university presidents. Since 1942, its research and policy programs have addressed many of the nation's most pressing economic and social issues, including education reform, workforce competitiveness, campaign finance, health care, and global trade and finance. CED promotes policies to produce increased productivity and living standards, greater and more equal opportunity for every citizen, and an improved quality of life for all.