



WISCONSIN ASSOCIATION OF HEALTH UNDERWRITERS

Wisconsin's Benefit Specialists

FOR IMMEDIATE RELEASE
June 26, 2007

Contact: Dan Schwartzner
608-268-0200

“Senate Democrat’s Health Care Plan Misses Target”

MADISON, WI – It is truly both astonishing and troublesome that the Senate Democrats have developed, what could arguably be, the most sweeping public policy of our time, without giving the public any chance to review the details of the plan until this morning, holding a hearing about the plan without getting any public input (let alone professional and expert input), and then voting on the legislation less than 24 hours later.

“When this legislative session started, the Democratic members of the Senate enthusiastically welcomed all interested parties to hold an honest dialogue about our current system and how we could make health care more affordable. Instead, a sweeping health care reform plan was developed behind closed doors and introduced in a fashion that would prevent any public input or response until long after the plan would be voted on the Senate floor. This is not how public policy should be implemented and Wisconsin citizens deserve better.” said Terri Courtney, WAHU Legislative Committee Vice-Chair.

“The proposal offered by the Senate Democrats has clearly missed the target,” said Dan Schwartzner, WAHU Executive Vice-President. “Their proposal focuses on how we finance our health care, rather than on how we can reduce and control health care spending. Health care costs are not expensive because of health insurance; rather health insurance is expensive because of health care costs.” According to the Centers for Medicaid and Medicare Services (CMS), 12 cents out of every insurance dollar goes towards the administrative costs of insurance (all insurance company expenses, commissions, profits, premium taxes, reserves, etc.). With 12 cents going to pay for administration costs, this means the vast majority of insurance premiums (88 cents out of every insurance dollar) are going directly to pay for health care costs. Since 2000, health care inflation averaged 12% each year, compared to increases in the Consumer Price Index at 2.7% for this same time period and US Household Income at 3.7%. Even if their proposal to reduce administrative costs is successful, it does nothing to address the actual cost of health care (the 88 cents). Their proposal will actually encourage providers to increase their cost up to the national average (which is currently 12%). This means that their estimate of a 10.5% employer payroll tax and a 4% employee payroll tax **is guaranteed** to increase to over 13% employer payroll tax and a 5% employee payroll tax in just two years. What has this plan accomplished?

“Just like Massachusetts and their health care reform plan, the numbers just don’t add up,” said Schwartzner. “The premium for state employees’ Cadillac coverage is roughly \$600 per month for an individual and \$1,400 per month for a family. It is absurd to think that this same coverage under Healthy Wisconsin is only going to cost \$510 per month. Under their plan, health care providers would have to be willing to voluntarily reduce their costs by 40%, which is not going to happen.”

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Health care and economic experts have long identified that the underlying reason health care costs have spiraled out of control is due to the removal of the consumer from the cost of the health care. Not only does the plan ignore health care costs, it promotes further isolation of consumers from costs by requiring the same first dollar coverage plans that state employees have. This is only going to make health care costs worse.

WAHU has developed a comprehensive health care reform plan, called Sensible Health Care Solutions, which actually addresses the cost of health care. We hope the Governor and the Assembly will reject the Senate's plan and will instead recognize the true problem we are facing – out of control health care costs.

The members of the Wisconsin Association of Health Underwriters are the agents, brokers and consultants that work directly with Wisconsin consumers in helping to find affordable health care coverage.

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