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The importance of health insurance reform

Nancy Landon Kassebaum

When Congress failed to pass comprehensive health care reform last year, many lawmakers proclaimed proudly that they had saved the American people from a "government-takeover" of the private health care system. Yet, the number of Americans without health coverage continues to climb and the vast majority of Americans continue to believe that healthcare reform is a top priority.

Problems in the current system

The barriers to obtaining affordable health coverage in the current system can be overwhelming--particularly for small businesses and individuals in poor health.

Because many insurance companies and employers impose exclusions for preexisting medical conditions and deny coverage to those considered poor health risks, millions of Americans are caught in "job lock." They would like to change jobs or start their own business to advance their careers and improve their family's standard of living, but the risk of losing their insurance coverage is too great.

In fact, millions of Americans are at risk of becoming uninsured or subject to preexisting condition exclusions under the current system because they change jobs, lose jobs, or work for employers who change insurance policies. As many as 81 million Americans suffer from preexisting medical conditions that could make it difficult for them to obtain health insurance coverage.

Even those with health insurance cannot be sure of maintaining their coverage if illness strikes. Insurers can collect premiums for years and then suddenly refuse to renew coverage if individuals or employees begin to incur large health costs.

The bipartisan health insurance reform act

Earlier this year, in a show of bipartisan cooperation, the Senate Labor and Human Resources Committee unanimously approved legislation I wrote that will make it easier for individuals and employers to buy and keep health insurance--even when a family member or employee becomes ill. Just as important, it will allow millions of Americans to change jobs without the fear of losing their health coverage.

The Health Insurance Reform Act (S. 1028), which I hope will be considered by the full Senate later this year, will not cure all the ills in our health care system. It does, however, represent a very important step forward. Despite past state and federal reform efforts, the lack of portability of health insurance remains a serious concern for many Americans, particularly those with preexisting health conditions. The United States' General Accounting Office estimates that the legislation would help at least 25 million Americans each year who are denied health insurance, face gaps in coverage, or stay in jobs they would otherwise leave because they fear losing their health coverage.

In its simplest terms, this is what my proposal would do :

1. *The legislation limits exclusions for preexisting conditions.* My proposal would prohibit insurance carriers and employers from limiting or denying coverage under group health plans for more than 12 months for a medical condition that was diagnosed or treated during the previous six months. Once the 12-month limit expired, no new preexisting condition limit could ever be imposed on people maintaining their coverage, even if they changed jobs or insurance plans.
Coverage of less than 12 months could be credited against any preexisting condition exclusion under a new policy. For example, individuals who had coverage for six months when they changed jobs or changed health plans would have a maximum additional exclusion of six months, rather than the normal 12 months.
2. *The legislation guarantees availability.* The bill prohibits insurers from denying coverage to employers and prevents group health plans from excluding any employee from coverage based on health status.
3. *The legislation guarantees renewability of health coverage to employers and individuals.* Except in the case of fraud or misrepresentation by a policyholder, the bill requires insurers to renew coverage for groups and individuals as long as premiums are paid.
4. *The legislation ends "job lock" by making health coverage portable.* Because the bill limits preexisting condition exclusions and requires continuous coverage for anyone who has employment-based coverage, workers will not be locked into jobs or prevented from starting their own business for fear of losing their health insurance. While some insurance companies are concerned that this provision may cause premiums to rise, I believe most Americans would rather see a modest premium increase in exchange for the peace of mind and security of knowing that they will always have access to health coverage.
5. *The legislation promotes group purchasing.* In recent years, large businesses have been able to use their purchasing power to promote competition among health plans and providers, improve the quality of health care for their employees, and negotiate more favorable rates. For small businesses, however, the cost of health insurance continues to climb.

According to a recent survey, health costs for large employers declined 1.9 percent in 1994, while small employers experienced an average increase of 6.5 percent. Small businesses also pay more in administrative costs and contribute more to insurance company profits for the insurance they are able to purchase--as much as 40 or even 50 percent of the amount paid out in medical claims, compared to just 5 percent for the largest firms.

Therefore, the bill assists employers and individuals in forming private, voluntary coalitions to purchase health insurance and negotiate with providers and health plans. State laws prohibiting such associations or excessively restricting their ability to bargain with health plans are preempted. These coalitions can provide small employers and individuals the kind of clout in the marketplace currently enjoyed by large employers.

6. *The legislation helps individuals leaving group coverage maintain health insurance.* The bill guarantees the availability of individual coverage to individuals who have had employment-based insurance for at least 18 months and who are ineligible for or have exhausted Comprehensive Omnibus Budget Reconciliation Act (COBRA) coverage. Because the states are experimenting with methods of guaranteeing individual coverage and the National Association of Insurance Commissioners is developing a model law in this area, the legislation provides maximum flexibility for the states to address the issue of group-to-individual portability and directs the Secretary of Health and Human Services to study current state efforts.
7. *The legislation promotes state flexibility.* With respect to insured health plans, the bill allows states to enact insurance reforms providing additional protection for consumers beyond the minimum requirements contained in the legislation.

This proposal does not impose new, expensive regulatory requirements on individuals, employers, or states and it does not create new federal bureaucracies. Instead, it builds upon successful state reforms and strengthens the private market by requiring health plans to compete based on quality, price, and service instead of refusing to provide coverage to those who are in poor health and who need it the most.

While these reforms alone are not the complete answer, they will promote greater access and security of health coverage for all Americans. I hope that Congress will act quickly to pass this important legislation.

Nancy Landon Kassebaum has represented Kansas in the United State Senate since her election in 1978. She now chairs the Labor & Human Resources Committee and serves on the Senate Foreign Relations Committee as well as the Select Committee on Indian Affairs.

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