

Traven Leyshon, Vermont AFL-CIO Economic Development Committee chair's testimony 11/2/05:

Our view is that the way to resolve our current health care crisis is to move to a rational, universal health care system financed by taxes based on the ability to pay. While we support such reform, personally I question whether there is sufficient political will in the legislature and governor's office for such a system today. Therefore, I offer the following modest proposals:

A. Suggest legislation that operates like a minimum-wage law. Several models set a basic fair standard that allows all employers to compete. For example, a Maryland bill that would require large employers in the state to spend 8 percent of their payroll on worker health care costs — the national average of total compensation dedicated to health care benefits, or contribute to a special health care fund.<sup>1</sup> Or, as in Suffolk County, NY and NYC, the Fair Share for Health Care and NYC Health Care Security Acts respectively, apply to employers meeting size or revenue standards, requiring them to contribute at least \$2.50-3 for each hour an employee works toward the worker's health coverage.<sup>2</sup> Suffolk was the third governmental body in the country to adopt such a measure. It became the first governmental body controlled by a Republican majority to pass such a measure.

A Fair Share Health Care Fund Act should require large corporations to spend the same percentage of their payroll to provide health care benefits for their employees as the average large employer in the state, or pay the difference into a state Fair Share Health Care Fund. Under such a bill, non-profits would pay a lower percentage of their payroll due to differences in the tax structure that do not allow federal deductions for health care.

A Fair Share Health Care Fund Act will prevent large employers from shifting their costs onto workers, taxpayers, and other businesses and will:

- Help alleviate the financial pressures facing states as they struggle to contain Medicaid costs
- Reduce the bill taxpayers pay to cover profitable employers' business costs
- Level the playing field between companies providing good jobs and benefits to their workers and those that don't.

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<sup>1</sup> The Maryland State Legislature overwhelmingly passed a bill – HB 1284/SB 790, the Fair Share Health Care Fund Act – during the 2004-2005 session, but it was vetoed by Governor Ehrlich. The Maryland bill required corporations with 10,000 or more employees to pay eight percent (8%) of payroll toward health care.

#### Important Considerations During Bill Drafting:

##### 1. We should Choose a Payroll Percentage That Works for Vermont

Vermont should base the percentage of payroll required by the bill on the average payroll percentage employers in the state contribute for health care. Why? If the payroll percentage is set too low – or lower than the average paid by employers – the bill could have the unintended consequence of undermining the quality and breadth of coverage provided by other employers in the state. New Jersey, one of the many states considering the Fair Share model, found that the average New Jersey employer pays 15% of payroll toward health care costs, and has set the payroll percentage required by the bill at that level.

For reasons specific to Maryland, eight percent — the national average of total compensation dedicated to health care benefits — was chosen as the percentage used for the bill. We strongly encourage legislators to use Vermont-specific percentages. Around the country, employers (both public and private) spend 10.7 % of wages and salaries on health care, according to an analysis of June 2005 data from the Bureau of Labor Statistics. And private firms with 500+ workers spend 11.3% of wages and salaries on health care benefits.

2. Choose the Definition of Large Employers in a Way That Works for Vermont. While Maryland legislators chose to apply the legislation to companies with 10,000 employees in the state (which impacted 5 companies, only one of which failed to meet the 8% payroll percentage). Vermont should look at a cut-off that fits our needs.

<sup>2</sup> See <http://www.nychealthcaresecurity.com/> and [http://www.brennancenter.org/presscenter/releases\\_2005/pressrelease\\_2005\\_1031pov.html](http://www.brennancenter.org/presscenter/releases_2005/pressrelease_2005_1031pov.html)

B. A Health Care Disclosure Act could serve as a companion to this bill, or as a stand-alone bill. Such legislation that would require the state to collect and disclose the names of those employers whose workers are dependent on publicly funded health care programs, as well as any person requesting uncompensated care in a hospital, as well as the cost to Vermont taxpayers.

An overwhelming number of employees at companies like Wal-Mart are paid such low wages that they qualify for government programs for the poor and near poor, which means that taxpayers are picking up the cost of health care coverage instead of the employer. The children of some Wal-Mart workers qualify for government benefits under Medicaid and VHAP because most Wal-Mart employees are low-wage workers<sup>3</sup>. 14 states have examined the extent to which employers' workers utilize public health programs to secure health coverage for themselves and their families. In each one of these states, Wal-Mart ranks at or near the very top of the list of employers that are shifting to the public the cost of providing health care for their workers.

Legislation will allow Vermont to determine which employers are contributing to the state fiscal crisis by shirking their responsibilities. The bill will require the state to collect and disclose the names of the employers of applicants for publicly funded health care programs. This would allow Vermont to determine which employers are shifting their responsibility to provide health care coverage for their employees onto state taxpayers. In addition, the state would disclose the total cost to the public of providing public health care benefits for the employees and enrolled dependents of each named employer.

**Medicaid Costs Are Skyrocketing.** As job-based health coverage declines and employers shift ever-growing health costs onto employees, workers increasingly must turn to taxpayer-funded programs like Medicaid to get health care for themselves and their families. While Medicaid has clearly provided quality care and has prevented workers from becoming uninsured, employers – rather than state taxpayers—should be responsible for their workers' health care costs. Like the rest of the health care system, Medicaid is wrestling with explosive cost growth – nationally 56 percent since 2000-- partly as a result of increased participation as well as cost inflation afflicting the health care system as a whole.

Overall health care costs, particularly for prescription drugs and hospital care, are growing, so it is not surprising that Medicaid costs would rise too. What sets Medicaid apart, however, is that increased enrollment in the program also plays a decisive role in driving cost increases. A number of factors account for growing caseloads, but one reason is that employers—including some that are highly profitable—are shifting onto taxpayers the costs of insuring their workers.

**Nationally workers, Taxpayers, and Other Businesses Are Forced to Pick Up \$113 Billion Tab for Health Care When Profitable Companies Don't Pay Their Fair Share.**

- **Taxpayers pay \$21 Billion:** A Commonwealth Fund study found that public programs – and consequently taxpayers -- were forced to pick up \$8 billion in covering workers who lack employer coverage. And charity care and bad debt cost taxpayers \$13 billion each year.
- **Workers Pay \$61 Billion:** Workers who lack job-based coverage pay \$58 billion in out of pocket expenses and \$3 billion in private individual insurance premiums. Workers and their families who currently have private coverage are forced to pay higher premiums in order to cover the costs of workers without adequate health care. Health insurance premiums for families who have employer-sponsored coverage, on average, are \$922 higher due to the cost of health care for uninsured.
- **Other Businesses Pay \$31 Billion:** Businesses that provide health care are forced to spend an estimated \$31 billion to cover cost-shifting businesses' workers through dependent coverage. That's in addition to the estimated \$150 billion they spend on their own workers' health care costs.

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<sup>3</sup> *Vermont Guardian*, 10/28/05: "According to data from the Office of Vermont Health Access, Wal-Mart had at least 286 workers enrolled in the program; according to company statistics, they employ 720 people (full and part-time) in Vermont."