

Reforming the Health Care System

What Blue Cross Blue Shield of Arizona Believes

Blue Cross Blue Shield of Arizona supports health care reform that extends coverage to all Americans and makes quality health care more affordable. We are working with our congressional delegation, the administration and other stakeholders to develop workable reforms to our health care system. We believe the following guiding principles must remain at the forefront of the health care reform discussion:

- **Coverage for everyone:** All Americans should have access to affordable, quality health care.
- **Preserve what works:** Congress needs to preserve what works in health care. The employer-based system provides coverage for 160 million Americans and it works well for most people.
- **Reduce costs:** Under current projections, one-fifth of our economy will be devoted to health care within 10 years. Meaningful reform must address rising health care costs as the current trends are unsustainable.
- **Freedom of choice:** Americans should have choices in their health coverage. A one-size-fits-all approach is counter to our American values and will not succeed.
- **Improve quality:** We must improve quality in the health care system because enhanced quality will reduce costly medical errors, improve efficiency and help eliminate redundancies. Realigned payment incentives and comparative effectiveness research to support physician decisions are two ways to improve quality.
- **Encourage healthy living:** Unhealthy lifestyles cause 50 percent of ill health and related costs in the system. We must encourage healthy living so we can reduce costs and live longer, fuller and more vibrant lives.
- **Promote technology & modernization:** A wise and deliberate strategy to deploy health information technology will eventually reduce costs and improve health outcomes.
- **Reform medical liability:** We should protect health care providers from unnecessary and wasteful lawsuits that make it too expensive for doctors to practice medicine and increase health care costs.

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What Blue Cross Blue Shield of Arizona Is Concerned About

As we all work for real reform, we need to be wary of potential unintended consequences. Some proposals coming out of Washington, D.C. could lead to fewer choices, higher costs and more uninsured. We have three key concerns:

1. A government plan will make the system worse

- **Destruction of the system:** A new government plan would destroy the employer-based coverage that works well for many people. It would shift 100 million people – two-thirds of the market – from private coverage to a new government program (*The Commonwealth Fund Report, 2009*).
- **Skyrocketing premiums:** Premiums for the people remaining in the private insurance market would skyrocket because private insurers would not only have to compete against the government health plan; they would have to subsidize it.
 - Government programs such as Medicare and Medicaid pay health care providers far below their actual cost to provide services. This shortfall is passed along to people who have private insurance. In Arizona, insurers already pay 140 percent of the actual cost of hospital services because of the cost shift (*Lewin Report, 2009*).
- **Private insurance for only the wealthy:** Sharply increasing premiums would lead to a two-tier health care system where only the wealthy can afford private insurance and the rest are locked into a government plan controlled by Washington, D.C.
- **Reduced innovation:** The private sector drives innovation that improves care and reduces costs. Government control of health decisions will make the system slower, more expensive and less responsive to patient needs.

2. A national government connector or exchange duplicates functions insurance brokers and insurers already perform

- Congress is considering creating a national health insurance connector or exchange that would be the vehicle through which employers and individuals would buy insurance. This is another layer of needless administration and regulation that would add costs. A state-based solution is a better approach toward simplifying the purchase of insurance.

3. Insurance reforms without everyone participating

- Policymakers are considering changing the insurance rules in the individual market to require insurers to issue policies to all applicants, regardless of health condition (called “guaranteed issue”) and requiring insurers to charge everyone the same rate (called “community rating”). This would encourage people to buy insurance only when they need it, destroying the critical risk-sharing part of insurance. Guaranteed issue and community rating would only work if everyone is required to have insurance.