

**Testimony in Support of HB 2935**

My name is Stuart Jackson, and I am the parent of three boys, Jacob (11), Joshua (9) and Oliver (4). My wife Jodi and I both live and work in Kansas. I own a global medical imaging software company based in Stilwell, and my wife Jodi, a physician, is director of the Neonatal ICU at Shawnee Mission Medical Center. My family lives with autism. Our son Joshua is on the severe end of the autism spectrum.

We have a home based home medical therapy program for Joshua, which provides him with Applied Behavioral Analysis (ABA). This medically essential therapy has allowed him to make substantial gains in communication, cognition, social interaction and self-care over the past seven years. The cost of this therapy for Joshua is currently around \$50,000 per year.

Despite living and working in Kansas, which currently has no autism insurance law, last year we received over \$40,000 in insurance reimbursement from CIGNA. The reason for this is that Jodi is employed by a Missouri company, Children's Mercy Hospital. In June 2010, Children's Mercy, a self-insured company (which uses CIGNA as its administrator) decided to mirror the newly signed Missouri Autism Law, which requires medical reimbursement for autism therapies up to \$40,000 per year (plus inflation) up to age 18. This has been a tremendous financial relief for my family, as before 2010, we paid for all of Joshua's therapy out of pocket. Over the four years that we weren't covered, we paid almost a quarter million dollars out of pocket to pay for our child's medical treatment. Hundreds of families across Kansas are faced with monumental medical bills and financial ruin due to the fact that their child has an autism diagnosis which they need to treat effectively.

Why has Kansas not yet enacted such a law when its legislature is ideologically and politically almost identical to that of Missouri? Is it because the Missouri legislature wants to protect its most vulnerable citizens, and Kansas does not? Is it because the Kansas Legislature feels that insurance mandates are an unnecessary burden which will impact the profits of health insurance companies, and Missouri does not? Is it because the Kansas Legislature is swayed by the insurance lobby's arguments of the impact such legislation can have on small businesses?

Since I formed my company in 1999, I have personally been involved in all discussions regarding my company's benefits packages. As a result of this I have lots of experience in negotiating with health insurance companies to obtain the best policies for my employees. I would like to address the most frequent arguments given by the insurance lobby on the impact of HB 2935 on small to medium sized businesses, which are as follows:

- a) This legislation will increase health insurance premiums substantially.
- b) Rising premiums will cause more small companies to go out of business.
- c) Rising premiums will force companies to stop offering health insurance to their employees.

- d) Health insurance is the No. 1 concern of businesses today.
- e) 5,500 people in this state lose health insurance for each 1% increase in premiums.

While this is powerful testimony, it is all incorrect or misleading.

### **HB 2935 will not dramatically increase insurance premiums**

More than half of the states in the union have enacted legislation similar to HB 2935. In these states, the increase in insurance premiums attributed to covering the diagnosis and treatment of autism has been negligible. Despite the high premium increases quoted by opponents to HB 2935 that are directly attributable to the bill, no actuarial studies have been produced by them to back up their numbers.

### **HB 2935 will not force companies out of business**

Companies do not go out of business because of health insurance premium increases. The US Small Business Administration references ten reasons why small business fail: lack of experience, insufficient capital, poor location, poor inventory management, overinvestment in fixed assets, poor credit arrangements, personal use of business funds, unexpected growth, competition, and low sales. Notably absent from this list is the cost of providing health insurance to employees.

The argument could be made that for companies already under severe financial stress caused by the recent economic downturn, a health insurance premium increase will push them over the edge and force them out of business. In reality, for companies in this situation, even if the insurance company were to somehow provide a health insurance policy completely free of charge for the next 12 months, the company would likely still go out of business. When health insurance rate increases can make a company go under, that company has significantly more problems than health insurance.

### **HB 2935 will not force companies to stop offering health insurance**

Health insurance premiums increase every year *regardless* of any new policy updates such as HB 2935, and this *does not* cause companies to cancel healthcare coverage for their employees.

The Kaiser Family Foundation Annual Survey on Employer Health Benefits reports that for companies that remain in business, there has been no statistically significant reduction in employer sponsored health plan coverage in the previous five years, and this is despite the significant premium increases that have occurred during this time period. Small businesses with 3-199 employees have stayed steady with coverage levels varying between 59% and 62%. Large firms with 200 or more workers typically have coverage rates of close to 100%. Health insurance is a very important tool that employers use to recruit and retain employees, and like salaries, it is a compensation tool that is not going away.

## **Health insurance is not the number one concern of businesses today**

While health insurance is an important expense for many companies, it can hardly be ranked as the number one business concern. A recent NFIB publication published the results of a survey which asked the question “What is the single most important problem facing your business today?”. The top answers were “poor sales” (32% of respondents), “taxes” (24%), and “government requirements/red tape (11%).

In a recent Regional Business Survey conducted by the Greater Kansas City Chamber of Commerce, members were asked what were the biggest problems facing their business. Nearly half of respondents (45.5 percent) cited “unpredictability of business conditions” as the most immediate problem stemming from the recent recession, while another 41 percent reported slowing or lost sales. Long-term, members were most concerned with “soaring public debt” (25.8 percent) and “long-term economic stagnation” (19.9 percent). Notably absent from the list of top concerns was the cost of health insurance.

## **5,500 people in this state do not lose health insurance for each 1% of premium increase**

Despite requests to insurance lobby organizations, the study which quotes the statistic “for every 1% increase in premiums, 5,500 people in this state lose health insurance” has not been forthcoming. The same statistic has been given in many states considering legislation similar to HB 2935. In the absence of further information from the insurance lobby, we can make some assumptions as to how this statistic is calculated. In the NFIB study “Price Sensitivity in Health Care: Implications for Health Care Policy”, the section on “Employee Premium Contributions and Take-Up Rates” quotes a study by Cutler (2002) on take-up elasticity. The study focuses on **employees who are eligible** for healthcare coverage within their company, **but decline to accept the offer**. The study quotes that for every 1% increase in employee premium (even though the plan is largely subsidized by the employer), a very small number of employees will **voluntarily opt out** of the plan and prefer to keep the money they would have contributed. The fraction of the workforce who voluntarily opt-out in this way is 0.0009, or 0.09 of 1% of the work force. This fraction can be applied to the US population and divided by the number of states to arrive at the “5,500 People in this State” figure. While we currently do not know the basis of the analysis, if this is indeed the method used to arrive at this statistic, it provides an incredibly misleading piece of testimony.

## **The real reason for rising premiums**

The health insurance industry is phenomenally successful. Mergers and consolidation have reduced competition to the point where employers generally only have choices between a small number of mega-companies. In the recent publication “Too Great a Burden: America’s Families at Risk” published by Families USA, the growing advantage of the health insurance industry was stated as follows:

“A 2007 study found that there were more than 400 insurance company mergers in the last 12 years, resulting in near-monopoly power among insurance companies. In nearly two-thirds of

major metropolitan areas, a single insurance company controls at least half of the market, and in 96 percent of metropolitan areas, a single insurer controls at least 30 percent of the market... **The near-monopoly power of insurance companies, coupled with little or no regulation of insurers, is a prescription for rising premiums...** Without appropriate consumer protections and rules to govern the influence and growth of large insurers, premiums are likely to continue their rapid ascent.”

So, health insurance premiums will continue to rise unabated for employers and employees alike, primarily due to the near-monopoly power that insurance companies now enjoy. The contribution of HB 2935 to these increases however is negligible, and its impact on businesses is therefore also negligible.

### **How companies will benefit from HB 2935**

An emerging body of work is demonstrating the adverse impact that an autism diagnosis has on a family - and subsequently the family's employers - in part because of difficulty accessing appropriate treatment services. In addition to having the highest reported levels of depression and anxiety among parents of developmentally disabled children, 39% of parents of children with autism spectrum disorder (ASD) reported quitting, passing on a job or making major changes in a job related to issues tied to their child with ASD. By facilitating access to effective treatment for children with ASD, enactment of HB 2935 will in fact benefit business owners in the form of more productive employees.

3 years on, the sky hasn't fallen in Missouri. Insurance premiums have not skyrocketed for businesses, and annual rate increases are identical to those in Kansas. Because of my experience in insurance reimbursement for autism therapies, I often get calls from Kansas families living with autism, asking for advice on what to do to get therapies reimbursed. My advice is simple: get a job in Missouri, or if the commute is too far, pack up and move to Missouri.

Let's change this. Let's do something to stop people having to move to Missouri to get medical treatment for their autistic child. Let's put an end to the financial catastrophe that comes along with a diagnosis of autism. On behalf of the Kansas autism community, I respectfully request that you do everything you can to get this bill to the house floor. I deeply appreciate this opportunity to testify in support of HB 2935.

Stuart T. Jackson, Ph.D.  
President and CEO  
AnalyzeDirect, Inc.  
7380 W 161<sup>st</sup> Street  
Overland Park KS 66085