

Illinois Chamber of Commerce

Illinois Covered Plan Bad Prescription for Consumers and the State

SA #1 to SB 5

While much of the debate surrounding the Governor's health care plan has properly revolved around his disastrous proposal for a Gross Receipts Tax, it is imperative that legislators also focus on the damaging provisions of the Illinois Covered plan itself.

Illinois Covered's 3% payroll tax hits employers that can least afford it, putting small business jobs at risk.

- The simple fact is that the majority of employers that don't offer health care to employees cannot afford to do so. The Governor's \$1.1 billion payroll tax targets these employers specifically.
- Employers of all sizes still feel the affect of the Governor's billion dollar tax and fee hikes of 2003. The impact of this additional billion dollar tax is concentrated on a smaller number of employers, increasing its economic damage.
- As the Governor's GRT proposal gets scaled back or defeated, look for the payroll tax proposal to expand to more employers.

The plan will result in employers trading their private insurance for government-controlled—and financed—insurance policies. The state will end up financially responsible for not just those currently uninsured, but for most of the small employer market that now has private insurance.

- Illinois Covered requires every insurer to offer a benefit-rich health plan to all employers with 25 or fewer employees (a limiting restriction in the law only lasts one year). These plans will be priced well below the market by a combination of rate controls, subsidies, and lower reimbursement rates for providers.
- Very few employers that can reduce their health care costs by 30-50% by moving to the government-controlled plan will continue to pay more for private insurance.
- Insurers will not be able to compete with the

government-controlled plan without having to sell policies at a loss. The result will be a drastic reduction of insurers in the small business market and higher costs for businesses that maintain private insurance.

- It is important to note that there are no provisions in the bill that will prevent a migration from private insurance to the state plan. The end result is a major step towards government-run health care for a majority of Illinois' citizens with taxpayers on the hook for billions of dollars in added costs.

The Governor continues to expand health care on the crumbling foundation of Medicaid. It is time to stop expanding a broken system and fix what is wrong with Medicaid.

- Inadequate access to providers, lack of quality care incentives, and high costs for taxpayers are hallmarks of the Medicaid system in Illinois.
- The time is right to fix Medicaid rather than recklessly expanding it. Better payment structures for providers will improve access; introducing care accountability measures will improve quality; using common cost-saving techniques will produce savings for taxpayers.
- Refusing to fix the state's current health care system creates the likelihood that their failings will soon be the failings of the Illinois Covered system, as well.

Illinois Covered ignores private sector solutions that can reduce the number of uninsured without putting the taxpayer at further risk.

- Allowing common-sense flexibility in the insurance market will result in new insurance products that more small employers and individuals can afford.
- Allowing the market to reach more people preserves the benefits currently enjoyed by 85% of Illinoisans without costing taxpayers an additional dollar.