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STATEMENT BY BOARD MEMBER CHARLES LAUSTER ON CONSUMER PROTECTION AND QUALITY STANDARDS

My name is Charles Lauster, and I run two small businesses, Christidis and Lauster Architects and Christidis & Lauster Multimedia, an internet firm, both in New York City.

I appreciate the opportunity to submit the following testimony, both as a small business owner, and also as a founding board member of the American Small Business Alliance (ASBA), a national small business association. I or someone else from the ASBA would have liked to testify in person, particularly since there is no one here from small business to speak in support of federal legislation on consumer protections and quality standards. Unfortunately, you will only hear the voice of the NFIB, a predictable foe of meaningful health care reform. Nonetheless, we are still appreciative of the opportunity to show the committee that there are different opinions in the small business community, and to have our statement included in the record.

Let me begin by pointing out that the face of small business is changing dramatically in this country. Literally millions of new entrepreneurs have emerged in the last five to ten years – with the fastest growth coming from women and minorities. With such tremendous diversity, blanket statements like “small business likes” or “small business doesn’t like” should be dismissed as gross over-simplifications. It is erroneous to believe that one voice – or one organization – can speak for such a broad community.

No longer can we assume that small business is a single entity united behind the most extreme of agendas. It has become clear that competing in today’s economy requires new thinking and fresh ideas. When you read magazines like Inc., Business Week, and Fast Company, you’ll find new and savvy business people talking about why it’s important to create a supportive workplace in order to attract and retain top employees; why investing in education, training and technology are critical to building a strong future workforce; why we need to reform health care; and why sensible public policy – not partisan politics – on issues like tax reform and the environment is the best way to move this country forward.

In my business, I do provide full health coverage for my 10 employees. This task has become not just more expensive over the years, but also far more complex. The disturbing truth is that many of us in small business – maybe even most – don’t know or understand what health coverage we are buying for our employees. Small businesses like mine don’t

have human resources departments; we often just have a harried individual covering too many bases. Our businesses don't have an in-depth knowledge of the HMO industry or have the money to hire experts who do. Moreover, the small size of our businesses makes us virtually powerless to seriously bargain on either rates or terms of coverage. In short, limited expertise and economic clout put a small business in an extremely disadvantaged position compared to a Fortune 500 company. As in so many issues, big business can shape its world while small business simply has to deal with the world it's in.

Not only does this increased complexity make it more difficult for us to purchase insurance, but it also makes it virtually impossible for our employees to understand their own coverage. This becomes particularly problematic when employees get into disputes with their health plans, a situation that, by all accounts, is becoming more and more frequent. When this happens, employees – feeling both overwhelmed and powerless to act – often turn to us, their employers, to intervene. Frankly, that's not a position we want to or feel qualified to be in.

While cost is a critical factor in our decisions about health care, it is, by no means, the only one. If it were, then most of us would either not provide coverage or we'd offer the worst and cheapest plan available. The truth is that quality of care does matter. Health plans that don't heal sick workers, or the sick children of workers, certainly don't serve our needs. The real problem has been that while costs continue to skyrocket, there also has been a simultaneous decline in quality; in other words, we're paying more and more and getting less care and worse quality.

Insurance companies have been unwilling or unable to make the necessary changes to address these problems. Therefore, we need legislation to put some value back into our health care dollars, and to reduce the complexity of purchasing health coverage. We, as purchasers and as consumers, need to be provided more information about our health policies; we need to know we have the right to file grievances and appeals and have them resolved in a timely manner; we need easier access to specialists; we need to get emergency care when it is necessary; we need to have an independent entity to settle appeals of denied claims.

The majority of states already have enacted at least some of these changes. But even with wide-ranging state legislation, federal action is still necessary in order to level the national playing field and to cover every American fairly.

The American Small Business Alliance believes that accessible, affordable and quality health care are critical to making our businesses, our people and our nation stronger and more prosperous. To that end, the ASBA helped lead the fight for portability through the Kassebaum-Kennedy bill. And last summer, the ASBA was the primary business organization pushing for the new children's health program, because we recognize that having a nation of insured children simply makes sense – both ethically and economically.

Likewise, the ASBA – representing individuals, business and organizations in more than 35 states – supports federal legislation to increase consumer protections and quality standards. We think these reforms will be beneficial because:

- **Small businesses will be better able to compare plans.** By requiring public disclosure of a health plan's benefits, grievance procedures, and financial arrangements with providers, small businesses can make more informed decisions about which plan to purchase, and will better be able to evaluate how that plan performs.
- **It will reduce some of the risk and complexity of buying health insurance.** A national standard for consumer protection will give small businesses the assurance that whatever plan they buy will provide at least a basic level of responsible coverage.
- **Better quality health care won't make costs sky rocket for small businesses.** Credible studies show that increasing quality standards may raise rates only slightly. Insurance industry claims are grossly inflated: consider that during the Kassebaum-Kennedy debate, the insurance industry wheeled out a study showing rates for everyone would increase 40 percent, a preposterous scenario that never played out. The insurance industry's claim that millions of people could lose their insurance is equally bogus. It's simple logic that patients who are provided proper care initially will be healthier and have lower health care costs down the road.
- **It will level the playing field for small businesses and their workers.** Large employers have the purchasing power to negotiate not just better rates, but also terms of coverage that produce better quality of care. By requiring every plan to adopt the same minimum standards, all employers and employees – at both big and small businesses – will be playing under the same rules and be afforded a more equitable level of service.
- **Small business owners won't need to intervene in battles between employees and their health plan.** With a health care ombudsman or an independent appeals process, employees will have more appropriate places to turn to resolve their disputes.
- **It will lead to healthier and more productive workers.** Since employees and their families will better be able to get the care they need and deserve, they should be sick less often and therefore absent less frequently. Additionally, with increased consumer protections, workers can spend their time focused on their jobs, rather than battling with their insurance companies or fearing they or their families won't be able to see the proper doctor when they need to.
- **This will strengthen public confidence in managed care.** The concept of managing health care costs can be a good one, and small businesses generally have benefited from the system. Most admit, though, there does need to be improvements. Therefore, if consumer protections are implemented, employees will have a health care system

that is more responsive to their needs, and employers will still be able to provide quality, yet lower-cost, coverage.

- **Small business owners are consumers, too.** Most small business owners and their families belong to the same health plan as their employees. Therefore, many of them have had the same nightmarish experiences as their employees and want to see a better system as much as any other consumer.

Virtually every poll of public opinion shows 80 to 90 percent support for these reforms. Nearly every consumer and medical provider group supports them, too. More than half of the Members of Congress have signed onto some type of reform legislation.

We believe it is time for Congress to act, and to pass legislation that extends patient protection to all privately insured Americans. Clearly, that's what consumers are demanding. And we think many in small business, when presented with the facts, want that, too.

Again, thank you for this opportunity to submit this testimony.