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Experts: Without reform, 'nobody will have health insurance'

By [Beth Fitzgerald](#)

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A proposal in Washington to give the federal government power to block health insurance rate increases deemed to be excessive is getting attention from health insurance experts in New Jersey, where employers struggle with double-digit premium spikes.

"Our employers cannot afford these 20 (percent), 30 (percent) and 40 percent increases," said **David Oscar**, president of the New Jersey Association of Health Underwriters. "It would be unfortunate if the federal government has to come in and do it, but something has to happen, or nobody will have health insurance — whether it's mandated or not."

Oscar, a benefit consultant at **Altigro**, in Fairfield, said the association's member insurance agents represent hundreds of thousands of small employers now facing their highest premium increases in memory. "These employers can't raise their prices to cover a 30 percent increase in health coverage," Oscar said.

In years past, insurers would raise rates 10 percent or 15 percent, "and we could make minor tweaks in the health plan, and everything would be fine," Oscar said. But to cope with 30 percent premium spikes, employers find they must switch to high-deductible plans, which can require individuals to pay the first \$2,500 of their medical bills — and for families, it's \$5,000, Oscar said. He said Congress should "scrap everything they have done," on health reform so far, and start over "by looking at the health care cost factors," including such issues as "how do insurers pay for hospital care? How much do they pay for in- and out-of-network care? We need to find some way to contain costs, and we need transparency in these costs."

Joel Cantor, director of the Center for State Health Policy at Rutgers University, said the proposal to limit premium increases "is an attempt to recapture some momentum" on health reform.

"It is a populist issue, and it puts a focus on the insurers as the culprits," he said. "I think they would come back with the argument that they are victims of high medical costs, and I think there is some truth to that argument. Simply controlling the premiums does not solve the underlying problem."

He said New Jersey requires insurers to pay out 80 percent of the premiums for medical care, "and if the insurers charge higher markups over medical expenses than is permitted, they have to give refunds, and the state has enforced that successfully. Whether the federal government will go in that direction, or actually review the premiums, that has to be seen."

Carl W. Underland, chief executive of **Carlisle & Associates**, in Voorhees, which represents health care providers in negotiating their contracts with insurers, said instead of seeking premium caps, the government should "use its influence to align the interests and the incentives" in health care, to move the country toward paying for positive health outcomes, instead of services rendered by the system.

"The focus ought to be on what are the cost drivers with delivery of care, so we can hold insurance companies accountable for shifting their paradigm from being unit-cost focused and becoming more total cost-of-care focused," he said.

The **Barack Obama** administration will hold a televised meeting on health reform with members of Congress on Thursday. Asked how the government should proceed on reform, Cantor said, "It is really hard to see a way out of this hole we are in. I'm not privy to White House political strategy, so I don't know if this is a serious attempt at

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bipartisanship, or if it's an attempt to give the opposition one more chance to say no, and then doing what you want to do."

During a conference call with reporters, **Karen Ignagni**, president of America's Health Insurance Plans, said, "We agree very strongly with what the president said a year ago at the health care summit — that health care costs were crushing the economy. That is why we are working on health care cost containment. In the summer it went from health reform to insurance reform, and they took cost containment off the table. ... We have to focus on health reform or we will never get what we need, which is stability."

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