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'An oar in the water' as health costs flood small firms

No issue attracted more attention than premium costs, and the year ended on an upbeat note with action insiders say is a good first start to stopping runaway bills

Tuesday, December 28, 2010 12:08 PM
By [Beth Fitzgerald](#)

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As employers struggled with double-digit health plan increases, a yearlong effort in Trenton to begin arresting health care inflation ended with committee approval in December of a bill that, for the first time, regulates the high-cost of out-of-network medical care.

Assemblyman **Gary S. Schaer** (D-Passaic), chairman of the Assembly Financial Institutions and Insurance Committee, called his bill the first step in dealing with the high medical bills insurers and self-insured health plans often are forced to pay when their members seek care from doctors, ambulatory surgery centers and other health care providers outside the insurer's network — and who refuse to accept the network's discounted reimbursement rates.

Health plans usually require members to pay a portion of these out-of-network medical bills, but the plans argue that providers typically waive the patient's share of the bill, giving consumers little incentive to stay in the network. The bill bans waivers except in cases of financial hardship, and encourages patients to shop around by requiring providers to give them an estimated bill. Health plans also would have to give their members online access to quality rankings of hospitals, medical facilities and health care professionals.

David Knowlton, CEO of the New Jersey Health Care Quality Institute, called the bill "a good first step ... an oar in the water." He said controlling health care spending "is very, very difficult to do, but we have to keep working on it, because health reform hangs in the balance." The federal health reform law did little to cap health care spending, and the bill is an effort by New Jersey to pick up where federal health reform left off, Knowlton said.

Schaer has made it clear that he's not trying to force doctors into networks. Instead, he has argued for

making the marketplace more efficient by giving consumers cost and quality information — and requiring out-of-network providers to collect the patient’s share of the bill, thus giving patients some skin in the game. Knowlton said out-of-network health care providers should not be forced to accept in-network rates, but their prices “have to be within the realm of reason — you can’t charge 10 or 20 times the Medicare rate and say that’s reasonable.”

The debate over health care spending is really a debate about jobs, Knowlton said, since the huge premium increases employers are facing drive up labor costs, even though employees typically are required to pay a significant portion of the bill.



Richard Balka, president of Home Rubber Co.

Among those battling skyrocketing health care costs is **Richard Balka**, president of **Home Rubber Co.**, in Trenton, where 35 workers make industrial rubber products like hoses, belts and gaskets.

“In June, my insurance carrier bumped me up 22 percent — which really annoys me, because the economy is going the other way, and I can’t figure out why health care keeps going up,” he said. Higher health care costs, he added, “drain cash flow and impact profits, because we can’t just take the additional overhead and push it into our prices on finished goods — the market won’t allow it.”

Desmond X. Slattery, president of the New Jersey Association of Health Underwriters, said health insurers get the brunt of outrage over high premiums, “but insurance carriers are just the conduit for medical expenses that continue to rise at unrestrained rates.”

Slattery’s group supports the Schaer bill, though the New Jersey Association of Health Plans, the trade group for the state’s health insurers, opposes it, and believe it’s unlikely to lower health care spending. Still, **Ward Sanders**, NJAHP president, said he was encouraged that Schaer intended to keep plugging away at the issue.

According to Sanders, nearly 90 cents of the health care dollar in New Jersey goes to pay claims, and the Legislature “is finally focusing on that side of the equation. The big cost drivers are the cost and use of care — that is where the money is.”

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