Senator Chuck Grassley made remarks this morning about the impact of the 2010 health care reform law on the individual insurance market and employers, and how it is costing Americans both insurance coverage and jobs.

Floor Statement of U.S. Senator Chuck Grassley

Wednesday, November 9, 2011

Mr. President, I'd like to begin by thanking my friend from Nebraska, Senator Johanns for joining me on the floor today.

America's families are struggling to put food on their tables, pay their utility bills as winter arrives, and purchase health insurance as costs skyrocket. Unemployment continues to hover around nine percent and millions of Americans are underemployed. With the economic situation that our country is facing, Congress must reexamine its actions and realize the errors made through partisan votes.

Last month, The Des Moines Register reported that the American Enterprise Group, an insurance company participating in the individual health insurance market in Iowa and Nebraska, will be leaving the market. This action shows the importance of repealing and replacing the health care overhaul passed by Democrats in Congress and signed by the President last year before the situation deteriorates further.

American Enterprise notified 110 employees in Iowa and Nebraska that they will lose their jobs sometime during the next three years. American Enterprise is leaving the individual health insurance market as a result of the instability caused by implementation of the Patient Protection and Affordable Care Act. American Enterprise stated that it will no longer sell individual health insurance policies because of the regulatory environment created by the health care reform bill.

This isn't an isolated incident for Iowa. The Principal Financial Group left the small group health insurance market in 2010. This has cost many Iowans their jobs, while leaving scores of small businesses and their employees to choose from health insurance plans in a health insurance market where there is less and less competition.

The regulatory culprit is the new Medical Loss Ratio regulation. This regulation requires insurers to pay a certain percentage of premiums in claims. And I will know supporters will defend the regulation as "keeping insurers in check", the real world effect is to force insurers to leave the market reducing competition and choice available to consumers.

The small group and individual markets are volatile. Insurers bear risk and have to set their premiums accordingly. Insurers are making the rational decision to get out of the market because the risks have become too great. Competition is reduced and costs rise.

Once upon a time, the President promised Americans that if you like the insurance plan you have, you can keep it. This is more evidence that that promise rings hollow. This recent plan pull out will leave 35,000 individuals without the insurance plan they have grown accustomed to receiving. Forcing people to choose a different insurance option can lead to higher costs and may limit the health care accessibility these individuals have depended on for years.

This is especially detrimental when these individuals have a pre-existing condition or an acute chronic disease. The President specifically promised that if people want to keep their health care coverage they would be able to after the passage of this law.

This is just one of the many examples of how this overhaul has led to broken promises made by the President and the Democrats when pushing through the passage of this legislation in a partisan way. These problems will certainly continue.

The Congressional Budget Office expects people in the individual insurance market to see an average nine percent rise in premium costs solely based on the passage of the health care law. Is that increased accessibility or affordability?

Not only has the health care overhaul caused health insurance companies to leave parts of the health insurance market and health insurance costs to increase, it has also put additional burdens on employers. Some employers will no longer offer their employees health care coverage. Higher taxes and mandates put on employers by the new health care law have left many employers without the resources to maintain current coverage for family members of their employees.

The negative impact this legislation is having on large employers and those insured by employers is demonstrated by the National Business Group on Health. In its recent annual survey, overall plan costs for large employers are expected to rise by 5.9 percent in 2012. The National Business Group on Health also notes that seven out of ten employers will lose their grandfather status, meaning that employees will lose their current health care plan and employers will be subjected to additional regulations.

According to this same survey, three out of ten employers are unsure if they will continue to insure employees due to the health care overhaul. Other employers will increase the employee share of the insurance premium, and many employers state that they will likely lower the level of health care coverage offered to their employees. For example, Wal-Mart will not allow many of its new part-time employees to receive health care insurance through the company. Many of these workers are already under-employed.

They work hard, yet don't always have adequate resources to purchase health insurance on their own, especially as costs in the individual insurance market continue to increase due to the new health care law. Additionally, many businesses are simply dropping coverage for their own employees because of the extra cost incurred with the health care bill recently enacted.

It is more affordable for some employers to drop coverage for their employees and pay the fine associated with the employer mandate. An employer must provide health insurance for their employees if they have more than fifty employees, or fifty full-time equivalent employees. Employers who are required to insure employees will be fined $2,000 per employee who seeks health insurance through one of the exchanges created under the health care overhaul.

Any employer-sponsored plan must meet the definitions set by the Department of Health and Human Services (HHS) on what an adequate health insurance plan is under the mandate. This requirement will increase insurance costs for employers and employees when they must upgrade health insurance benefits in order to meet the standards defined in the regulations issued by the Department of Health and Human Services.

Forcing employers to provide health insurance when they are having a tough time hiring new employees just adds to the burden employers are facing in this struggling economy. Employers will likely pay their increased health insurance costs by reducing employee take-home pay or by increasing the employee share of health insurance premiums. Also, employers will continue struggling in future years as the federal government increases, year by year, the requirements for health insurance benefits needed to avoid the penalty associated with the employer mandate. Furthermore, employers already faced with economic uncertainty have had to deal with government regulations that continue to change, creating greater uncertainty.

A Department of Health and Human Services rule released last November allows fully-insured group plans to switch insurance providers as long as the insurance benefits provided to the beneficiaries remain comparable; however, this is only for group plans that switch after November 15, 2010. The Department of Health and Human Services wrote this new rule so more group plans can find affordable coverage and shop around for similar coverage at a cheaper rate. If the group insurance plan carrier was changed before November 15, 2010, the plan would lose grandfather status which would subject the plan to numerous insurance regulations and increased costs.

Ironically, what created the need for this new rule was another rule that the President's administration and HHS crafted in June 2010 that stated plans would lose their grandfather status if they switched carriers. This chaotic situation shows what happens when the government is given more authority to regulate the health insurance market. Mr. President, what we have here is a mess. We need to put a halt to the implementation. We need to repeal the law and start over again with common sense solutions. We need to move away from the regulatory and bureaucratic nightmare that is costing Americans their coverage and too many Americans their job.

***