



November 21, 2008

RE: AN ACT to amend the insurance law, in relation to the establishment of freedom health insurance plans; to amend the tax law in relation to providing a tax credit for the purchase of certain health insurance; and to amend the public health law in relation to the health maintenance organization direct pay market program

A.2524 (Morelle)

**MEMORANDUM IN SUPPORT**

Submitted on behalf of the Blue Cross and Blue Shield Plans

The Blue Cross and Blue Shield Plans of New York support the enactment of this legislation, which would create freedom policies, an affordable alternative to existing health insurance plans, and provide small employers with additional tax credits, enabling them to provide health insurance to their employees.

1. **FREEDOM POLICIES WILL EXPAND CHOICE IN THE HEALTH INSURANCE MARKET AND MAKE INSURANCE MORE AFFORDABLE.**

Freedom policies will offer consumers an affordable alternative to current health insurance products. The policies will cost about 40% less than the policies currently available, thus making health insurance more affordable. They also are able to offer flexible pricing and benefit design because they are not subject to costly state mandates. Consumers will have the opportunity to choose a policy that covers the benefits they deem most important without paying for benefits which they do not desire. Coupled with the federally approved Health Savings Accounts, the policies will also provide consumers with the benefit of paying out-of-pocket expense with pre-tax dollars.

This more affordable health insurance option will allow more consumers to participate in the

health insurance market, thus reducing the number of uninsured New Yorkers. The lower premiums may also induce the "healthier" population back into the health insurance market. Many of these individuals dropped their health insurance as a result of premiums that far exceeded their anticipated health care expenses. The lower premiums could convince members of this population that the cost of premiums are worth the protection they afford against unexpected health care costs.

**2. TAX CREDITS FOR SMALL EMPLOYERS WILL ENCOURAGE THEM TO PROVIDE HEALTH INSURANCE BENEFITS AND WILL DISCOURAGE THEM FROM SHIFTING COSTS TO EMPLOYEES.**

The bill's tax credit would make it more affordable for employers to offer health insurance benefits to employees and would allow them to absorb more of the annual premium increases. Currently, employers who provide health insurance benefits for their employees only receive the equivalent of a 7% tax credit for their health insurance expenditures. Under this bill, a 50% tax credit would be phased in over ten years. Not only would such a credit encourage more employers to offer health insurance by making insurance more affordable, it would enable them to absorb premium increases without shifting costs to the employees.

In the past several years, health insurance premiums have risen by 10% or more each year. Many employers were simply unable to absorb the full increase because revenues did not keep pace with the rising costs of benefits. Many employers were forced to pass these increases along to their employees by increasing their required contributions. By increasing the percentage of the health insurance premium tax credit each year until 2012, employers will be better equipped to absorb premium increases.

**3. TAX CREDITS WILL HELP KEEP EMPLOYERS THAT PROVIDE HEALTH INSURANCE COMPETITIVE WITH EMPLOYERS THAT DO NOT OFFER SUCH BENEFITS.**

The bill's tax credits will help employers offer health insurance benefits to its employees while remaining competitive. Many small employers simply could not offer health insurance benefits and remain competitive with their counterparts who chose not to shoulder such an expense. The tax credits will help employers who contribute to their employees' health insurance costs remain viable in the competitive market.

For these reasons, the Blue Cross and Blue Shield Plans of New York strongly support the enactment of this legislation.

Respectfully submitted,

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Legislative Counsel for the Blue Cross and Blue Shield Plans