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BAUCUS BLASTS MCKINSEY FOR UNJUSTIFIABLE EXPLANATIONS, EFFORTS TO BACK AWAY FROM CLAIMS

Finance Chair expresses concern, disappointment as McKinsey finally releases survey methodology

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today blasted McKinsey and Company for unjustifiable explanations of and efforts to back away from data they had previously characterized as valid predictions. The predictions, which the company made in a McKinsey Quarterly article earlier this month, forecasted how employers would act following the implementation of provisions in the Affordable Care Act to make health insurance more affordable and accessible. [Last week, Baucus asked McKinsey to explain the methodology behind claims](#) the company made.

“McKinsey has long held a reputation for fair-minded analysis, so it is particularly disappointing that this study does not live up to that reputation -- or even come close. McKinsey made clear and definitive predictions, and, in the face of tough questions, simply changed their story” said Baucus. **“This report is filled with cherry-picked facts and slanted questions – it did not provide employers with enough information for them to make honest choices and fair evaluations. Rather than correct the major deficiencies in their report, McKinsey has chosen to again stand by their faulty analysis and misguided conclusions.”**

McKinsey’s claims differed markedly from a number of other respected, independent organizations that have examined the issue, including The Rand Corporation, The Urban Institute, Mercer, and The Congressional Budget Office. Today, the otherwise reputable company released the details of its methodology and backed away from its own efforts to characterize its conclusions as predictions. The major problems with McKinsey’s methodology are outlined below.

McKinsey Reverses Position on its Predictions

- McKinsey said today its survey was not a prediction, but the plain language of the article certainly sounded like a prediction.
- The title and subtitle of the article made clear an intention to interpret the results as a scientific prediction, it read: “How US health care reform will affect employee benefits: the shift away from employer-provided health insurance will be vastly greater than expected and will make sense for many companies and lower-income workers alike.”
- The McKinsey report made assessments as though they were proven fact, such as “Overall, 30 percent of employer will definitely or probably stop offering ESI in the years after 2014.”

McKinsey Backtracks on Claims

- McKinsey now claims the only reasonable interpretation of its “results” is as a snapshot of employer attitudes on some – not all – factors that go into making a decision about offering employees health coverage.
- McKinsey admitted to Finance Committee staff today that its results cannot be compared to the economic modeling done by the Congressional Budget Office. That is a major reversal of the position McKinsey took in its article. The article stated:

“Our research suggests that when employers become more aware of the new economic and social incentives embedded in the law and of the option to restructure benefits beyond dropping or keeping them, many will make dramatic changes. The Congressional Budget Office has estimated that only about 7 percent of employees currently covered by employer-sponsored insurance (ESI) will have to switch to subsidized-exchange policies in 2014. However, our early-2011 survey of more than 1,300 employers across industries, geographies, and employer sizes, as well as other proprietary research, found that reform will provoke a much greater response.”

- McKinsey admitted to Finance Committee staff today that the company would have used a different method if it was actually trying to make a prediction.

McKinsey Admits to Slanted Survey Questions

- The survey questions McKinsey asked cherry-picked facts related to the Affordable Care Act. These selected facts did not give employers a full picture of how the Affordable Care Act would affect their business or their employees, or the true economic costs.
- The McKinsey survey failed to mention to employers that dropping insurance coverage would lead to a loss of the employee tax exclusion. Employees currently do not have to pay payroll or income taxes on health benefits provided by their employer. The loss of the tax exclusion could increase the cost of coverage to employees by 30 to 45 percent over employer sponsored coverage, depending on the employee’s tax bracket.
- The McKinsey article provided seven paragraphs of information illustrating how employers would have to increase compensation to make up for any benefits reduced. If they did not increase compensation, it would result in a cut to employee compensation. McKinsey did not mention that to avoid a cut, employers would not only need to make up for the cost of the health care benefits themselves, but also for the loss of the tax exclusion of those benefits.

- The McKinsey survey questions did not fully consider non-economic factors, such as employers' ability to recruit and retain the best employees by offering good benefits. The survey did not inform employers that dropping insurance coverage could result in low-wage workers who previously were covered by private insurance being left with Medicaid as their only insurance option.

McKinsey Releases Only Some Information

- The McKinsey article includes information garnered from the employer survey they released today, but also from an employee survey and other McKinsey research. This other research was not released.
- McKinsey's failure to release all of the sources used in its article results in an incomplete picture for readers.

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