Health Care Cost and Universal Coverage Issues

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Mr. Chairman, on behalf of the Pennsylvania Association of Health Underwriters (PAHU), thank you for convening this hearing on health care issues.

As you know, PAHU members are the insurance agents and brokers who try to insure more Pennsylvanians. As such, they hold the moral high ground in trying to provide access to all... Universal coverage through the private sector is their goal.

This statement provides an overview of the Association’s positions on health reform. Ray Doreian and Julie Martin will also be providing personal perspectives as to what they see in the market place at the grass roots level every day.

PAHU believes that there is a better approach to government attempts to help the uninsured people of Pennsylvania than by creating a new government program.

We have said repeatedly that:

- New government programs like Access to Basic Care (ABC) and its predecessor Cover All Pennsylvanians (CAP) are quasi-entitlement programs where the public thinks that they are entitled to government health programs. This will result in more utilization and cost that the General Assembly will have to find a way to afford.
- New government programs like ABC will lead to ‘crowd-out’ where individuals and businesses drift into the government orbit because they see short-term cost savings.
- Funding of this new government program is questionable at best because it relies on a hope (not even a promise) of Federal funding. Show me the money first is what the General Assembly should be asking!
- Other funding comes from the MCARE abatement fund where the Administration has cynically made doctors political pawns to force the General Assembly to embrace this new government program. It may be hardball Pennsylvania politics but it is not right. Adding to the cynicism is the fact that the Governor wrote doctors using taxpayer dollars urging them to support his new program if they wanted reauthorization of the MCARE abatement program.
- Cost of health care is the real issue. The plight of the uninsured and the high cost of health insurance are symptoms of that basic problem. That means that every solution advanced MUST address costs. To its credit, Governor Rendell has pushed for some cost measures such as the Senate legislation curbing hospital-acquired infections. But other proposals increase costs:
  - Increased utilization from a quasi-entitlement program (SB 1137)
  - Adding benefits to adultBasic of behavioral services and prescriptions and asserting that it will be cheaper than the existing adultBasic program
  - A Department minimum benefit floor that agents fear will be overly rich and discourage market innovation in areas like Health Savings Accounts (HB 2005)
  - No recognition of the need for more tort reform achieved in part by passage of the fair Share Act
The other point PAHU wants to stress is that there are solutions to problems that work with the private sector and not against it. Every person insured through the private sector is one less the government does not have to worry about. Some examples:

- Curbing the increases in numbers of mandated benefits or allowing some business opt-out of certain benefits if they do not fit a particular employee group
- Tax incentives to recognize employers that help subsidize deductibles for employees under a high deductible health plan/ Health Savings Account
- Price transparency by providers to help consumers compare costs
- Use of a HIPP-like program to keep low income employees covered under private sector plans instead of drifting into a government program
- Using licensed insurance agents to market CHIP and adultBasic to increase efficiency and reduce costs for these programs of last resort. Now marketing is by way of media and volunteers but large numbers of eligible persons do not enroll
- Tightening up on adultBasic eligibility reviews while on the waiting list and when enrolled
- Public education about health insurance and how it works (many still think it’s free because they do not bear a significant cost). This education can also assist in promoting wellness and personal lifestyle issues.
- Use of a risk pool to siphon off those with medical conditions and reduce the overall employer group loss ratio

These examples just scratch the surface of the many good ideas that are out there. Proposals have been advanced in both House and in the Senate by Senators Armstrong, Folmer and others that deserve a close look.

As mentioned before, please ask two questions when looking at any proposed solution:

1. Does it reduce cost?
2. Does it help the private sector insure more Pennsylvanians?

These two questions are core questions. Even though the Senate will be buffeted by pressures particularly during Budget Season and cries for entitlement from all kinds of interest, please keep true to these two questions.

The Pennsylvania Association of Health Underwriters asks that you consider us as a resource for you as you grapple with these issues since our members are the ones who work on insuring Pennsylvanians. As such, we can be of real help to you.

I now turn testimony over to two PAHU members, Ray Doreian and Julie Martin to present their personal thoughts on problems and their solutions. Thank you again for listening to our testimony.

Mr. Chairman, Honorable Senators, Ladies and Gentlemen:
My name is Raymond Doreian and I am a 25-year resident of the great Commonwealth of Pennsylvania. I have been licensed in the health insurance field since 1972, and I am the owner of The TriniCore Company, a 14 year, PA-resident insurance agency specializing in employee benefits with particular emphasis in the field of health insurance. Having been born and raised in Australia, assuming my accent did not give that away, I must alert you: Please do not adopt a Single Payer system. I can provide graphic and disastrous examples of system failure impacting my Australian family and friends. You would not want to be held accountable for these types of tragedies.

I come today in the hope of being able to provide you with an example of “what has worked” for the employees of a growing PA corporation for the past 14 years and corresponding preventive care opportunities, some of the difficulties associated with getting affordable health insurance for PA “start-ups” and recent plan enhancements that provide affordable comprehensive coverage; and a quick look at a single-payer system with a couple of personal testimonies of the impact of this system on my immediate family and friends.

Firstly, “What has worked” for a growing PA Corporation…

When we assumed the responsibilities for insuring the lives of this 400-employee corporation in 1994, the owners wanted to provide good health insurance for their employees and control the “runaway” costs that were occurring in 1994. This firm was “employee-friendly”, had already instituted a “walk for rewards” program, was ready to consider instituting a “smoke-free” workplace and seemed willing to consider a longer term strategy to building a legacy. Over the past 14 years, with the implementation of a smoke-free environment, increased exercise-rewards programs, and the shift away from an indemnity-style “health plan” to a pro-active, preventive-medicine PPO arrangement with specialty-provider Employee Assistance Plan (EAP), dental and vision plans, using monthly claim analysis data, we have been able to maintain this firm’s extremely rich plan and keep its costs on a 5% gradient and provide excellent health care for the employees over the period.

Effectively, we have been “counter-culture” during the “reductions-in-benefits-and-increased-copay” period, as we have made it comparatively less costly for the employees to obtain services and obtain generic prescriptions; incidentally generics are currently $5.00 copay. We have literally argued that prevention is better than cure and early diagnosis produces better results… and both are less costly over the longer term.

Now at 2,000 employees and still growing, the benefits of this preventive approach are providing better employee health, greater productivity and growth opportunities for the corporation.
Secondly, difficulties associated with getting affordable health insurance for PA “start-ups” and recent improvements…

As we all know, from around age 40, “things start to go downhill!” And as many “start-ups” are conducted by 40-50 year olds in “second career” mode, to which I can personally attest, obtaining quality, affordable health-insurance is difficult and has been nearly unaffordable until recently. (With a major career change at age 49 before the advent of CDH per se, and with a wife and two young boys at home, my only affordable option was a $5000 annual-deductible indemnity plan). Also, with the “oil-change/tune-up” mentality that has been fostered within health insurance industry implying that everything involving personal health is “covered”, only through the introduction of Consumer Directed Health (CDH) plans and their high deductibles is Health Insurance getting back to a personal, responsible reality. This involves considerable long-term education with potential clients, involving communicating the facts that each one of us is responsible to maintain our own health, get our own check ups and “purchase our own cough remedies…”, with health insurance providing for the cost of long-term disease and illness. This process involves a number of meetings and communications to demonstrate “how the system” works, showing how CDH plans allow individuals as well as “start-ups” to provide high quality health insurance, and with/through the IRS provision of Health Reimbursement Accounts, to provide tax-preferred reimbursement of deductible-expense health cost items.

Further, high deductible CDH plans with their first-dollar preventive benefits provide an excellent initiation to “free-riders”… to witness firsthand the benefits of health insurance. These plans are low-cost and as the usual free rider is a “20-30 something,” these plans provide the emergency and catastrophic coverage needed to avoid overall system collapse.

Single Payer system …

The single-payer system in Australia is a good “system check” for us in the Commonwealth of Pennsylvania (and the USA), since our Medicare and Medicaid programs are based upon the 1960’s Australian single-payer system. The Australian system has gone through three major overhauls since that time and is in flux even at this time. Then, it must be noted that the single-payer system in Australia has only “survived” to date by:

1. Collecting a 5% “health tax” from all taxpayers (2.8% for under $5,000.00 annual-income earners, on top of their high income tax rates, and
2. Redesigning itself virtually every decade.
3. Redefining its covered population by segregating low cost users (Age 31 and below) for GHI coverage, and Restricting coverage to defined/state population groups, and
5. Requiring all individuals Age 31 and above to Purchase Private Health Insurance (PHI) for their own health coverage, or contribute an additional income tax levy to participate on the Government Single Payer Health System (GHI)
6. Severely restricting the custodial provisions of the program to “terminal” cases.

IMPACTS (of a Single Payer System):

My step-mom following a 12 year bout with cancer was allowed to see a cancer specialist. She was diagnosed for “palliative care”. Prior to 2005, she was not “sick enough” to enter the “formal” cancer treatment system. Mom is now in custodial care… awaiting death.

A high school classmate and professional football star diagnosed with Cardio-Myopathy, determined “too well for transplant surgery”… died eight months later because of the delays and absolute bureaucracy from a system set up to ration health care.

Several other family situations have produced similar results, essentially the result of “informal” health rationing. Currently, rationing has been proposed for introduction to reduce health system costs. No one to date in government circles has published on the human and family impacts of this pending decision.

Pennsylvania Opportunities…

But I come today in the hope of being able to provide you with three items for your consideration, as you work through Pennsylvania’s health care issues.

Let me preface my remarks concerning “preventive care opportunities”, etc. by saying that these thoughts are mine and also some valued colleagues with whom I associate. As such, they are not necessarily the views of the Pennsylvania Association of Health Underwriters

The items I would have you consider are:

1. Preventive Care Opportunities
2. Government Health Care Support
3. Provider Initiatives for Cost Reduction

Preventive Care Opportunities:

Similar to the premium-benefit structure authorized by the Commonwealth (5% discount) in regard to Workers Compensation Insurance wherein the employer maintains an active Certified Safety Committee, producing a commensurate improvement in overall loss ratio, it is believed that the Commonwealth has an opportunity to lead in the development
of citizen-employee wellness with appropriately-designed sponsor incentives that would produce citizen-employee wellness.

Again, I would add four (4) personal thoughts for your consideration and conversation with the Insurance Commissioner that might help to significantly improve the health of Pennsylvania citizens, and also help stem the rising cost of health care in the Commonwealth.

1. Provide the opportunity for Health Care Insurers to reduce their filed rates by up to 5% on the basis that their policies incorporate and require an annual physical check-up requirement by a licensed medical practitioner (MD or DO). This would not be mandated such as Workers’ Compensation is but would be encouraged since employees and employers will respond if they see money in their pocket.

2. Provide for an additional 1% rate benefit where a sponsor company can demonstrate to its insurer that 25% or more of its employees have achieved optimum weight reduction under medical supervision.

3. Provide a corporate tax rebate of 10% of their premium cost for dental coverage (net of any employee contribution for either themselves or their dependents) to companies that offer or facilitate employee dental coverage with twice-yearly comprehensive dental examinations with cancer screening.

4. Provide a corporate tax rebate of 10% of their premium cost for vision coverage (net of any employee contribution for either themselves or their dependents) to companies that offer or facilitate employee vision coverage with minimum biennial (every other year) comprehensive eye examinations with cancer screening by an ophthalmologist.

Government Health Care Support:
Understanding that the Commonwealth provides government health insurance (GHI) of “last resort” for Pennsylvania citizens dependent upon their fellow citizens to assist them with their health care, it is the responsibility of the legislators of the Commonwealth to ensure that the programs so established to meet these various needs are made available to those citizens in the most professional and cost effective manner available.

I strongly recommend that Adult Basic and CHIP use the professional services of Pennsylvania-resident health insurance agents to educate, enroll and assist the Commonwealth in providing this service to the larger community. Act 147 says that any insurance must use licensed producers yet we have two major programs, CHIP and Adult Basic that claim to be insurance programs but in reality contradict the law. In addition, using insurance producers means that the applications will be complete and have the needed documentation before going to the insurance company. That will save resources because applications won’t get kicked out of the system when field underwriting can be of help.

I hope that this testimony has been useful to you and I thank you very much.