

Rhona Cohen O'Brien
Director Health Care For All Coalition
30 Arbor Street Suite 6N
Hartford, CT 06051
860-233-2181 ext. 304
Rhona@ccag.net
<http://hcfact.org>

Testimony for :

HB 6678 An Act Increasing the Availability of Health Care for CT Workers
HB 7314 An Act Establishing the State Health Insurance Purchasing Pool Program

Good Afternoon Senator Prague, Representative Ryan, and the Labor and Public Employees Committee. My name is Rhona Cohen O'Brien, and first I'd like to thank you for raising the house bills 6678 and 7314, because they could be the key we need to fix Connecticut's health care crisis. I am here representing the Health Care For All Coalition supporting HB's 6678, AN ACT INCREASING THE AVAILABILITY OF HEALTH CARE FOR CONNECTICUT WORKERS, and HB 7314, AN ACT ESTABLISHING THE STATE HEALTH INSURANCE PURCHASING POOL PROGRAM. Health Care For All is an organizational coalition that's been growing for the last twenty five years. It consists of approximately 45 organizations. One third are labor orgs. One third are health care and community advocate groups, and one third are providers and provider organizations and associations.

I think that these two bills are connected in that the first points, at least in part, the way forward toward achieving the second in an affordable and equitable way. By creating a state health insurance purchasing pool (HB 7314) we would establish a program which could ensure affordable healthcare for all Connecticut residents. But how do we ensure the quality of that health care? HB 6678 requires that health insurers and other entities that deliver or promise to deliver group insurance have at least an 87.5 percent medical loss ratio. This would mean that at least 87.5 percent of the money consumers spend on their health care insurance costs would be spent on providing them with the health care they are buying.

In a New England Journal of Medicine article it was reported that the estimated per capita cost of health care administration was \$1059 in the US, these costs accounted for 31% of total health care spending. 2005 research of CT's system bears out this figure, with the average MLR at 70.41%. Consumers deserve health care accountability and supporting HB 6678 would ensure that accountability. We must come together and insist that the money we spend on health care goes to health care costs. Health insurers continue to report record profits while individuals and employers struggle to pay rising premium costs. Premiums for employer-sponsored health insurance in CT are rising faster than wages. It is outrageous that insurers continually attempt to weaken consumer protections in the guise of eliminating mandates, while their profits continue to rise. Their health care model is unsustainable. Families and businesses pay more and more for less and less, and it's time to do something about it. We need to move from a system that focuses on profits to a system that focuses on health care. This bill would require that health insurers only spend 12.5% of their premium dollar on administration and profit and 87.5% of their

premium dollar on medical and health care.

HB 7314 proposes that the State of Connecticut Comptroller's office administer a state health insurance purchasing pool, available to everybody in the state not already insured, and creates ways for employers to move their insured employees into those same plans. It also provides for improvements to health care data and technology infrastructure, with these changes the planning capacity and the quality of health care delivery will improve. The plan on the table today is universal in that all state residents under 65 are covered either through their work place or through a state pool from which they can chose among several plans. Plans within the state pool include at least two with a set of comprehensive benefits and select others from which consumers can pick based on what their needs are and their ability to pay. Premiums will be paid on a sliding scale, based on income.

This state pool with multiple plans is created through consolidation of all employed residents who are uninsured, employers who offer coverage and can save money by becoming part of a larger pool, consumer premium payments, state and federal health care dollars. The pool saves us money by becoming part of a larger pool which includes, consumer premium payments, state and federal health care dollars. It should be noted that small, struggling businesses are exempt from contributions so that their employees can be covered without harming their ability to grow their businesses. Savings in premiums come from at least 60% of state residents being part of the pool, achieving a balance of healthy lives and higher-risk lives. Businesses receive incentives for not hiring only healthy people and staying out of the pool. Savings also come from administrative streamlining. Prevention and wellness such as obesity reduction, management of chronic diseases like diabetes, and smoking cessation are supported and rewarded through inclusion as covered benefits. Consumers receive premium discounts for enrolling in these programs and employers get credits for offering health and wellness programs to their employees. Finally -- Primary care and public health systems are strengthened through stabilization and expansion of a system of school-based clinics, community health centers, and other primary care clinics.

Finally, in your discussion of HB 7314, I would ask that you all remember to carve out a policy that ensures the creation of a high quality, affordable, sustainable, health care system. The time for band aids has passed, now we need the vision and leadership of you our legislators to create a responsive and all inclusive system of health care that we can all depend upon to keep us healthy. And, when we are not healthy we need a system that supports our struggles back to good health. For that we need a health care system that is no longer broken, one that is whole and is guided by principles of care rather than profit.

The IOM Principles and HB 7314

Universal:

HB 7314 insures everyone and offers incentives for healthy living through a “personal responsibility discount.” Rather than punishing those that don't have coverage with the worry and stress of possible bankruptcy if they are or get sick, these programs offer rewards for working to prevent disease and in so doing they encourage a more effective use of a health care plan, seeking guidance from health care professionals to work where possible at ameliorating the risks to one's health.

Affordable:

HB 7314 works to lower the current cost of insurance and to lower the cost of care. This in the aim of lowering costs for consumers.

Portable:

HB 7314 is portable and continuity of coverage is protected even if one's life circumstances or economic circumstances change. This is done by moving the choice away from the insurers and from the employer and giving the choice of plan to the individual or family.

Sustainable:

Sustainability is a very important consideration in the health care debate. HB 7314 contends with this issue by proposing a system to pay for the reforms based on reducing current health care costs, not through band aid fixes, but instead by proposing reforms that get at the root of the problem and shifting the focus from a system for profit to a system for health care. This bill proposes taking advantage of federal matching dollars by expanding eligibility for the state Medicaid programs. It would expand eligibility to 300 percent for families, and with Connecticut's SAGA recipients it expands coverage to 185 percent of the federal poverty line. I think that we should do whatever we can do to take advantage of the currently underutilized funds available in this govt. matching fund. I think that this proposal shows us the way to think ahead to the key issue of building a program that is sustainable in the long term.

Accessible:

HB 7314 proposes important expansions of service locations to schools and in community centers for example and includes the funding of this necessary expansion.

High Quality:

Finally, both of these bills cover the services that we have come to expect; the focus on prevention, I think, will yield the health results people want and therefore people will feel an improvement physically and rightly attribute that to an improvement in the quality of their health care services. I think that the proposal to think now about studying the effects of the reform is a very good one, in this way we will have the open pathway to correct problems that arise in all of the above areas.

Support H.B. 6678 AA Increasing the Availability of Health Care for Connecticut Workers

What does this bill do?

Requires that health insurers and other entities that deliver or issue for delivery a group health insurance have at least an 87.5% medical loss ratio.

What is Medical Loss Ratio (MLR)?

The percentage of your health care dollar that is actually spent on medical care. For example, the higher the MLR, the more that insurer is spending on medical care versus administration and profit.

MLR's for Managed Care Companies in Connecticut in 2005

The average MLR was 70.41% with the highest MLR reported by Guardian at 90.5% and the lowest MLR by Genworth at 26%.

Do other states use MLR's as a corporate accountability measure?

In NJ, individual/small group insurers are required to spend at least 75% of premium dollars on medical care. If their medical claims expense is less than 75%, they issue refunds to enrollees.

Why is this bill important?

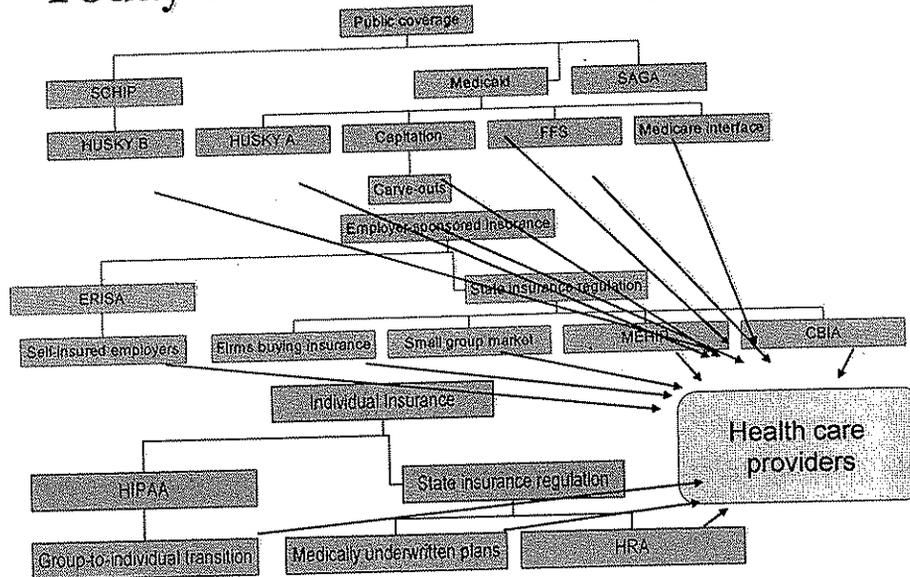
Health insurers continue to report record profits while individuals and employers struggle to pay rising premium costs:

- 1 Premiums for employer-sponsored health insurance in CT are rising faster than wages.
- 2 CIGNA Health care profits alone were up 11% in 2004!
- 3 Aetna shares were up 5% after reporting a 43% spike in 2005 2nd quarter net profits.
- 4 According to the Hartford Courant in August 2005, "stock investors have been riding high on health insurers", while members of many of these health plans reported lots of problems.

Consumer's deserve health care accountability

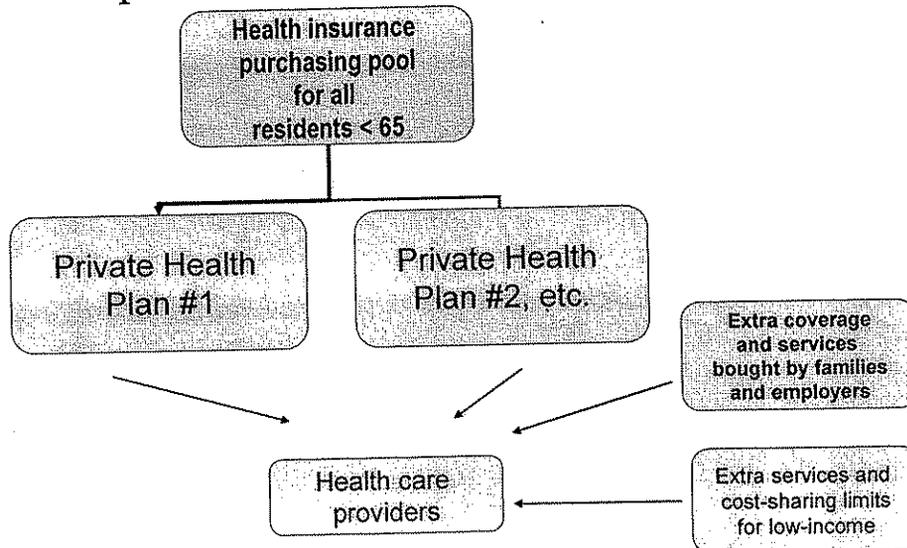
This bill would require that health insurers only spend 12.5% of their premium dollar on administration and profit and 87.5% of their premium dollar on medical and health care.

Today's health care coverage



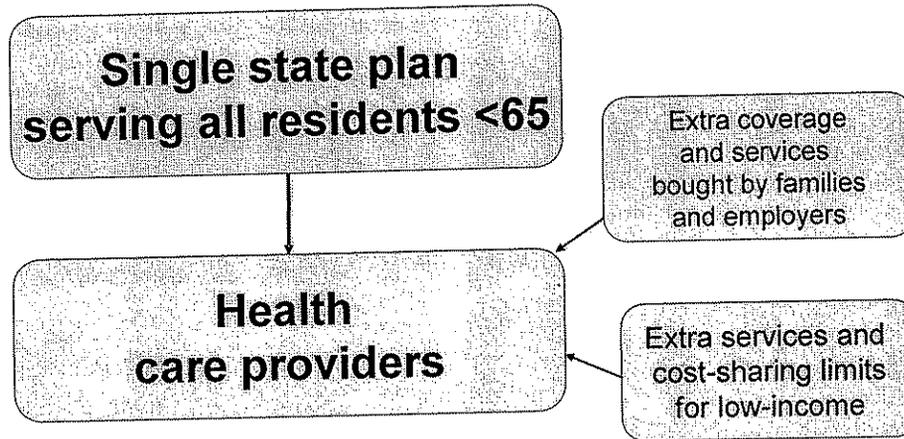
The above picture shows how hopelessly fragmented the system is at present. This fragmentation leads to high costs and poor quality in the health care system. The figure below shows how Select Care Choices proposes fixing the fragmentation.

Comprehensive Option #2: Health Choices



By creating a coordinated and streamlined system of health care coverage the Select Care Choices Program removes the inefficiencies that prevent us from having high quality affordable coverage that's extended to everybody.

Comprehensive Option #1: CT Saves



The Connecticut Saves Program streamlines health care even more and this is why the Coalition feels this is the best way to reform the health care system. Here you can see a system stripped of the unnecessary paths by way of which our money is lost. Without the administrative maze of the first, consumers get health care that isn't rationed, it doesn't need to be, because now health care providers spend their time, money and energy on curing their patients, the patients spend their time money and energy on getting well, and the insurance becomes the means by which to keep costs down rather than the means by which some make huge profits.