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Good afternoon, Honorable Chairs and other distinguished members of the Committees. My name is Mike Hudson and I am the Regional President for Health Care Management at Aetna and I want to thank you for the opportunity to speak to the prospect of health care reform efforts in Connecticut.

As one of the oldest and largest insurers in America, we believe Aetna has both an opportunity and an obligation to be a key part of the solution. Our commitment to advancing public good is ingrained in the company's 155-year heritage and is reflected in Aetna's core values of integrity, quality service and value, excellence and accountability, and employee engagement. We believe that being a leader in health care means not only meeting business expectations, but also exercising ethical business principles and social responsibility in everything we do. We also believe that our considerable intellectual resources and experience can be leveraged to build a stronger and more effective health care system — a stance that is embodied by Aetna's leadership on a variety of public policy issues, including racial and ethnic disparities, genetic testing, price transparency and health and benefits literacy.

It's estimated that over 300,000 Connecticut residents do not have health insurance. We believe that an individual coverage requirement paired with affordable coverage options and subsidies for those who cannot afford to purchase health insurance presents a viable, common-sense solution to solving this problem.

There are many reasons why people are uninsured, but rising health care costs and their attendant effects on affordability of coverage are widely viewed as the fundamental problems. Health care is expensive — and costs continue to rise at a rapid pace, which is reflected in the form of higher premiums for health insurance. Premium increases are driven primarily by three

factors: general inflation, health care price increases in excess of inflation (for example, cost shifting and higher priced technologies) and increased utilization (for example, aging population, lifestyle changes and new treatments). These rising premiums, in turn, have made it increasingly difficult for employers to offer coverage to their workers. Today, approximately 60 percent of firms offer health benefits — down from 69 percent as recently as 2000 — which is of concern given the vital role employers play in the health care system. Rising premiums also have made it increasingly difficult for people to purchase coverage. With the average premium for employer-sponsored family coverage now exceeding \$12,000, participating in the health insurance marketplace is a financial strain for a growing number of Americans. At the national level, health care now represents more than 16 percent of the gross domestic product, and the traditional funding sources and mechanisms used to support health care cannot keep pace with costs accelerating at approximately twice the rate of inflation.

Aetna believes that an individual health care coverage requirement is the best way to achieve universal coverage while preserving consumer choice and the employer-based health care system in Connecticut. When considering this proposal, it is important to recognize the considerable interplay between various policy interventions.

Transform health insurance into a civic responsibility

- Require all Americans to possess health insurance coverage — an individual coverage requirement — as a common-sense approach for achieving universal coverage through universal participation.
- The most urgent need for coverage expansion is in the individual market, particularly for those who aren't eligible for public programs or for those that have unsatisfactory alternatives in the existing market. While there are numerous products offered for sale to individuals, this population can be especially problematic to insure: individuals who are healthy often see no reason to purchase insurance for themselves, and individuals who most urgently need coverage often have a history of illness or are at an age where their risk factors can make insurance prohibitively expensive. The key to the individual market is to get all of the risk – good and bad, younger and older – into the insurance pool.
- We recommend the creation of a state-administered pool for individuals who do not have access to public plans or private group coverage coupled with legislation requiring that all individuals have health insurance, commonly called an “individual mandate.” This requirement, though potentially controversial, is essential to making sure that high- and low-risk individuals are in the insurance pool.
- The legislature should also require that, following implementation of an individual mandate, insurance in the individual market be issued on a guaranteed basis without medical underwriting – essentially converting a group of individuals who currently fend for themselves with no shared risk into a functioning, interdependent large pool of risk, similar to any other large insured group. Again, though this provision may be controversial among insurers, the “price” of getting everyone in the pool must be that every uninsured individual have access to insurance at the pooled rate.

- Although Connecticut already has a very robust system of subsidized health insurance for individuals and families, including those nearing middle income, premium subsidies for Pool coverage (and for private group coverage where it is available) should be made available to individuals who would now be required to purchase insurance, but who cannot afford it. Further consideration should be given to the notion of an individual product covering a basic benefits package, which can help significantly with affordability.
- Products offered through the Pool should be required to incorporate the principles of value-based benefit design and purchasing, making sure that all parties – the purchaser, the insurer and the insured individuals - share responsibility for high-quality care and outcomes.
- The creation of the Pool achieves several goals. It is a bold step towards solving our most vexing access problem – individuals - and it allows this group access to a much larger pool, using the purchasing power of the state. As outlined above, under CHP, the state will make value-based design changes to state-purchased individual health insurance and bring these designs to the market where their proven effectiveness will have a dramatic effect on the long term affordability of individual insurance.
- We also encourage equalizing the tax treatment of health insurance for those who obtain coverage through their employer and those who purchase it directly in the individual market by extending favorable tax treatment to both sets of individuals, without changing the favorable tax treatment employers currently receive for offering benefits.
- Create tax-based incentives for employers — especially small firms — to offer or continue offering health benefits to their employees in order to preserve and strengthen the employer-based system. Employers should be encouraged to offer, at a minimum, Section 125 cafeteria plans.
- We encourage public-private coordination and collaboration. It is imperative that government and the private sector work together to expand access, increase affordability and improve quality. Aetna believes that health care reform should identify and take advantage of companion solutions. Companion solutions refer to the pairing of complementary public policies. When implemented together, companion solutions result in an outcome that greatly exceeds the impact of any isolated reform component. A good example of a companion solution is the pairing of an individual coverage requirement with guaranteed issue, strong enforcement mechanisms and broadly funded subsidies to increase the affordability of coverage for lower-income Americans. Another is coupling reasonable public program expansion with efforts to enroll individuals who are currently eligible but not participating in these programs, as well as implementing targeted tax credits for low- to moderate-income households, which controls against the risk of crowd-out (that is, individuals who would have purchased private coverage choosing to utilize public coverage instead).

Reorient the system toward prevention, value and quality of care.

- Create incentives for individuals to achieve optimal health status by making healthy choices, participating in wellness, chronic care and disease management programs and obtaining routine preventive care.
- Preventive care should receive first-dollar coverage and public and private health insurers should promote wellness vigorously in member and provider services. All Americans should have access to wellness tools, such as health risk assessments, weight management and smoking cessation programs.
- Provide consumers with meaningful information to allow them to make value-based health care decisions. Advance transparency in health care quality and pricing, giving consumers easy access to health care information, including cost and price information, and the ability to seek out hospitals and other health care providers that have a proven track record of high-quality care

Aetna recognizes that implementing an individual coverage requirement is an enormous challenge. Health insurers, the federal and state governments, and employers should come together to explore new ways of working together to ensure no American lacks affordable health insurance options. We appreciate this opportunity to present our proposal to the Committee. I am happy to answer any questions you may have.