

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
INSURANCE COMMITTEE HEARING

IN RE: HOUSE BILL 1121

SCHUYLKILL CENTER
1000 SCHUYLKILL MANOR ROAD
POTTSVILLE, PENNSYLVANIA

MONDAY, APRIL 14, 2008, 1:00 P.M.

BEFORE:

HONORABLE ANTHONY M. DeLUCA, CHAIRMAN
HONORABLE JOHN R. EVANS
HONORABLE ROBERT W. GODSHALL
HONORABLE THOMAS H. KILLION
HONORABLE EDDIE DAY PASHINSKI

ALSO PRESENT:

HONORABLE JOHN T. YUDICHAK
ROSEANN R. CADAU
KARA L. GUNDEL
LISA M. KUBEIKA
HONORABLE TIM SEIP
RICHARD A. SPEESE, JR.

JEAN M. DAVIS, REPORTER
NOTARY PUBLIC

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14
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16
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18
19
20
21
22
23
24
25

I N D E X
TESTIFIERS

NAMES	PAGE
JOHN T. YUDICHAK	7
RICHARD W. BLOOMINGDALE	13
VINCE PHILLIPS	27
DESIREE HUNG	52
JUDITH A. SCHWEICH	59
JOSEPH HYNOSKI	68
CHRISTOPHER TEMPLIN	77

1 CHAIRMAN DeLUCA: Ladies and gentlemen, this
2 is one of the hearings we'll be having on House Bill
3 1121.

4 I would like to welcome everyone here to our
5 second hearing on House Bill 1121. I am especially
6 pleased, because it is sponsored by my good friend,
7 Representative Yudichak, and also because we are
8 holding this hearing in Representative Seip's
9 district.

10 I would like to thank Representative Seip
11 for hosting us today and assisting the Insurance
12 Committee with the logistics in scheduling our
13 hearing today.

14 House Bill 1121 would establish an
15 independent Consumer Advocate for Insurance in the
16 Attorney General's Office. The proposed office would
17 be funded by an assessment on insurance companies
18 doing business in Pennsylvania. This is set at
19 \$5 million initially, and the office would be set up
20 similar to how the Office of Consumer Advocate for
21 the Public Utility Commission is established.

22 Today, the world of insurance is becoming
23 more complex and increasingly harder for the average
24 consumer to understand. There is no question from
25 either side of this debate as to the need for

1 consumers to be as educated as possible.

2 Insurance represents a large and needed
3 investment for all of us. It is one of the major
4 costs in any Pennsylvanian's family budget. And for
5 most of us, it is a cost that continues to increase,
6 seemingly every year.

7 Today, we will be looking at House Bill 1121
8 and attempting to determine if Pennsylvania needs an
9 independent voice for its insurance consumers.

10 As you all know, we have a Consumer Advocate
11 for utility issues affecting the public. So the
12 question is, should we have an independent advocate
13 for the insurance consumer? Are we really doing
14 enough to protect consumers? Is the Insurance
15 Department, which has various functions regulating
16 the business of insurance in Pennsylvania, doing all
17 it can to educate and protect the insurance-buying
18 public? Is there more that can be done?

19 What advantages will Pennsylvania's
20 consumers gain by creating an independent office?
21 Are there disadvantages to having an independent
22 voice, and are consumers effectively protected by the
23 Insurance Department?

24 Hopefully, these and other questions will be
25 answered today, and the committee will then decide if

1 we should go forward with this idea. We will
2 certainly bring all this testimony back to our fellow
3 colleagues on the Insurance Committee.

4 Again, I would like to thank all of the
5 members here today and those in the audience, and
6 especially those who will offer testimony this
7 afternoon. I look forward to hearing all of your
8 thoughts on this bill.

9 I want to thank you -- I met some of the
10 young women over there -- for coming in. I know
11 insurance is a key issue for a lot of you out there.
12 And I want to thank you for coming to hear what is
13 going on here.

14 You have a lovely facility here. And
15 certainly health care is on your minds, like
16 everybody else out there. I want to commend you for
17 coming in. Hopefully, we'll make you more
18 knowledgeable of what we're trying to do in
19 Harrisburg.

20 Representative Killion, would you like to
21 say a few words?

22 REPRESENTATIVE KILLION: Very briefly.

23 Just that I'm pleased to be here on behalf
24 of Chairman Micozzie. I'm looking forward to hearing
25 testimony today at this hearing and in particular

1 from my colleague, John Yudichak, on his bill.

2 Thank you.

3 CHAIRMAN DeLUCA: How about Representative
4 Seip? Do you want to say anything?

5 REPRESENTATIVE SEIP: Thank you, Mr.
6 Chairman.

7 I would like to thank the Schuylkill Center
8 for having us here today and hosting the hearing of
9 the Insurance Committee.

10 I'm very familiar with the facility. As a
11 past social worker at Good Samaritan Regional Medical
12 Center, I've helped a lot of folks when we were
13 working together for patient benefits. It's nice to
14 see some of the residents here today taking part in
15 government.

16 Thank you, Mr. Chairman.

17 CHAIRMAN DeLUCA: Thank you.

18 We have been joined by Representative
19 Godshall, who has certainly been an advocate for
20 health care since his tenure in Harrisburg. We came
21 in together may years ago, right, Representative
22 Godshall?

23 REPRESENTATIVE GODSHALL: That was 26 years
24 ago.

25 CHAIRMAN DeLUCA: Yes, 26 years ago. And

1 we're still working on health care, right?

2 REPRESENTATIVE GODSHALL: Right.

3 CHAIRMAN DeLUCA: Without further ado, we'll
4 have our first person testify, Representative
5 Yudichak, who is the prime sponsor of this
6 legislation.

7 Representative Yudichak, would you please
8 come up here?

9 REPRESENTATIVE YUDICHAK: Thank you,
10 Chairman DeLuca and members of the Insurance
11 Committee, for holding today's hearing on the
12 creation of a Consumer Advocate for Health Insurance
13 in Pennsylvania.

14 Chairman DeLuca has been very generous with
15 the time, resources, and energy of the Insurance
16 Committee. This is the second hearing on House Bill
17 1121. As a result of the hearing that we had in
18 Harrisburg, we had some very good input from the
19 insurance industry, some very good input from groups
20 like AARP and the AFL-CIO.

21 The Insurance Committee has led the charge
22 on health-care reform in the Legislature. You have
23 advanced important legislation authored by
24 Representative DeLuca that will curb medical errors,
25 improve how insurance rates are set, and deliver

1 affordable health insurance to more than 250,000
2 Pennsylvanians who currently are uninsured.

3 Each member of the committee should be
4 congratulated on their strong efforts. Although we
5 may differ on the means, we seldom differ on the goal
6 of providing affordable health-care coverage to all
7 Pennsylvanians.

8 I would also like to extend my gratitude to
9 Representative Tim Seip for helping bring the
10 Insurance Committee to Pottsville. Representative
11 Seip's experience as a health-care professional has
12 made his insight and his personal passion
13 indispensable in the health-care debate in
14 Harrisburg.

15 With strong legislative support, the support
16 of small business owners like Joe Hynoski from
17 Nanticoke and the support of organizations like the
18 AFL-CIO, AARP, and leaders from Pennsylvania's
19 struggling municipalities and school districts, I'm
20 proud to sponsor legislation that will give
21 health-care consumers a powerful and independent
22 voice in Harrisburg.

23 The Consumer Advocate for the health
24 insurance act will establish a consumer watchdog to
25 fight for every Pennsylvanian struggling with the

1 rising cost of health care.

2 The advocate will be appointed by the
3 Attorney General. Once appointed, the office will be
4 independent in terms of both its budget and in terms
5 of its ability to bring action on behalf of
6 Pennsylvania consumers before the Insurance
7 Department court or agency.

8 The Office of Consumer Advocate for Health
9 Insurance will be housed in the same office as the
10 Consumer Advocate for Public Utilities and will
11 mirror the successful 32-year track record the
12 Consumer Advocate for Public Utilities has compiled
13 fighting for Pennsylvania consumers.

14 The office will be funded through a nominal
15 assessment on all health insurers doing business in
16 Pennsylvania. The annual budget will be roughly
17 \$2 million.

18 Currently, health insurance consumers do not
19 have an independent advocate for their interests.
20 The State Insurance Department is charged with
21 balancing the interests of both consumers and the
22 insurance industry.

23 Most Insurance Commissioners over the last
24 decade have been insurance company executives and
25 return to the insurance industry when their term

1 expires. The dual nature of the Insurance Department
2 is an impediment to consumers getting a fair shake on
3 health-care issues.

4 When the Insurance Department determined
5 that the \$4 billion surplus held by the State's
6 Blue Cross network was appropriate, who had the
7 ability to fully question that decision? Could an
8 individual citizen take on the Insurance Department
9 and the big Blues?

10 Highmark and Independence Blue Cross are
11 planning a mega-merger that will control more than
12 50 percent of Pennsylvania's health-care market. The
13 merger will have a far-reaching impact on the
14 delivery and the cost of health care in Pennsylvania.
15 Who will have the resources to fight for consumers in
16 this debate?

17 The issues surrounding health-care insurance
18 are complex. The special interests fighting for the
19 status quo are well financed and well represented.
20 Can the consumer afford to stand alone in this fight?

21 The Consumer Advocate for Health Insurance
22 will have the resources and the staff to fight for
23 consumers. And equally important, a Consumer
24 Advocate for Health Insurance will be an asset to the
25 Governor and to the Legislature in the policy debates

1 on health-care policy in Pennsylvania.

2 Eight other States -- Georgia, West
3 Virginia, Oregon, Florida, Virginia, Texas, Maryland,
4 and Vermont -- have some version of a Consumer
5 Advocate. It is time Pennsylvania steps up to the
6 plate for health-care consumers.

7 Pennsylvania consumers deserve an advocate
8 that has the independence to create a new level of
9 accountability in our health-care industry. They
10 deserve an advocate that has the resources to make a
11 measurable progress in controlling the spiraling cost
12 of health care.

13 For every working family, every small
14 business, every school district, every municipality
15 facing double-digit increases in their health
16 insurance rates year after year -- give them a voice.
17 Give them a Consumer Advocate for Health Insurance in
18 Pennsylvania.

19 Thank you, Mr. Chairman. I'd be happy to
20 entertain any questions from the committee.

21 CHAIRMAN DeLUCA: Thank you, Representative
22 Yudichak.

23 Any questions? Representative Godshall.

24 REPRESENTATIVE GODSHALL: I'd just like to
25 tell John that this even had my GPS unit confused.

1 You weren't the only one confused.

2 REPRESENTATIVE YUDICHAK: The computer age
3 hasn't caught up with Pottsville yet.

4 REPRESENTATIVE GODSHALL: Well, apparently
5 that's exactly right.

6 CHAIRMAN DeLUCA: Shall we put that in the
7 bill, Bob?

8 REPRESENTATIVE GODSHALL: Yes.

9 CHAIRMAN DeLUCA: Representative Seip, any
10 questions?

11 REPRESENTATIVE SEIP: I just wanted to thank
12 Representative Yudichak for bringing this legislation
13 forward.

14 I can tell you, as a licensed social worker
15 working in a hospital setting, it's very difficult
16 for me sometimes to try and advocate on behalf of the
17 patient, working in health care myself.

18 REPRESENTATIVE YUDICHAK: Right.

19 REPRESENTATIVE SEIP: So I can only imagine
20 how difficult it must be for the subscribers or the
21 patients themselves to try to go about remedying
22 different problems that come up in health-care
23 situations individually.

24 I think it's a wonderful concept. Thank you
25 for bringing the legislation.

1 REPRESENTATIVE YUDICHAK: Thank you.

2 CHAIRMAN DeLUCA: I just want to say, I want
3 to commend you for taking some of the comments that
4 we had at the first hearing and incorporating them
5 into this amendment that Representative Seip will be
6 introducing. Certainly it shows you that when we do
7 have these hearings, the Representatives are
8 listening and take everything into consideration.

9 I think all we hear anymore is in government
10 transparency. We talk about transparency, and
11 certainly we need to have transparency in our health
12 care, because a lot of people really don't understand
13 some of the contracts.

14 I want to commend you for introducing this
15 bill. I want to thank you for your testimony.

16 Do you want to join us up here, John?

17 REPRESENTATIVE YUDICHAK: Sure. Thank you.

18 CHAIRMAN DeLUCA: Our next testifier will be
19 Rick Bloomingdale, Secretary-Treasurer of the
20 Pennsylvania AFL-CIO.

21 MR. BLOOMINGDALE: Thank you, members of the
22 committee.

23 I have to make a comment about finding this
24 place. What you've got to do is you've got to bring
25 somebody with you that knows Pottsville. I brought

1 Russ with me, who is on our staff and from Pottsville
2 and knew how to get here. And he also knew some of
3 the fine eating establishments in the beautiful city
4 of Pottsville. We had a good lunch before we came up
5 here.

6 It's my pleasure to be here today. As Tony
7 mentioned, I'm Secretary-Treasurer of the
8 Pennsylvania AFL-CIO, representing over 800,000
9 organized workers in the Commonwealth.

10 It's a pleasure for me to testify before
11 the House Insurance Committee in strong support of
12 House Bill 1121 prime-sponsored by Representative
13 Yudichak.

14 House Bill 1121 would create the Office of
15 Consumer Advocate for Insurance in the Attorney
16 General's Office. The scope of the proposed office
17 would be limited to reviewing health insurance
18 products for the private insurers, nonprofit insurers
19 such as the Blues, and the HMO industry.

20 I want to commend the sponsors for
21 introducing this legislation and would encourage this
22 committee to act favorably on House Bill 1121. There
23 is currently a forum for consumers and small
24 businesses to assist in the utility realm, and it is
25 time that consumers had an avenue to have their

1 issues and concerns addressed within the insurance
2 realm.

3 In 1976, the Office of Consumer Advocate was
4 established by the Pennsylvania General Assembly as
5 an independent office within the Office of the
6 Attorney General.

7 The Office of Consumer Advocate has
8 represented consumers in cases before the Public
9 Utility Commission regarding a variety of issues,
10 from rate increase cases to complaints about utility
11 billing. The Office of Consumer Advocate has
12 ultimately provided consumers with a forum and a
13 process to address their concerns.

14 In addition, the Office of Small Business
15 Advocate was established in 1988 to represent the
16 interests of small business consumers of utility
17 services before the PUC, the courts, and before
18 comparable Federal agencies.

19 As I understand it, currently the Insurance
20 Commissioner reviews the methodology of health-care
21 insurers -- the factors used in calculating rates,
22 the credibility of the factors, retention, risk and
23 contingency calculations, and taxes, if applicable.
24 Health insurers are then allowed to use the approved
25 methodology and to vary rates by plus or minus

1 15 percent.

2 House Bill 1121 would empower the Insurance
3 Consumer Advocate to intervene in the Insurance
4 Commissioner's review and ruling. Section 904-c (a)
5 and (b) seem to grant the Consumer Advocate the
6 discretion to intervene upon his or her own motion,
7 whereas subsection (c) of this section appears in
8 conflict with this discretion by first requiring a
9 petition by "...a substantial number of persons who
10 are consumers of an insurer subject to regulation by
11 the Department." Perhaps these subsections can be
12 read to be complimentary to each other, but I would
13 suggest that their intentions be clarified.

14 We support the need for an Office of
15 Consumer Advocate for Insurance in regard to health
16 care. We also encourage the scope of responsibility
17 for the Consumer Advocate for Insurance be expanded
18 to all other lines of insurance that the Insurance
19 Commissioner regulates. A fully-funded Consumer
20 Advocate's office for insurance is greatly needed.

21 The roles of Insurance Commissioner and the
22 Department of Insurance are confusing and seemingly
23 conflicting. The Insurance Commissioner must balance
24 the interests of the insurance providers, purchasers,
25 and consumers who, as in health care, are not the

1 same as purchasers.

2 The Insurance Commissioner develops policies
3 intended to produce solvency for all who adhere to
4 prudent insurance and investment practices. This
5 means the conventional methodology defers to
6 incompetent insurers and negates incentives for
7 proficient insurers. Insurance rate regulation
8 cannot be so restrictive that it bankrupts insurers.
9 All parties must achieve solvency; otherwise, the
10 insurance consumers' purchase will not be genuine.

11 To start to resolve the
12 lowest-common-denominator problem, the insurance
13 rating process must move past "methodology" and end
14 numbers and consist of a full examination of
15 insurance companies' performances and fee schedules.

16 Currently, the Insurance Commissioner looks
17 only at methodology and end numbers and has neither
18 the personnel nor time to look at the underlying
19 calculations and actual data used to derive rates for
20 consumers. To make the work of the Insurance
21 Consumer Advocate meaningful, we must authorize the
22 Insurance Commissioner and the Advocate to have
23 reasonable rate regulation.

24 We live in an era of transparency and public
25 disclosure. Across our great Commonwealth and the

1 nation, there has been an earthquake of reform in
2 these areas. The impact of Sarbanes-Oxley has been
3 dramatic throughout the private and nonprofit sectors
4 of our economy.

5 Insurers are adopting internal disclosure
6 policies which are important steps in the right
7 direction. We need to ensure that the spirit of
8 Sarbanes-Oxley is carried out uniformly across all
9 insurers. Consumers now believe the insurance
10 ratemaking process is not as dedicated to protecting
11 them as it is to ensuring the solvency of insurers.

12 Adopting House Bill 1121 would give
13 consumers greater confidence that the insurance rates
14 are fair and reasonable. Frankly, this would help
15 the insurance industry, which today is viewed with
16 suspicion and outright distrust. It is unreasonable
17 to expect the Insurance Commissioner who must
18 represent insurers and consumers to bring
19 creditability and faith to the insurance markets.
20 However, the creation of an Insurance Consumer
21 Advocate would allow consumers to have greater faith
22 in the system and the rates that they are required to
23 pay for insurance.

24 At the same time, the scope of submitted
25 documents must be expanded and made publicly

1 available. Audits of insurers should be done at the
2 direction of the Insurance Commissioner or the
3 Advocate and should include all the reasonable types
4 of audits that are done in other sectors, such as
5 financial, managerial, and administrative audits.

6 It is no longer acceptable that these audits
7 are privately contracted and then submitted to the
8 Insurance Department. We need audits that dig into
9 the underlying numbers that are subject to review by
10 the Insurance Commissioner.

11 Remember, under current law, the Insurance
12 Commissioner, and now the Advocate, only get to look
13 at end numbers but are precluded from looking at the
14 numbers in individual policies that result in the end
15 numbers under review.

16 We encourage the Insurance Commissioner and
17 the Advocate to peer under the end numbers for review
18 by engaging the appropriate professionals to do full
19 audits of insurers and that this be made a condition
20 of an insurer doing business in the Commonwealth.

21 In addition, the scope of review for the
22 Commissioner and the Advocate needs to be expanded
23 from looking simply at methodology, credibility,
24 risk, retention, and taxes of an insurer to a ruling
25 on rates actually charged to the insured.

1 In the spirit of Sarbanes-Oxley, full
2 disclosure and data transparency are the order of the
3 day. Only when there is full disclosure and
4 transparency will the Advocate be fully armed to
5 represent consumers.

6 Again, we endorse House Bill 1121 and
7 encourage amendments as suggested in this statement,
8 which will bring credibility to insurance rates and
9 scope of coverage to Pennsylvania consumers. We
10 support the expansion of the role of Consumer
11 Advocate to represent all lines of insurance, and we
12 fully support the concept of a Consumer Advocate to
13 focus on the health insurance industry.

14 Thank you for your attention. I will be
15 glad to answer any questions.

16 CHAIRMAN DeLUCA: As you heard
17 Representative Yudichak mention, the fact that this
18 is just defined for health, you have no problems with
19 that?

20 MR. BLOOMINGDALE: No, not at all.

21 CHAIRMAN DeLUCA: You'd just like to see it
22 expanded?

23 MR. BLOOMINGDALE: Yes.

24 CHAIRMAN DeLUCA: You are on board?

25 MR. BLOOMINGDALE: Absolutely. We think

1 that it's very necessary at this time.

2 CHAIRMAN DeLUCA: Any questions from my
3 right? Do we have copies of that testimony?

4 MR. BLOOMINGDALE: Yes, right up here.

5 CHAIRMAN GODSHALL: Any questions, Bob?

6 REPRESENTATIVE GODSHALL: No.

7 CHAIRMAN DeLUCA: John?

8 REPRESENTATIVE YUDICHAK: Yes, Mr. Chairman.

9 Mr. Bloomingdale, you made reference in your
10 testimony about the operation of the Office of
11 Consumer Advocate for Public Utilities in 1976, and
12 we tried to mirror that office.

13 MR. BLOOMINGDALE: Right.

14 REPRESENTATIVE YUDICHAK: It's been
15 successful for the last 32 years in bringing to the
16 forefront consumer issues on utilities. I would
17 suspect that that was in response to the energy
18 crisis of the 1970s. Do you feel that we have a
19 similar health-care crisis, level of crisis in the
20 health-care industry, as a representative of working
21 families dealing with employees every day?

22 What I'm hearing is that it's no longer just
23 about those that are uninsured. It's those that have
24 health-care insurance but can't continue to pay for
25 the increases in the premiums. It's the small

1 business owner, it's the medium-sized business owner,
2 that's finding it more and more difficult to provide
3 health insurance to their employees.

4 Even to school districts and municipalities.
5 Many of the school districts in my area, that's the
6 number one issue in terms of negotiations with the
7 teachers' union; it's health-care issues. And
8 municipalities are struggling to continue to provide
9 municipal services, whether it's police or fire,
10 because of health-care issues.

11 Do you not believe that it has gotten to the
12 crisis pitch as the energy crisis was in the 1970s,
13 that that's why we need an Office of Consumer
14 Advocate for Health Insurance?

15 MR. BLOOMINGDALE: The short answer is yes,
16 absolutely.

17 As the Secretary-Treasurer, I'm also in
18 charge of our financial operations of the AFL-CIO.
19 If you define us as a business, we have under 50
20 employees -- we have about 20 -- and we have to
21 provide insurance for those folks.

22 REPRESENTATIVE YUDICHAK: Right.

23 MR. BLOOMINGDALE: And to this day, we're
24 very proud of the fact that our folks don't pay any
25 copays toward their premiums. They pay copays for

1 prescription meds and all that, but for their actual
2 premiums, we continue to pay all of their premiums
3 for full family coverage.

4 Obviously, if we're bargaining for that at
5 the table, we believe we should practice what we
6 preach, but it's expensive. It's now \$28,000 a month
7 for me to provide full family coverage for about 20
8 employees. That is getting to be tough.

9 We have to get control of cost, and one of
10 the ways to do that is to have this Office of
11 Consumer Advocate for Health Insurance, absolutely.
12 If we have somebody where we think the rates have
13 become unreasonable or somebody has maybe -- you
14 know, sometimes premiums go up when the stock market
15 goes down and it has nothing to do with the actual
16 cost of health care. Some insurance companies
17 invest, and I know they bond and all that stuff, but
18 if they get into trouble, they tend to pass it on to
19 those who buy the insurance -- the premium payers.

20 REPRESENTATIVE YUDICHAK: Right.

21 MR. BLOOMINGDALE: And while employers may
22 be the vehicle for which health care is purchased,
23 it's actually employees who buy the health care
24 through deferred wages, you know, through their
25 contract, whether they give up a portion of their

1 wages to go to health care.

2 REPRESENTATIVE YUDICHAK: Right.

3 MR. BLOOMINGDALE: But companies don't
4 actually buy the health care. It's their workers who
5 purchase their health care through deferred wages.
6 They're just the actual -- the employers are the ones
7 who go out and write the check.

8 So we absolutely need somebody like this who
9 we can turn to and make sure that the rate increases
10 are based on real increased costs, not some losses on
11 the market or bond market or wherever the insurers
12 happen to keep their reserves.

13 REPRESENTATIVE YUDICHAK: Thank you.

14 MR. BLOOMINGDALE: Certainly.

15 CHAIRMAN DeLUCA: I also want to acknowledge
16 my good friend who just joined us, Representative
17 Pashinski, who is on the Insurance Committee, too.

18 Representative Pashinski, do you have any
19 questions?

20 REPRESENTATIVE PASHINSKI: No.

21 CHAIRMAN DeLUCA: Rick, as the
22 Secretary-Treasurer of the AFL-CIO, you're certainly
23 conscious of the cost of health care.

24 MR. BLOOMINGDALE: Every day.

25 CHAIRMAN DeLUCA: As you know, we'll

1 probably be hearing back in Harrisburg about the fact
2 that the insurance industry is going to say this is
3 going to raise costs. As a person who is dealing
4 with costs for you members out there, you certainly
5 wouldn't be advocating something that's going to
6 raise costs to the membership; is that correct?

7 MR. BLOOMINGDALE: That's correct.

8 CHAIRMAN DeLUCA: And that will be one of
9 the things that's coming up, that's probably going to
10 be coming up, because of the fact that they're going
11 to say that this will increase costs, we'll have to
12 pass it on to the ratepayers and we don't need it.

13 And certainly as an individual who has all
14 those members, one of the biggest problems is not
15 wages for you, it's the health-care situation today.
16 You wouldn't be advocating anything that was going to
17 raise costs and make it harder for you to negotiate
18 your contracts, right?

19 MR. BLOOMINGDALE: That's absolutely right,
20 Representative.

21 You know, we have enough trouble trying to
22 get folks a decent wage so they can keep up with the
23 rate of inflation. And right now, especially in the
24 building trades, more and more of them negotiate on
25 an hourly cost. They're up to \$8, \$9, \$10 an hour

1 per hour worked going to health care. That's more
2 than minimum wage.

3 CHAIRMAN DeLUCA: Sure.

4 MR. BLOOMINGDALE: They're paying for health
5 care more than what some people are making to try to
6 make ends meet. It's certainly a serious problem.
7 We need to get those costs under control. We do not
8 think that is going to be a cost issue.

9 CHAIRMAN DeLUCA: And you view this as a
10 piece of legislation that will address the cost
11 factor and try to keep costs down like we have done
12 with other pieces of legislation?

13 MR. BLOOMINGDALE: Absolutely, like the
14 chronic-care stuff.

15 The Legislature has been very remarkable in
16 what they've done so far, and given that there are
17 203 Representatives and probably 203 opinions on how
18 health care should be solved, the fact that folks
19 have made changes already in this legislative session
20 says a lot about the leadership and the members of
21 the State House of Representatives.

22 Everybody in a bipartisan fashion has done a
23 terrific job trying to get costs under control.

24 CHAIRMAN DeLUCA: Right.

25 MR. BLOOMINGDALE: And that's the biggest

1 issue that we face. Once we get costs under control
2 and full coverage for everybody, we'll follow that.

3 CHAIRMAN DeLUCA: Very good. Thank you very
4 much for your testimony.

5 MR. BLOOMINGDALE: Thank you.

6 CHAIRMAN DeLUCA: Is Vince Phillips here or
7 anyone representing the Pennsylvania Association of
8 Health Underwriters?

9 MR. PHILLIPS: Yes. Hello, Mr. Chairman.

10 I'd like to thank you very much for allowing
11 me to testify on behalf of the Pennsylvania
12 Association of Health Underwriters this afternoon.
13 You've all got my testimony. It was also e-mailed to
14 the staff as well.

15 With your permission, I'm just going to talk
16 to you rather than read that script.

17 CHAIRMAN DeLUCA: Absolutely.

18 MR. PHILLIPS: I would like to share with
19 you an example of what frequently happens with the
20 Health Underwriters, and as you know, they're the
21 insurance agents who specialize in health insurance
22 and employee benefits.

23 Perhaps some of your constituents have
24 received solicitation, something like what I'm going
25 to read to you: "Call now. Open enrollment is

1 limited for this A-rated carrier health-care rate
2 plan. \$25 doctor visits. Pre-existing conditions
3 okay. Call now."

4 And when I have called, now they have told
5 me -- because I always ask them the question, who is
6 the agent of record? What is their license number?
7 You know, trying to do my own due diligence when I
8 get consumer complaints like that -- and oftentimes
9 they say, "Well, we don't really need to have an
10 agent ID because we're not really an insurance
11 company."

12 I maintain that if it walks like a duck and
13 talks like a duck or what have you -- it's probably
14 something else than an insurance plan, but it is
15 trying to masquerade itself to be one.

16 So what I did was, I contacted the Insurance
17 Department. The Insurance Department spent a bit of
18 time researching it, and then last week I got a
19 letter from them saying that indeed it was not an
20 insurance company. Whatever it is, it is not an
21 insurance company. There are no licensed agents
22 connected with it, and they informed me that they're
23 referring it to the Office of Attorney General for
24 violation of various fraud statutes.

25 Now, I mention that because, first of all,

1 it's current. This happened just last week. I
2 wanted to use it to point to the historic rule of the
3 Pennsylvania Insurance Department as the Consumer
4 Advocate.

5 Personally, I support those who want to see
6 more consumer advocacy, but I would respectfully
7 differ with the approach taken by this particular
8 piece of legislation. I would suggest that rather
9 than create a new entity, possibly duplicating the
10 historic mission of the Insurance Department to
11 protect the consumer, we need to find out if there's
12 a problem in Strawberry Square and address it.

13 Now, I maintain that the Insurance
14 Department staff is vastly overworked. According to
15 the budget documents I have seen, maybe 139,000 or
16 more complaints, concerns, et cetera, come into the
17 Insurance Department through the Bureau of Consumer
18 Services. They are vetted. They are consulted.
19 Many of them are just actual questions about, how
20 does insurance work, based on a lack of understanding
21 as to how insurance does work.

22 But still if there's merit, it goes over to
23 the Enforcement Bureau. The Enforcement Bureau has
24 the ability to go after people masquerading as things
25 that they are not, or if they're not appointed by a

1 company, or if they're someone who is selling
2 insurance without a license, et cetera.

3 In addition, of course, as they did with my
4 particular complaint, they referred it to the Office
5 of Attorney General. And, of course, there's a
6 liaison office within the Insurance Department to
7 facilitate that transition for a criminal
8 investigation and possible prosecution from the AG.

9 The point here is that there is machinery
10 there. There is apparatus there. There are plenty
11 of laws. As a representative of a regulated
12 community of the insurance agents, you know, I can
13 recite all kinds of legislation such as the Unfair
14 Insurance Practices Act or Act 54, and managed care
15 has plenty of reforms on the books, et cetera.

16 I would suggest to you that the machinery is
17 there, the legislation is there, but clearly there's
18 something missing from all of that that's driving
19 some of the consumer interest possibly and the
20 interest by their advocates and pushing an additional
21 solution.

22 Now, I would suggest that the problem may
23 lie rather in a budgetary issue, and that is lack of
24 financial resources that the Department has. The
25 insurance industry every year brings in about

1 \$400 million plus to the coiffures of the State of
2 Pennsylvania, and that doesn't include the
3 \$20 million or so that comes in from producer
4 licensing fees, company appointments, enforcement
5 actions, et cetera. The important thing to note is
6 that that goes to the General Fund as part of the
7 process.

8 The Health Underwriters have historically
9 maintained that the Insurance Department is
10 underfunded. My particular case in point, the one
11 that I got the letter on last week from the Insurance
12 Department, the good news is that they are working on
13 it. The bad news is that it took them awhile to get
14 to the point where they could make that referral.
15 And I was positive that that's really a sign of, in
16 too many cases, too much to do, too high a desk
17 filled with complaints and concerns, and not enough
18 staff and not enough resources.

19 So I would suggest that a proper approach
20 might be to take a look at the Insurance Department
21 budget and maybe even bring some of the Department
22 officials in and say, what can be done to expedite
23 your handling of consumer complaints?

24 Now, in addition to that, what Governor
25 Rendell did early in his Administration was to create

1 the Office of Consumer Liaison For Insurance, and the
2 Consumer Liaison For Insurance really had two
3 missions set out for her.

4 Number one was to advise the Commissioner of
5 emerging consumer-related issues so the Insurance
6 Commissioner could desensitize to various priorities.
7 For example, early on in her tenure as Consumer
8 Liaison, Cindy Fillman spent a lot of time talking
9 about flood insurance, and then later on the topic
10 was Medicare Part D -- and we all know how easy that
11 is to understand -- and, of course, you know, various
12 managed-care elements, various health insurance
13 issues, et cetera. And frankly, she has done a
14 yeoperson's job of trying to do that mandate of
15 communicating those concerns to the Insurance
16 Commissioner.

17 The other part of her responsibility is
18 consumer education, trying to educate consumers about
19 how insurance works and desensitize them to things
20 that they should be asking to better understand their
21 insurance policy. Now, I personally believe that
22 many people are functionally illiterate when it comes
23 to insurance. It's not something that people want to
24 wake up in the morning and gain a full understanding
25 of. Rather, they'll rely on what others tell them it

1 means versus doing their own primary research.

2 And, of course, the Health Underwriters and
3 the insurance agents tried to address that by
4 educating their clients as best they could.
5 Unfortunately, some of those clients are sheltered by
6 the fact that they're enrolled in a group health
7 insurance program, which means the agent gets to talk
8 to the business person but does not necessarily get
9 as much of a chance to educate the employees as to
10 how insurance basically functions.

11 Well, back to Cindy Fillman. What she has
12 had is listening sessions designed to try to get the
13 word out. Frankly, it's very difficult for her to
14 get the word out as it should be gotten out because
15 she has a staff of two or three people.

16 I would suggest that there's a tremendous
17 need for that sort of consumer education, and I would
18 ask the General Assembly to look very carefully at
19 the budgetary amounts allocated for consumer
20 education within the Insurance Department as well as
21 the budgetary allocations for the Bureau of Consumer
22 Services, the Bureau of Enforcement, and, of course,
23 the producer licensing bureau, the one that closely
24 oversees the insurance agents. I would ask that the
25 General Assembly take a look at that and determine

1 whether or not the budgetary perimeters are
2 sufficient for the Insurance Department to do its
3 job.

4 So again, kind of to conclude my comments, I
5 believe very strongly that we need to have a strong
6 consumer advocacy presence in the Insurance
7 Department, you know, try to partner with them to
8 bring consumer complaints to them, just as this
9 example shows. Frankly, I think the Department is
10 hamstrung and needs more resources to do its job
11 adequately.

12 I am not convinced that we need a separate
13 piece of legislation to set up an independent body
14 that may inadvertently tend to duplicate or undercut
15 the consumer mission that the Insurance Department
16 has.

17 With that, I want to thank you again for
18 allowing me to testify. I'm glad I was just in time.
19 I appreciate, again, your hospitality.

20 CHAIRMAN DeLUCA: Thank you, Vince.

21 Let me ask you something. I don't know if
22 you're familiar with the sponsor of the bill.
23 Representative Yudichak has narrowed the scope of the
24 bill. Are you familiar with that?

25 MR. PHILLIPS: Yes.

1 CHAIRMAN DeLUCA: Now, I would imagine the
2 producers -- since we call them producers now instead
3 of agents --

4 MR. PHILLIPS: Right.

5 CHAIRMAN DeLUCA: What part do they play as
6 advocates for the consumers?

7 MR. PHILLIPS: Well, the first level that
8 actually --

9 CHAIRMAN DeLUCA: Not to interrupt you. I
10 heard you say group health insurance, and you get
11 caught up in that. You sort of put it on the side.
12 What part do the agents or producers play as
13 advocates for the people you write their insurance
14 for?

15 MR. PHILLIPS: Well, the insurance agent or
16 insurance producer, they serve as consumer advocates
17 on several different levels. First of all, to
18 educate them as to how insurance works. The
19 consumers needs to make informed choices. They need
20 to know a bit of how insurance works so the proper
21 coverage can be recommended to them for their
22 decision.

23 So the first level is consumer education.
24 We believe that knowledge really solves a lot of
25 problems when it comes to insurance. If the

1 consumers know that they have redress under the law
2 -- for example, managed-care reform, passed in the
3 1990s, allows for a grievance procedure and a
4 complaint procedure. I suspect that most consumers
5 don't know that there are two separate ways of filing
6 issues with a particular managed-care plan. The
7 agent can help educate them.

8 The second thing is an advocacy role when it
9 comes to claims. Oftentimes consumers, when they
10 don't have a claim that's paid to their satisfaction,
11 they honestly don't know why: Why are they not
12 paying my claim? And some consumers will say, well,
13 I paid all my money to this insurance company; I
14 think they ought to at least pay my claims.
15 Sometimes they consider insurance being an investment
16 plan rather than an insurance tool.

17 Oftentimes insurance producers will work
18 with the client to find out what the problem is, and
19 sometimes it may be as simple as a coding error done
20 by the physician. Sometimes it may be paperwork done
21 by the insurance company. But the insurance agents
22 are hands-on in trying to get to the bottom of what
23 the consumer's concern is regarding claim payment,
24 and they'll be the ones to help the consumer navigate
25 the system. If someone tells you that insurance is

1 an easy system to navigate, obviously they're not
2 speaking correctly.

3 But I think the agent provides advocacy on
4 those two levels.

5 CHAIRMAN DeLUCA: The other thing I have a
6 problem with, when we talk about this type of
7 situation about the Insurance Commissioner being an
8 advocate -- maybe they are shorthanded.

9 To give you an example, last week there was
10 an individual who needed a stem-cell transplant. He
11 had cancer. The fact was that they were denied twice
12 on the appeal process. And they went to a talk show
13 host back in Pittsburgh. The talk show host was on
14 for 4 hours criticizing the insurance carrier,
15 brought up the fact that the CEO was making
16 \$125 million and all the expenses they were making.

17 Ironically, in the next half hour after his
18 stay while he was on the show, this fellow was
19 granted a stem-cell transplant. Now, everyone
20 doesn't have that type of situation where they can go
21 to a talk show host. Now, this was life or death.
22 He had three children he wanted to see grow up.

23 Evidently they must have went to the
24 Insurance Commissioner. They didn't get anything
25 from the Insurance Commissioner or the Advocate that

1 you were talking about. And I know Cindy Fillman.
2 Why do individuals have to go through that? This
3 fellow was in the hospital. It was a life-and-death
4 situation. And yet we get on a talk show, you get
5 criticized, the company got criticized, and all of a
6 sudden, lo and behold, he was granted the stem-cell
7 transplant.

8 Now, I don't think that's fair, and that's
9 one of the reasons I'm going to support this piece of
10 legislation.

11 MR. PHILLIPS: I understand.

12 CHAIRMAN DeLUCA: The fact is, we're not all
13 lucky to know to take that risk to go on a talk show
14 and whether a talk show host really wants to get
15 involved in it. This talk show host did get involved
16 and crucified that insurance company for almost 2
17 hours and it changed.

18 I don't think consumers need to do that. As
19 you said before, they're not well educated on
20 consumer issues. There's stuff I don't even
21 understand in my insurance policy. I don't know
22 about you; you're in the insurance business.
23 Sometimes your family probably asks you about
24 insurance problems and you have a tough time
25 explaining it to them.

1 MR. PHILLIPS: Right.

2 CHAIRMAN DeLUCA: That's one of the things.

3 And I would imagine the Consumer Advocate
4 for the Public Utility Commission seems to be working
5 out. In that situation, nobody is saying, let's get
6 rid of the Public Utility Advocate.

7 So for the small amount that we're talking
8 about -- I think Representative Yudichak said
9 \$2 million. If we're always talking about
10 transparency, as I said before, to give the consumers
11 something out there that they can -- because
12 everybody is suspicious of the insurance companies,
13 regardless, I mean, no matter who you talk to. Who
14 likes insurance companies? I think that would give
15 them a better idea of what the insurance companies
16 have and what the purpose of it is that they do.

17 That's my point on it.

18 Any other questions on this?

19 REPRESENTATIVE PASHINSKI: I have a
20 question.

21 Vince, you and I have talked about the
22 situation many times over.

23 MR. PHILLIPS: Sure.

24 REPRESENTATIVE PASHINSKI: And to echo what
25 Representative DeLuca talked about, we do have these

1 mechanisms in place, and yet the health insurance
2 industry is totally out of whack. We just heard Rick
3 Bloomingdale talk about \$1,400 a month. That means
4 somewhere around \$17,000 a year they're paying for
5 their families.

6 Regardless of how complicated or how
7 technical or how difficult it may be to understand an
8 insurance plan, I don't know that the regular
9 consumer -- and I agree with Representative DeLuca.
10 I don't know that anybody in this room has read their
11 insurance policies from beginning to end and honestly
12 understand it.

13 I don't think it's the job of the consumers
14 to do that. It's the job of the people that are in
15 charge of representing that company to present a
16 document, to present an agreement that people
17 understand why they're paying for it.

18 And the laws and regulations should protect
19 those people. When they do have claims, they should
20 be paid, and if not, they should be explained.

21 I think what Representative Yudichak is
22 doing here is what all of us are trying to do, and
23 that is find a way to deal with the health-care
24 crisis. It's unsustainable, it's unaffordable, and
25 there's no end in sight. This is at least another

1 step to hopefully have another educated body take a
2 look at the concerns of the consumer and at least
3 give them another shot for a fair deal.

4 You mentioned that the Insurance Department
5 may be understaffed. Could you tell me over the last
6 8 years what the staffing has been like? Has
7 government cut those staffs that dramatically over
8 the last 8 years that it has given them a shortfall?

9 MR. PHILLIPS: I have been lobbying for
10 insurance agents here since 1989 and they've always
11 been short staffed.

12 I'm going to guess, and I'll probably be
13 proved wrong, but I'm going to guess that there are
14 probably a total of about 300 employees of the
15 Insurance Department to take care of all the
16 functions of the Insurance Department, and not just
17 the consumer services or consumer advocacy.

18 The only movement I saw was that last year's
19 budget, I think, allowed for an increase of 10 slots
20 for the Insurance Department, but those were
21 predicated on the passage of rate reform, which did
22 not happen last year. So I don't know the current
23 staffing level.

24 What I do know is what people in the
25 Department have told me informally, frankly, how

1 overworked they are, where there's a huge volume of
2 cases that they are trying to get to, that they're
3 trying to resolve. They try to resolve them
4 informally, if they can, by bringing all the parties
5 together on the telephone to try to figure it out,
6 and if not, then they can refer it.

7 So I don't disagree with you in terms of the
8 substance of what you said in terms of insurance
9 being difficult to understand and that there needs to
10 be a protection. I guess the only difference is I
11 feel that the Insurance Department is legally
12 mandated to be that advocate.

13 REPRESENTATIVE PASHINSKI: Right.

14 MR. PHILLIPS: For example, on this person
15 being forced to go to a public talk show host to try
16 to give the insurance company a black eye so that
17 they reverse their decision, you know, that shouldn't
18 be allowed to happen. I think the Insurance
19 Department is currently tapped to do that.

20 My question from a public administration
21 point of view is, what can be done to make them work
22 more effectively or more efficiently or get to the
23 bottom of consumers' complaints? There's no shortage
24 of laws that are out there -- the unfair claims
25 settlement act and everything else, as I mentioned.

1 I just think that from the outside looking
2 in, it just appears to me that they need help. They
3 need help from the General Assembly. I know that the
4 creation of an office of advocate for insurance will
5 create visibility to the advocacy role.

6 REPRESENTATIVE PASHINSKI: Okay.

7 MR. PHILLIPS: But I guess I would rather
8 see an approach were the Insurance Commissioner, who
9 is supposed to be doing that job anyway, for the
10 General Assembly to find out why that's not being
11 done sufficiently or to give them the tools that they
12 need to perform it more sufficiently.

13 Again, it's not that I disagree with the
14 point or the emphasis; it's just the means to get
15 there.

16 REPRESENTATIVE PASHINSKI: Well, I agree
17 with you. And I think that this committee will
18 certainly take that up and find out, you know,
19 whether they are that understaffed that they can't do
20 the job and whether the Insurance Commissioner is
21 following through on that.

22 How about too many cases? Do you have any
23 statistics as to, has there been a dramatic increase
24 in complaints? Has it been neutral?

25 MR. PHILLIPS: I seem to remember the

1 Insurance Department's level last year. Maybe it's
2 139,000 complaints coming into consumer services.

3 Now, considering that there are -- again,
4 I'm guessing for staff levels. I'm guessing that
5 they don't have 30 people on that particular part of
6 the Insurance Department. If you break it down,
7 that's where I come up with my conclusion that
8 there's a daunting workload there.

9 REPRESENTATIVE PASHINSKI: Okay.

10 MR. PHILLIPS: But I think that 139,000,
11 give or take, is a number I remember seeing. Now, I
12 don't think there's been a huge spike in those
13 complaints. That is the figure that I know.

14 REPRESENTATIVE PASHINSKI: Okay.

15 MR. PHILLIPS: One of the things that may be
16 relevant, I see every year issues, a list of consumer
17 complaints on insurance. I think the issue there was
18 in March of 2008, and if that will be useful to you,
19 I can get a copy of that to you.

20 CHAIRMAN DeLUCA: If you could provide that
21 to us, we certainly would appreciate it.

22 MR. PHILLIPS: The top three areas of
23 consumer complaints did deal with claims, as you
24 might expect. Number one was the delay in payment of
25 claims.

1 Now, is that attribute to internal
2 bureaucracy within an insurance company? Is that a
3 reflection of an insurance company kind of dragging
4 its heels a little bit or doing research? That
5 research doesn't show that. It suggests to me that
6 if there are delays in consumers being paid
7 legitimate claims, again, that's the role of the
8 regulator to get in there and basically take the
9 companies to task.

10 One thing I do know is -- and I would never
11 presume to speak for insurance companies since they
12 do not represent agents -- that whenever the
13 Insurance Department calls, everybody kind of drops
14 what they're doing, whether it be an insurance
15 producer or an insurance company. If the Insurance
16 Department comes calling and they have an interest in
17 something, that's the time to put everything on hold
18 and attend to what the regulators are asking.

19 Maybe they're not asking enough or maybe
20 they can't ask as much as they could be to meet the
21 needs of people in distress like that to want to
22 mention it.

23 REPRESENTATIVE PASHINSKI: Thank you very
24 much.

25 Thank you, Mr. Chairman.

1 CHAIRMAN DeLUCA: Representative Godshall.

2 REPRESENTATIVE GODSHALL: Thank you, Mr.
3 Chairman.

4 There's something I was just going over. To
5 have 139,000 complaints is unimaginable. I mean,
6 actually, that's a huge problem there. And you say
7 you think approximately 30 people are handling those,
8 which is an impossibility. I mean, it just can't be
9 done.

10 I know the complaints that come into our
11 office. There are over 300 a day, 7 days a week,
12 coming in there. That's worse yet. I wonder if the
13 Consumer Advocate that we're looking at here is going
14 to be empowered to handle those complaints, and if he
15 is, it has to be a lot more than \$2 million, because,
16 you know, instead of 30 people, you probably need 50
17 or 60 people at least if you're going to handle those
18 claims expeditiously.

19 MR. PHILLIPS: Well, my thought, though, is
20 that, you know, some complaints may be more serious
21 than other complaints. Some may be the result of a
22 misunderstanding that the case office can solve with
23 a couple of phone calls.

24 REPRESENTATIVE GODSHALL: But even that
25 takes time, and to get ahold of the proper people you

1 want to get ahold of is time consuming.

2 I know what we go through. It's just not
3 simply picking up the phone and having somebody you
4 want to get to answer it.

5 MR. PHILLIPS: I think your point is well
6 taken, although I would suggest that the answer lies
7 in beefing up the regulatory system now in place to
8 enable them to respond to what comes in as a
9 complaint or inquiry.

10 REPRESENTATIVE GODSHALL: I don't know; I
11 know a few years ago that the Insurance Department
12 was one of the few departments in the State that
13 wasn't completely computerized. Is that happening
14 today?

15 MR. PHILLIPS: I think the work of previous
16 Administrations and this Administration have really
17 resulted in an upgrade in the Insurance Department's
18 capacity to do what it needs to do.

19 Now, I don't know the nuts and bolts as to
20 what types of computers they use or whatever, but I
21 do recall that back in the mid-1990s, you know, they
22 were in terrible shape as far as technology goes, and
23 now my feeling is that they're right up there.

24 I know they certainly automated services to
25 consumers and also to insurance producers to get rid

1 of a lot of the delays and the paperwork, but I don't
2 know the extent of computerization for consumer case
3 files or complaints that come in.

4 I think they really have improved a lot from
5 where they were a decade ago.

6 REPRESENTATIVE GODSHALL: I do know it was
7 an antiquated system that we had for a long time.
8 Hopefully, it's improved for the better an awful lot.
9 They have a long way to go.

10 MR. PHILLIPS: Yes, sir.

11 REPRESENTATIVE GODSHALL: Thank you.

12 MR. PHILLIPS: Thank you.

13 REPRESENTATIVE GODSHALL: I don't have
14 anything further, Mr. Chairman.

15 CHAIRMAN DeLUCA: Representative Yudichak.

16 REPRESENTATIVE YUDICHAK: Thank you, Mr.
17 Chairman.

18 Thank you, Mr. Phillips.

19 Mr. Phillips and I have had a dialogue on
20 this legislation, and I appreciate his thoughts and
21 his comments. And I believe some of his comments
22 today actually are very beneficial to House Bill 1121
23 in advancing the cause of the Consumer Advocate, one,
24 on the issue of 139,000 complaints before the
25 Insurance Department. Obviously, I think that

1 underscores the problem that we have in health care
2 in Pennsylvania.

3 Also, it underscores that the Insurance
4 Department have a regulatory agency. And because the
5 insurance industry is not regulated at the Federal
6 level, only at the State level here in Pennsylvania,
7 that's the focus for the Insurance Department,
8 because the Insurance Department serves two masters,
9 if you will, both the insurance industry and the
10 consumer, and that perhaps the Consumer Advocate is
11 the best place to move those consumer complaints.

12 As you know, the Consumer Liaison does not
13 have any statutory authority. They are primarily an
14 education-based office. Cindy Fillman does an
15 outstanding job, but she does not have standing, and
16 I'll put the case to you.

17 When the Insurance Department made a
18 decision on the surplus issue with Blue Cross, with
19 the Blues across the Commonwealth, that was the final
20 set. An individual citizen could have raised a
21 complaint and could have filed a court case against
22 that, but really, do they have the resources or the
23 power to stand up to the State Insurance Department
24 or the State insurance industry? Cindy Fillman and
25 the Office of Consumer Liaison would not have that

1 statutory authority to stand and question that.

2 Chairman DeLuca has made an excellent point.
3 In the current environment of the health-care crisis,
4 we tend to demonize the insurance industry. As
5 legislators, we're trying to get commonsense answers
6 to try to get a handle on the health-care crisis in
7 Pennsylvania and control costs.

8 I think a nonpartisan, independent voice, as
9 has occurred in the utility industry under Sonny
10 Popowsky, where we got independent, nonpartisan
11 answers to some very complex issues, I think that's
12 why we need a Consumer Advocate. And I think your
13 point on the importance of the liaison and the burden
14 facing the Insurance Department emphasizes why we
15 need this.

16 MR. PHILLIPS: Although I would suggest that
17 if the Insurance Department makes a decision, a
18 regulatory decision, whether it be the level of
19 reserves for the Blues or some other decision, there
20 are two parties that do have statutory authority to
21 provide that oversight function.

22 The first is the Governor of Pennsylvania,
23 and he was not shy about exerting that authority, if
24 you recall, a few months ago. The ink was not dry on
25 his first issuance. The Governor has the statutory

1 power if the Insurance Department makes an error in
2 judgment, and if the Governor chooses, he can remand
3 that.

4 The second one, of course, is the General
5 Assembly having statutory oversight power. This
6 committee and other committees have from time to time
7 looked at the internal workings of the Insurance
8 Department to get a better sense from the Department
9 as to what their world is like. And I would suggest
10 that that also can be a check and balance if the
11 Insurance Department is not living up to the
12 legislators' or their constituents' expectations.

13 REPRESENTATIVE YUDICHAK: Thank you.

14 CHAIRMAN DeLUCA: Are there any other
15 questions?

16 Vince, before I thank you, I want to
17 introduce Representative Evans, who just joined us.

18 REPRESENTATIVE EVANS: Thank you.

19 CHAIRMAN DeLUCA: Vince, as always, I want
20 to thank you for your testimony. It was certainly
21 excellent testimony.

22 MR. PHILLIPS: Thank you.

23 And by the way, the follow-up that I will be
24 getting to your staff has the NAIC complaint
25 breakdown from this year. That will be coming to

1 your staff shortly.

2 CHAIRMAN DeLUCA: Thank you.

3 MR. PHILLIPS: Thank you.

4 CHAIRMAN DeLUCA: The next individual to
5 testify is Desiree Hung.

6 MS. HUNG: Thank you very much for having me
7 here today. I had the pleasure of testifying before
8 the committee in August of last year. I'm glad to be
9 here again. Thank you very much.

10 We really appreciate the opportunity to
11 testify before the House Insurance Committee
12 regarding House Bill 1121, legislation that would
13 create an Office of Consumer Advocate for Insurance.

14 My name is Desiree Hung, and I serve as
15 Associate State Director for advocacy issues for the
16 AARP Pennsylvania office.

17 Insurance products for consumers continue to
18 get more complex and difficult to understand. Worse,
19 some consumers encounter situations where they are
20 sold insurance policies they really don't need, or
21 suffer from fraudulent practices in the sale of
22 insurance.

23 AARP produces a public policy book, approved
24 by our national board of directors, which sets AARP
25 policy on a variety of issues. AARP has numerous

1 recommendations regarding insurance. The first
2 recommendation under State policy for insurance
3 industry oversight is as follows:

4 States should establish a full-time
5 independent Insurance Consumer Advocate's Office.

6 AARP recognizes that in Pennsylvania, we
7 have an established Insurance Department and that the
8 Office of Consumer Liaison was created just a few
9 years ago.

10 We feel the head of that office, Cynthia
11 Fillman, has done a very good job assisting consumers
12 and providing information. But as an employee of the
13 Insurance Department, Ms. Fillman is not able to
14 perform the same role monitoring the insurance
15 industry on behalf of consumers as Pennsylvania's
16 Consumer Advocate for Utilities, who works out of the
17 Office of the Attorney General, does in monitoring
18 the utilities' industry.

19 In our view, the insurance industry does
20 need to watch closely. AARP is particularly
21 concerned about long-term-care insurance. Earlier
22 this year, legislation was approved and signed into
23 law establishing the Long-Term Care Partnership
24 Program. This program encourages the purchase of
25 long-term-care insurance by offering policyholders

1 the ability to protect some assets and still qualify
2 for medical assistance for long-term care after the
3 insurance benefit is depleted. The intention of this
4 program is to save money in Pennsylvania's medical
5 assistance program by getting more Pennsylvanians to
6 purchase long-term-care insurance.

7 But numerous problems have arisen in the
8 long-term-care insurance industry, ranging from a
9 lack of understanding about the product by consumers
10 to skyrocketing premiums and questionable sales
11 practices by insurance salespeople. It's AARP's view
12 that an independent Consumer Advocate for Insurance
13 could aggressively monitor the long-term-care
14 insurance industry and take appropriate action to
15 inform and protect consumers as they consider this
16 product.

17 Of course, monitoring long-term-care
18 insurance is not the only role that the new Office of
19 Consumer Advocate would take on. Consumers need
20 advocacy, information, and protection in many aspects
21 of insurance, whether it is health, automobile, or
22 home insurance.

23 The current role of the Insurance Department
24 as the State agency which enforces Pennsylvania law
25 regarding insurance issues forces it to play a more

1 neutral role. AARP feels an independent Consumer
2 Advocate for insurance issues, directly representing
3 consumers, is a needed position in Pennsylvania.

4 AARP applauds Representative Yudichak and
5 the cosponsors of this legislation for introducing it
6 and bringing it before the House Insurance Committee.
7 We urge the committee to favorably consider this
8 legislation and send it to the full House for
9 approval.

10 Thank you again for the opportunity to be
11 here today. I'll be glad to attempt to respond to
12 any questions you may have.

13 CHAIRMAN DeLUCA: Thank you, Desiree.

14 MS. HUNG: Sure.

15 CHAIRMAN DeLUCA: Any questions?

16 You did an excellent job. Nobody wants to
17 ask you any questions.

18 MS. HUNG: I drove all this way and got lost
19 and there are no questions? I don't believe it.

20 CHAIRMAN DeLUCA: Wait a minute.

21 Representative Seip has a question. He
22 doesn't want you to feel neglected.

23 MS. HUNG: Well, thank you very much. I
24 appreciate it. I hope I can answer it for you.

25 REPRESENTATIVE SEIP: I'd just like to thank

1 you for your testimony, and I would like to ask if
2 you could expand on your insights as to the ability
3 of your membership to understand policies and
4 procedures. And I'm guessing that your membership
5 consists of people from all walks of life.

6 MS. HUNG: Yes. We represent a large range
7 of people. I think that if you would look at our
8 membership demographically, we have a membership that
9 tends to skew higher education and higher income, and
10 that would be the majority of our membership,
11 although we do have members that are challenged
12 financially and, in some cases, based on their
13 education.

14 What has concerned us is because our
15 membership skews higher, our membership is having
16 trouble understanding some of the issues and some of
17 the policies and products that they're purchasing,
18 and that's when we decided to sit up and take notice
19 and see what some other States were doing, and that
20 directed us towards House Bill 1121.

21 Now, of course I'm speaking colloquially. I
22 could certainly get you statistics and things like
23 that if you're interested. That's not a problem.
24 I'm just pulling this off the top of my head.

25 But they are concerned about that. Our

1 membership begins at age 50, and that's typically
2 when people start looking at long-term-care
3 insurance. Of course, everyone is dealing with
4 insurance issues as soon as they buy a car or buy a
5 house, et cetera, et cetera, or get a new job.

6 That's a real hot topic for our members
7 right now, especially with the legislation that
8 passed in 2007.

9 REPRESENTATIVE SEIP: The legislation
10 initially was going to consider all insurances, and
11 now we've scaled it down to just focusing on health
12 care.

13 I'm just wondering, in relationship to other
14 insurances that your membership deals with, how much
15 more of a priority or how much more difficulty do
16 they have negotiating, say, the health-care insurance
17 products as opposed to homeowners' or car insurance?

18 MS. HUNG: Do you mean in terms of
19 understanding the product itself?

20 REPRESENTATIVE SEIP: Yes.

21 MS. HUNG: This is an educated guess. I'd
22 have to say they're probably a little bit more
23 concerned about the health insurance and
24 long-term-care insurance.

25 REPRESENTATIVE SEIP: So that would pose

1 more difficulty as opposed to the other types of
2 insurance, like life insurance?

3 MS. HUNG: There are questions everywhere.
4 But because it's a newer product and they're more
5 concerned about it, it's something that they probably
6 had not considered when they were in their twenties
7 and thirties. Automobile insurance you consider
8 pretty close to when you get your driver's license.

9 REPRESENTATIVE SEIP: Thank you.

10 MS. HUNG: Thank you very much.

11 CHAIRMAN DeLUCA: Before you leave, I think
12 that opened up another avenue for me to ask a
13 question.

14 MS. HUNG: Sure.

15 CHAIRMAN DeLUCA: As far as your members
16 understanding their insurance, it's my understanding
17 that most of your insurance is sold by mail order?

18 MS. HUNG: AARP does have a division where
19 we do sell products, yes.

20 CHAIRMAN DeLUCA: You don't have any agents,
21 do you?

22 MS. HUNG: You know what? I don't work for
23 them, so I don't know. I don't believe that we do.
24 We do mass mailings.

25 CHAIRMAN DeLUCA: I guess the only real

1 thing they look at is the cost that you're putting
2 there, and probably they really don't look at all the
3 understandable insurance policies, if I had to do an
4 educated guess. Am I correct?

5 MS. HUNG: I have to be honest with you, I
6 don't understand every aspect of my own.

7 CHAIRMAN DeLUCA: Thank you for you
8 testimony today.

9 MS. HUNG: Thank you.

10 CHAIRMAN DeLUCA: The next person to testify
11 is Judy Schweich, Executive Director of the
12 Schuylkill Alliance for Health Care Access.

13 Welcome, Judy.

14 MS. SCHWEICH: Thank you, Mr. Chairman.

15 I am here to speak on behalf of the
16 advocates who assist uninsured and underinsured
17 Pennsylvanians, to encourage you and your committee
18 to consider the value of the proposal in House Bill
19 1121, which allows for the creation of an Advocate
20 position for health insurance in the Commonwealth's
21 Attorney General's Office.

22 I represent the Schuylkill Alliance for
23 Health Care Access, a private, nonprofit advocacy
24 organization in Schuylkill County that serves the
25 needs of uninsured and underinsured county residents.

1 Many of our clients come to us with
2 health-care needs and costs that far exceed their
3 ability to pay. The Alliance acts as an advocate to
4 ensure that their health-care needs are met in an
5 affordable manner and that they receive low-cost
6 quality health care that we all as Americans and
7 Pennsylvanians should be afforded.

8 I want to share with you some stories about
9 working men and women who have come to the Alliance,
10 a local advocacy group, with heart-wrenching stories
11 of inadequate treatment in health-care matters
12 because of their inability to pay for ever-increasing
13 health-care premiums.

14 In general, when workers lose their
15 employment and group coverage, many just opt to go
16 uninsured. Few can afford COBRA, even with the
17 benefits provided under the NAFTA trade act.

18 We have worked with a woman who, after 20
19 years of work, lost her employer-paid health
20 insurance due to a plant closing and was unable to
21 afford COBRA premiums. She was diagnosed with breast
22 cancer. Were it not for the efforts of an advocate,
23 she may have succumbed to the disease. The Alliance
24 was able to direct her to free programs that offered
25 her free or low-cost health care as well as support

1 to enable her to overcome this devastating health
2 setback.

3 We constantly see individuals who have
4 worked their entire lives and who, for whatever
5 reason, are now without health insurance and are
6 frustrated with searching for affordable insurance to
7 give them peace of mind and protect them in the event
8 that they have a health-care crisis. We as advocates
9 assist them with this search.

10 We have also seen recent college graduates
11 who want to remain in Pennsylvania and put their
12 education to use in our economy. However, because
13 they are unable to afford health-care premiums while
14 they search for a professional position, they either
15 leave the area or come to the Alliance to act as
16 their advocate to assist them with this problem.

17 The Alliance works with these young people
18 to find affordable health care to carry them over,
19 many times for just several months, until they are
20 able to find the position that gives them
21 professional satisfaction, and more importantly,
22 affordable health care.

23 I also want to mention that nearly
24 60 percent of the Schuylkill Alliance clients work
25 full time but are uninsured because of their

1 inability to pay health insurance premiums. As their
2 advocate, we work to secure affordable quality health
3 care, prescriptions, and case and care management to
4 enable them to continue to work and provide for their
5 families.

6 The Schuylkill Alliance advocates for the
7 uninsured and underinsured to assist them with
8 health-care problems. However, there is a need for
9 an advocate for those who have insurance but have
10 nowhere to turn in the event that they have a
11 health-insurance-related issue. An advocate of this
12 nature may be able to do for them what the Schuylkill
13 Alliance and like organizations do for the uninsured.

14 After hearing these compelling stories, I
15 hope that you consider the passage of this bill,
16 House Bill 1121, and recognize the need for the
17 creation of this advocacy position, if for no other
18 reason than to provide to your constituents and
19 fellow Pennsylvanians the right to equitable
20 treatment in health-care matters in our Commonwealth.

21 CHAIRMAN DeLUCA: Thank you, Judy.

22 Representative Seip.

23 REPRESENTATIVE SEIP: Thank you, Mr.

24 Chairman.

25 Judy, your agency's mission is mostly to

1 help secure the insurance for the uninsured, and when
2 you have to spend time advocating for the patients or
3 the consumers that you have, then that detracts from
4 your staff being able to secure coverage for other
5 people, I would guess.

6 MS. SCHWEICH: It does.

7 REPRESENTATIVE SEIP: What percentage of
8 your time should be devoted to just getting people
9 into that initial coverage? From what I understand,
10 you get people in that and initially get them covered
11 and then they move on, and then you're ready to work
12 with another family.

13 MS. SCHWEICH: That's true. What we do is
14 when people come in, we want to find health insurance
15 for them, either public or private. Many of them
16 qualify for medical assistance. Many of them qualify
17 for the adultBasic health-care program.

18 Here's the problem: It's an 18-month
19 waiting list. In order to be on the adultBasic
20 waiting list -- I mean, in order to get adultBasic,
21 you have to be uninsured for 3 months. What if
22 something happens to you in those 3 months? And
23 besides, it's estimated to be 18 months. What if
24 it's 22 months?

25 So you drop your health insurance, say, at

1 15 months and something happens. So what we do is we
2 work with a group of doctors in the county and the
3 hospitals, and they provide our people low-cost,
4 quality health care at the Medicaid fee schedule.
5 Then we work with them and get prescriptions and
6 regular care management so that now they can afford
7 the prescriptions through whatever source they're
8 taking their medication and they're not utilizing the
9 ERs, which is ending up costing all of us a lot of
10 money and contributing to the cost of the high
11 premiums.

12 Our goal is, once we get them on adultBasic,
13 they should theoretically be out the door. They're
14 on their own. We even work with them to help them
15 secure full-time employment where they can get health
16 insurance.

17 There's often that 3- to 6-month gap, and we
18 continue with them then. And when they get on the
19 adultBasic waiting list or when they get on the
20 adultBasic plan, they still don't have prescriptions.
21 Somebody who is diabetic or hypertensive, so what if
22 you have health insurance if you can't afford your
23 medication?

24 There needs to be an advocate who is going
25 to look at this. The adultBasic plan is great if

1 you're going to break your arm, but if I'm an
2 adultBasic client or member or whatever, consumer,
3 I'm probably going to be calling somebody and saying,
4 "You know what? I just had a stroke and now nobody
5 is paying for it." They'll say, "Well, you didn't
6 take care of yourself because you didn't take your
7 medicine." Guess what? I couldn't afford the \$80 or
8 \$100 a month for my high-blood-pressure medicine.

9 You need somebody in there who is going to
10 be able to do that. We can't do that for everybody.
11 We don't have the connection in the Attorney
12 General's Office. We can call a hospital and say,
13 "You know what? We have a person who is uninsured,"
14 okay? So then they make too much money to get on
15 medical assistance: "Can you work with them and get
16 them on your community-care program?"

17 They'll work with you; we'll work with you.
18 We can do it that way. And that's how we advocate,
19 and that's on a small local level. You need somebody
20 to do it on a State level because their problems far
21 exceed a lot of the people's problems that we deal
22 with.

23 So regarding time, I'd say 50 percent of the
24 time my staff should be devoted to bringing people
25 in, enrolling them, and doing regular care and case

1 management for those people who are enrolled in our
2 program.

3 Above and beyond that, they probably spend
4 another 25 to 30 percent of their time working with
5 these people who have gone beyond our program, who
6 have cycled off our program, and that's time that we
7 really could be putting into securing insurance or
8 something else for people in the area who have not
9 been reached out to by our program.

10 REPRESENTATIVE SEIP: Certainly one of the
11 biggest cost drivers, as I think most everybody
12 recognizes, is the uninsured. So if we had a
13 health-care Consumer Advocate established, that would
14 free up your staff's time to get more people covered
15 so that we could break that cycle of the uninsured
16 causing higher rates -- more people fall off and
17 become uninsured and we keep that terrible cycle
18 going.

19 MS. SCHWEICH: Absolutely. If there was
20 somebody who could advocate for them to just improve
21 the little programs that they finally do get on, they
22 won't be coming back and continuing to use us.

23 REPRESENTATIVE SEIP: Thank you.

24 Thank you, Mr. Chairman.

25 CHAIRMAN DeLUCA: Representative Pashinski.

1 REPRESENTATIVE PASHINSKI: I think that
2 Representative Seip's question just about answered it
3 all. Judy, thank you very much.

4 I was wondering, you know, what kind of
5 affordable health-care coverage you were able to find
6 for some of these folks, and you answered that by
7 saying that some of the docs are willing to provide
8 the service at Medicare rates. Those docs should
9 receive some kudos.

10 MS. SCHWEICH: I honestly feel we could not
11 do this program without the 40-plus docs in this area
12 who, instead of getting \$70 or \$80 for a cash-pay
13 office visit, are charging \$27. The Alliance pays
14 \$13.50 of the medical expenses and then the client
15 pays \$13.50. It's not a free ride. It's not like a
16 free clinic in a lot of the major cities.

17 We looked at our demographics and we looked
18 at people who say, I don't want charity care; I want
19 to pay my own. So they're paying \$13.50 to go see an
20 internist or a cardiologist or whatever, and we're
21 helping them out.

22 And then in turn we often go to the evil
23 empire of the prescription manufacturers, and you
24 know what? We're going to take advantage of their
25 free drugs. We often go to Wal-Mart and we have

1 their list of the generic drugs, because you know
2 what? Four dollars is a heck of a lot cheaper than
3 \$90 and somebody can afford it. We do that.

4 We also notice a lot of free programs. The
5 State has the breast and cervical cancer program, and
6 the first woman I spoke of? We were able to enroll
7 her in the breast and cervical cancer program. And
8 we later received a letter from her and her husband
9 thanking us for saving her life. She's now working
10 again. So that is a true success story of what an
11 advocate can do for somebody.

12 REPRESENTATIVE PASHINSKI: Well, you're
13 obviously doing a great job. Thank you very much.

14 MS. SCHWEICH: Thank you.

15 CHAIRMAN DeLUCA: Thank you, Judy. Your
16 testimony was excellent. Thank you for the job you
17 do.

18 MS. SCHWEICH: Thank you.

19 CHAIRMAN DeLUCA: The last individual to
20 testify is Joseph Hynoski. He's a small business
21 individual.

22 Joe, do you want to come up here?

23 MR. HYNOSKI: Thank you.

24 Let me start by saying that my name is
25 Joseph Hynoski, and I'm from Nanticoke. That's a

1 small community south of Wilkes-Barre.

2 I have been self-employed for many years. I
3 started in the pizza business when I was 8 years old
4 in West Nanticoke.

5 I started doing curbside service work. I don't
6 know if many of you people know what that is. That's
7 where you would be inside of the shop, a car would
8 pull up, and you would go out there and get the order
9 and come back in. And then along with many other
10 chores, there was mopping the floors, making boxes,
11 doing many different things to try to keep all the
12 customers happy.

13 I started my present place when I was about
14 19 years old, and I've been there now for about
15 45 years. I've made many pizzas in my life,
16 strombolis, and whatever you want to say.

17 Over the past, say, 15 years, I remember
18 paying 30-some dollars a month for health insurance,
19 and now I'm paying \$1,125 a month, give or take a
20 couple dollars, just for my wife and I. And with
21 that, that doesn't count the copayments for doctor's
22 visits. That does not count for the copayments for
23 medicines and all of the other things that we need
24 money for in the medical field, small things.

25 My wife is on a machine that she has to use

1 for sleeping at night. Now, for the last 9 months,
2 the health insurance paid the cost of whatever it
3 cost for the hoses and the different apparatus that
4 it takes to run the machine. Now they're telling us
5 that they're not going to pay for it anymore.

6 Obviously, it's going to cost me maybe
7 another hundred -- maybe a little less than \$100 a
8 month or more than \$100 a month. I mean, with what
9 I'm putting out now in health insurance, the
10 copayments, and all the other little medical
11 expenses, that is at least one-third of what I make
12 today.

13 It's very hard and difficult to get up in
14 the morning to go to the shop and do your best to
15 serve the public and then add up all your expenses at
16 the end of the month. And you say to yourself, my
17 goodness, you know, where am I going to get this for
18 that or where am I going to get that for this?

19 I'm saying that I'm hoping that by coming
20 down here and just speaking what little I've spoke
21 about and not having all the knowledge of what all of
22 you other people know about, what was said up here,
23 maybe my little input could be one little piece of
24 sand from me and maybe many other little pieces of
25 sand that can make a little pile that you guys can

1 take back to Harrisburg, or to even a higher level,
2 to try to help us small business guys out in any best
3 way you possibly can.

4 I'm hoping that maybe, just maybe down the
5 road that I can go to my shop, do my job, and just at
6 the end of the month say, well, wow, I just made
7 enough that I can cover all my expenses, because
8 right now, it's just very, very difficult.

9 I mean, a lot of times -- and I have a good
10 business; I have a very good business -- with all
11 that I create in that business, at the end of the
12 month, I'm still struggling. In other words, when
13 you have a business and you're going out there
14 working and you want to come home and you want to be
15 able to go here, you want to be able to go there,
16 it's less and less.

17 And I don't do much of that. It's still
18 hard for me to do all of those things, with paying
19 gasoline, with paying the insurance, everything in
20 all walks of whatever we need to exist, clothing and
21 everything. It's just very hard and difficult.

22 As I look down the road, it scares me,
23 because I really don't know what's going to happen.
24 I don't know if all of us some day are just going to
25 have nothing. I mean, if we don't just keep doing

1 something to try to bring all of our levels in this
2 whole room down to where we can all afford things,
3 we're all going to be in trouble.

4 I don't have much more to say than that.
5 Hopefully, maybe you guys can just take this
6 somewhere higher and do something that can make all
7 of our lives a little better.

8 I want to thank the committee for listening
9 to what I've had to say. And thank you,
10 Mr. Yudichak, for getting this program underway. I
11 just hope that, again, my small input would make me
12 be able to live a little bit better down the road,
13 like grandpa used to do, where he used to sit under
14 the swing, look at the grapes, and think of which one
15 he was going to eat. Where me, I have to --

16 CHAIRMAN DeLUCA: You eat the pizza.

17 MR. HYNOSKI: What I have to do is look out
18 the door and wonder if a customer is going to be able
19 to come in, if they can afford it, so that I can have
20 some of that peace to pay my health insurance.

21 Thank you again very, very much for
22 listening to me, and I appreciate being here and you
23 guys having me here.

24 CHAIRMAN DeLUCA: Joe, I want to thank you
25 on behalf of this committee for being here. You

1 certainly play a very important part, like all the
2 rest of the small business people in the Commonwealth
3 who provide most of the jobs in the Commonwealth for
4 employees out there.

5 And I just want you to know that we in
6 Harrisburg realize what's going on. We are working
7 on it. This is not a Democratic issue; it's not a
8 Republican issue. We've been working on this issue
9 bipartisanly on both sides of the aisle trying to
10 come up with solutions, which is not easy.

11 You heard in testimony before that we need
12 to drive the costs down. If we don't drive the costs
13 down, nobody is going to be able to afford health
14 care.

15 MR. HYNOSKI: Absolutely.

16 CHAIRMAN DeLUCA: I hate to say this, but
17 everybody wants to drive a Cadillac but nobody wants
18 to pay for it. And the fact is, we have all this new
19 technology coming up; that technology is very high.
20 If it's overutilized -- and that's what we're looking
21 at, some of the overutilization of some of this
22 technology. It costs money.

23 Unfortunately, health care is not only a big
24 business, but it creates a lot of jobs out there. We
25 talked about a duplication in services with the

1 Insurance Commissioner and the Consumer Advocate for
2 Insurance---

3 MR. HYNOSKI: Right.

4 CHAIRMAN DeLUCA: ---but we also need to
5 look at some of our duplication of services in some
6 of our health-care industries, too. I mean, we have
7 a lot of stand-alone clinics out there, stand-alone
8 MRI centers where it's very expensive. We're looking
9 at that.

10 MR. HYNOSKI: Right.

11 CHAIRMAN DeLUCA: This committee has been
12 working on health care for a long time, and we
13 recognize the plight of the small business people out
14 there. We're trying to address that and certainly
15 trying to address the health-care issues. Every
16 member in the House of Representatives is trying to
17 address that health-care issue because we know how
18 devastating it is, not only for small businesses but
19 people that don't even have insurance.

20 Do any other members have questions or
21 anything?

22 Representative Yudichak.

23 REPRESENTATIVE YUDICHAK: Mr. Chairman,
24 thank you again for hosting this hearing, and
25 Representative Seip for taking the lead on this

1 issue.

2 And thank you to my friend, Mr. Hynoski, who
3 is an embodiment of one of a lot of hardworking
4 people from Nanticoke to Pottsville that are
5 struggling.

6 My hometown of Nanticoke was once the proud
7 home of about 35,000 people. We're down to just
8 under 10,000 people. We lost a lot of businesses
9 along the way, many of them as a result of
10 health-care costs, with small private entrepreneurs,
11 like Joe, who are not afraid to work 12-hour days,
12 14-hour days, to provide for their family.

13 MR. HYNOSKI: Thank you.

14 REPRESENTATIVE YUDICHAK: But when costs get
15 out of their control, particularly health-care costs,
16 it makes it very difficult for them to stay in
17 business.

18 So there's not only the personal impact on
19 Joe and his family, but the impact on the rest of the
20 community and what that does to the fabric of
21 communities like Nanticoke that are losing these
22 small business men and women because of the
23 health-care costs.

24 Joe, I want to thank you. And perhaps now I
25 can tell Joe this here for the record: He has been

1 one of the best advocates for this bill. And, you
2 know, my wife always wonders why, when we get a pizza
3 from Joe's shop, that in the tomato sauce it's
4 spelled out "Lower my health-care costs."

5 MR. HYNOSKI: Correct.

6 REPRESENTATIVE YUDICHAK: Thank you, Joe.

7 MR. HYNOSKI: Thank you.

8 CHAIRMAN DeLUCA: Thank you.

9 Anyone else?

10 REPRESENTATIVE PASHINSKI: Mr. Hynoski, I
11 was hoping to sample some of the pizzas today, but
12 they weren't brought up here. Representative
13 Godshall would have sprung for the pizza.

14 REPRESENTATIVE GODSHALL: I said the same
15 thing.

16 MR. HYNOSKI: That would have been nice.

17 CHAIRMAN DeLUCA: Representative Evans.

18 REPRESENTATIVE EVANS: Being a member of the
19 House Insurance Committee, this is a very complicated
20 issue, as you know, and it's an issue that has, like
21 an engine, many moving parts.

22 And for those of us on the committee, I just
23 would like to state to you that I felt that your
24 remarks today were from the heart. You were very
25 eloquent in presenting the case that many hundreds of

1 thousands of Pennsylvanians are facing right now.

2 Many times, people will view these hearings
3 as strictly restricted for people with Ph.D.s and
4 attorneys and experts in the field, but hearing the
5 testimony from yourself is extremely powerful. I
6 want to commend you for having the guts to come
7 forward and to do this, because it's not an easy
8 thing for individuals to do with some of the
9 perception that's out there.

10 MR. HYNOSKI: Thank you very much.

11 REPRESENTATIVE EVANS: I'd just like to
12 state that we will, as Representatives, take your
13 message back with us and continue to work on this
14 very complex problem. We are certainly cognizant of
15 the issues and the struggles that you are facing
16 every day in and every day out.

17 Thank you so much.

18 MR. HYNOSKI: Thank you very much, sir.

19 CHAIRMAN DeLUCA: I want to thank you, my
20 colleagues, for making the trip up here, and thank
21 you, Representative Seip and Representative Yudichak,
22 for hosting this.

23 MR. TEMPLIN: Mr. Chairman?

24 CHAIRMAN DeLUCA: Yes, sir?

25 MR. TEMPLIN: Can I have 5 minutes to say

1 something?

2 CHAIRMAN DeLUCA: Absolutely, sir.

3 MR. TEMPLIN: My name is Christopher
4 Templin. I'm living with hemophilia.

5 As a person with hemophilia whose medication
6 alone exceeds over a million dollars a year, this
7 piece of legislation would be really good in
8 assisting me and the other 1,699 folks in the
9 Commonwealth of Pennsylvania with hemophilia.

10 I just think it's really important that
11 people with chronic conditions or people that may
12 break an arm and the insurance company doesn't want
13 to pay for it really has somebody there to fight for
14 them.

15 You know, I'm probably the only one in the
16 room -- as Representative Pashinski said -- that's
17 actually read their insurance contract. I read it
18 from top to bottom about five times, because I need
19 to make sure my medicine is covered.

20 I just think it's important that the
21 committee looks at health-care insurance. Hopefully,
22 they can get this passed.

23 Thank you for hearing me.

24 CHAIRMAN DeLUCA: Thank you very much, sir,
25 for your comments.

1 MR. TEMPLIN: You're welcome.

2 CHAIRMAN DeLUCA: I thank everybody for
3 attending. This hearing is now adjourned.

4 Thank you.

5

6 (The hearing concluded at 2:40 p.m.)

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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me on the within proceedings and that this is a correct transcript of the same.

Jean M. Davis, Reporter
Notary Public