

HOUSE COMMITTEE ON INSURANCE
PUBLIC HEARING ON HB 2455
TESTIMONY OF SHARON WARD
PENNSYLVANIA BUDGET AND POLICY CENTER
MAY 4, 2010

Chairman DeLuca, Chairman Micozzi, members of the Insurance Committee. I am here today representing the Pennsylvania Health Access Network, a coalition of 50 organizations and hundreds of individuals working for affordable health insurance. PHAN members from across the state are in the audience today to urge you to preserve insurance coverage for more than 40,000 individuals enrolled in the adultBasic program.

During the past decade, affordable health insurance has been harder to find for many Pennsylvanians. Premium costs have increased well in excess of inflation and many employers have made the difficult decision to forego health insurance coverage altogether. In fact, Pennsylvania ranks second in the nation in the number of individuals who have lost coverage through an employer since 2001, falling behind only Michigan, and running well ahead of larger states like California and New York.¹ AdultBasic has filled the gap for tens of thousands of Pennsylvanians who have lost employment-based coverage, whose employers do not offer insurance coverage, or for whom that coverage is too expensive.

According to the Pennsylvania Insurance Department 2008 survey, 8.2% of the Commonwealth's residents, more than 1 million, lacked health insurance, including 880,000 working age adults between 19 and 64², and that number has likely increased substantially as a result of the recession.

Over the past few years, the General Assembly has entertained a number of proposals to address the growth in the uninsured by expanding adultBasic and improving its benefit package. Our goal now is much more modest; please don't make matters worse by letting the program end. The General Assembly should take responsible steps to avoid adding further to the ranks of the uninsured.

The need for affordable insurance is as much a rural problem as an urban one. According to the Insurance Department survey, residents of Pennsylvania's Northeast and North Central regions have the highest proportions of residents who are uninsured, 9.6% and 9.2%, well above the state average. 20% or more of the residents of Union, McKean and Bedford counties were uninsured in 2008. 17% of residents in Potter, Wayne and Susquehanna counties were uninsured, and the share of adults without insurance was the same in Jefferson and Venango counties as in Philadelphia County.³

¹ Pennsylvania Budget and Policy Center: Pennsylvanians Lose Health Insurance Faster than the Nation, 2009.
<http://www.pennbpc.org/employer-healthcare>.

² Pennsylvania Health Access Network: A Snapshot of Pennsylvania's Uninsured, 2009.
<http://www.pahealthaccess.org/sites/pahealthaccess.org/files/Snapshot-PA-uninsured.pdf>

³ Pennsylvania Insurance Department, 2008 Pennsylvania Health Insurance Survey, page 60.
http://www.portal.state.pa.us/portal/server.pt/community/health_insurance/9189/chip_uninsured_survey_information/621124

AdultBasic is a well-established program that serves uninsured individuals in every county in the Commonwealth. In April 2010, 40,617 Pennsylvanians were enrolled in the program, including 4,197 people in Allegheny County, 1,663 in Delaware County, 1,341 in Erie County, 5,919 in Philadelphia, 1,993 in Montgomery County and 1,831 in Westmoreland County. The program reaches into Pennsylvania's smallest and most rural counties serving 38 people respectively in Forest and Sullivan Counties. (See Attachment 1).

The program enrolls only a small percentage of the total population of working age adults, just one-half percent statewide, but the share is double that in 11 counties, including Bedford, Potter, Somerset, Clearfield, Susquehanna, Sullivan, Tioga, Fayette, Jefferson, Cambria and Armstrong.

AdultBasic is an important source of insurance for people who don't qualify for other public programs. This includes childless adults without a disability, who are not eligible for Medical Assistance, and working parents once they earn 25% of federal poverty level (FPL). AdultBasic is the only public program for individuals earning between 100% and 200% of FPL, the group most likely to be uninsured.

I can quote numbers and statistics, but to understand who the program serves, just look at the people who are caring for our parents and our children, or people who are in low-wage retail jobs where affordable insurance is hard to come by. These are the people caught in between—toiling every day but unable to make enough to afford insurance for themselves. They may have pre-existing conditions that make insurance all but impossible to find and too expensive on the individual market. Pennsylvania cannot turn its back on these individuals.

Let me take just a few minutes to share some of their stories with you. (See Attachment 2).

The Community Health Reinvestment Agreements are a reasonable and valid way to fund adultBasic, and we support legislation to require annual contributions until the federal coverage expansion takes effect in January 2014. A temporary six-month extension, as has been proposed by some, will only delay the problem without resolving it. The program should not be allowed to die a slow death of attrition. Given the existing budget deficit and the expected loss of \$2.7 billion in federal Recovery Act funds in July 2011, it is almost impossible to expect that there would be any General Fund dollars available to support adultBasic.

It is not uncommon for states to levy assessments on health insurance companies; many states do so to fund high-risk pools.

The proposed assessment is set at 2.4% of premiums, exclusive of Medicaid and Medicare premiums. This is not an unfair assessment, given the value of the tax exemptions enjoyed by the non-profit companies. The property tax exemption is particularly valuable as property taxes are by far the largest share of total tax payments for most corporations.

In this debate, it is important to remember that the Community Health Reinvestment Agreements were a response to the large surpluses built up by the non-profit Blue Cross/Blue Shield insurers in the late

1990s and early 2000s. These large surpluses occurred across much of the country and were condemned by policymakers and the public at large. . You will recall that some of the biggest outcry came from Pennsylvania businesses upset over rising insurance premiums. As a result of the increase in profitability, Blues in some states sought approval to convert to for-profit operations and in several, including California, New York and Wisconsin, the assets were transferred to charitable foundations or directly to the state for health care services. At the time, Pennsylvania's approach, to assess the Blues and use the funds to subsidize insurance for adults, was considered an innovative alternative to for-profit conversions and a model for the country.⁴

The underlying issue of larger surpluses remains. Pennsylvania's Blue Cross providers are large, complex and highly profitable companies. They have continued to build reserves while paying the premium assessment required by the CHR since 2005. I draw your attention to Attachment 3, which looks at profit and surplus information for Independence Blue Cross and Highmark Blue Shield for the period 2004-2007. The Pennsylvania Budget and Policy Center compiled this information when the proposed merger between the two companies was being considered.

For example, Independence BlueCross operated 35 affiliated companies in three states. The non-profit company represents only a small share of the consolidated company earnings, for example in 2007, \$16 million of a \$172 million book of business. Net income per member per month for the non-profit company was \$14.65 in 2007, and IBC had \$1.5 billion in retained earnings on the non-profit side and a total \$1.7 billion surplus.

Highmark is a bigger company with 42 subsidiaries in several states and does a great share of business through its non-profits. Net income per member was lower than IBC but grew in 2007. Retained earnings on the non-profit side were \$3.5 billion in 2007 and \$3.9 billion for the consolidated company.

It is also important to remember that insurance companies will expand their customer base significantly as a result of federal health care reform and much of the new business will be from younger, healthier and less costly individuals. New regulations on insurance companies with respect to pre-existing conditions and rating are likely to benefit the Blues, who are currently insurers of last resort.

Expanding health insurance coverage reduces health care costs, provides stable funding for health clinics and hospitals, and most importantly, saves lives. Tens of thousands of Pennsylvanians are depending on you to preserve their health insurance coverage. HB 2455 provides a reasonable and responsible plan to do so and is fully consistent with the charitable obligations of the Commonwealth's non-profit insurers.

Thank you.

⁴ Carol Pryor and Katherine Dunham, "*The Pennsylvania Community Health Reinvestment Agreement*", Robert Wood Johnson Foundation, State Coverage initiative. August 2006.

Attachment 1

adultBasic Enrollment Contractor by County April 2010

County	Highmark	IBC	NEPA	Unison	Total
Adams	0	0	0	180	180
Allegheny	4,197	0	0	0	4,197
Armstrong	412	0	0	0	412
Beaver	676	0	0	0	676
Bedford	431	0	0	0	431
Berks	0	0	0	570	570
Blair	581	0	0	0	581
Bradford	0	0	321	0	321
Bucks	0	1,410	0	0	1,410
Butler	776	0	0	0	776
Cambria	928	0	0	0	928
Cameron	30	0	0	0	30
Carbon	0	0	294	0	294
Centre	304	0	0	0	304
Chester	0	747	0	0	747
Clarion	193	0	0	0	193
Clearfield	582	0	0	0	582
Clinton	0	0	144	0	144
Columbia	182	0	0	0	182
Crawford	429	0	0	0	429
Cumberland	0	0	0	364	364
Dauphin	0	0	0	339	339
Delaware	0	1,663	0	0	1,663
Elk	183	0	0	0	183
Erle	1,341	0	0	0	1,341
Fayette	950	0	0	0	950
Forest	38	0	0	0	38
Franklin	0	0	0	227	227
Fulton	49	0	0	0	49
Greene	176	0	0	0	176
Huntingdon	213	0	0	0	213
Indiana	482	0	0	0	482
Jefferson	292	0	0	0	292
Juniata	108	0	0	0	108
Lackawanna	0	0	656	0	656
Lancaster	0	0	0	767	767
Lawrence	505	0	0	0	505
Lebanon	0	0	0	161	161
Lehigh	0	0	0	721	721
Luzerne	0	0	1,016	0	1,016
Lycoming	0	0	311	0	311
Mckean	208	0	0	0	208
Mercer	491	0	0	0	491
Mifflin	212	0	0	0	212
Monroe	0	0	631	0	631
Montgomery	0	1,944	0	0	1,944
Montour	28	0	0	0	28
Northampton	0	0	0	435	435

adultBasic Enrollment Contractor by County
 April 2010

County	Highmark	IBC	NEPA	Unison	Total
Northumberland	342	0	0	0	342
Perry	0	0	0	105	105
Philadelphia	0	5,919	0	0	5,919
Pike	0	0	268	0	268
Potter	135	0	0	0	135
Schuylkill	403	0	0	1	404
Snyder	125	0	0	0	125
Somerset	619	0	0	0	619
Sullivan	0	0	38	0	38
Susquehanna	0	0	280	0	280
Tioga	0	0	265	0	265
Union	74	0	0	0	74
Venango	317	0	0	0	317
Warren	210	0	0	0	210
Washington	815	0	0	0	815
Wayne	0	0	276	0	276
Westmoreland	1,831	0	0	0	1,831
Wyoming	0	0	126	0	126
York	0	0	0	570	570
Total	19,868	11,683	4,626	4,440	40,617

ATTACHMENT 2:
TESTIMONIAL ON THE IMPACT OF THE ADULTBASIC PROGRAM

MARY HOLLIS

Marry Hollis, certified nurse and midwife
40 Uplinger Road #3, Brookville, PA 15825

My husband and I both have chronic medical conditions. I am a certified nurse and midwife and I started my own office in 2002. Shortly after opening my office, we applied for adultBasic. After two years on the waiting list, we were able to get onto the program. This program saved us not once, but many times. I have severe osteoarthritis, fibromyalgia and high-blood pressure. I was actually diagnosed with the high-blood pressure while on adultBasic. Before applying for adultBasic, I had looked into other options. The cheapest insurance I could find was \$500/month (which is unaffordable for us) and it would not cover any of my pre-existing conditions. I had even been hung up on by insurance agents after mentioning to them my pre-existing conditions. I was on adultBasic for two years until getting on MAWD, I honestly don't know what I would have done without it.

In 2003 I started a free clinic to give care to women in early pregnancy and to provide family planning. I use a sliding fee scale for women who do not have insurance, but have some sort of income. Teenagers and women who are uninsured can come to me to get a pap smear and to be screened for STDS. I try my best to help the community to have some type of health care.

It is crucial we have adultBasic to help those of us who would "fall through the cracks."

KATHY L DABANIAN

Kathy L. Dabanian
210 Washington Ave Apt. 905, Sellersville, PA 18960

To whom it may concern,

I am writing this to document how much the Adult Basic Health Care program has helped me. When I first was offered the chance to get the insurance it was through Doylestown Clinic. I had been going there for treatment of possible Lyme and strep in my blood. So with on going treatment they had me apply for it. I was a single mother with two boys and an ex whom is bipolar. Along with the burden of being sick I also had the stress of taking care of two young boys who were also later diagnosed with Lyme. The insurance afforded me the peace of mind that was one less burden to worry about.

I have had ongoing health issues seemingly starting from that initial problem. Headaches, joint pain and flare ups from being bitten before and after from deer ticks. The insurance allowed me to receive the much needed care that without I don't know what I would have done.

I later was diagnosed with a pre-cancerous condition of the cervix which needed an operation. Again without the Adult Basic I would not have had the proper diagnosis and would most likely have died from cervical cancer. I am happy to say that it saved my life and have been free of any

problems from that time in my life. And I go for regular check ups.

I later became a single mom given the circumstances of my situation. I work for myself house cleaning and have supported my son's with almost no support. I need to remain healthy for them and to keep things together. My ongoing health issues without the insurance and not getting treatment would have ended in possibly losing my kids and any number of scenarios.

I also have been diagnosed with fibromyalgia, osteoporosis and trigger finger in my right hand. I had the operation this past February for my thumb that was successful. Again without the insurance I would eventually not be able to use my right hand well as it was getting worse.

I could go on and on and I just want to say how much of a life saver literally Adult basic has been to me. It really made a difference in my life that otherwise I would not have been able to afford the high cost of regular insurance or been able to afford the out of pocket costs for being treated. I am an only child and have few support from immediate family nor the good fortune to have been successful in this world. But my tenacity and will along with the support from this program has gotten me through a lot of rough times and kept my family together. I would like to see more families like mine be able to also get the same benefits as I have gotten. Thank you for giving me the platform to voice my story!

Sincerely,
Kathy L. Dabanian

VIOLA SCHEURER

The story of Ms. Viola Scheurer told with her permission:

Ms. Scheurer lost her insurance after her husband's death. She came in to our health center for her primary care and was able to enroll in the Adult Basic program through our counselors here. Fortunately, Ms. Scheurer had Adult Basic at the time she presented with a small amount of blood in her urine. Without this coverage, she might not have been able to have the prompt cystoscopy exam of her bladder that showed the presence of a fairly large tumor of the bladder. A biopsy showed that the tumor was indeed cancerous. Because Ms. Scheurer had Adult Basic, she was able to obtain timely treatment of this tumor, which otherwise might have been devastating. As a woman in her early 60s with a pre-existing condition, it is difficult to imagine that she could have afforded any other coverage. Without timely treatment, she might have required far more radical surgery including removal of her bladder, might have had to wear a urine bag for the rest of her life, and might in fact have died from a cancer that is very treatable in its early stages. Although she no longer needs Adult Basic, she remains grateful to this lifesaving program for being there for her when she needed it. As her physician, I am also grateful that my patient was able to obtain timely treatment that has resulted in an excellent quality of life and has prevented needless disability and loss of life.

Cheryl Bettigole, MD, MPH
Clinical Director
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ATTACHMENT 3: PROFIT AND SURPLUS INFORMATION ON INDEPENDENCE BLUE CROSS AND HIGHMARK, 2004-2007

Net Income

Carrier	NAIC code	2004	2005	2006	2007
Independence Blue Cross	54704	\$ 22,281,822	\$ 23,355,070	\$ 29,015,495	\$ 16,055,722
Consolidated Company		\$ 165,180,000	\$ 167,485,000	\$ 210,860,000	\$ 171,716,000
Highmark	54771	\$ 213,602,279	\$ 157,092,451	\$ 132,369,822	\$ 260,446,993
Consolidated Company		\$ 310,531,000	\$ 341,597,000	\$ 398,290,000	\$ 375,362,000

Net Income per member per month for non-profit company

Carrier	NAIC code	2004	2005	2006	2007
Independence Blue Cross	54704	\$ 14.87	\$ 17.84	\$ 24.64	\$ 14.65
Highmark	54771	\$ 5.54	\$ 4.94	\$ 4.33	\$ 11.42

Total Surplus and Capital

Carrier	NAIC code	2004	2005	2006	2007
Independence Blue Cross	54704	\$ 1,038,533,882	\$ 1,186,958,463	\$ 1,411,621,077	\$ 1,490,400,742
Consolidated Company		\$ 1,284,839,000	\$ 1,428,474,000	\$ 1,664,059,000	\$ 1,748,119,000
Highmark	54771	\$ 2,544,518,310	\$ 2,844,614,732	\$ 3,206,816,929	\$ 3,483,388,033
Consolidated Company		\$ 2,825,295,000	\$ 3,141,258,000	\$ 3,608,973,000	\$ 3,977,207,000

Independence Blue Cross is a non-profit corporation that owns a variety of for-profit corporations, stock life insurance companies, and limited partnerships operating primarily in Southeastern Pennsylvania, New Jersey, and Delaware. According to consolidation plans filed with the Pennsylvania Insurance Department, Independence Blue Cross operates 35 affiliates.
https://www.highmark.com/hmk2/pdf/consolid/OrgChart_IBC_1137_001.pdf

Highmark Inc. is a non-profit corporation that owns and operates a variety of for-profit dental insurers, health insurers, life insurers, and other partnerships. According to consolidation plans filed with the Pennsylvania Insurance Department, Highmark controls or operates 42 separate subsidiaries in several states.
https://www.highmark.com/hmk2/pdf/consolid/OrgChart_HMK_1136_001.pdf

The data listed above comes from individual company filings with the PA Insurance Department and consolidated company financial statements.

My name is Kelly Amos, and I live in Williamsport, PA, born and raised there. My husband and I have 2 children, ages 8 and 4, and I have an older son who is 19 and putting himself through college. I'm here today on behalf of our family, to urge you to continue to fund the adultBasic program.

Until September 2007, our family always had health insurance through my husband's employer, Penn Recycling. He always worked hard all his life, doing heavy physical work. In June 2007, he had severe back pain and was diagnosed with two herniated disks and has been declared disabled. He was told he could no longer work. But our family depended on him, and he didn't want to lose the kids' health insurance, so he kept working until finally he had to stop. Our family was left with no health insurance.

I found a job for myself, one that came with benefits, working for STEP, and I thought our problems were solved. But then I did the math and figured out that health insurance for our family was going to cost 51% of my salary, and we wouldn't be able to pay for anything else. We got the kids onto CHIP, applied for adultBasic for my husband, and I got insurance through work for myself.

Then I was laid off too, and had to apply for adultBasic. We started this process in February 2008 and have been on the waiting list ever since. Now I'm back in college, hoping the additional training will help me get a better job with better benefits. But even with a job I'm not sure I'll be able to make enough to pay insurance premiums for the whole family. My oldest son, now too old for CHIP, pays almost \$600 a semester of his student loan money just for his own health insurance. What will private insurance cost the rest of my family?

I always hear people say, "Get a job," but I got a job, and it didn't pay enough for me to be able to insure my family. So adultBasic is our only hope right now. Please make sure that the program is going to still be there for my family.