TESTIMONY of Sandra Fox, President/Co-Chair, Western PA Coalition for Single-Payer Healthcare, www.WPaSinglePayer.org, P.O. Box 82528, Pittsburgh, PA 15218

Tuesday July 20, 2010 (verbal testimony) before the PA House Insurance Committee, William E. Anderson Library of Penn Hills, Pittsburgh, PA

Wednesday July 21, 2010 (written testimony) before the PA House Insurance Committee, William Pitt Student Union, University of Pittsburgh, Pittsburgh, PA

RE: Joint public hearing with Policy Committee on Health Insurance Rate Increases and Implementation of new Federal Healthcare Legislation

Thank you for the opportunity to testify. My name is Sandra Fox. I am a resident of Squirrel Hill, in Pittsburgh. I am self-employed and volunteer as President/Co-Chair of the Western PA Coalition for Single-Payer Healthcare. My husband and I purchase insurance directly through a Highmark conversion plan—Keystone Blue HMO-- offered to former members of the Pittsburgh Center for the Arts, before that organization gave up administering group health insurance several years ago. Our last invoice, dated 6/25/10, indicates that "The Pennsylvania Insurance Department approved a rate change that will become effective October 1, 2010. Your August statement for October coverage will reflect this rate change."

The amount of that rate increase became apparent on July 16th, when a letter was received from Highmark with a bold headline reading "THIS IS A ONE-TIME OFFER. PLEASE RESPOND BY JULY 30, 2010."

The letter opened with "Keystone Health Plan West is pleased to inform you that you can purchase prescription drug coverage as an added benefit to your Keystone Health Plan West HMO program. **This is your only opportunity to add prescription drug coverage to your Keystone program."**

Never mind that it was Highmark that stripped us of a better prescription drug benefit years before, without offering us a choice, and over the years added a deductible and raised co-pays and premiums.

So now, we have a two week window in which to decide to either pay 16% more or 35% more for coverage beginning October 1st.

So, you could say my experience has fed my passion for H.R. 676, legislation in the U.S. Congress that would create a single-payer, not-for-profit, Improved Medicare for All system of healthcare. But I also know that in our America, I am one of the lucky ones, in that I *have* health insurance and am—so far—not declaring bankruptcy.

Herein lies the moral outrage. The ability to receive health care should not be a matter of lucky circumstance. While the new Federal legislation, the Patient Protection and Affordable Care Act (PPACA), potentially opens the doorway to 30 million people in 2014, it leaves 20 million on the other side of the door.

What's more, many of the new insurance subscribers will not be able to use their health insurance, due to out-of-pocket costs for co-pays or deductibles they cannot afford to meet.

Meanwhile, in addition to the future windfall from 30 million new customers, the insurance industry is considering the following creative ways to continue their billion-dollar profits:

1) *Reduce Choice*

   A front page headline in last Sunday's NY TIMES read "Insurers Push Plans that Limit Health Choices" (July 18, 2010). Apparently, our country's biggest insurers are busy promoting plans to small businesses that offer lower premiums in exchange for tighter restrictions on who the patient can see and what hospital they can go to.

2) *Look for loopholes in the new federal law*

   PPACA requires insurers to spend 80% in the small business and individual market, and 85% in the large group market, on patient care (otherwise known as the Medical Loss Ratio). However, the wording of the new law allows for "health quality improvements" to be part of patient care, creating a loophole for insurers to reclassify certain administrative costs as patient care. According to Consumer Watchdog, a law firm representing United HealthCare sent a letter to the National Association of Insurance Commissioners (NAIC) seeking to "include whole categories of claims administration and legal costs as patient care" (Letter to Kathleen Sebelius, Secretary HHS, June 29, 2010). Evidently, the NAIC is tasked with making recommendations to Health and Human Services on implementation of the new health law.

   Meanwhile, the industry has many friends who are in charge of overseeing healthcare reform. According to Consumer Watchdog, "... top officials of the NAIC have long had revolving-door employment relationships with the insurance industry" (ibid).

   Furthermore, the Obama administration has just hired Liz Fowler to join the Office of Consumer Information and Insurance Oversight (OCIIO) at Health and Human Services (Julian Pecquet,"Top Staffer on Healthcare Reform Effort Headed to HHS," *The Hill*, July 8, 2010). In 2006 Fowler was hired as Vice President of Public Policy at Wellpoint before

she left to help draft the new healthcare bill as chief health counsel to Finance Committee Chairman Senator Max Baucus. Once again, we have a case of the "fox guarding the hen house." Would we consider hiring Don Blankenship to become the next director of the Occupational Safety and Health Administration?

Because of the vague wording in what constitutes "patient care" and the lack of enforcement power in the law, we can expect the industry to offer little change in their degree of transparency and the continued spending of billions of our premium dollars on marketing, claims denials, lobbying, and executive compensation.

3) *Increase Premiums*

PPACA does not prevent insurance companies from engaging in double-digit increases in premiums. While insurers are required to post justifications for rate hikes on their website, neither the state nor the federal government is granted enforcement power to say "no."

So, what do we propose the state insurance committee do? These are our recommendations:

1) Support the passage of single-payer legislation in the State--HB 1660 in the House, SB 400 in the Senate--entitled the "Family and Business Healthcare Security Act."

2) Support the funding for an Economic Feasibility Study for HB 1660/SB 400.

3) Support the federal single-payer Improved Medicare for All bill in the U.S. House, H.R. 676, which would save an annual $400 billion in administrative cost and profit and redirect those funds to improve Medicare and expand it to everyone.

4) Introduce legislation in the State House to give enforcement power to the Insurance Commissioner to:

    a) demand real transparency in the expenses of the insurance industry;

    b) to require insurance companies to notify its subscribers of proposed rate increases;

    c) to require public hearings to review all proposed rate hikes;

    d) to deny rate increases;

e) to end the discriminatory practice of medical underwriting in advance of the 2014 date in PPACA;

f) to make cherry picking illegal;

g) to require a much lower administrative overhead than the 15 – 20% allowed under federal law and closer to Medicare's administrative overhead of 3 – 4%, and to make the administrative overhead consistent across individual, small, and large groups;

h) to conduct audits of insurance companies to check for compliance;

i) to levy hefty fines against insurance companies out of compliance with new regulations;

j) to require citizen representation, with no ties to the insurance industry, on an oversight review board that has decision-making power within the Office of the Insurance Commissioner;

k) to disallow employment within the Office of the Insurance Commissioner of any one with past or present ties to the insurance industry, which would represent a conflict of interest;

l) to increase funding to the Office of the Insurance Commissioner to allow for adequate oversight of the insurance industry and enforcement of violations.

Joel Ario, the PA Insurance Commissioner, acknowledged in June that his Office and that of Health and Human Services, have "no teeth" when it comes to regulation and enforcement of the insurance industry, and that all either office can do under current state and new federal legislation is to "shine a public spotlight" on the wrongdoing (Panel Discussion: "Health Insurance Oversight in the Post-Reform World," Center for American Progress, June 25, 2010, Washington, D.C.). That is a tragic state of affairs and one I hope you will do your part to correct.

Thank you, again, for the opportunity to speak at this hearing.

Respectively submitted,

Sandra Fox, President/Co-Chair, Western PA Coalition for Single-Payer Healthcare