



**Pediatric
Ophthalmology
& Adult Strabismus**
Pittsburgh, Pennsylvania

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The Honorable Anthony M. DeLuca
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Public Hearing on Highmark Rate Increases

Dear Representative DeLuca,

I want to thank you for sponsoring the upcoming public hearing on Highmark Rate Increases in Penn Hills on July 20, 2010. Unfortunately, I have a full patient schedule for that morning and will be unable to attend. However, health insurance is an issue that is nearly putting my medical practice out of business. I wanted to submit written testimony and some hard numbers for your review.

I am a member of a small pediatric ophthalmology practice with office locations in Cranberry Twp, Murrysville, and Washington, PA. We have 24 full time employees, as well as a few part time employees. We have always offered health insurance to our employees (and excellent coverage at that) as well as a pension plan, vacation, etc and other nice benefits. We have strived to be a good western Pennsylvania small business owner/employer.

However, over the last 5 years, our insurance premiums that we pay on our employee's behalf have skyrocketed. Please see the attached rates. In 2006, we had UPMC insurance. Their rate schedule in 2006 skyrocketed 40% and so we switched to Highmark in July 2007, as that was only a 14% increase. The next year, we received a 36% rate increase from Highmark. The year after, a 47%

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increase. We currently pay \$675 per employee per month (\$2026 per family per month) to cover health insurance for our employees. If you multiply out the 19 employees who choose our insurance x \$675 /month + 2 employees with family coverage at \$2026/month, you will note that our MONTHLY insurance bill from Highmark was \$16,877! ZOINKS! Sure enough, our July, 2010 renewal rates were well into the 700s/month/per employee.

Furthermore, this year Highmark delayed releasing their rates for at least a month. New rate schedules are usually issued in April; it wasn't until early to mid May that we received our "new" rate for July, 2010. Highmark had a deadline of approximately June 5 (per our broker) to decide what we were going to do. This is a huge decision and they really tied our hands as long as possible.

During this last several year time period, it should also be recognized that we not only PAY Highmark to insure ourselves/employees, but we also GET PAID by Highmark for examining patients. During the last 2 years (36% and 47% increases in our insurance bills we owed Highmark), our reimbursement FROM Highmark was FLAT. Periodically over the last 4 years they have raised reimbursement a tiny amount (in 2007, we were reimbursed \$148 for a new patient full exam from Highmark; in 2010, we are reimbursed \$150. Therefore, over the last 3 years, our rates we PAY to Highmark have increased \$335 per employee per month. During that same period, our reimbursement FROM Highmark has gone up a whopping \$2. Hmmm.

My conclusion from that (since we see both sides of the Highmark equation) both as Payees and Payors, is that the "helping blue hand" at Highmark is charging Pennsylvanians much more money and paying out the same.

The lack of transparency is somewhat frustrating. We have been told by 3 different insurance brokers that our insurance rates are some of the highest that any of them have seen in western PA. Originally, our Highmark representative told us that our rates were so high because we had a high percentage of our employees that were female and in their "reproductive" years. We were told this for several years. Our rates were concerning enough to us that the thought of selectively hiring "non-reproductive" employees was tempting, but we thought that would have been discriminatory. Finally, this year, we hired another broker who delved a little further and found that it was the "illnesses of a few employees" that were driving our mercilessly high rates. We have one employee with

metastatic breast cancer and one with diabetes and evidently these 2 illnesses (we think) are driving our rates to the ceiling. I say that "we think" because we really DON'T KNOW. Highmark has never told us exactly why our rates are so high or given us any wellness opportunity to try to lower them.

It may also be hearsay, but 2 insurance brokers independently noted that it seemed like "medical offices" had artificially high insurance rates across the board. I have absolutely no proof on that, but it would be worth researching. What is not hearsay is that Highmark and UPMC charge us much more to be insured than they do their own institutions, but reimburse us at a much lower rate than they do their own institutions. The same pediatric eye exam done on the exact same child is reimbursed by Highmark and UPMC at a lower rate to us than if the same exam is done at the Children's Hospital Eye Department, even though our group doctors have many more years in practice, have academic appointments at Children's Hospital and teach the same residents as do the eye doctors at Children's Hospital.

Since most of our employees have kids, and some of the other insurance carriers do not have Children's Hospital in their network, our choices for insurance for our employees is somewhat limited.

In summary, I want to press home the following points:

1. Our rates to insure our employees though Highmark have gone through the roof, not just this year, but have skyrocketed for the last 5 years running.
2. During that same time period, our reimbursement FROM Highmark has only gone up \$2. We have tried to negotiate with Highmark for higher reimbursement, but have been told by our provider reps that they no longer negotiate with small groups and the rate we are reimbursed at is the rate it is going to be, take it or leave it. Since Highmark controls approximately 50% of our insurance population in our practice, we shut up and take it. When we cause enough of a ruckus, a time consuming billing audit from them usually quickly follows.
3. We have reached our breaking point and are now asking our employees to swallow a much larger portion of their healthcare bill by increasing deductibles to really high levels. We are ultimately strongly considering "dropping" healthcare coverage altogether.
4. During that same time period, we have been overrun by our patients (who themselves have had to swallow much higher deductibles and copays) who

are clamoring for "deals" and "discounts" for their healthcare. That would seem like an interesting outcome, but it should be remembered that negotiating charges with patients is technically illegal in medical offices that accept Medicare (which is most of us). I was under the understanding that the one-price policy is there to prevent discriminatory charging. If I accept Medicare, I must charge all patients the same. However, 99% of patients do NOT understand that, and it leads to a lot of confrontation. I did not make up the rule; I just try to abide by it.

5. Highmark gave very little time to make a decision this year, since they used their lawsuit as a reason to delay publishing their rates for the upcoming insurance renewal year.
6. Highmark, nor any other insurer, offers NO transparency in how they set our rates and therefore, there is no opportunity for us to try to obtain better utilization or to try to reduce our rates, since we don't know what health issues we are being penalized for
7. It seems that one or two ill employees DRIVES the rate for our entire company (which snowballs per employee, per month, per year). I doubt very much that your salary is affected by your secretary's health. Mine is profoundly affected by it.
8. There is clearly a disparity in how Highmark sets the rates it charges for insurance and the rates it pays out to physicians. There should be more transparency in that. If large institutions offer "economies of scale", why are they reimbursed at a higher rate?

I very much appreciate your office delving further into this subject. I would be more than happy to discuss these issues further and will be happy to provide any data I can. I am sorry I cannot attend the public hearing in person.

Very truly yours,



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Pediatric Ophthalmology & Strabismus, Inc.
 Health Insurance Rates (Monthly, PER employee)

Highmark Rates - 2009 (2 Options)

	PPO Blue Enhanced	PPO Blue \$1,000 deductible
Single employee	\$675.55	\$567.08
Employee & Children	\$1,351.10	\$1,134.16
Employee & Spouse	\$1,857.77	\$1,559.48
Family	\$2,026.66	\$1,701.24

Highmark Rates - 2008 (Only 1 option offered)

	PPO Blue Enhanced
Single employee	\$459.85
Employee & Children	\$919.70
Employee & Spouse	\$1,264.59
Family	\$1,379.55

+ 47%

Highmark Rates - 2007 (Only 1 option offered)

	PPO Blue Enhanced
Single employee	\$338.19
Employee & Children	\$676.39
Employee & Spouse	\$930.04
Family	\$1,014.57

+ 36%

Had UPMC in 2006 - (Only 1 option - no deductible)

		To renew it would have cost in 2007:
Single employee	\$296.36	\$413.50
Employee & Children	\$590.72	\$827.00
Employee & Spouse	\$812.24	\$1,137.13
Family	\$885.05	\$1,240.50

+ 14%

40% increase with UPMC, so we switched to Highmark in 2007