

**Representative Tony DeLuca, Chair Pennsylvania House Insurance Committee
Members of the House Policy Committee
Members of the House Insurance Committee**

Representative DeLuca and Committee Members:

The following are my comments for purposes of the hearings held in connection with Highmark's treatment of it's "small group" insureds and specifically those affected within the Allegheny County Bar Association group health insurance plan.

Our small law firm of 4 attorneys was a Blue Cross Blue Shield (now Highmark) subscriber through the Allegheny County Bar Association group plan for perhaps 50 or more years. With brief hiatus for college and law school and a 2 ½ year period when I was insured with Blue Cross of Ohio, I believe I was insured with Blue Cross since I was born in 1946.

In common with many employers, particularly small employers, we had watched in dismay at the escalating cost of providing health insurance to our employees. But we kept offering it, even when our rates went up 19% last year, because it is very important to all of us.

I am no longer a Highmark insured, and our law firm was forced to discontinue its group coverage because of the outrageous increases imposed by the new Highmark for profit subsidiary.

The rates offered to us were \$992.55 a month per employee, not including dental or vision coverage for single coverage and if an employee needed to cover his or her spouse, the rate was \$2729.53 a month. That's without covering children, so for some reason adding a spouse without children and regardless of the age or gender of the spouse, spousal coverage almost triples the cost. We have inquired why this was so on many prior occasions and were told only that this was so.

About 9 months earlier, we received a notice from the Bar's Endorsed Insurance Agency, USI Affinity, that Highmark Blue Cross Blue Shield would no longer be providing the coverage programs that the ACBA and other Small Group plans currently provide. This was a decision made by Highmark, not by the Association. USI Affinity's Notice stated:

"Their subsidiary, Highmark Health Insurance Company will provide a wide range of PPO Blue and Vision products that are identical or similar to your existing coverage."

There is nothing you need to do now. We will be providing you with further detailed information to assist and educate you on this transaction once we receive the renewal rates in April/May of this year."

I asked our Office Administrator to call USI and Highmark and find out more about this change in the entity that was going to be offering the health insurance products. We learned that the company that would be providing coverage had previously been a "not for profit" company, but would now be a "for profit" company. We were told that the change was made to make rates more competitive. The rates would probably not go down but increases might not be as high each year.

And then we received notice of our 54.8% increase! Further inquiries revealed that our "group", which is not the Bar Association, but our little office "group" (we have only 5 people in it), received an increase that was much more than average. I have been told that the average across the Bar Association was 26%. I understand that the highest increase was 89% given to one firm.

The foregoing raises two major questions: First, how could there be such variation between firms? And how could the average increases be so large as 26% in any event, especially after a 19% raise the prior year?

Inquiry at USI and a close examination of the written information on the plan changes indicated that Highmark takes into account not only the age of the group but also gender and "predictive modeling where procedure codes are reviewed to anticipate a groups future medical costs."

So what Highmark is doing is combing all of our private medical records to see how much they might have to pay in the future. In other words, they are medically underwriting the group plans.

However, the FAQs sent out by Highmark with the renewal contains the following question-and-answer:

"Q. Does Highmark Health Insurance Company "medically" underwrite each group?

A. No, highmark does not medically underwrite their group health plans. Their method of rating is done demographically. That is they look at the following items to determine rates for your office/group; ages, gender, location, size of group, contract type, SIC code (Standard Industry Code) and Predictive Modeling where procedure codes are reviewed to anticipate a groups future medical costs." (Emphases inserted)

It seems obvious that reviewing procedure codes of each insured in order to calculate the rates so that Highmark makes a good profit is medical underwriting, Yet they say emphatically "No."

Wikipedia defines medical underwriting as follows:

“Medical underwriting is an insurance term referring to the use of medical or health status information in the evaluation of an applicant for coverage (typically for life or health insurance). As part of the underwriting process, health information may be used in making two related decisions: whether to offer or deny coverage; and what premium rate to set for the policy.”

But it’s their policy. Perhaps they can make their words mean what they want.

Perhaps the story is only about our ACBA Health Insurance Plan.

But in fact the announcement says the change is for the other Small Group plans as well, and USI advises that the kinds of increases we saw in the Bar plan are reflected also in other Association groups such as the Allegheny County Medical Society. And the Medical Society confirmed that indeed they have seen the same kind of huge increases.

And the worst increases occurred in the small practices and sole medical and legal offices. And small means not powerful.

And the Bar plan is small by comparison—just a few thousand lives. . . The small group plans as a whole are much larger, in the neighborhood of 270,000. By going to a subsidiary that is turned into a for profit company, not only can medical underwriting make the plans more profitable for the insurer, but any caps on the weighting that is given to the ages of the insureds are apparently also removed. This enables the insurer to “shed” the higher risk insureds—not by dropping them or withdrawing coverage directly, but by increasing the premiums until they go away. And if they stick around and are willing to stay at any price, so much the better!

Perhaps Highmark and other insurers will blame the cost increases on health Care Reform. But the health insurers were at the table and agreed to the legislation. There would be more insureds and more premiums and the American taxpayer would pay more to help provide insurance for more people. Clearly a worthy, though expensive, goal.

We didn’t think, however, or at least I didn’t think that the already insureds were going to pay 25% or 50% or 89% more on top of the added taxes to expand those who were going to be insured who weren’t before.

By the beginning of 2014, guaranteed issue of health insurance will be required and the health insurance exchange that has been talked about is supposed to be established. Pre-existing condition exclusions will then be prohibited.

How many more people will lose their health insurance coverage in the meantime because of these unaffordable increases?

How can it be that the cost of covering your spouse is 1.8 times the cost of covering an employee, regardless of age and without coverage for children? Clearly, there are no effective restraints on their pricing policies.

Highmark has turned our Bar Health Insurance Program into a Cadillac plan. Sadly, it is a discontinued Oldsmobile plan with a Cadillac price.

Being forced out of our group by the rate increases, our employees have applied for guaranteed issue policies. They are much cheaper than our new "group" rates. The High Deductible Plan costs \$582.15 a month, but subjects the employee to a \$1200 deductible and 20% copayment of up to \$1500. Still, that is what we did. This can be paired with a Health Savings Account, and once we add in a contribution to help (but not eliminate) these copayments, the total cost to us per month goes to \$807.15. With an individual policy, the rate for a husband and wife is twice the rate as for one, rather than 2.8 times the rate for one in the group plan.

But these rates are only good until January 1, 2011. What will Highmark do to the rates then to increase their profits?

As for me, I was lucky. My wife took a job working as an Official Court Reporter for Beaver County, so she and I are now covered under their group health plan. As a government employee, we are much better off.

But I know there are many who will not be so lucky, and if our Legislature does not take any steps to curtail these practices, we will have even more uninsureds by the time the rules of the game have changed.

Respectfully submitted,

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