BEFORE THE PENNSYLVANIA HOUSE
INSURANCE COMMITTEE

Testimony of

TITUS NORTH
DEPUTY EXECUTIVE DIRECTOR
CITIZEN POWER

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Citizen Power, Inc.
2121 Murray Avenue
Pittsburgh, PA 15217
(412) 421-6072
Fax: (412) 421-6162
Email: north@citizenpower.com

Thank you for the opportunity to testify. My name is Titus North and I am the deputy executive director of Citizen Power, a regional consumer advocacy and environmental organization headquartered in Pittsburgh. As part of our mission we work towards the establishment of a single-payer healthcare system that will provide affordable healthcare to every American.

We all have heard reports on how health care costs are rising fast. Consumer price data from the Bureau of Labor Statistics indicates that while overall consumer prices rose by 28% between January 2000 and January 2010, the medical component of the consumer price index rose by 49%. This comes as no surprise, as it has been well known for quite some time that health care costs have been rising faster than overall inflation, and indeed faster than any other major expense faced by families with the exception of college tuitions. However, this 49% rise in the CPI's medical component over the course of a decade amounts to some 4.1% increase per year (remember, these increases compound over time), and this might actually come as a surprise to many Pennsylvanians, seeing that the premiums they are paying for their health insurance policies seem to be rising year after year at a lot more than 4%.

For instance, Highmark Blue Shield (Central Region) hiked the rates for its Direct Pay Medically Underwritten PPO Plans by 14.3% in October 2008, by another 10% a year later, and is now requesting a 15.6% increase again this October. This impacts some 8900 policy holders in Pennsylvania. When you compound these increases you wind up with a 45.3% increase -- not spread over a decade but in just three years. Remember that it took ten years for the overall CPI to climb by 28%. So not only is the medical component of the CPI rising considerably faster than the overall CPI but many Pennsylvania customers of Highmark are seeing their health insurance bills rise even faster. And there are plenty of other indications that health insurance consumers across Pennsylvania are seeing their insurance bills rise faster than the medical component of the CPI would indicate.

In its western region, Highmark hiked the rates for its CompleteCare Program by 9% on October 1, 2007, by 13% a year later, and by 7.9% in 2009, resulting in a 32.9% increase over just three years. These hikes impact over 25,000 policy holders for this product.

Another 8,200 Pennsylvania contract holders are being impacted by the successive rate hikes being sought by Keystone Health Plan West for its Individual HMO Plan. After a 9.0% hike in 2007, a 2.2% hike in 2008, and a 10% hike in 2009 (when they actually requested a 20.2% hike), the company is seeking an 8.5% hike this year. That represents a 33% increase over four years. Again, this is greater than a whole decade's worth of increases for the overall CPI.

I want to be clear that I am not trying to cherry-pick the data. What I am reporting are typical of the rate filings that are disclosed via the SERFF database available on the Pennsylvania Insurance Department's website. To continue with Highmark, SERFF listed some

20 Medicare supplemental insurance plans such as Medigap Blue with about 120,000 subscribers that had all been approved by the Insurance Department for rate hikes of 9.9%. This is not to say that the Insurance Department simply rubberstamped Highmark's rate increase requests. In almost all these cases Highmark had requested rate hikes significantly higher that 9.9%, sometimes double or even triple that figure. Apparently the Insurance Department felt that in the midst of the financial crisis, rate increases had to be held to single digits. Still, for these 120,000 Pennsylvania seniors, whose Social Security is linked to the CPI and who in many cases had just taken a major hit on their 401(k)s, the 9.9% increase was quite unwelcome. Especially since Highmark had just hiked its rates for most of these products around 8% the year before.

Also, it is not only the Blues who are hiking their rates. Aetna's Individual Advantage HMO plans, which are subscribed to by more than 20,000 Pennsylvanians, saw an average 9.7% rate hike in October 2009, this following rate increases of 19% the previous year. Conseco Senior Health Insurance Company has had back to back 20% rate hikes approved for its Long-term care insurance products. Also, RiverSource Life Insurance Company received a 15% rate hike in 2008 for its long-term care products subscribed to by over 5000 Pennsylvanians and then another 10% increase in 2009. The list goes on and on.

Of course, over time the contents of policies change, with some procedures that were formerly not covered becoming covered, et cetera. However, these changes are minimal and incremental and cannot explain the large jumps in premiums year after year. Some of the increases may be due to higher prices paid by the insurers to health care providers and pharmaceutical companies. Still, this could only account for a portion of the rate increases, and to the extent that such higher costs are driving up premiums, it begs the question why we don't move towards a single-payer system whereby a government-run insurance system could utilize its purchasing power to contain costs. The fact of the matter is that we all see massive excesses on the part of these insurers, whether it is in the form of executive compensation or advertizing oversaturation in markets where their corporate names are only too well known. Frankly, judging by the loss ratios of the various products and the profit lines of the health insurance corporations, it is hard to understand why this upward spiral in premiums is allowed

Finally, I would like to make a recommendation regarding disclosure of information over the SERFF system. The posting of these filings is of huge benefit to anyone interested in monitoring the interactions between the Department and the insurance companies. Open government is crucial to democracy, and any citizen should be able to appoint him or herself as a watchdog. However, there is a lack of consistency in the way the filings are posted that makes it tedious to locate the information one seeks. Key data fields such as "product name" and "rate impact" are all too often left blank or filled in with generic terms. Pertinent information such as loss ratios, if included at all, is buried in unsearchable image documents attached to the filings. By increasing standardization in the way the filings are posted, it would make these records more user friendly to the public and to the General Assembly. It would also help everyone concerned keep better track of overall trends, individual products, and the success or lack thereof of the

Department in regulating the industry. In addition to standardization, I would like to suggest that not just approved filings but also disapproved filings be posted on the SERFF system. It is clear from reviewing approved filings that a good many of them were initially disapproved by the Department and then later approved after being modified. However, at least some disapproved filings are never approved and therefore not included in the Department's on-line database. Including disapproved filings afford the public a more comprehensive view of the interaction between the Department and the industry and would show just where the Department draws the line with regards to rate hikes.

The point is that the current trend is unsustainable. Medical bankruptcies already account for half of personal bankruptcies in this country. With unemployment at its highest level in decades and so many people under water in their mortgages, there is no longer any slack in the household finances of so many Pennsylvanians. Each additional rate hike can only result in an increase in the already record number of uninsured people. While the Patient Protection and Affordable Care Act is being touted as landmark legislation that will dramatically reduce the rolls of the uninsured, this prediction is premised on people being able to afford to purchase insurance from existing companies in exchanges regulated by the states. However, the current state of affairs in which the Insurance Department is unable to rein in premium hikes to a manageable level does not bode well for this prediction.

For the Committee the questions is: what can be done to improve the situation? It is my understanding that the Patient Protection and Affordable Care Act allows states to establish more stringent loss ratio standards than those set by the federal government. It seems to me that it would be in the interest of Pennsylvanians if the state did so and provided the Insurance Department with the regulatory resources, the legislative authority, and the political direction to see to it that insurance companies not be allowed to continue to game the system to the detriment of policy holders. While I fear that that Patient Protection and Affordable Care Act will prove to be insufficient to keep Americans from sinking in a rising tide of health insurance rate hikes, the Assembly can take action to throw Pennsylvania consumers a life raft until the time when Congress rectifies the mistakes it made in the recent health care battle.

Thank you.