

TESTIMONY

Tom Link

President

Pennsylvania Association of Health Underwriters

REAUTHORIZATION OF THE PENNSYLVANIA HEALTH COST CARE

CONTAINMENT COUNCIL

House Insurance Committee

Harrisburg, PA

April 23, 2003

Good afternoon Mr. Chairmen and members of the House Insurance Committee. Thank you for granting me this opportunity to testify before this committee.

For the record, my name is Tom Link. I am a licensed insurance producer from Blair County. More relevant to my testimony is the fact that I serve as President of the Pennsylvania Association of Health Underwriters (PAHU). PAHU is an association made up of insurance agents and brokers who specialize in health insurance and employee benefits.

I have over two decades of insurance experience and have worked both for a hospital owned PPO network and for an independent insurance agency.

What does this mean in the context of a hearing on the re-authorization of the PA Health Cost Care Containment Council? As part of a distribution system, I try to be keenly aware of changes in the marketplace when it comes to the quality of health care. My clients are primarily small business people with employer groups of less than fifty employees. Although these days employers are especially worried about price, the underlying concern is the quality of the health care their employees will receive.

Workers and their families need to be able to make comparisons when they shop for medical care. (Of course another question is whether or not they should shop around. The answer to that one is absolutely yes!)

Not all health care is the same and too often, consumers and patients assume that the quality of care will always be at the same high level. Part of that is tied into a patient expectation and trust of their medical provider to always do the best they can. In Pennsylvania, doctors and hospitals certainly try. When there are mistakes, it becomes a matter of possible medical malpractice.

I know that transparency of doctors medical malpractice records have been the subject of legislation introduced to allow consumers the ability to preview a doctor's medical malpractice record by way of the Internet. PAHU generally supports this approach so long as it focuses on cases that are formally resolved within the judicial system rather than a broader view that includes accusation as well as adjudication. A doctor should not be penalized in the public eye just upon an accusation. Still, thankfully, medical malpractice is not the topic of this hearing. I imagine you are thankful of that as well.

Rather, I am here to endorse the re-authorization of the PA Health Care Cost Containment Council. PHC4 provides a useful service to residents and businesses in the Commonwealth who:

- want to compare specific hospitals as to results of various treatments
- want to review which HMOs have the lowest complaint ratio
- want to analyze relative cost/quality issues when adding a hospital to their network or contracting for a self insured benefit plan.
- want potentially costly mandated benefits to be analyzed before being adopted

Comparing Treatment by Hospital Providers

First of all, put yourself in the patient's shoes. It is a little like someone who was in an accident and must get his or her car repaired. Which body shop do I go to? Most people do not have a clue until they have been through the experience. Often times, it is word of mouth. Often, it is look through the telephone book or it's which garage is closest to my house or place of business. Sometimes, you go to the right service center and things work out. Sometimes you don't.

Repairing a car is a lot like repairing your body except that the stakes are a lot higher. When it comes to restoring your health, there is no room for mechanical error. The patient must be as certain as possible that this hospital is THE place to go to. All hospitals it seems put up billboards to convince people that they have the best doctors and the best technology.

Consumers can choose billboards, word of mouth (that might be a testimonial about some other procedure than the one they want), or location. Personally, I would rather go to a place where real outcome data is compared. Judgements about quality should be based on fact. PHC4 provides this factual information. To me, consumers researching a hospital using the PHC4 data are smart consumers. All hospitals may try to be the best they can be...But, show me the data.

Personally, I have used PHC4 reports comparing hospitals for almost as long as the PA Health Care Cost Containment Council has existed. It helps me know the strengths and weaknesses of the hospitals I may have represented. From my standpoint as a licensed insurance producer, it also helps me educate consumers as to their need to be careful shoppers. It also provides hospitals with an important self-diagnostic tool. Hospitals trying to improve the quality of care can see in black and white where they have excelled and where there is work to be done. While the hospitals complain that the data may have inaccuracies, (usually in areas wherein they are less than proficient) it is as inaccurate regarding any one facility as another and therefore relevant to consumers and insurers alike.

Comparing HMOs

A second purpose of PHC4 is its comparisons of HMOs. Recently, the PA Health Care Cost Containment Council issued its second annual comparison of HMOs. I know that this has been a goal of some legislators for many years. Why is this important?

From a consumer's point of view, I may not understand the medical terminology. I will understand the numbers of complaints. I will choose the HMO where the numbers of complaints are fewer. Businesses will as well. Despite the crushing cost of steadily rising health premiums, businesses want HMOs with fewer complaints because they want a workforce that will receive good health treatment. They also do not want to be blamed by their workers if the HMO they picked turns out to have terrible claims service.

The PA Health Cost Care Containment Council gives them that tool to make informed comparisons. As an insurance producer, I find the report useful too in recommending which plan my customers choose.

Understand that the reports are not opinion. They are based on fact. A formal complaint is a formal complaint. Going to one HMO versus another should not be based on hearsay. Other people who have been there may be helpful but I find aggregate data more useful.

Even if my neighbor down the street had a good experience does not make an HMO good for me. I'd hate to be the rebuttal to his good experience. Instead, show me the data.

Cost/Quality Analysis

When working with the PPO network for 14 years, part of my responsibility was to negotiate contracts with providers including hospitals. PHC4 reports were an indispensable tool for that purpose. They provide information about such items as average length of stay, re-admission rates, mortality, average charge per discharge etc. both by diagnostic related group (DRG) and overall. Using this data, a network can make a determination **IF** they want to bring this provider into their network and if so, at what reimbursement level they can contract and still offer a competitive price to their customers. In the early 90's, we needed to expand our network into a neighboring county, using PHC4 data.

According to PHC4 reports, the overall quality of the two hospitals in the community very comparable. On the other hand, the average charge per discharge on a case adjusted basis showed a 30% difference so clearly, we would have needed to achieve a 30% discount at one facility in order to get to par with the other. In order to offer an affordable health plan to our clients, our direction was clear.

In another case, we were looking at specific DRG's and found that a small facility had a 42% c-section rate while the norm was around 20%. The indication there was that we either not bring that physician into the network (there was only one OBGYN practicing there) or we needed to really scrutinize his practice pattern which would inevitably mean that we would be the "BIG BAD" health plan getting between the doctor and patient.

From a network or self insured employer perspective, I find that PHC4 provides the only source of unbiased information available. I would caution though that for such purposes, the "boutique reports " are not of as significant a value because it is impossible to contract with a facility for selected services such as maternity cases or by pass surgeries. A comprehensive analysis of a facility is very important to employers in Pennsylvania.

The Cost of Mandated Benefits

The fourth reason PAHU supports reauthorization of PHC4 is its role in keeping the total costs down within the health system. I refer to its analysis of mandated health benefits. Legislators are in a tough spot. Someone wants a mandated benefit to be included in all health insurance. Sometimes, the coverage is not available. But sometimes it is if the consumer pays extra for it.

To re-phase it, legislators will be asked to mandate certain benefits that people may not want to pay extra for. Please understand that my skepticism of mandated benefits has nothing to do with the mandate itself. The desired mandate would doubtless be good for some people. It is not the benefit at issue. It is the cost.

Mandated benefits mean greater utilization of health insurance. Like it or not, that adds costs to the system. Particularly in today's market with double-digit increases in health premiums, a mandated benefit or a combination of these mandates may drive up the cost of health insurance to the point where the employer can no longer pay for it.

Or, the employer may have to ask the employees to share in the cost of health insurance to the point where they cannot afford it. The result is several painful choices:

- The business can bite the bullet and continue to pay the escalating cost. This scenario could result in layoffs, postponing new hires or a hike in price for the product or services provided by that employer. Most of the time, the latter is not an option.
- The business can pass the cost on to the employee and the employee drops coverage. This poses two risks. First, if the number of enrollees sink below a certain percent, the group is lost because an insurer needs a minimum enrollment to make the plan work. Second, the individual employee is uninsured and becomes a burden to the state or part of hospitals' uncompensated care through the emergency room.
- The business can try to switch to an ERISA plan. In this scenario, the business goes to a federally-regulated plan with fewer mandated benefits.
-

The result is that some workers are covered by a system that is not accountable to the PA Insurance Department. Insurance is supposed to be regulated by the states but the climate has been drifting towards federal control when businesses decide that state mandates are too costly.

What does this have to do with the PA Health Care Cost Containment Council? Simply put, it is hard for legislators to say no to mandates because of political pressure. If you say no to a mandated benefit, you are portrayed as that you are heartless legislators who don't care. Who wants to be beat up in the next election by those who are cancer survivors or by children's advocates? No one wants that. But legislators are vulnerable.

PHC4 comes into the picture because it provides analysis of mandated benefits to determine what the impact would be on the system. Would it drive up premiums, and if so, by how much? Is the desired mandate actually available now if the affected population wishes to pay for it? This analysis is important to the survival of the health insurance market in Pennsylvania. Who doesn't want more coverage if some one else is paying for it? It is also important to you in that you need to be insulated from political pressures when these types of decisions are made. PHC4 provides a needed time to carefully consider a mandate. Many mandates are slowed. Some are rejected. Some, like the mandated benefit for insulin supplies, are endorsed by PHC4. Some mandates like mental health parity (Act 150) were passed by the General Assembly even while the issue was being reviewed by PHC4.

Still, without PHC4's constructive review, PA would have many more mandated benefits and a costlier health insurance system. Premiums are considered by most Pennsylvanians to be too high already. We don't want to follow the paths taken by other states where they have mandated health insurance premiums out of reach for large portions of their populations and driven insurance carriers out of their market faster than malpractice carriers have exited PA.

As an insurance producer, this review function is vitally important to my customers and me. I want the health insurance system to continue. My businesses want to be able to continue being able to offer health benefits to attract the best workers. If it becomes too easy for the General Assembly to mandate additional benefits, the consequence will be fewer insureds.

Suggestion to Enhance PHC4

My only suggestion on how I feel PHC4 could be improved lies in strengthening PHC4's makeup. PAHU would like to ask the General Assembly to add an additional member to the Council. This person would be a licensed insurance producer. Why?

First, this suggestion is not a criticism or detraction of the Council's existing composition. The makeup of PHC4 works well. Business and labor interests provide a needed checks and balances system to help PHC4 balance wants versus costs. What it may be lacking is someone who sees a larger picture.

Insurers see things from a particular vantage point, as they should. Are benefits actuarially sound? What cost will the proposed benefits add to the system? Business sees the bottom line cost of health insurance. Workers see benefits. Insurance producers provide a broader perspective because we often help everyone in the system talk with each other. Consumers and businesses do not understand insurance or medical jargon. Agents, in trying to get claims paid, serve as interpreter and sometimes as ombudsman. We have an interest in making sure that the system is responsive. This ties into the strengths of PHC4 in providing comparison data and in seeing the costs of health insurance from the street level. We have a real sensitivity as to how the pieces of the health system fit together. When PHC4 is re-authorized, the Pennsylvania Association of Health Underwriters request that the makeup of PHC4 be expanded to include an insurance producer on the Council.

Again, Mr. Chairman, thank you for permitting us to express our views for re-authorization of the PA Health Cost Care Containment Council to this committee.