Testimony on

Meeting the Health Care Needs of Persons With Preexisting Conditions

by

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Before the
U.S. House Committee on Education and Labor
Subcommittee on Health, Employment, Labor, and Pensions

March 20, 2008

I. Introduction

Mr. Chairman and members of the subcommittee, I am Donna Horoschak, Vice President of Product Policy for America's Health Insurance Plans (AHIP), which is the national association representing approximately 1,300 health insurance plans that provide coverage to more than 200 million Americans. AHIP's members offer a broad range of health insurance products in the commercial marketplace and also have demonstrated a strong commitment to participation in public programs.

We appreciate this opportunity to testify on the needs of individuals who seek health insurance coverage following the onset of medical problems. We commend the subcommittee for examining the implications of these issues both for consumers and for the health insurance marketplace.

Our testimony today will focus on proposals AHIP has endorsed for expanding coverage to all Americans, including solutions that directly address the circumstances of uninsured persons who have preexisting medical conditions. Our proposals are designed to ensure that no one falls through the cracks of the U.S. health care system, while recognizing that both the private sector and public programs have a role to play in meeting this challenge. For tens of millions of Americans, the need to repair the health care safety net is a deeply personal issue requiring bold solutions that can be implemented in a timely fashion. We are committed to working with members of Congress to advance meaningful reforms that provide affordable coverage options for all Americans.

Other issues we address in our testimony include survey findings about the current state of the individual health insurance market and research findings on the unintended consequences of enacting certain health insurance reforms in the absence of universal coverage. These findings provide important insights into the strengths of the current system and lessons learned from state reform initiatives over the past 15 years.

II. Solutions for the Uninsured and Those With Preexisting Conditions

AHIP and our members have outlined a number of promising solutions for addressing the needs of individuals with preexisting medical conditions and high health care costs, while also confronting the broader issue of the uninsured.

In November 2006, AHIP announced a proposal for expanding access to health insurance coverage for all Americans. Our proposal includes a comprehensive set of targeted policy proposals that would expand eligibility for public programs, enable all consumers to purchase health insurance with pre-tax dollars, provide financial assistance to help working families afford coverage, and encourage states to develop and implement access proposals.

More recently, in December 2007, AHIP announced a proposal for reforming the individual health insurance market through a new strategy that calls for shared responsibility between the public and private sectors. This three-part initiative includes a plan to guarantee access to health care coverage to all Americans, new initiatives to give consumers peace of mind about individual health care coverage, and steps for states to take if they are considering a requirement for universal participation.

State Guarantee Access Plans

First, AHIP is proposing a strategy that states can implement now to guarantee access to health insurance to all who seek coverage in the individual market, including those with preexisting medical conditions. Under this plan, we are urging states to establish Guarantee Access Plans to provide coverage for uninsured individuals with the highest expected medical costs. If an individual is not eligible for coverage through the Guarantee Access Plan, health plans would then provide coverage to that individual on a guarantee issue basis with premiums capped at 150 percent of the standard rate.

We are recommending that when a Guarantee Access Plan is first established, a one-time open enrollment should be held for uninsured individuals to obtain coverage with no preexisting condition exclusions. Our proposal also would make coverage available in the Guarantee Access

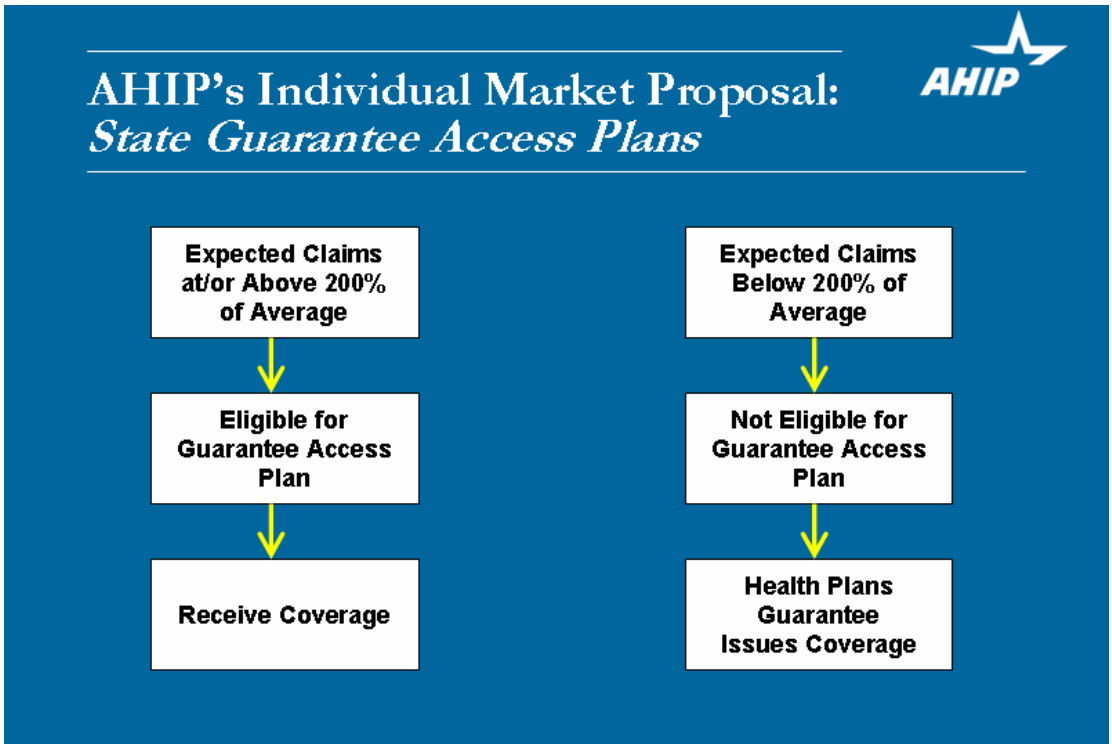
Plan *without* preexisting condition exclusions for individuals who maintain continuous coverage. We further recommend that Guarantee Access Plans should be available to individuals who are not eligible for employer-sponsored health coverage, a government program, or other coverage and, additionally, whose claims costs are expected to be 200 percent or more of the statewide average.

Guarantee Access Plans would offer a range of coverage options with varying premiums, resulting from different levels of cost-sharing. Premiums would be equivalent to 150 percent of standard market rates, and coverage options would reflect benefit packages available in the private market.

Under AHIP's proposal, if an individual is declined coverage by the Guarantee Access Plan, all health insurance plans would guarantee coverage until each plan's total individual enrollment reaches a predetermined level (e.g., 0.5 percent of enrollment). When all health insurance plans have reached the predetermined level, the level would be raised and all plans would again guarantee coverage until they meet the new level.

Health insurance plans also would provide assistance with the enrollment process for the Guarantee Access Plan. This includes informing individuals about the availability of coverage under the Guarantee Access Plan and, at their request, transferring information to the Guarantee Access Plan application.

Finally, to keep coverage as affordable as possible, our proposal calls on states to allow health insurance plans to offer features such as pharmacy programs that promote both value and safety; disease management, preventive, and care coordination programs that bring evidence-based care into everyday practice; and new benefit design and payment incentives that reward quality and value. We also encourage states to create a sliding-scale premium subsidy program with additional assistance for those with high health care costs and, additionally, to fund the Guarantee Access Plans from a broad base of sources to ensure that coverage remains affordable for those who are currently insured.



Operational Initiatives by Health Insurance Plans

Second, AHIP's proposal includes a series of operational reforms to give consumers peace of mind when purchasing individual health care coverage. This includes limiting the use of preexisting condition exclusions, restricting rescission actions, and establishing a new third-party review process for preexisting conditions and rescission decisions.

Specifically, our proposal recommends that if an applicant for individual health insurance makes a complete and accurate disclosure of a preexisting condition and is issued a policy, health insurance plans should not apply a preexisting conditions exclusion to that condition at a later date. In addition, to make sure that applicants make appropriate disclosures, our proposal emphasizes that health insurance plans have a responsibility to make applications clear and understandable.

Furthermore, to increase transparency in how preexisting conditions exclusions are applied, our proposal for reforming the individual health insurance market also calls for a new third-party review process, established by state legislation, to allow consumers to challenge claim denials

based on a preexisting conditions exclusion. This process should include timeframes for reaching a decision, with expedited review available for emergency situations, and the participation of at least one medical professional and one attorney on the independent review panel.

Our initiatives have been developed with the goal of enhancing peace of mind for consumers who purchase coverage in the individual health insurance market and for consumers who have had a claim denied under a preexisting conditions exclusion in their policies. Unlike pending proposals that would make piecemeal changes to the parameters for preexisting condition exclusions, these steps provide a strong foundation upon which Congress can enact more comprehensive reforms.

Constructing an Individual Mandate for Coverage

Third, AHIP's proposal outlines five critical steps that states would need to follow if they seek to achieve universal participation by requiring that every citizen in the state have health care coverage. If a state takes these steps and achieves universal participation, health insurance plans could then guarantee coverage to all applicants, without regard to preexisting medical conditions.

While AHIP is not advocating an individual mandate, we have explored this issue and have identified five critical steps that states should take as part of any strategy for achieving universal participation:

- develop an insurance coverage verification system;

- enforce the requirement to purchase and maintain coverage;

- establish an automatic enrollment process and be prepared to provide backstop funding if individuals do not fulfill their responsibility to purchase coverage;

- create a premium subsidy program for moderate- and low-income individuals and families, while also providing additional assistance for those with high health care costs; and

- fund coverage initiatives from a broad base of sources.

The establishment of a universal participation program, based on these steps, could avoid the unintended consequences that have hampered many well-intentioned efforts by states to assist those pursuing coverage in the individual health insurance market.

Collectively, these proposals reflect our members' strong commitment to ensuring that no American falls between the cracks of public and private programs and that individuals can have their disputes reviewed by an objective third party.

III. Survey Findings on Individual Health Insurance Market

In December 2007, AHIP released a new survey of the individual health insurance market. The findings of this comprehensive survey indicate that individually purchased health insurance is more affordable and accessible than may be widely known and that it offers a broad array of benefits.

According to the survey, 89 percent of applicants who went through the application process were offered coverage in the individual market. Forty percent of these offers were at standard premium rates and 49 percent were offered at lower (preferred) rates. Even among those in the 60-64 age category, 71 percent were offered coverage and 74 percent of these were at standard or preferred rates.

Nationwide, annual premiums averaged $2,613 for single coverage and $5,799 for family plans in the 2006-2007 period. As shown in the table on the following page, premiums varied by state, reflecting a variety of factors, including premium rating and underwriting rules, differences in health care costs, demographics, and consumer benefit preferences. Premiums were significantly higher in states with "guaranteed issue" and "community rating" requirements that place

restrictions on premium variation and underwriting. However, approximately 95 percent of the policies surveyed were sold in states where the average annual premium was under $3,400 for single coverage or $7,200 for family coverage.

Individual Market, Average Annual Premiums by State Single Coverage, 2006-2007	
State	**Average Annual Premium**
MASSACHUSETTS	$8,537
NEW JERSEY	$5,326
NEW YORK	$4,734
RHODE ISLAND	$4,412
PENNSYLVANIA	$3,949
MAINE	$3,686
LOUISIANA	$3,377
NEW HAMPSHIRE	$3,368
NEW MEXICO	$3,362
CONNECTICUT	$3,326
NEVADA	$3,118
NORTH CAROLINA	$3,080
SOUTH CAROLINA	$2,981
FLORIDA	$2,949
SOUTH DAKOTA	$2,914
MONTANA	$2,866
TEXAS	$2,782
WYOMING	$2,688
NATIONAL	**$2,613**
ARIZONA	$2,591
CALIFORNIA	$2,565
WEST VIRGINIA	$2,540
COLORADO	$2,537
KENTUCKY	$2,537
MISSOURI	$2,518
NEBRASKA	$2,505
INDIANA	$2,504
ILLINOIS	$2,499
OHIO	$2,498
MISSISSIPPI	$2,489
OKLAHOMA	$2,435
MINNESOTA	$2,424
GEORGIA	$2,419
KANSAS	$2,363
VIRGINIA	$2,359
DELAWARE	$2,346
NORTH DAKOTA	$2,316

TENNESSEE	$2,221
MARYLAND	$2,208
ALABAMA	$2,208
IOWA	$2,202
ARKANSAS	$2,153
WASHINGTON	$2,015
IDAHO	$2,006
MICHIGAN	$1,878
UTAH	$1,574
OREGON	$1,297
WISCONSIN	$1,254
Source: America's Health Insurance Plans	

Note: Results from Alaska and the District of Columbia, where the responding companies reported fewer than 500 policies in force, are included in the national totals but are not reported separately.

AHIP's survey also demonstrates that consumers in the individual market were offered a wide range of benefits, including mental or behavioral health, prescription drugs, preventive, and maternity benefits. Some level of behavioral health coverage was included in nine out of ten policies purchased. Coverage for complementary and alternative therapy was also quite popular, while vision and dental coverage were chosen much less frequently.

Individual Market, Specific Benefits Purchased, 2006-2007
PPO / POS and HSA / MSA

	Percent of Policies in Survey			
	PPO / POS		HSA / MSA	
	Single	Family	Single	Family
Coverage Included in Policies Purchased				
Adult Physicals	66.2%	67.1%	73.2%	74.8%
Allergy	71.9%	73.7%	84.5%	90.4%
Annual Ob/Gyn Visit	95.8%	94.1%	87.0%	82.1%
Bariatric Surgery	35.8%	35.0%	23.0%	15.9%
Cancer Screenings	94.1%	93.9%	90.0%	81.4%
Complementary & Alternative Therapy (Chiropractic, Naturopathy, Acupuncture, etc.)	70.0%	71.1%	75.3%	61.3%
Complications of Pregnancy	100.0%	100.0%	100.0%	100.0%
Dental	14.0%	8.5%	6.2%	4.0%
Fertility treatment	26.7%	26.7%	5.1%	3.2%

Inpatient Behavioral Health	93.8%	79.1%	89.5%	89.4%
Outpatient Behavioral Health	94.3%	84.3%	86.8%	83.3%
Normal Delivery	57.7%	59.5%	51.6%	40.3%
Oral Contraceptives	78.8%	76.6%	53.5%	46.8%
Inpatient Substance Abuse	85.0%	80.2%	86.2%	87.4%
Outpatient Substance Abuse	84.1%	78.5%	82.5%	80.8%
Vision	7.6%	17.8%	7.0%	4.2%
Well-Baby Care	88.0%	86.8%	80.2%	74.0%
Well-child visits	89.7%	88.5%	85.8%	79.4%
Source: America's Health Insurance Plans.				

IV. Research Findings on Previous State Initiatives Yielding Unintended Consequences

Last year, AHIP commissioned research that yielded important lessons about the unintended consequences that can result when certain health insurance reforms are enacted in the absence of universal coverage. In September 2007, we released a report by Milliman Inc. that examined eight states – Kentucky, Maine, Massachusetts, New Hampshire, New Jersey, New York, Vermont, and Washington – that enacted various forms of "community rating" and "guarantee issue" laws in the 1990s.

The Milliman report found that these initiatives, when enacted without universal coverage, can drive up health care costs for consumers, limit access to coverage, and have unintended consequences for healthy persons. The report also found no significant decrease in the uninsured population in states that implemented these initiatives. As a result, several states that initially implemented community rating and guarantee issue laws have since repealed or modified their laws with the intent of stabilizing the insurance marketplace and providing consumers more choice and access to coverage.

The experience of New Jersey is particularly noteworthy. In the early 1990s, the state legislature enacted a package of reforms that included community rating, guaranteed issue, and standardized

plan requirements. Initially, these reforms briefly increased the number of carriers participating in the individual market and the number of persons buying individual coverage. Over time, however, these reforms led to dramatic rate increases for the standardized plans. By 2007, the number of carriers participating in the state's individual market had declined to only seven and the number of persons buying coverage in the individual market had dropped to approximately 80,000 annually – significantly below the 220,000 persons who purchased individual health insurance coverage in New Jersey in 1995.

These and other findings of the Milliman report are well worth considering in any congressional debate about preexisting conditions. The clear lesson for policymakers is that any reforms that give healthy people incentives to delay purchasing coverage will lead to unintended consequences for the broader population and diminish access to high quality, affordable health insurance. Instead of pursuing piecemeal reforms that have been tried before by states and create the unintended consequence of exacerbating existing problems, Congress should consider the challenge of ensuring that individuals with high health care costs receive coverage as part of broader policy changes that would bring meaningful relief to health care consumers.

V. Conclusion

Thank you again for this opportunity to testify. AHIP and our members stand ready to work with you to advance solutions for providing health insurance to uninsured persons with preexisting medical conditions. We also look forward to participating in a serious debate on the broader challenge of extending coverage to all Americans to ensure that no one falls through the cracks.