Testimony on behalf of H.R.2833
Preexisting Condition Exclusion Patient Protection Act of 2007

to the
Committee on Education and Labor, U.S. House of Representatives

For the record my name is James Stirling. I am CEO of Stirling Benefits, Inc. a Third Party Administrator (TPA) of group health plans located in Milford CT and Chairman of the Board of the Society of Professional Benefit Administrators (SPBA) in Washington, D.C. Thank you for this opportunity to testify on HR 2833.

When HIPAA required group plans to modify their pre-existing condition periods in 1996, many groups dropped their limits altogether. They did this for two reasons: 1) groups do not like denying coverage to employees that need it, and 2) the cost of administering the credible coverage statements was not worth the claim savings compared to their pre-HIPAA plan provisions. This bill will further this trend in the group market, but may have unintended consequences in the individual market.

HR 2833 treats all plans equally, regardless if the plan is self funded, fully insured or collectively bargained. That keeps the playing field level. The result will likely be that many group plans will drop their pre-ex clauses entirely, continuing the trend started with HIPAA portability provisions in 1996. Employees will be able to move more fluidly from one employer to another. This reduction in "Job Lock" will have positive consequences for our dynamic economy, even if it does increase costs for plans.

There will be added costs. Insurance carriers or administrators will shift the added cost to the plan sponsors. Employers will pass these on to their employees via lower wages or higher contributions, or increase the cost of their goods and services to pay for the increase.

So the question for the group market is: how much will such a bill cost employers and ultimately consumers? I think the answer is not too much. In 1986, some thought that COBRA was so onerous that it would end employer-sponsored coverage. It did not. We heard the same predictions with HIPAA portability a decade later, but group coverage continues. In the group market, this bill will have a minimal overall cost impact.

The individual market will also adapt, but there may be more significant unintended consequences. Individual plans are inherently prone to adverse selection. To offset that selection carriers utilize several tools to make a profit. They can limit coverage for pre-existing conditions, reduce benefit levels, increase rates for new policies, or increase premiums at renewal. By dulling one of these "tools," they will have to sharpen the others. The remaining tools may have a sting of their own. This does not mean this approach should be abandoned, but we should be cognizant of this potential consequence and seek to combine the pre-ex modifications with other needed reforms.

I'm in favor of reforming the individual market. I believe that we are at the point where defined benefit pension plans were 20 years ago. Then, employers defined what pension benefits employees received, just like they define health benefits today. Now, the employee controls the investments in their portable 401(k)'s. With some reforms, a parallel shift may be under way with our nations health programs. Similar to how Social Security provides a base for retirement savings, the government, could provide basic health coverage to all legal residents, with employer and individual plans building on that base.

For this option to develop we will need to reform individual market to create a viable, alternative to employer-sponsored coverage. Steps that make the individual market function more like the group market, as this bill does, are in the right direction. But we will need to go further, perhaps with some combination of community rating, broad based pooling, and carrying health credits forward from one plan to another.

At its heart, this is an "insurance" reform bill. I must conclude that "insurance" reform, by itself, will not do enough to make the cost of our health care system sustainable. Until we find ways to pay for "health" instead of paying for "healthcare," we will only be tweaking at the edges. H.R 2833 will increase parity for all types of plans, and that's a good step. To help those with ongoing health conditions, over the long term, we will need a more significant overhaul, not just of insurance laws, but the way care is delivered. We must find ways to align all our interests to pay for health, not just healthcare.

Thank you for the opportunity to share my views, and thank you also for all that you do to serve the public good.

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