

Industry Witnesses Urge Caution on Public Health Insurance Option

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Industry Witnesses Urge Caution on Public Health Insurance Option Raymond J Lehmann

Portions of the Obama administration's health reform calling for a universal public option must be carefully designed so as not to make it impossible for the private insurance market to function, industry witnesses told the Senate Health Education Labor and Pensions Committee.

Appearing before the panel's inquiry into reforms of the health insurance market, Aetna Inc. Chairman and Chief Executive Officer Ron Williams made the case that the industry "is not just about paying claims anymore," noting that 40% of Aetna's workforce are clinical professionals or information technology specialists. The role of the industry is to offer products to employers and information and administrative efficiencies to doctors and hospitals.

"Our members want access to our network of health care professionals, tools to make informed decisions, transparency of price and quality data, and access to the expertise of nurses and trained professionals on issues ranging from chronic disease care to wellness and prevention," Williams said.

The hearing was the latest in a series of inquiries both by the HELP Committee and the Senate Finance Committee that look to finalize details of comprehensive health care reform legislation that both panels' leadership say they want to move this summer. President Barack Obama recently unveiled an administration budget that would create a \$634 billion health care reserve fund over 10 years, financed by a variety of tax increases and the virtual elimination of the Medicare Advantage program (BestWire, Feb. 26, 2009).

Meanwhile, several panel members expressed skepticism during the committee's hearings on health insurance market reform of the industry's claims to efficiency, with Sen. Sherrod Brown, D-Ohio, noting there are "millions of Americans, who are being ill-served by the private health insurance market."

"There are good insurers and bad insurers, but the private insurance system is not, by any stretch, the complete answer to any question in health reform," Brown said. "Insurance reform is positive, insurance reform is essential, but insurance reform is only a piece of the health reform puzzle."

Karen Ignagni, president and CEO of America's Health Insurance Plans, reiterated her group's support, first expressed in November, to offer guaranteed coverage for all comers without respect to preexisting conditions. Also supported by the Blue Cross Blue Shield Association, the industry's proposal has been conditioned on also seeing federal law mandating every American maintain some form of public or private coverage, something Obama opposed on the campaign trail.

"The importance of combining guarantee issue with an enforceable individual mandate is borne out by research and experience from the states," Ignagni said. "For example, a report by Milliman, Inc. found that states that enacted guarantee-issue laws in the absence of an individual coverage requirement saw a rise in insurance premiums, a reduction of individual insurance enrollment, and no significant decrease in the number of uninsured."

Under Obama's health care reform plan, there would be a federal mandate to purchase coverage for all children, while all but the smallest employers would face a "pay-or-play" requirement, in which they either provide minimum creditable coverage to their employees, or pay into a national pool.

Subsidies would be offered to lower-income individuals purchasing through a National Health Insurance Exchange, and policies would have to meet federal mandates, with a minimum loss ratio. Guaranteed issue and community rating laws would be expanded nationwide, and a basic government-provided plan also would be available for all through the NHIE.

Kansas Insurance Commissioner Sandy Praeger shared the industry's concerns about potential adverse selection effects, suggesting that "any program that grants consumers the choice between two pools with different rating, benefit, or access requirements will result in adverse selection for one of the pools."

"If a national pool does not allow rating based on age or health status, while the state pool does allow rating based on those factors, then the national pool will attract an older, sicker population. Such a situation would be unworkable," Praeger told the committee.

Janet Trautwein, CEO of the National Association of Health Underwriters, proposed the federal government should "immediately require that all states have at least one guaranteed-purchasing option for all individual health insurance market consumers" but noted that "a guaranteed-issue mandate, a designated carrier of last resort or a high-risk health insurance or reinsurance pool alone may not be a sufficient means of providing guaranteed access."

Sen. Jay Rockefeller, D-W.Va., chairman of the Finance Committee's Health Subcommittee, will convene a March 26 hearing on "deceptive health insurance industry practices," focusing particularly New York state Attorney General Andrew Cuomo's recent investigation of potential collusion in under-estimating out-of-network reimbursements rates. Stephen J. Hemsley, president and CEO of UnitedHealth Group, is among those set to testify.

(By R.J. Lehmann, Washington bureau manager: raymond.lehmann@ambest.com)

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