On behalf of the Downstate Chapter of the NY State Association of Health Underwriters, I thank you for the opportunity to present the recommendations of our organization for achieving universal health care in New York State.

Value of Brokers

First I would like to point out the importance of broker involvement to the future of the health care industry and how as a group, we can help with the growing number of uninsured New Yorkers.

Brokers bring expertise to an area that has become convoluted and confusing to most people. We, the brokers are able to decipher health care language for our clients, allowing them to make clear decisions.

Also, it is important to note that brokers are not typically captive agents for any one carrier. As professionals, we represent all the carriers and have an unbiased approach when making a recommendation to a client. It is in our best interest to lay out all the pros and cons to a client completely because our livelihood is based on our actions. This is a very competitive environment, which is good for our clients, and our reputations are very important to maintaining a successful business.

Another important job function of the broker is to act as an advocate for our clients. The marketplace has seen tremendous consolidation over the last 10 years, so it is very easy for the consumer to get lost in the shuffle of these large organizations. It is up to us to speak out on their behalf when there is a lingering issue that needs to be solved. This is when we put our expertise and years of being in the business to the test. There are many issues that fall into a "gray" area and our clients count on us to assist them – whether it is getting a claim paid or an approval for a test – our experience and knowledge help shed light on the issue. It is our goal to solve the problem for our clients.

Finally, I would like speak about how we can help the uninsured get insured. We have the ability to distribute products, whether through the traditional employer-based system or to individuals. Recently, brokers were given the approval to sell Healthy New York plans. Instead of the State relying on individuals contacting them for information about the program, now there is an engaged sales force of tens of thousands of insurance professionals. The word on Healthy New York has and will continue to be spread throughout the State which will ultimately bring eligible, uninsured people into the program.

It is important that this is kept in mind when products are developed and introduced – our reach goes very far.

Affordability

We propose two approaches that address the affordability of health insurance in the small group and individual markets. The first is a short term measure, the second addresses the major driving force behind the high cost of healthcare.

Small Group Market

Our first proposal is for the small group market. We would like to address the current flat Community Rating Law in New York State. Since the inception of this law, we have watched the cost of insurance increase exponentially. In fact, trend has averaged 12% - 13% annually for the past 5 years. This is not sustainable; change is needed. We recognize that drastic change is unlikely so we suggest 'baby steps'. The current law needs to be modified to include a 20% corridor above and below the established rates, determined by age/sex and location. We recognize that this will increase the cost for older employees but more importantly it will improve the pool. Newly insured younger and healthier employees will subsidize the cost of insurance for the older and more costly employees.

Next we would like to address the issue of mandates. New York State is to be commended for establishing a mandate review panel to determine the cost and long term effect of new mandates. As you know, mandates increase the cost of insurance through adverse selection. As an example; if a 3 year old becomes sick and requires 'high cost' care that is not currently covered, the legislature weighs in on the situation. What often happens is that a rule is created, sent to committee and becomes a mandate.

The purpose of insurance is to protect against rare and uncertain substantial loss, and that the presence of such coverage should not alter individual or group behavior. It becomes clear that these mandates have changed the purpose of insurance and created an inefficient financial funding vehicle for these predictable costs of individuals evaluating their own insurance. This use of public funding to offset the cost of these individual insureds weakens the pool and increases premium for others. The cost of mandates and Community rating are reflected in the significant increase in premium and the reduction of insured participants in the pool.

Individual Market

Our second proposal speaks to the affordability of insurance in the individual market. We suggest that this market also be subject to a corridor similar to that proposed for the group market. This market segment is a microcosm of the true risk of the overall market and how it has reached an extreme level of adverse selection. Individual insurance in New York is beyond the means of all but the most affluent or as last resort for those who are extremely ill and require very high cost medical treatment.

We have two suggestions to alleviate the situation. First, the formation of a high risk pool for that limited portion of the population that is responsible for the majority of the claims. This method has been used in many states and we believe that with a well formulated stop loss, funded by the private insurance market in conjunction with state and federal funds, we can once again offer insurance to those healthier individual uninsureds who cannot afford the extraordinarily high premiums charged in the individual market.

Second, we think there should be a nearly 'mandate free' medical plan with a high deductible that protects individuals from the loss of their assets and in many cases their homes. This plan should require some reasonable 'out of pocket' from the member, or at the least, the purchase of a supplemental insurance policy, to create a cushion against real and substantial loss. This 'mandate free' plan should be a right, not an entitlement. It will bring attention to the real culprit in healthcare: the lack of individual checks and balances on healthcare cost.

This is the real cost driver - one that requires 'skin in the game' for each insured in the state.

We offer two improvements that seem to have universal appeal and we think should be included in any movement towards universal coverage.

Transparency of actual costs

Transparency is required, so that all hospital costs are clearly stated and understandably presented to the public. There is no reason why a stay in the hospital or a visit to a lab or physician should be so murky that no one knows what the cost is. The comment that we as individuals can quote the price of a Toyota within a few dollars but have no idea what it costs for hip surgery is both tired and profound. We believe this occurs because there is a third party payer and most patients do not review their medical charges in the same manner they would examine their grocery bill.

Evidence Based Medicine

"Some do it better and some do it for less" This simple axiom isn't generally accepted by the consumer with respect to medical decision making. While it may be changing, presently most consumers do not know how successful their providers are in giving care. Here is a simple question that we don't have an answer for: Which hospitals are more successful in treatment and have the best outcomes?

Neither of these improvements requires state regulation. The free market is actively developing tools that will make this available to all. Again, we believe that the problem is caused by the lack of "skin in the game" for the average consumer. It has been shown that when the individual is responsible for a meaningful portion of the cost of something he will be more careful with expenditures. When this occurs, the free market is forced to compete and the end result is cost containment and ultimately lower premiums.

We feel that benefit plans overloaded with many mandates decreases the size of the risk pool. We believe that a base policy, doing what insurance was designed to do, (protecting against major and substantial loss without bells and whistles), would increase the size of the pool and cut premiums significantly. If there is a demand for these added mandates they should be elective and give rebirth to the concept of elective riders, allowing for predictability prior to purchase with a cost to the prospective buyer, but not the total pool.

The Mixed Medical Delivery Model

A form of this delivery model is starting to appear in many parts of the country, including New York. There need to be high quality low cost medical offices established by insurance companies and others that offer complete services. These medical locations should be offered in conjunction with private physician networks. The obvious benefit would be lower cost to the consumer, because care would truly be overseen and managed appropriately. This integrated care would eliminate cost of claims, referrals, etc., reducing unnecessary costs. The determination as to where the service should take place would be left to the consumer. Additionally, this model reduces the high cost of emergency room care and provides both treatment and preventive care to all who participate. With hospital closings, ER utilization and wait time would increase. Moreover we suggest that these offices be staffed not only by physicians, but by nurse practitioners, physician's assistants, and nurses, supervised by attending physicians and specialists. There are many procedures that don't require the high cost of a doctor, while at the same time freeing up a doctor for more vital activities, while also reducing the cost of care.

Lastly, we recognize that society should provide coverage for those people with little or no income or assets. It is necessary for us as a society to make care available to all. This can best be accomplished by giving tax credits and where necessary refundable tax credits to those in need. The requirement is that they obtain health insurance with their tax advantaged status. We don't suggest mandated coverage because employer mandates will have a negative impact on wages, job creation, and general economic growth. The alternative to individual mandate in New York State, under guaranteed issue community rating laws and without underwriting or risk pools, will bring about much higher rates that would have to be absorbed by the private carriers and/or by the state. History shows that this option increases the cost to the young and healthy, creating much higher rates in those states that have adopted this policy. Witness the current individual rates in New York and our sister state New Jersey.