WRITTEN COMMENTS

OF

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COMMISSIONER OF INSURANCE

STATE OF KANSAS

ON BEHALF OF

THE NATIONAL ASSOCIATION OF

INSURANCE COMMISSIONERS

FOR THE

SENATE FINANCE COMMITTEE

ROUNDTABLE DISCUSSION ON

“Expanding Health Care Coverage”

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INTRODUCTION

My name is Sandy Praeger and I am the Insurance Commissioner of the State of Kansas and Chair of the Health Insurance and Managed Care Committee of the National Association of Insurance Commissioners (NAIC). The NAIC represents the chief insurance regulators from the 50 states, the District of Columbia, and five U.S. territories. The primary objective of insurance regulators is to protect consumers and it is with this goal in mind that I submit these comments today on behalf of the NAIC. And I would like to thank you for this opportunity to discuss an issue that is important to all Kansans and all Americans – expanding health care coverage.

To begin, the members of the NAIC recognize the failures in the current market - they are well documented. Over 15 percent of Americans, almost 46 million people, go without coverage. For most, coverage is simply too expensive, a result of medical spending that has run out of control and consumes 16 percent of our economy. For others, those without coverage through an employer and with health problems, coverage is not available at any price. For Americans lucky enough to have insurance, premiums take ever larger bites out of the monthly paycheck, even as rising deductibles and co-payments shift more of the financial burden of sickness to the patient. Insurance Commissioners see this every day, and we welcome Congress' interest in helping the states tackle this challenge.

State insurance commissioners believe it is important to ensure that affordable, sufficient health coverage is available to small business owners, their employees, and individuals. The NAIC offers its full support in developing federal legislation that will reach this goal - a goal that can only be attained through federal-state coordination. We offer the experience and expertise of the states to Congress as it attempts to improve the health insurance marketplace.

Based on that experience and expertise, we encourage Congress to consider these four keys for successful health insurance marketplace reform:

Protect the Rights of Consumers. States already have the patient protections, solvency standards, fraud prevention programs, and oversight mechanisms in place to protect consumers; these should not be preempted by the federal government. As the members of this committee know all too well, the preemption of state oversight of private Medicare plans has led to fraudulent and abusive marketing practices that would have been prevented under state law, bringing considerable harm to thousands of seniors. We urge federal policymakers to preserve state oversight of health insurance and avoid preempting or superseding state consumer protections, or interfering with state oversight.

Address Health Care Spending. Any effort to increase access to insurance will not be successful over time unless the overriding issue of rapidly rising health care costs is also addressed. While the health care challenge in this country is generally expressed in terms of the number of Americans without health insurance coverage, the root of the problem lies in the high cost of providing health care services in this country. According to the most recent National Health Expenditures data, health care spending reached $2.2 trillion in 2007, 16.2 percent of GDP and $7,421 for every man, woman and child in the United States.[1] This level is twice the average for other industrialized nations.

[1] Centers for Medicare and Medicaid Services, National Health Expenditures

This level of health care spending has badly stressed our health care financing system. Health insurance reform will not solve this problem, since insurance is primarily a method of financing health care costs. Nevertheless, insurers do have a vital role to play in reforms such as disease management, enhanced use of information technology, improved quality of care, wellness programs and prevention, and evidence-based medicine—all of which have shown promise in limiting the growth of health care spending. Whatever is done in insurance reform should be done in a manner that is consistent with sound cost control practices.

Avoid Adverse Selection. 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. For example, 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. While subsidies or incentives could ameliorate some of the selection issues, as costs continue to rise and premiums increase, the effectiveness of such inducements could erode. As for proposals that could result in severe adverse selection, such as guaranteed issue and elimination of preexisting condition exclusions for individuals, State regulators can support these reforms to the extent they are coupled with an effective and enforceable individual purchase mandate and appropriate income-sensitive subsidies to make coverage affordable.

Preserve a Strong State Role. Congress must carefully consider the impact of any new federal reforms on the states' ability to be effective partners in solving the health care crisis. In developing a national direction for health insurance reform, we encourage Congress to develop broad standards rather than prescriptive rules wherever possible to maximize state flexibility to implement reforms in a manner that is responsive to local and regional market conditions. This includes the design and administration of the exchanges, expansion of assistance to low-income persons, and development of cost containment strategies, among other areas. State regulators also caution against implementing reforms that would limit the ability of states to provide more protections for their consumers.

We also note that states can, and should, play a key role in deciding how reforms will be phased-in to ensure the least amount of negative disruption. The fact is states will be starting from different positions. For example, the difficulty of transitioning to a marketplace that is guarantee issue with no pre-existing conditions and adjusted community rating, as has been discussed by many federal policymakers, will vary from state-to-state. A few states have already adopted similar standards. Most states have not adopted these provisions, especially in the non-group market, and will need to make significant changes to meet new federal requirements. If implemented all at once, these changes could cause severe market disruption as young, healthy individuals find their premiums increasing several hundred dollars per month and may drop out of their coverage. If spread out over a period of years, however, the transition could be more smoothly implemented, especially if they are accompanied by subsidies.

Any federal changes to access or rating rules should set a goal for states to attain and a deadline for attaining it, but leave the mechanics of the transition up to the individual states.

CONCLUSION

Years have been spent talking about broad health care reforms that will ensure that all Americans have access to affordable health insurance coverage and the peace of mind that goes with it. Action is long overdue and we stand ready to assist in whatever way we can.

The NAIC encourages Congress and the Members of this Committee to work with states and learn from past reforms. Together, we can implement successful initiatives that will truly protect and assist all consumers.