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AHIP Testifies at Senate Hearing on Affordability of Health Insurance

AHIP, Washington Update, 4/23/2010

The Senate HELP Committee held a hearing on April 20 to examine issues surrounding health insurance premiums and congressional interest in further regulating premiums. AHIP was included among the witnesses at this hearing.

Sen. Dianne Feinstein (D-CA) testified in support of her legislation, S. 3078, which would create a new Health Insurance Rate Authority and require the HHS Secretary to establish, in conjunction with the states, a uniform process for the review of "potentially unreasonable increases" in health insurance premiums. A second panel of witnesses consisted of: Phyllis Menke, an Iowa consumer; Illinois insurance commissioner Michael McRaith; Grace-Marie Turner from the Galen Institute; and Karen Ignagni who testified on behalf of AHIP.

In her comments before the committee, Ignagni emphasized that AHIP's members are working hard to implement the provisions of the new health reform law. She expressed concern that the law does not do enough to address the exploding costs of health care, while noting that rising premiums are a symptom, not a cause of the problem. Ignagni pointed to government data showing that the costs associated with health insurance account for four percent of national health expenditures, and emphasized that plan profit margins – at 2.2 percent in 2008 and 3.2 percent in 2009, according to Fortune magazine – are well below those of other health care sectors.

Ignagni testified that federal and state data show that premium increases are being driven by the underlying cost of medical services and increased utilization of services. She also discussed the situation in Massachusetts, expressing concern that state regulators are imposing arbitrary caps on premiums without any linkage to the factors that are driving premium increases, as outlined in the recent report by the Massachusetts Attorney General. Ignagni pointed out that the new federal law establishes extensive regulations for every aspect of health plan operations, including MLR requirements that cap administrative costs and plan profits, a process for the annual review of "unreasonable" increases in premiums, a requirement for plans to publicly justify premiums, and grants to ensure that the states have sufficient resources to implement these requirements.



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AHIP's written testimony focused on six areas: (1) what our community is doing to create a bridge to a more modernized health care system; (2) how premiums relate to costs; (3) how premiums are evaluated at the state level; (4) what is changed by the new law; (5) principles for a workable system; and (6) unmet challenges.

Secretary Sebelius Testifies at Appropriations Hearing

- On April 21, Secretary of Health and Human Services (HHS) Kathleen Sebelius testified at a hearing held by the House Appropriations Subcommittee on Labor, HHS, Education and Related Agencies. The hearing focused on the Administration's fiscal year 2011 budget request for HHS programs and agencies, although the question and answer segment included significant discussion about the "Patient Protection and Affordable Care Act" (PPACA).
- Secretary Sebelius testified that the Administration's budget for HHS makes investments to advance several central goals: improving the health of all Americans; attacking fraud and abuse with new tools and resources; preventing chronic disease and promoting wellness; reducing medical errors; and strengthening the public health system. She told the subcommittee that PPACA begins the transformation of the health care system and includes incentives to promote coordinated, patient-centered, evidence-based care with the goal of improving health outcomes.
- In response to questions from subcommittee members, Sebelius said that HHS is aggressively putting together a framework for reviewing medical loss ratios (MLRs), while also reaching out to the state insurance commissioners and the governors. She noted that a new HHS Office of Consumer Information and Insurance Oversight, which will work closely with the states, is being established to oversee implementation of the new MLR requirement and other private health insurance provisions of PPACA. Looking further ahead, the Secretary said that HHS will begin a robust discussion next year with the states about the creation of state-based health insurance exchanges beginning in 2014.

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