



**Capital BlueCross**

**COMMONWEALTH OF PENNSYLVANIA  
SENATE MAJORITY POLICY COMMITTEE  
HEARING ON AFFORDABILITY OF HEALTH CARE**

**OUTLINE OF TESTIMONY  
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**Outline of Capital BlueCross' Testimony  
Before  
Senate Majority Policy Committee  
Hearing on Affordability of Health Care**

**April 30, 2008**

Today's Landscape

- Somewhere between 800,000<sup>1</sup> and 1.25M<sup>2</sup> uninsured in Pennsylvania, depending on whose statistics are used.
- Medical inflation has risen at an average rate of 9% over the last 5 years for an effective total rate of 54%.

The Challenge for the Health Care Industry

- Steadily rising costs
  - That led to a growing number of uninsured.
  - That then adds to the rising costs
    - Through uncompensated care for Hospitals, and
    - More people on public health care programs as a result
      - Keep in mind, public programs do not always pay providers viable rates

Existing Efforts to Solve the Problem

- Uninsured issue is currently jointly addressed by public and private sectors
  - Public: Medicare, Medicaid, CHIP, AdultBasic
  - Private: Assists Public sector on these coverages
    - But the private sector chiefly contributes by offering competitive group and individual markets
- Much of the recent focus of "health care reform" has been on covering the uninsured.
- This needs to be coupled with efforts on cost controls, quality and affordability.
- The State, the Governor and the Legislature are to be commended for existing efforts to address the quality / affordability issue (chronic care, expansion of practice authority, hospital acquired infection legislation, etc.)
- However, since the key to solving the uninsured issue is to address affordability, more needs to be done.

Dealing with Affordability

- Affordability is driven by the perceived value of benefits versus the perceived cost of coverage.
- Increasing costs reduces coverage:
  - This applies to the overall cost – medical inflation reduces coverage – and
  - To increases in the employee cost – decreasing employer subsidies reduces the number of covered individuals.
- Conversely, attractive benefits and affordable prices cause more people to seek health insurance
- Expanding dependent age as an approach has not been as successful as hoped.
- Increasing the number and diversity of innovative product designs that appeal to specific population groups has been successful in increasing coverage.
- Companies and states are experimenting with a number of options. Such as:

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<sup>1</sup> (767,000 uninsured) according to Pennsylvania Department of Insurance, *The Health Insurance Status of Pennsylvanians, Statewide Survey Results*.

<sup>2</sup> (1,255,000 uninsured) according to U.S. Census Bureau, Population Survey, *2005 to 2007 Annual and Economic Supplements, Number and Percentage of People Without Health Insurance Coverage by State Using 3-Year Average: 2004 to 2006*.

- Mandate free products,
- Numerous plan options
- Other Employers are offering copays that are linked to employee financial conditions (i.e., salary based deductibles)
- Must also deal with the quality in order to limit cost drivers.
  - Wellness programs with incentives / rewards can drive improved experience.

Specific Suggestions for Pennsylvania

- Small group reform (consistent flexible rating bands)
- Pilot program with mandate free products
  - Could also offer some limited, catastrophic coverage options
- Tort reform could improve basic cost structure