

TESTIMONY  
Senate Public Health and Welfare Committee

PHC4 REAUTHORIZATION

Pennsylvania Association of Health Underwriters  
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Mr. Chairman, thank for holding this hearing of the Senate Public Health & Welfare Committee on reauthorizing the PA Health Care Cost Containment Council. For the record, I am Vince Phillips, lobbyist for the Pennsylvania Association of Health Underwriters, an association made up of insurance producers who specialize in health insurance and employee benefits. I will suggest to you today that PHC4 serves important functions that benefit the Commonwealth and should be re-authorized.

Although reams of paper have been written on the cost drivers behind health care's crippling inflation and its resulting impact on health insurance premiums, some of the problems we face now stem from the fact that often, employees are insulated from the costs of health care. Our employer-based system evolved from a desire to provide health insurance benefits by the employer. It was only when health care costs began to skyrocket that employers began shifting costs to the employee.

What that recent history indicates is that employees used the health care system more because costs, at least until recently, were minimal. Many simply lost their critical faculty as consumers to apply their usual standards of comparison in deciding where and how to get health care. Clearly, the market is swinging away from that historic model.

### **Market Trend is for Comparing Health Care (Cost) Options**

Currently, there is a growing interest in High Deductible Health Plans coupled with Health Savings Accounts. These plans work by helping the employer with reduced premiums coming from higher deductibles just like with auto insurance. Employees are helped because the money in an H S A is their money. If unused, it can build up. One issue of course is the higher deductible which may be addressed by H S A tax credit legislation being considered by both House and Senate. The plus is that the employee is put in the driver's seat. He or she has an incentive to shop around...to actually become consumers because it is their money at stake. Although a newer product, H S As have been credited with reducing the numbers of previously uninsured individuals and groups. Although not a panacea for all employers – beneficial on a case by case basis, H S As promote consumers being more aware of the choices for both treatment and cost they can make. As such, they are more inclined to question the overuse of medical care and to themselves look for less expensive options.

As I mentioned, H S As are not for everyone but they are an important tool for consumers to actually think about making their own comparisons.

Enter the PHC4. Although not yet providing complete price transparency, it does provide consumers with comparison information and matches this trend in the health insurance market.

If I need hospital treatment and it is not an emergency, where do I go? If I live in a rural area, choices might be limited because rural hospitals are particularly stressed right now, burdened with their own costs and with the difficulties associated with staffing. Nonetheless, assuming that I as a patient have the time to decide what kind of care I wish to receive, I can access the PHC4 web site for comparison information such as mortality rates or re-admittance numbers. As you know, this information has been expanded with the comparison data for hospital-acquired infections.

That information can become an important tool in helping me make my own health care choices.

That notwithstanding, PHC4 has come under fire in terms of the methodology used to collect data. I do not have standing to critique the technical side of data collection standards. Those differences should be able to be worked out between the parties themselves acting in good faith towards the common goal of usable information for consumers.

### **Mandated Benefits**

Another work of PHC4 is the review of mandated benefits. This is important to the health underwriters because with each mandate comes cost that translates into higher health insurance premiums. Insurance agents want to see more people insured, both individually and in employer groups. Insurance that is too expensive means fewer insured and more uninsured as a social problem. Mandated benefits are a cost issue. Instead of the market addressing the need for a benefit, a mandated benefit imposes an immediate cost to the system because of legislation.

It is never whether the mandated benefit is good or bad since some group will always be helped. Rather, it is the impact of a mandate on utilization. If insurance now covers a benefit, I will be inclined to use it. This may be good in that more people receive needed care than would otherwise be the case. The downside is that these additional treatments mean more costs to the insurer which is unavoidably passed on to the rest of the insurance-buying public. It has to. The added cost must be paid by someone.

Mandated benefits then pose a situation where those in insurance plans are better covered but there may be more uninsured or underinsured as businesses can no longer afford to provide health insurance. Or, if large enough, businesses may try to self-insure under ERISA and bypass the state's regulatory system.

Adding to the issue of which mandated benefits should be adopted is the box the General Assembly is put into. There are few legislators who will vote against a mandated benefit if a vote is reached on the floor. I had a legislator one time agree with me that mandates add to costs and increase insurance premiums. He then said that I should look at his district which demographically included large numbers of elderly and tell him again how he could not be in favor of mandates that would help them specifically.

PHC4 provides an avenue to delay consideration of a mandate until research can be done. It provides analysis regarding projected costs and market impact. This information can then help the members of the General Assembly better decide what course of action to take. Maybe the political reality or the actual need outweighs the market impact of a mandate but at least legislators have more information with which to decide whether a mandate should be adopted. Does the mandate's benefit outweigh the cost? PHC4 helps provide that answer.

Frankly, some have criticized PHC4 for its efforts in evaluating mandated benefits. They have said that PHC4 research is too shallow. Whether that assertion is founded or not (I'll let PHC4 speak to that themselves), the issue here is one of function. PHC4 provides an important function. Perhaps they can provide that function better but the issue here is that the function itself is important to your work.

### **The Future of PHC4**

Realistically, the downside to PHC4 as a resource is that the information collected has yet to permeate public awareness. Having the greatest web site on earth may be stupendous but not if it is not being used. PHC4 doubtless can tell you the numbers of hits at [www.phc4.org](http://www.phc4.org) and what the trend line is. My sense is that it is an underutilized resource based on what insurance agents tell me about their customers.

Hopefully, the trend toward consumer-directed health care will increase use of PHC4 by consumers.

One recommendation might be to establish a unit within state government similar to the Financial Literacy program within the PA Department of Banking to help consumers better understand what it means to be a better educated user of health care. This is possibly a function that could be undertaken by the Office of Consumer Liaison within the PA Insurance Department providing that enough resources are provided. This Health Insurance Literacy campaign could promote consumer awareness of what it takes to be a rational consumer. Among the tools of course would be PHC4.

Another area is physician price transparency. As you know, legislation has been introduced in the House by Rep. Jerry Stern to have PHC4 also provide physician price information so that people can know costs before going in for treatment. PHC4 is well-suited to help consumers still further by giving them price information. The lowest price is not always the best choice. But not having ready access to pricing information is having no choice. Let the consumers decide and let PHC4 give them the tools they need to make informed decisions.

One caveat observation I would make about PHC4 is that it not stray from its core mission of providing comparison health care and cost information and evaluating mandates. It should not let its mission become diffused by becoming a think tank to evaluate proposals for health care reform. If it becomes a think tank, its recommendations could polarize rather than inform. In addition, it would lose the bipartisan credibility it has built up over time.

### **Conclusion**

PHC4 provides an important service to the citizens of the Commonwealth. On behalf of the Pennsylvania Association of Health Underwriters, please re-authorize PHC4 not as an interim authorization but extend its sunset date significantly. Thank you again for giving me the chance to testify.