Testimony of the New York Health Plan Association

to the

New York State Assembly Committee on Insurance
and
New York State Assembly Committee on Local Governments
on the subject of

Municipal Health Insurance Alternatives and Affordability

October 23, 2019

Introduction

The New York Health Plan Association (HPA), comprises 29 health plans that provide comprehensive health care services to more than eight million fully insured New Yorkers. We believe that every New Yorker deserves coverage for high-quality, affordable health care, and our member health plans are committed to continuing to work with state lawmakers, policymakers, and others to ensure and preserve affordability of health care. We appreciate the opportunity to offer testimony on Municipal Health Insurance Alternatives and Affordability.

Impact on New York's Community Rated Pool

New York has a long history of supporting community rating in its health insurance marketplace. Community rating serves a vital role in ensuring that health insurance is affordable and accessible to the small group market by spreading the risk of high cost medical conditions across a large number of individuals.

New York insurance law is designed to protect individuals and small employers (those with 100 or fewer employees) from wide fluctuations in rates and limits how much rates may vary among small employers. Additionally, state law prohibits health plans from charging a higher premium to small employers based on prior health conditions or the health status of their employees. The small group market is intended to insure a large pool of covered lives so that the cost of care is shared by those without significant medical expenses and those who have greater health risks and medical expenses. Before changing New York's rules to permit local governments and school districts to form municipal health insurance cooperatives and exempting them from the small group rules, we would urge that you proceed with caution to avoid potential unintended consequences that would fragment the existing small group market and adversely affect the marketplace.

For example, allowing school districts and local government to become municipal cooperatives, and allowing them to become self-insured entities, could result in municipalities with younger, healthier individuals withdrawing from the small group market. This could have a significant impact on employers who remain in the community rated market, resulting in a less healthy small group pool and higher costs for employers, including other school districts and municipalities.

It is important to note that for more than two decades the state has allowed counties and other local governments to band together to purchase health insurance. Currently, New York's Insurance Law sets a statutory reserve requirement for municipal co-ops of 25 % of expected incurred claims and expenses for the current plan year (Article 47, IL). The reserves requirements are intended to ensure that the municipal self-funded plan has adequate funds to ensure that the doctors, hospitals and other providers get reimbursed for the care provided to the employees of these co-ops. For some local government and school districts, meeting this

requirement has proved difficult. Because of this, the law allows for flexibility with respect to the required reserves, providing the Department of Financial Services with the discretion to approve a lesser reserve level when it believes this is warranted.

While we recognize the need to provide relief to local government and school districts, the focus should be on providing greater flexibility to benefit the entire marketplace. The state should build on the existing employer-based system by giving businesses and consumers more health insurance options. Measures should include greater regulatory flexibility in health plan benefit design that will allow for a broader choice of affordable health plan products. These could include measures that promote wellness and reward consumers who seek care from high-quality, cost-effective providers. As you consider approaches to provide cost relief to school districts and local government, it is critical that measures that may benefit one segment of the marketplace do not unfairly shift costs to other segments of the market.

Biggest Issue is Cost

The challenge is affordability. The rising cost of health care is the most pressing issue facing employers and consumers. Health care premiums and medical costs are inextricably linked, and the cost of coverage is driven by the underlying cost of care. The focus should be on addressing the factors driving health care costs. Among them:

- Prescription Drug Costs: The cost of prescription drugs continues to rise year after year and remains one of the biggest components of premiums. Moreover, these increases are taking place across all types of pharmaceuticals — specialty, brand name and generic drugs. Also, pharmaceutical manufacturers can — and do — increase prices multiple times a year. An important step to combat this would be requiring greater transparency by pharmaceutical companies for increases in their prescription drug prices.

- Provider Prices: Hospital and physician costs continue to rise as well. This past August, the NY State Health Foundation and the Health Care Cost Institute (HCCI) released a report examining health care spending trends for New Yorkers with employer sponsored coverage, concluding that New York's health care costs exceed the national average, spending is increasing at a rapid rate and rising price, not greater utilization of services, is the main culprit. Also contributing to rising provider costs is the continued consolidation of provider systems. We support greater oversight and monitoring of provider mergers and similar "affiliation" arrangements so that consolidation does not lead to exorbitant prices, as well as prohibit restrictive contracting language, such as "all-or-nothing" clauses and anti-steering provisions, that serves as a barrier to promoting greater competition in the marketplace.

- Mandated Benefits: Every state-regulated health insurance policy sold in New York state must include or "make available" more than three dozen specific treatments or services. In the recently concluded session, several bills that either expand existing mandates or create new benefit requirements were approved, including: large group coverage of in-vitro fertilization services and coverage of fertility preservation services for individual, small group and large group markets; "Shannon's Law," requiring insurers to provide an annual mammogram beginning at age 35; and expanded definitions of eating disorders for the purposed on insurance coverage, to name but a few.

  Excluding the expected services such as doctors' visits, maternity care and hospitalizations, many of the state's mandated benefits are for services, treatments, or screenings that go beyond the evidence-based guidelines recommended by major national health organizations. For example, "Shannon's Law" expands New York's existing coverage requirements that are already broader than established recommendations from the United State Preventive Services Task Force, the American Cancer Society and the American College of Obstetricians and Gynecologists — each of which differ significantly from one to another. Further, while the cost of some of these benefits in isolation may be relatively small, the collective impact of mandates drives up the cost of insurance coverage for New York consumers.

- Health Insurance Taxes: New York currently collects more than $5 billion dollars annually in taxes on health plans. These include the Health Care Reform Act (HCRA) patient services assessment and covered lives assessment. There is also a 1.75% premium tax on commercial health insurance policies and the Department of Financial Services' Section 206 "assessments" that fund the operations of the department. Collectively, taxes on private health insurance rank third highest in the state, with only personal income taxes and sales taxes higher.

Making coverage more affordable and providing relief to employers and consumers, including local government and school districts, requires addressing the underlying factors driving health care costs, particularly the persistent price increases by drug companies and providers.

Conclusion

HPA and its member plans remain committed to doing their part and working with lawmakers, the Administration and other state leaders to address the high cost of health care so that it is more affordable for consumers and employers of all types. By making health care and health coverage more affordable, we can continue to expand coverage and work toward the shared goal of universal coverage for all New York individuals, families and business.

We thank you for the opportunity to share our views today.