health insurers
friend or foe of health reform?

bruce bodaken
chairman and ceo
blue shield of california
looking back to 1994

reform seemed inevitable

• broad public support
• Dole and 11 other republican senators supported many principles of plan
• AMA and U.S. Chamber supported employer mandate

and then...
a decade later, in Massachusetts

the reform
• individual mandate
• employer payment obligations
• insurance exchange
• subsidies for low-income
• expansion of Medicaid

the role of one insurer
“This hopeful moment would not be near if not for two catalyzing forces—a constitutional amendment headed to next year’s ballot ... and the Blue Cross Blue Shield Foundation’s dramatic ‘Roadmap to Coverage’.”

-- Boston Herald

blue of california
last year in california

- Gov. Schwarzenegger and Democratic Assembly Speaker propose “shared responsibility” reform package
  - individual and employer mandates, Medicaid expansion
  - new purchasing pool
  - guarantee-issue with no health status rating
  - limits on insurer administrative expenses and profit
  - transparency
health plans weren’t the problem

- actively supported by three major California insurers (Health Net, Kaiser and Blue Shield)
- most large national insurers played a constructive role in shaping the legislation (United, Cigna, and Aetna)
- defeated by budget woes and a few determined foes with different agendas (single-payer advocates, tobacco industry and Blue Cross)
Federal reform could look similar

- The shared responsibility approach of MA and CA is reflected in numerous federal reform proposals:
  - Obama (as well as Clinton and Edwards)
  - Wyden/Bennett
  - Langevine/Shays

- Senator Kennedy also is likely to propose a plan that borrows from the shared responsibility model, which he supported in Massachusetts.

- McCain is unlikely to support mandates.
obama’s plan

**access**
- employer pay-or-play
- kids coverage mandate
- insurance exchange
- public plan option
- guarantee-issue
- subsidies for low-income
- expanded public programs

**cost & quality**
- improve care management
- invest $50 million in health IT
- promote generic drugs
- permit drug reimportation
- authorize CMS to negotiate drug prices
- require more transparency
- establish comparative effectiveness institute
- limit insurer admin expenses
can we expect industry support?

colors about business risks posed by big, government-sponsored purchasing pools/exchanges
  • risk selection problems
  • increased regulation
  • government involvement in negotiating prices

colors about individual and employer mandates
  • small business customers might resent insurer support
  • purchase requirement could invite rate regulation

other provisions the industry doesn’t like
  • administrative cost limits
  • guarantee-issue without a comprehensive mandate

but there’s a ticking time bomb…….
pressures to support reform

Average Insurance Costs Per Worker Hour

Insurance costs have risen 62% compared to 23% increase in payroll costs.

eroding markets

Percentage of Small Firms (3-199) Offering Coverage

eroding coverage for the insured

Percentage of adults 19-64 with inadequate coverage

the ranks of the uninsured have grown
negative media coverage and regulatory scrutiny
insurers could go either way

insurers won’t support measures that undermine the viability of a private market
• pooling without a level playing field
• guarantee-issue without a mandate
• provisions that make costs unmanageable
  – benefit mandates
  – limitations on care management
  – underpayment of public programs (i.e., cost-shift)
Tenor will also be important

Which approach will health reform proponents take?

- treat health plans as potential partners
- or as the enemy

Strange bedfellows coalitions

Divided we fail
Better healthcare together
Healthcare coverage for the uninsured
National coalition on health care

Healthcare for America Now!

“a $25 million advertising campaign that demonizes private health insurers”

--Slate

Blue of California

Blueshieldca.com
has a new day dawned?

• Harry and Louise return...but this time worry about their uninsured friend

• Backers include: NFIB, Families USA, and Federation of American Hospitals

• AHIP joins in praise for the ad