

health insurers friend or foe of health reform?

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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

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

- 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 plan that borrows from the shared responsibility model, which he supported in massachusetts
- mccain 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?

concerns about business risks posed by big, government-sponsored purchasing pools/exchanges

- risk selection problems
- increased regulation
- government involvement in negotiating prices

concerns about individual and employer mandates

- small business customers might resent insurer support
- purchase requirement could invite rate regulation

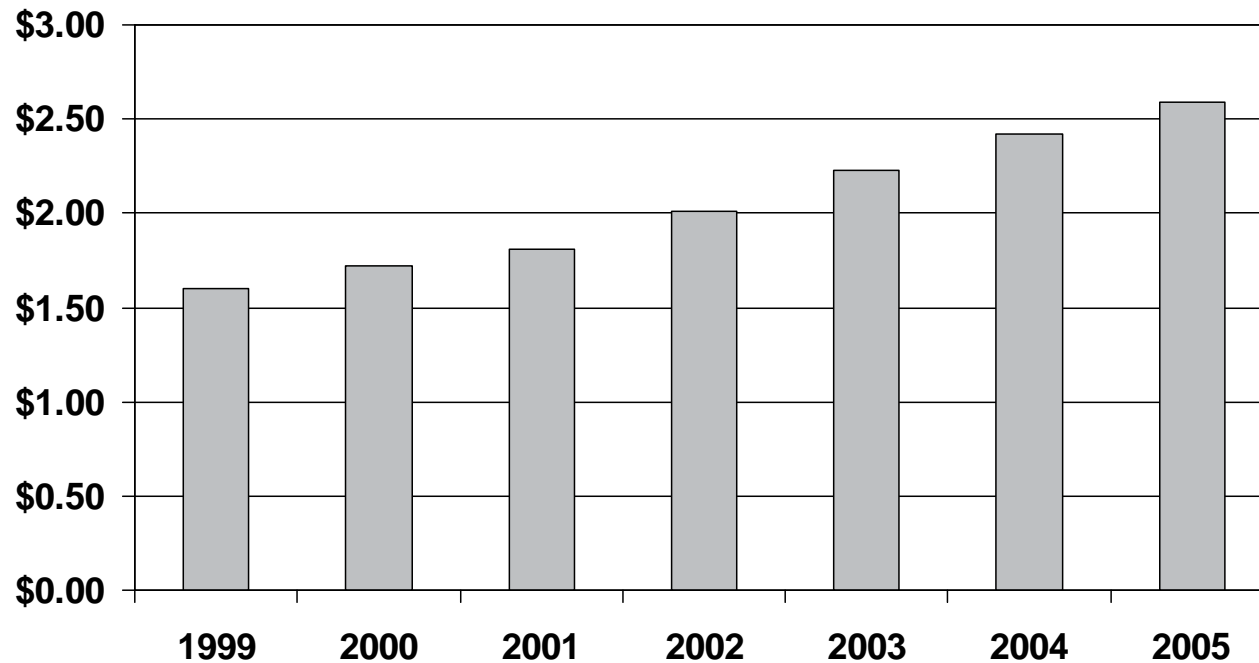
other provisions the industry doesn't like

- 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

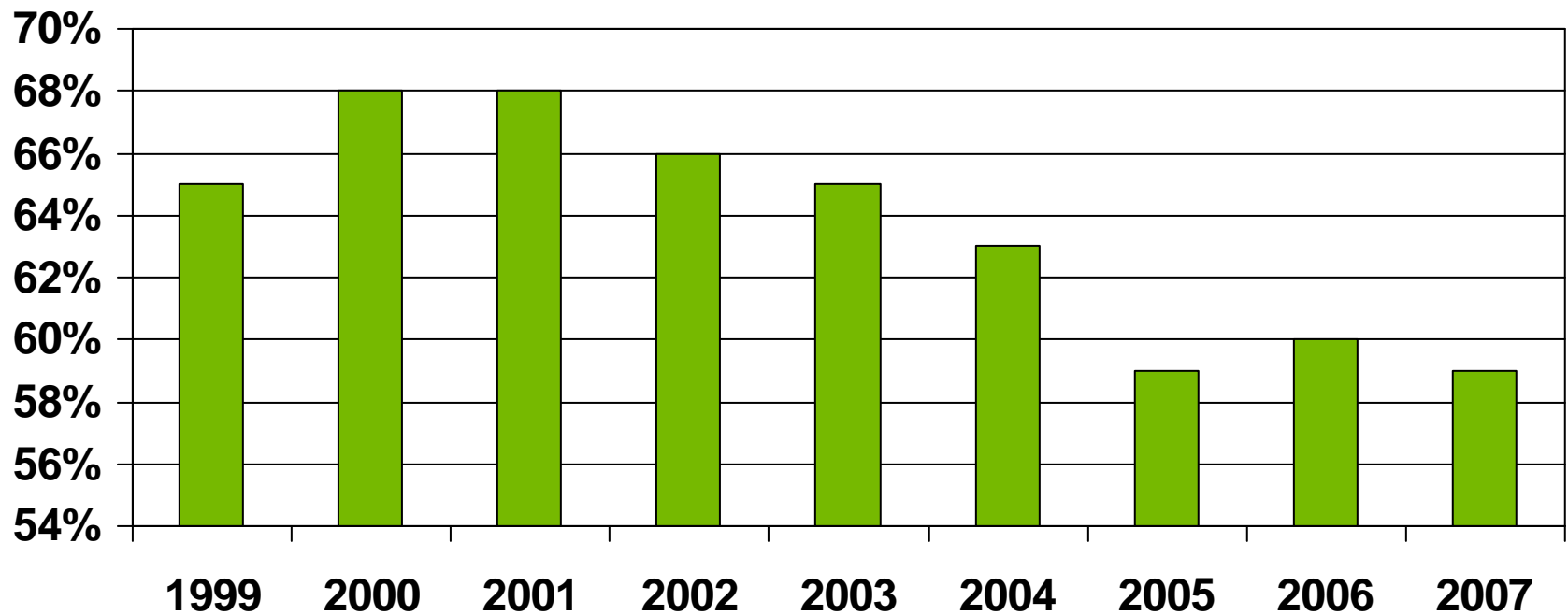


Insurance costs have risen 62% compared to 23% increase in payroll costs.

Source: KFF analysis of data from the BLS National Compensation Survey, 1999-2005.

eroding markets

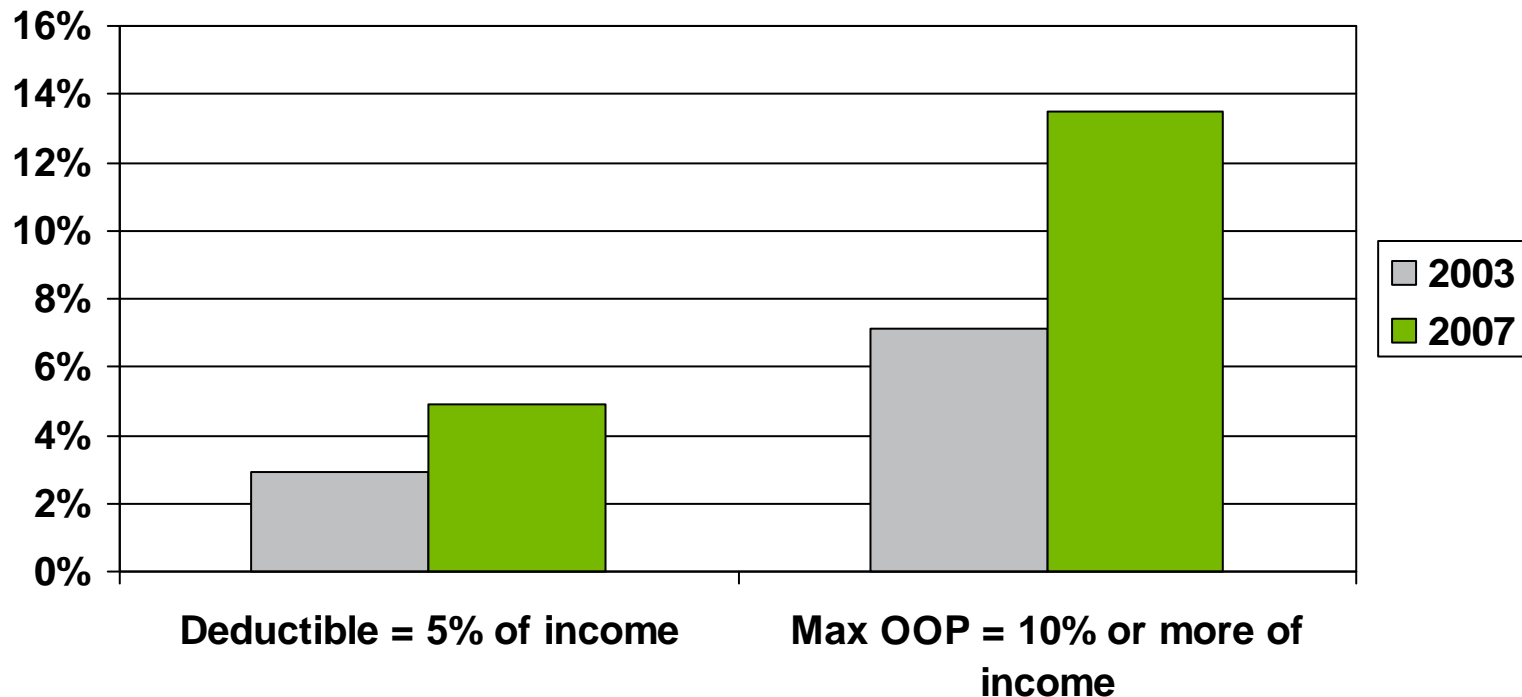
Percentage of Small Firms (3-199) Offering Coverage



Source: Kaiser Family Foundation/HRET Employer Health Benefits Survey, 2007.

eroding coverage for the insured

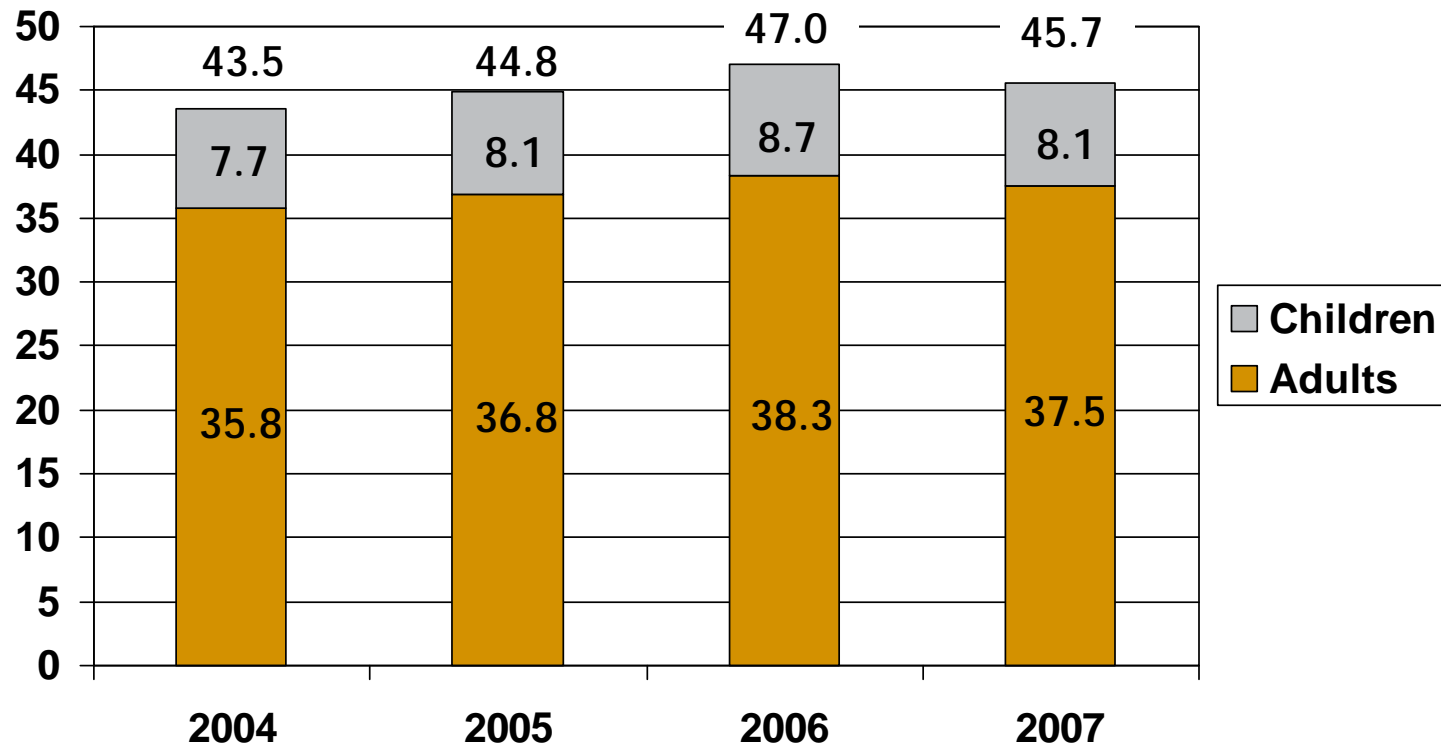
Percentage of adults 19-64 with inadequate coverage



Source: Commonwealth Fund Biennial Health Insurance Surveys, 2003 and 2007.

the ranks of the uninsured have grown

Millions of Non-elderly Uninsured Americans



Source: US Census Bureau

negative media coverage and regulatory scrutiny

THE WALL STREET JOURNAL

"A Dissection of Medical Insurance Costs, Benefits; Government's Role"

San Francisco Chronicle

"State Senate probes HMO watchdog; Critics complain it isn't doing enough to help consumers"

Los Angeles Times

"Health plans fined \$13 million"

Los Angeles Times

"Bill targets insurer refusals"

Dow Jones Newswires

"US House Panel To Investigate Individual Health Insurers"

THE WALL STREET JOURNAL

"Health Insurers Address Issue Of Nixed Policies --- To Counter Negative Publicity, Industry Pushes Plans to Let People Appeal Cancellations"

Los Angeles Times

"Health insurers under the gun"

Los Angeles Times

"EDITORIALS; Examining rescission; State officials' scrutiny of health insurance cutoffs should prompt a broader look at the industry."

Los Angeles Times

"STATE ORDERS INSURERS TO OK POLICIES OVERVIEW: CASES IN WHICH CUSTOMERS LOST COVERAGE ARE PROBED"

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

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

