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**Testimony of the Pennsylvania Health Law Project to the
House Democratic Policy Committee of Pennsylvania
Philadelphia Convention Center
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Good morning. My name is Ann Bacharach, and I am the Special Projects Manager in the Philadelphia office of the Pennsylvania Health Law Project. Thank you for this opportunity to testify about the importance of adultBasic, the state's health coverage plan for low-income adults; and, about House Bill 42, which prohibits Pennsylvania from enacting or enforcing any penalties on individuals who do not purchase health insurance as required in 2014 under federal health reform.

The Pennsylvania Health Law Project (PHLP) is a nationally recognized expert and consultant on access to health care for low-income consumers, the elderly, and persons with disabilities. For more than two decades, PHLP has engaged in direct advocacy on behalf of individual consumers. Our statewide Helpline receives more than 2,000 calls a year from people who lack health insurance, or people who are having trouble getting their insurance company to pay for medically necessary care. We provide free legal assistance while working on health policy changes that 1) maximize health coverage and access to care, 2) hold insurers accountable to consumers, and 3) achieve better health outcome goals and reduce health disparities.

Importance of adultBasic to the Working Poor

adultBasic is the state's low-cost, bare-bones health insurance plan. It is a safety net for low income people who earn too much to qualify for Medicaid but not enough to purchase private coverage. This is not the time to jettison 46,000 of Pennsylvania's working poor. The expanded coverage of federal health reform remains three years away, and the numbers of uninsured Pennsylvanians continue to grow. The adultBasic program, and its more than 300,000 person waiting list, remains their best hope of coverage between now and 2014.

PHLP would be the first to describe adultBasic as less than adequate insurance. It never covered prescription drugs, mental health or substance abuse treatment, but for many of our clients, it has been a lifeline. Having coverage for doctor visits for diabetes and heart disease is a critical benefit – and the missing prescription coverage is often precariously fashioned through a combination of discount programs offered by pharmaceutical companies and drug stores and the occasional sample.

Despite its inadequacies, adultBasic remains far better than Special Care, another low-income limited benefit (and these are the words of the insurance company in the contract) insurance program offered by the Blue Cross plans. Special Care covers a very limited set of benefits at a significantly higher cost than adultBasic. Special Care’s benefits are so minimal that, except for hospitalization, patients are likely to be as sick and in need of extensive services as they would be without insurance.

Special Care doctor visits are limited to four per year, inpatient hospital stays are limited to 21 days, and no outpatient therapy is covered; all for three times the premium of adultBasic. Four doctor visits per year can be used up with one minor illness. As an example, consider a 35-year-old man with asthma who requires regular doctor visits for asthma control. He starts to feel sick, with a fever. If he calls his doctor, he may be using up his last covered medical visit. If he goes to the emergency room, he incurs a \$50 - \$75 co-pay, depending on the plan, and uses unnecessary medical resources. If he waits at home, he may wait too long and find himself hospitalized for pneumonia – incurring more unnecessary medical system costs, and lost time from work on his part. In any of these scenarios, he would need an initial diagnostic visit and at least one and possibly two follow up visits, leaving one doctor visit for the rest of the 12-month period.

Special Care would similarly fail a person with diabetes. National recommendations suggest that a person with diabetes visit an eye doctor once a year; see their doctors every three months; visit a podiatrist every three to six months, and take between three and six medications. If you were that person, where would you decide to scrimp?

Too many adultBasic enrollees will pay Special Care’s high premium unaware of its limited benefits. PHLP’s review of Special Care plans revealed many of the Blue Cross web sites provided incomplete or outdated information. Two of the Blues described only what was covered, not what was excluded from coverage. Benefits were described inconsistently across the plans, making it difficult to compare. None of the websites had up-to-date information on income guidelines.

Not only are the Special Care plan websites wrong about some of the benefits, but they excuse that error(s) by telling consumers to “carefully read the contract.” And those contracts,

which PHLP obtained after great effort from the Department of Insurance, are not written in any language that an average consumer can understand, and are typically not available until the person has signed-up! Our comparison of the five Special Care plan contract discovered differences in the definition of medical necessity, and in the details regarding co-payments and the scope of benefits.

Ending adultBasic will drive thousands to postpone or go without health care until they are severely ill and turn to the emergency room. Their treatment will be expensive and likely uncompensated, putting additional pressure on our weakening safety net hospitals. It is well documented that prevention of illness and disease is less costly than providing acute care for severe illness or disability that results from unmet health care needs. A recent paper from the Robert Wood Johnson Foundation's *Synthesis Project* describes the effects of cost-sharing on patient utilization of services. The study confirmed that when a patient's share of the cost of services is increased – such as higher co-pays for medications, or doctor visits – the medical outcomes are worse. This is especially true for the most vulnerable, low income populations. Patients do not accurately discriminate between needed and unneeded health services, reducing their use of preventive services and essential drugs. Chronically ill patients had increased expenditures for emergency services and hospitalizations when cost-sharing increased.

A permanent solution must be found to continue adultBasic until 2014 when the increased coverage provisions of federal health care plan begin. Until then, offering less coverage at higher costs will leave more Pennsylvanians without much-needed health insurance.

The General Assembly Must Resist HB 42 and Other Efforts That Prevent The Implementation of the Affordable Care Act in Pennsylvania

House Bill 42 would prohibit Pennsylvania from enacting or enforcing any penalties on individuals who do not purchase health insurance. Under the Affordable Care Act, the individual responsibility provision goes into effect in 2014, when subsidies will be made available to middle- and low-income families to purchase affordable coverage through a health insurance exchange. HB 42 is a step backwards. Its proponents focus too narrowly on the individual mandate.

The Affordable Care Act is predicated on the principle of shared responsibility. It requires responsibility and action from every sector of society not just individuals. Those sectors include

- **Government** (both federal and state) to set the rules for the insurance marketplace and financially support access to affordable coverage for lower income residents;

- **Health plans and insurers** to provide access to insurance to individuals, regardless of their health status, age or occupation;
- **Larger businesses** to contribute to the coverage of their employees, including those who receive premium subsidies;
- **Health care providers** to collaborate and coordinate in the delivery of care in new ways; and
- **Individuals and families** to purchase and maintain insurance coverage for themselves and their children.

The Act asks everyone to take responsibility for improving America's health care.

The two federal courts decisions striking down individual mandate create the false impression that states, like Pennsylvania, can delay implementing the Affordable Care Act until a decision by the U.S. Supreme Court; but those courts did not issue an order that states halt work. In fact, several other federal courts reached the opposite conclusion: that there must be no delay.

Stakeholders across the Commonwealth's health care community are solidly behind Affordable Care Act implementation. A non-partisan advisory committee of Pennsylvanians that included small businesses, health care providers, and insurance companies unanimously reached the same conclusion. Their report urges Pennsylvania to implement national health care reform so that taxpayers, working families and small businesses get the greatest benefit from expanding access to health care and bringing costs under control.

Pennsylvania has no time to waste. Much of the work required to successfully implement in 2014 requires advance planning, legislative authority, regulatory development, procurements, system builds and testing. One example of the enormous opportunity and work ahead is the Health Insurance Exchange that each state must establish to facilitate the purchase of insurance by individuals and small businesses. There are multiple decisions ahead:

- Governance of the Exchanges
- Avoidance of adverse selection
- Making self-funded plans compatible with exchanges
- Making Exchanges attractive to employers
- Exchanges' use of their regulatory authority
- Determining the information that Exchanges must make available to consumers and employers

- The Exchanges' role in making eligibility determinations for premium tax credits and cost-sharing reduction payments and their relationship with public insurance programs
- Reducing administrative costs

Pennsylvania policymakers need to understand these options and customize them in ways that make it easier for individuals and small businesses to purchase affordable insurance. Delaying planning and decision making will leave Pennsylvania scrambling to meet deadlines.

There is a great deal to do, but there is enough time to get this right. Leadership will be required, but those who lead will find that the federal law contains elements that, when supplemented with appropriate, thoughtful, and strategic state choices, will yield a better performing health system, improved access to care and financial protection for those who are most vulnerable, and a health care system that we can afford.

Thank you again for this opportunity.