

Karen Ignagni
President &
Chief Executive Officer



October 13, 2009

The Honorable Harry Reid
Senate Majority Leader
United States Senate
The U.S. Capitol, Room S-221
Washington, D.C. 20510

The Honorable Max Baucus
Chairman
Senate Finance Committee
219 Dirksen Building
Washington, D.C. 20510

The Honorable Tom Harkin
Chairman
Senate Health, Education, Labor and Pensions Committee
644 Dirksen Building
Washington, D.C. 20510

Dear Leader Reid, Chairman Baucus, and Chairman Harkin:

On behalf of America's Health Insurance Plans (AHIP), I am writing to reaffirm our commitment to working with you to achieve the enactment of bipartisan reform legislation this year that covers all Americans, improves quality, and puts the health care system on an affordable, sustainable path.

Our community recognizes that we have a responsibility to play a leadership role in identifying strategies that will allow Congress to pass health care reform legislation that will work and that can be sustained. Accordingly, our members have developed proposals that would give every American the peace of mind of knowing they can get and keep insurance coverage, and that would make pre-existing conditions a thing of the past. We also have proposed to transform the administration of health care to slash paperwork, reduce medical errors and enable providers to focus on patient care, and we strongly support provisions in the pending reform bills to carry out that commitment. Another critically



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important priority is making the system more affordable and also sustainable – because without system-wide cost-containment initiatives, the current system will overwhelm individuals’ and employers’ ability to maintain it.

We recently commissioned a study by PricewaterhouseCoopers because of our concerns about the workability of key aspects of the pending bills. We wanted outside verification of the trends we were seeing in our own analyses, not to stop health reform, but to highlight that key changes were necessary to ensure a bill not only gains a majority of the Congress, but can be implemented effectively in 2013 and sustained over time. This study confirms that without changes, many of the key elements could make it harder to get all Americans covered and make coverage less affordable for individuals, families and employers.

To address these concerns, reform needs to put the nation on a path to universal coverage so there is shared responsibility and all sectors are asked to do their fair share to bend the health care cost curve. In a step toward achieving these goals, we are recommending three steps:

- 1. Pairing market reforms with an effective coverage requirement.** Last year, our members took a strong position for comprehensive insurance reform. We believe that all Americans should have coverage, with no pre-existing condition exclusions and without any premium variation based on health status or gender. We have provided to the Congress all of the data on why it is important to have everyone participate to keep coverage as affordable as possible.¹ We are committed to the comprehensive reforms we advanced, but agree with most health policy experts that the decoupling of market reform and personal responsibility does not work.

Recognizing that our goal of universal coverage is also critical to reducing premiums, but that the politics of monetary penalties is very challenging, we wanted to offer alternatives. Possible approaches include late enrollment penalties similar to those that currently apply under the Medicare Part B and Part D programs, coupled with the loss of tax benefits, such as the removal of the personal tax exemption for those who do not comply with the personal coverage requirement, may offer a fresh approach. By pursuing a package of strategies to boost enrollment during the transition, we can ensure that premiums are lower and build a stable and sustainable system with lower costs over the long-term budget window.

¹ The Impact of Guaranteed Issue and Community Rating Reforms on Individual Insurance Markets, Milliman, Inc., August 2007

- 2. Undertaking system-wide cost control and avoiding cost shifting.** We have raised concerns about the missed opportunity to bend the health cost curve in all of the health reform proposals now pending on Capitol Hill. This is a goal that the country cannot afford to miss, given the projected growth we face in health care expenditures. If goals are established only for certain providers under Medicare, this approach will encourage more cost shifting, which now is a significant factor affecting how much individuals and employers pay for health care – currently more than \$1,500 per family annually, on top of the approximately \$1,000 they pay for uncompensated care.

We support the comprehensive strategies the committees are pursuing in the area of administrative simplification and, for our part, we have agreed to implement the aggressive administrative simplification overhaul that would be required under the committees' proposal, which is projected to save hundreds of billions of dollars over the next ten years.

Beyond administrative simplification, we believe that initiatives should be structured to set goals and provide incentives for all other stakeholder groups so future cost increases can be reduced and subsidies made more affordable. These goals and incentives are complementary to the committees' objective of improving care management and early intervention, and moving away from a fee-for-service system that encourages volume rather than value. We believe that valuable models exist to broaden the cost-containment discussion, including ongoing work in the state of Massachusetts that move toward bundling and global payment, and the important work of outside groups such as the Engelberg Center at the Brookings Institution.

- 3. Avoiding new health care taxes that add to the cost of coverage.** Imposing new taxes and fees on health care services and on insurance runs counter to the goal of reducing health care costs, and will result in unintended consequences. For example, CBO has said that the \$6.7 billion insurance provider tax will drive up the cost of coverage. The committee needs only to look at the states' experience to project the consequences of this approach. In New York, the average cost for single coverage in the individual market is the third highest in the nation at \$4,734 and the average for family coverage is the second highest at \$12,254, according to AHIP's 2006-2007 individual market survey. A key factor contributing to high health care costs in New York is the combination of taxes, surcharges, and



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assessments the state imposes on health plans (and the presence of market reforms without a coverage requirement). These taxes, which total more than \$4.2 billion annually, are among the highest in the nation. If Congress takes on the goal of bending the cost curve, we believe these new health taxes could be avoided.

Moreover, several of these elements, including the high-value plan tax, could be favorably mitigated by ensuring there is an effective coverage requirement in the final Senate bill. Because modeling and the experience of the states demonstrate that getting more Americans covered will lead to lower premium costs, it is also true that holding down those costs will lead to fewer individuals approaching the threshold of this provision. The same is true of reductions in federal payments to cover the cost of the uninsured, which as we know will be reduced most rapidly by a system that raises coverage levels to the highest possible levels with an effective coverage requirement.

We believe all of these problems can and must be solved to create an affordable, sustainable health care system that covers all Americans. We remain committed to bipartisan health reform, and we look forward to offering additional ideas as you move through this process. We thank you for considering our concerns on these important issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Karen Ignagni". The signature is fluid and cursive, with a prominent initial "K" and a long, sweeping tail.

Karen Ignagni

cc: Senator Christopher Dodd