



Key issues on health care reform

At Independence Blue Cross, we believe in comprehensive health care reform to expand coverage to all Americans, bring health care costs under control, and improve quality. We strongly support many of the reforms the Patient Protection and Affordable Care Act creates, such as requiring all insurers to accept anyone for coverage regardless pre-existing condition and not charging higher premiums because someone is sick. However, we are concerned about the following problematic aspects of the law:

Individual mandate

An effective individual mandate is critical so that everyone – young/healthy and older/sicker individuals – has health care. The penalty for the mandate is very weak, \$95 per person beginning in 2014. Independent research shows that to be effective the annual penalty must be 75% of the average cost of an individual insurance premium or \$3,800.

Age rating

The law says that an insurance company cannot set the premium for an older adult more than three times higher than the premium it charges a young adult. In other words, the ratio of the older person's premium to the young adult's premium is 3:1. This would increase premiums for young adults by 35%, according to research by actuarial consultants Oliver Wyman, Inc. The lowest workable ratio is 5:1.

Fees on health insurers

The law proposes a fee on insurers estimated at \$70 billion over 10 years, beginning in 2014. The fee is based on an insurer's share of the total premiums paid nationwide. The fee penalizes non-profit insurers like IBC that operate with low margins. Essentially a new tax, the fee pushes IBC's effective federal tax rate to triple the current maximum corporate income tax rate of 35% and puts the organization at severe financial risk.

New required benefits

The law requires that health insurers' plans contain a minimum set of benefits that is higher than what small employers and individuals currently purchase. Ensuring adequate coverage is a logical goal of reform. But raising minimum benefit levels raises costs unnecessarily.

Increased cost of coverage

Beginning in 2014, the law includes a mandate requiring all individuals to obtain health insurance. In addition, the law stipulates that insurers accept everyone regardless of preexisting conditions. These two provisions will encourage people to wait until they are

sick to purchase coverage. The law also limits age-related discounts for younger people and imposes new taxes on insurers that will drive up premiums.

Medicare Advantage cuts The law cuts reimbursement for Medicare Advantage (MA) plans. Unlike Medicare, MA plans focus on prevention and care coordination to keep members well. A study showed that MA members spent fewer days in the hospital, were readmitted less frequently, and were more likely to avoid hospitalization for common conditions like uncontrolled diabetes. If government funding for MA continues to shrink, many insurers will discontinue these plans, which cover 37% of Pennsylvania's Medicare beneficiaries.

Payments before reforms Many reforms that could lower costs or increase the number of insured would not take effect until 2014, but many provisions that would *add* costs for insurers and the insured begin this year: requiring coverage of dependents on a family policy up to age 26, developing standard benefits booklets to be used by all health insurers, and setting up a high risk pool to cover certain ill uninsured.

Reduce costs The Patient Protection and Affordable Care Act does little to address the key drivers of rising health care costs, which, at \$2.5 trillion annually, or more than 17% of our GDP, are on a path to bankrupt our country.