



WISCONSIN ASSOCIATION OF HEALTH UNDERWRITERS

Wisconsin's Benefit Specialists

MANDATED BENEFITS *Position Statement – February 2008*

Whether it is mental health parity, controversial coverage for treatment of autism, cochlear implants, or chiropractic benefits, the Health Underwriters Association and members have held a steadfast position on mandated benefits. Our position in opposition is twofold. First, our opposition to any state and federal mandate in no way speaks to the value of the benefit being mandated. Our position remains that the health care services performed by medical professionals are best left up to those medical professionals and their patients. Health Underwriters fully support the medical community in the services they provide their patients.

Secondly, as experts on the financing of health care, we have a responsibility to our customers, peers, and to society to ensure that Wisconsin citizens have the ability to purchase health care coverage in the free market place now and in the future. We have the responsibility to ensure that Wisconsin citizens have the freedom to choose their benefits, rather than having those benefits dictated by government. It is because of this responsibility that the Health Underwriters oppose all state and federal mandated benefits.

▶ **Mandates Increase Utilization & Raise Premiums**

■ Mandates increase the utilization of that particular care, which often times is not medically necessary. They also increase claims costs which are simply passed through to the consumer through higher premiums.

▶ **Mandates Remove Choice & Reduce Coverage**

■ Mandates don't force insurance carriers to pay for certain benefits; they force consumers to purchase benefits the government decides they should buy. This is not the proper role of government. *The cost of mandated benefits is paid by employees*, not insurance companies. As the carriers increase the cost of premiums to pay for these mandates, employees pay for these mandates in the form of higher premium contributions, reduced wages or fewer benefits.

▶ **Mandates Unfairly Discriminate**

■ Mandates do not apply to larger employers who self-fund their health benefits. With half of Wisconsin's population in a self-funded plan, how can the legislature justify forcing some consumers to purchase certain benefits, when the other half enjoys the FREEDOM of choosing the benefits they desire?

Each mandated benefit takes away a consumers ability to afford health care coverage, as each mandate increases the cost of health insurance. According to a number of sources (including Milliman & Robertson), statistically, a one percent increase in premiums will cause between 200,000 and 400,000 people to drop their health insurance coverage nationally. In Wisconsin, with more and more mandates being enacted, we are losing our freedom to choose that which best meets our needs. *More importantly, we are losing the ability to afford basic health care coverage for catastrophic illnesses and accidents.* As experts in the financing of health care, we must remind the public as to the purpose of insurance. ***Insurance is a policy to indemnify the insured from catastrophic loss due to known perils.*** Until we get back to that basic concept, the ability to manage and control health care costs is in serious jeopardy, and thus our ability to afford health insurance premiums is in serious jeopardy.

It is important to note also, that rarely are purchasers of health care clamoring for new and exotic coverage mandates. Instead, its special interest groups looking to score political points with specific constituencies who thrust expensive, and oftentimes unnecessary, coverage mandates on the buying public. Should legislators wonder why working-class citizens forgo coverage? The buying public understands that benefits do not come free. The more mandated coverage government includes, the more individuals and businesses are priced out of ANY coverage altogether.

In an era of discussing “patient protections”, we believe the most important patient protection is the ability to afford basic health insurance coverage for catastrophic loss. Real access to health care and choice cannot exist when such coverage cannot be afforded.

COALITION FOR
Sensible 
Health Care
Solutions

WE BELIEVE:

- 1) All Wisconsinites deserve a health care system that delivers both world-class care and financial security.
- 2) Wisconsinites deserve a system that is accessible, affordable and fair.
- 3) Wisconsinites deserve a system that boosts the state's economy, attracts new business and strengthens existing enterprises.
- 4) All Wisconsinites share responsibility to be better stewards of their own health.
- 5) Healthcare is a national challenge; as a state, we can only do so much. But what we *can* do, we *should* do.

WHO WE ARE

The Coalition for Sensible Health Care Solutions is made up of four major insurance agent associations in Wisconsin, representing health insurance counselors, agents, brokers and other professionals. The four associations include the Independent Insurance Agents of Wisconsin (IIAW), the National Association of Insurance and Financial Advisors - Wisconsin (NAIFA), the Professional Insurance Agents of Wisconsin (PIA) and the Wisconsin Association of Health Underwriters (WAHU). We occupy a unique place in the health care coverage system, connecting Wisconsinites with the best possible coverage from health insurance companies. We educate consumers on choices, help them select the most appropriate plans for their specific needs and serve as their advocate if problems arise. *We see firsthand what's working and what's not.*

THIS DOCUMENT

As Wisconsinites and as insurance professionals, we want a stronger, more effective health care coverage system. We applaud governmental leaders and others who have put forward comprehensive reform proposals – even when we disagree with their suggested methods. This document provides a yardstick against which any proposal can be measured and offers a reform package we believe is a “sensible solution” for the health care challenges facing Wisconsin.



608/244-3131



608/268-0200



608/274-8188



608/256-4429

OUR PRINCIPLES

- ▶ We believe reform must address and reduce skyrocketing medical care costs.
- ▶ We believe any reform package must ensure that all Wisconsinites have access to basic health care coverage.
- ▶ We believe reform must neither bankrupt families nor bankrupt the state.
- ▶ We believe reform must provide the state's diverse population with equally diverse health care coverage choices.
- ▶ We believe reform must promote ongoing and long-term innovation and experimentation that enables the state's health care system to adapt over time to the evolving needs of its citizens.
- ▶ We believe reform must provide consumers access to meaningful information and expert advice and counseling from licensed and trained professionals.

PRIVATE MARKET SOLUTIONS OVER GOVERNMENT PROGRAMS

Unfortunately, when the discussion of health care surfaces it is usually couched in the context of the plight of the uninsured and the supposed "excess administrative cost" of our private health care system. According to the Federal Government's Center for Medicare and Medicaid Services (CMS), the actual administrative cost of private insurance is 12 cents on every dollar. And, much is being done to increase efficiency in this system. Therefore, we advocate that the focus of the debate and solutions should be centered on the remaining 88 cents of the dollar or the real problem: *The Cost of Health Care Services*. As professional insurance advisors we are advocating that the state move forward with the following Sensible Solutions. These steps will help drive cost of care down, thereby improving access for all:

- ✓ **Returning to the Fundamental Principal of Insurance – Protection against catastrophic losses.**
- ✓ **Covering the Uninsured – Reinvent BadgerCare**
- ✓ **Expand Wellness Programs - get to the root of 50% of our costs**
- ✓ **Health Information Technology Expansion - become more efficient, safer**
- ✓ **Health Care Transparency – full disclosure of prices so consumers can compare**
- ✓ **Insurance/Market Reforms – Let small employers facilitate employee payments for insurance**

SPECIFIC PROPOSALS TO MOVE FORWARD WITH SENSIBLE HEALTH CARE REFORM

1) Returning to the Fundamental Principal of Insurance – Protection against catastrophic losses

The basic principal behind insurance is to provide indemnification against large unexpected financial losses. Unfortunately, health insurance has evolved in the wrong direction. Rather than providing protection from unexpected large medical expenses most insurance today only requires the participant to be responsible for small co-payments for their medical or prescription expenses. According to the CATO Institute “As the percentage of the patient’s share of medical bills goes down, the cost of that care increases dramatically because patients no longer care what the total cost is”. The private sector is already moving back to comprehensive major medical plans and we must move to do the same in the public sector and allow for the for the same tax deduction to Health Savings Accounts on a state level that is already afforded on a federal level.

[Support AB-47/SB18 - state deductibility of Health Savings Accounts](#)

[Support AB-110/SB-46 - availability of major medical plans to public sector employees](#)

[Support 07-08 LRB 3991 - expanding Section 125 plans to make premiums more affordable](#)

2) Covering the Uninsured – Reinvent BadgerCare to end cost shifting

We in Wisconsin are fortunate to have over 90% of our population covered by insurance. However, according to OCI’s statistics from 2006, there remain 297,000 left uninsured for the entire year. We must be sensitive to the needs of the uninsured, especially those who truly cannot afford insurance yet have made a conscious effort to acquire it. Currently, the government safety nets are Medicaid and BadgerCare. With reimbursement rates to providers of roughly 40 cents on a dollar, health care providers must cost shift this shortfall to the private sector. *Each time these government programs are expanded, the law of unintended consequences shifts greater financial cost to the private market causing an increase in the uninsured population.* While the goal of BadgerCare is to assist the working poor by providing health care coverage until they no longer require assistance, government should look to work with private employers who offer their employees health coverage to access their plan. The state should create individual Health Coverage Accounts (HCA) so funds would be available to have the BadgerCare recipient be enrolled and insured through his or her employer’s health program. The HCA would provide the funds to pay the normal employee premium contribution required by the sponsoring employer.

[Enroll BadgerCare recipients in their employer’s group insurance and fund the employee portion of their premium through a Health Coverage Account using BadgerCare funding. Where no group coverage exists, fund the HCA and allow the employee to purchase individual coverage. This system would eliminate cost shifting from BadgerCare to the private sector as BadgerCare enrollees would be in the same “pool” as others in the general marketplace.](#)

3) Expand Wellness Programs – promote and give incentives

Robert Kelly’s famous cartoon character Pogo once stated; “We have met the enemy and they is us.” This most certainly can be applied to health care consumers as research continues to illustrate that over 50 percent of health care costs are attributable to individual lifestyle and behavior choices. All Wisconsin citizens need to take responsibility for their lifestyle choices that negatively impact their health. We believe lawmakers should do everything possible to enable employers to provide benefit incentives and premium flexibility that encourage healthy lifestyle choices of employees and their dependents.

[Support incentives for employers to offer wellness plans;](#)

[Support SB-147 to provide wellness programming to Medicaid enrollees and state employees](#)

4) Health Information Technology-give incentives

According to the Center for Disease Control and Prevention's October 26, 2007 Advance Data report, only 12% of practicing physicians nationwide use a comprehensive electronic medical record (EMR) system for tracking their patients. Computerized orders for prescriptions, computerized orders for tests and reporting of test results and clinical notes would provide safer and more efficient health care delivery to Wisconsin consumers. The legislature can encourage providers in this process by providing tax incentives for EMR expansion.

[Support AB-111/SB-45 to provide incentives for expansion of Health Information Technology](#)

5) Health Care Transparency – Full Disclosure of Prices

Medical care is perhaps the only service American consumers regularly purchase without having any knowledge of the actual price. As consumers continue to migrate into comprehensive major medical plans that require their financial participation, they of course are now asking the fundamental question, "What will this cost me?" The State should set reasonable timelines for the health care community to come forward and begin sharing timely, what is to be charged.

[Support ASA1 to AB 729 and 07-08 LRB3900 to encourage publication of health care costs](#)

6) Insurance/Market Reforms - let small employers facilitate the payment of premiums through payroll

Insurance market reforms can make health care coverage more accessible and affordable. Many small employers do not currently sponsor a group health insurance program for their employees simply because they cannot commit to the present requirement of paying 50% of the cost of the plan for their employees. Often these are new employers just starting out in their entrepreneur enterprise. Although they cannot afford to pay for the employees' health insurance they are often willing to assist the employee in purchasing their own personal policy and allow for premium payments to be handled through payroll deduction. However, present law prohibits this option. That is why we are advocating for List Bill that would allow for payroll deduction of personal health premiums through small employers not able to fully sponsor a group health program.

[Support AB 807 to repeal current law that prohibits small employers from letting their employees pay premiums through the company payroll system.](#)

