NYSCOP | NEW YORK STATE CONFERENCE OF BLUE CROSS AND BLUE SHIELD PLANS

For Immediate Release:
June 9, 2010

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NYSCOP: Reinstating Prior Approval a Mistake

Legislation is bad public policy that does not address the core issues driving the cost of health care.

Albany, N.Y. – The New York State Conference of Blue Cross Blue Shield Plans (NYSCOP) today expressed complete disappointment as the legislature enacted government-imposed price controls through the reinstatement of "prior approval" of health insurance rates.

Specifically, the measure grants the superintendent of insurance unparalleled discretion and authority to approve, modify or disapprove rate applications, in effect implementing government-imposed price controls over individual and small group health insurance rates.

"This is bad public policy," said Deborah Fasser, spokeswoman for NYSCOP. "The way it was patched together and passed along with the one-week budget extenders is yet another classic example of what is wrong in Albany. Instead of working together with the numerous stakeholders, this measure was rushed through and passed unconventionally. It will not give lawmakers the outcome they are looking for. It will not make health insurance more affordable."

This vague legislation contains no definitions and is coupled with an exceedingly long timeframe for the Insurance Department to approve or deny a rate increase. "This will result in delayed rates, which will wreak havoc on small business and individuals trying to budget for health care expenses," said Fasser.

"Once again, the Governor and the Legislature failed to think through the process, for example, federal reform will create an enormous workload on the state Insurance Department as they will be forced to approve policies and rates for thousands of products over the next several months," said Fasser. "The Department cannot keep up with the demand of these voluminous filing and compliance issues resulting from federal reform and the reimplementation of the archaic structure of prior approval."

Price controls have never worked, in health care or any other market. New York found this out the hard way in the 1980s and early '90s when prior approval failed miserably. It was because of this failure that in 1995 the New York legislature unanimously voted to eliminate prior approval. Health plans simply could not afford to deliver care at the rates mandated by the state.

"Lawmakers must acknowledge the real factors driving up health insurance premiums, such as insurance taxes, and enact policy initiatives designed to reduce rising costs," said Fasser. "Imposing government price controls where the rates are left to the subjective whim of a political appointee is just another political game. All this measure will do is artificially suppress rates which, in turn, will lead to a decline in provider reimbursement, a spike in premiums when politically tolerable and job losses in the health insurance industry."

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The New York State Conference of Blue Cross and Blue Shield Plans (NYSCOP) is a partnership of Rochester-based Excellus Blue Cross Blue Shield and New York City-based Empire Blue Cross Blue Shield. Together, the two health insurance plans provide comprehensive health coverage for millions of New Yorkers and are dedicated to educating the public through in-depth research and analysis of the cost, access and quality of health care.

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Mass. official: Gov premium caps faulted in e-mail

GLEN JOHNSON

BOSTON

A top state insurance official said that health insurance caps the Patrick administration placed on major insurers could cripple them financially and would most likely cause "a train wreck," according to an e-mail obtained Tuesday by The Associated Press.

The April 6 e-mail, obtained following a public records request, showed that Deputy Insurance Commissioner Robert Dynan warned that the caps could cause insolvency at the insurance companies. Dynan also wrote that the caps were imposed "against my objections" and without his input.

Insurance Commissioner Joseph Murphy rejected a series of small business health insurance premium increases proposed by insurance companies on April 1.

Gov. Deval Patrick lauded the move, saying he hoped it would lead to lower premium costs for struggling small businessmen. Insurers unsuccessfully sued to overrule the rejection.

In another e-mail to Murphy, Dynan wrote on April 30 that artificially setting rate limits rather than basing them on the insurers' projected cost could create "the potential for catastrophic consequences to our nonprofit health care industry." He urged that they be allowed to charge "actuarially sound rates."

Dynan heads the insurance division's Financial Surveillance Unit. One of his tasks is to guarantee that state health insurers remain financially secure so they can provide the coverage customers purchase.

The insurance companies suggested they were being targeted by Patrick for political purposes in a re-election year. They argued both in the aftermath of the rate rejection and in the court case itself that they be allowed to charge rates that cover their costs and insure that they remain solvent.

They also contended that limiting the premiums that they could charge customers while not capping the cost charged to them by providers - such as doctors and hospitals - put an unfair burden on their companies.

Patrick and his administration support legislation that would control health care provider costs, but the governor has argued that controlling premiums was an appropriate starting point for the discussion.

The Associated Press requested Dynan's e-mails on the subject last week. He did not return several phone messages left at his home and his office phone was disconnected from the insurance division's voicemail system.