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RE: AN ACT to amend the insurance law, in
relation to physical therapy services

A405 (Cahill)
S3751 (Breslin)

MEMORANDUM IN OPPOSITION

Submitted on behalf of the Blue Cross and Blue Shield Plans

The New York State Conference of Blue Cross and Blue Shields Plans oppose enactment of this Bill, which would establish a cap on an enrollee's copayment component of physical therapy (PT) and occupational therapy (OT) services covered by a health insurer. The Bill requires insurers to apply the same copayment for PT and OT services as the copayment applied for a physician office visit for a similar diagnosed condition. In binding the copayment that can be applied to PT/OT services to the copayment for physician services, this Bill inappropriately restricts the ability of insurers to effectively manage utilization of covered services. The Bill will also significantly increase out-of-pocket costs to consumers as insurers may seek to increase the copayment for physician services in order to apply an adequate copayment to PT/OT services.

The use of copayments is a necessary component of the health insurance industry. Copayments represent a portion of the actual cost of the medical service, it is meant to prevent people from seeking medical care that may not be necessary. By establishing a limitation on the amount that a health insurer may establish as a copayment for a specific service, this legislation would limit the ability of health insurers to effectively manage and plan for enrollee utilization of covered services. As a result, this Bill's mandate would lead to increased health insurance premiums across all lines of health insurance, including individual and small-group health plans

A copayment or "copay" is a flat fee that the patient pays at the time of service. After the patient pays the fee, the plan usually pays 100 percent of the balance on eligible services. For covered services, patients have no financial disincentive to forgo care, even if it is of dubious value. Copayments play an important role in providing a financial incentive for patients to better utilize care – where patients bear some of the economic costs of receiving medical care, they are more likely to use only those health care services that are worth the additional cost that they must pay.

In essence, this Bill is an insurance mandate that limits the copay for physical and occupational therapy. By mandating that the cost-sharing for these select services be lower than what is currently charged in most insurance plans, this legislation will drive an increase in the cost of premiums. When considering the cost of any given health care service, if the amount of the

copay a patient pays is lowered, the insurer must make up the difference to pay for the total cost of the service, driving premiums higher to make up the difference.

This will have the most significant impact on the lowest-cost plans, which have low premiums but higher cost-sharing. While the Bill lowers the cost-sharing for the patients in these plans for the specified services, the insurer must make up the difference to pay for the total cost of the service. Increased costs cannot simply be absorbed by the insurer, especially insurers already operating in accordance with the federal Medical Loss Ratio, and this Bill, if enacted, would result in increased premiums in these plans.

This legislation establishes the dangerous precedent of the State dictating copayments applied to covered medical services. While this Bill is in response to the nationwide push to enact limits on copayments for PT/OT services, it would establish a troubling precedent in New York by opening the door for legislators to limit co-payments on any type of service they wish to make cheaper for New York residents. However, we know that this is not the way to reduce the cost of health care in New York. This Bill, and subsequent attempts to limit copayments on additional covered services deemed noteworthy, would drive premiums higher in New York.

For the foregoing reasons, the Blue Cross and Blue Shield Plans urge that this Bill not be enacted.

Respectfully submitted,

HINMAN STRAUB ADVISORS, LLC.

Legislative Counsel for the Blue Cross and Blue Shield Plans of New York