

Testimony, Phyllis Menke

April 20, 2010

Thank you Chairman Harkin, Senator Enzi, and members of this committee for inviting me here today. It is truly an honor.

The City of Fonda is a small community of 648, located in northwest Iowa. The city has provided its 3 full-time employees with group health insurance for many years. The premiums kept increasing, year after year, sometimes at an increase of 30%. In an effort to contain costs the city has had to change insurance companies, raise the deductible four different times, they went from a cost split of 90/10 to an 80/20 cost split, they began to self-insure a portion of the deductible and they have discontinued offering dental insurance. The city has been with Wellmark BCBS of Iowa for many years.

- 22 years ago the city began offering the employees Group Health Insurance. It was a Wellmark Blue Cross Blue Shield policy. The deductible was \$250. The City of Fonda paid 100% of the premium and continues to do so, only differently.

Fast forward to 2005.....

- 2005 we had a Wellmark BCBS policy. Our deductible is \$1500, the cost split is 90/10, we have a \$6000 out-of-pocket maximum and our co-pay is \$15. This is still a pretty good policy, not as good as the \$250 deductible but a good policy. The cost for family coverage was \$705.07 per month per employee.
- 2006 we are notified our premiums are increasing by 32.18%. The city went out for bids. We stayed with BCBS of Iowa but increased our deductible to \$2000, went to a 80/20 cost split, increased our co-pay to \$20 and our out-of-pocket maximum went to \$8000.
- 2007 we are notified our premiums are increasing by 18.40%. The city increases our deductible to \$3000, our co-pay goes to \$25 and our out-of-pocket maximum is now \$12,000.
- 2008 we are notified our premiums are increasing by 13.33%. The city makes no changes to our coverage.
- 2009 we are notified our premiums are increasing by 10.35%. For the second year in a row, the city makes no changes to our coverage.
- 2010 in September 2009, we received our notice of renewal rates for 2010, our premiums are increasing by 29.47%. The cost would increase to \$1265.76 per month per employee. So for the months of October, November and December I struggled with trying to find reasonably priced, decent insurance coverage for the city's employees. The city went out for bids, and the bids that came back were as high as or higher than the Wellmark BCBS rates. The city is no longer able to afford to offer its employees a decent group health insurance policy; in order to keep costs down we would have to raise the deductible even higher and that was determined to be unacceptable.

After much research and discussion, the result was that the employees would need to provide their own insurance coverage and the city would reimburse them. The employees went through the process of completing applications for coverage. I will use myself as an example, but this was also true for the other two employees.

I applied for health insurance coverage with Wellmark BCBS. Based on my medical history, they issued an amendment(s)/rider that exclude certain conditions from my health benefit coverage. Wellmark would not cover nor provide benefits in connection with any medical treatment, or medications for and I quote:

0205: Non-cancerous tumors or growths, including any treatment, operation, or complications thereof. This includes International Classification of Disease (ICD-9) codes 210.00-229.99

1006: Structural conditions of the female reproductive system, including treatment, operation, or complications thereof. This includes International Classification of Disease (ICD-9) codes 617.00-629.99

In addition to the riders they were placing on me, they notified me and I quote:

"At this time, we regret to inform you that due to multiple medical conditions, we are unable to accept John M Menke for coverage based on our review of your application information."

They went on to say that" they appreciated my interest in Wellmark BCBS of Iowa".

I don't know if any of you can relate to how I felt at receiving this letter from the company that I had insured with for years. I can tell you that it did not feel good. Unless you have been personally told that you cannot get insurance; or that you can BUT you will have pre-existing conditions, I don't think you can't truly know how it feels.

- The only option left, and I repeat the only option, was for the employees to apply for and accept a **Blue Transitions** policy. It has a \$2500 deductible, a family is required to meet three deductibles, and it is an 80/20 cost split. There are no pre-existing condition riders but the policy is more expensive than a standard individual policy. The policies went into effect on 01-01-2010. The cost for myself and my husband (age 54 and 59) is \$751.85 per month.
- The city officially canceled their group health insurance policy with BCBS effective 12-31-2009.
- If the City of Fonda had the same insurance today that we had in 2005 it would cost \$1631.44 per month per employee. That accounts for a 131% increase in premiums over the last 5 years and averages 26.2% per year. \$58,732 a year for the city to provide health insurance for 3 employees under this policy.

We received notice from Wellmark BCBS on February 20th that effective 04-01-2010 our Blue Transitions premium is going up 25% to \$937.55. I'm thinking "could someone please explain this to me? Our policy hasn't even been in effect for two months and we receive this type of increase." It was like adding insult to injury.

I sent a letter to the Iowa Insurance Division Commissioner asking them this question and I have attached a copy of their response. (Attachment A.) In summary BCBS initially asked for a 31% increase for Blue Transition policies. The Iowa Insurance Division was able to negotiate it down to 25%. Governor Chet Culver then stepped in and asked for an independent study of the BCBS rate increases. The study has been completed and the increases were determined to be justified. The new rates go into effect May 1st.

Iowa has a group called the Iowa Governmental Health Care Plan. I.G.H.C.P. is a Benefits Trust for Shared Risk Pooling among Public Employers in the State of Iowa. It allows entities to enter into the trust based on claims experience, plan design and demographics. The entities are then pooled at renewal, using the total claims experience to develop renewal percentages. This is a GREAT idea! However, an entity must have a minimum of 50 employees to bring into this group plan. It does not help the small cities in the State of Iowa, only the larger cities and they already have a large enough base that will offset their experience rating. The Iowa Governmental Health Care Plan should be available to all Iowa government agencies, regardless of their size.

Wellmark BCBS monopolizes the insurance in Iowa, Illinois, Nebraska, etc. BCBS is building a new \$30 million dollar office building in Des Moines so they are not broke. Every hospital in a 120 mile radius of Fonda has recently constructed major additions to their building; Des Moines just finished building a brand new hospital. The hospitals are not broke. Health care costs have skyrocketed. The cost of prescriptions is ridiculous. U S citizens can purchase prescriptions cheaper from pharmacies in Canada, Mexico and India.

I am one of the lucky one, I have insurance, my employer covers the cost and I am for the most part pretty healthy. Fonda's former Mayor is not so lucky. He does not have health insurance and hasn't for 32 years. His employer's did not provide it and he has health issues that prevent him from getting any standard insurance policy. He would have to get a "High Risk" policy and he is not able to afford it.

This testimony is long, too long, but I hope that you can feel my frustration and the frustration of small cities and small businesses in Iowa and around the country that are trying to do the right thing and provide insurance for their employees. I hope you understand the frustration the working class population has in trying to provide their families affordable insurance.

Something needs to be done and progress is being made for sure. I want to thank you for having me today and I especially want to thank each of you for your hard work and commitment to improving our health care system.

I know quite of people are watching C-Span for the first time today because I told everyone I know that I was going to be here today. Thank you again for having me.

ATTACHMENT A

Dear Ms. Menke:

1. Small group rates are not regulated like the individual market, however, carriers have to maintain compliance with the rating bands in chapter 513C of the Iowa Code. Small group law limits the variability of rates between groups which essentially forces the groups with the best experience to provide a little subsidization to the groups with the worst experience. You may view chapter 513C of the Iowa Code at the Iowa legislature's website at www.legis.state.ia.us.

2. The Blue Transitions policy is an individual policy and is subject to the individual rating laws of Iowa. Most of Wellmark's individual major medical policies are anniversary rated on April 1st of each year. Since major medical policies are normally adjusted annually to account for changes in utilization and underlying costs, Wellmark annually files for increases in December of each year for all of their individual policies. The company's proposal for Blue Transitions was nearly 31%, however, we negotiated that proposal down to 25% by getting them to agree to a high loss ratio target for that business. The loss ratios on Blue Transitions was significantly higher than what the law calls for so the company was clearly in compliance with the proposal. Your rate for Blue Transitions should be good until April 1, 2011. Basically anybody that purchased Blue Transitions in Dec/Jan would be getting a notice in February that their rates are going up; just the luck of timing. The rates did not go up just because you purchased the policy

We regret that medical costs are continuing to steadily increase. This is a result of increasing claims (more office visits, prescriptions and surgeries) and the increasing costs for these services. Rate increases are not based on your particular use of services, but on the services used by all members of a pool or group of policies. One individual may have only physicals and vaccinations, but others in the same pool may have had heart attacks, strokes, or other major surgery. It is the total claims of the entire pool of insureds that will determine whether the rate increase for the entire pool is approved. Medical claims presented to insurance companies are surpassing inflation, cost of living, or wage rates.

Wellmark has documented loss ratios of over 90% for calendar years 2008 and 2009. This means over ninety cents of every dollar of premium paid has gone to pay claims. In some pools, Wellmark has paid out more in claims than it received in premiums. When costs for rent, salaries, commissions, taxes, legal, accounting, etc. are included Wellmark is losing money on these policies. Ultimately, any business will fail if it operates at a loss. A rate increase was essential for Wellmark to continue to stay open and pay future claims.

We want you to know that the Division thoroughly reviewed Wellmark's individual proposals and that it was our belief that the company was in compliance with the applicable individual rating laws. We fully understand the health care and insurance crisis in this country. We also fully sympathize with Iowa's citizens in dealing with these hardships.

Yasmin Jeshani

Market Regulation Bureau

Iowa Insurance Division

SUMMARY

- The City of Fonda, Iowa has seen the premium for their Group Health Insurance policy go up 131% in 5 years; that is an average of 26.2% per year.
- The Iowa Governmental Health Care Plan should be available to all Iowa government agencies, not just the large employers who can bring 50 employees to the group. This would provide a vehicle where small cities, smaller rural county governments could pool their risk, renewals would be calculated based on claims usage of entire trust, would provide protection from bad claim years because of the shared risk and offer affordable group health insurance. This could work in every state.
- There should also be an Iowa Small Business Health Care Plan that would be available to all small businesses with less than 50 employees similar to the Government Care Plan.
- Each state should have some type of control in place to regulate insurance companies and the amount of premium increase they ask for.
- The cost of health insurance is not the only problem, the cost of health care and prescriptions and the abuse of the current system all contribute.