

Testimony of Senator Mike Folmer

Senate Policy Committee Hearing: Health Care

12:30 p.m., Wednesday, April 30th
Room 8EA, East Wing, Capitol

Senator Corman and members of the Policy Committee, thank you for the opportunity to talk about health care and ways to better address Pennsylvania's health care problems.

People across Pennsylvania and our nation are concerned about health care. They say it costs too much, it's too hard to get, and the quality isn't what it used to be.

These are the three main topics whenever you talk about health care:

- Cost
- Quality
- Access

The main problem with health care in both Pennsylvania and throughout the nation is that health care costs too much. In looking for ways to reduce health care costs, we are faced with two very different approaches. One approach would increase government's role in health care, which I oppose. The other approach would decrease government's role in health care, which I support.

If we are to make health care more affordable, the key will be to take the costs out of our health care system. Reducing costs begins with finding better ways to price health insurance by making the costs proportional to the risks: the higher the risk, the higher the cost; the lower the risk, the lower the cost.

Government involvement – or interference – needlessly skews the price of insurance. Look at what has happened in other states and nations that have increased government's role in providing health care:

- Massachusetts boasts that it has reduced the number of uninsured by half, with four out of five relying on government programs that are costing Massachusetts about \$150 Million more per year.
- Canadians wait months for health care: six months for a hip replacement, five months for a CAT scan, up to a year for heart surgery. Some die waiting. No wonder 8 of 10 Canadians say their system is in crisis.
- Great Britain's National Institute of Health estimates roughly 1 Million people wait for care, with about 200,000 waiting as long as 6 months.

American and Pennsylvania health care has many flaws. Looking to government to address these flaws is simply not the answer. We should not confuse lack of health

insurance with a lack of care. American health care remains the envy of the world. We need to find ways to make it more affordable while preserving quality.

If we really want to reduce health care costs, we need to begin by taking needless costs out of our health care system, things like:

- Eliminating government imposed mandates (a list of the Pennsylvania's existing mandates is attached to my testimony)
- Promoting Health Savings Accounts
- Establishing a high risk pool
- Establishing means tests for Government health care programs:
 - Adult Basic
 - CHIP
 - Medicaid
- Enacting additional medical malpractice reforms
- Allowing out-of-state health insurers to better compete in Pennsylvania
- Establishing tax deductions and tax credits for people who pay for their own health care
- Phasing out the MCARE Fund

Let me say once again: having more government in our health care system is simply not the answer. To the contrary, the answer to reducing health care costs is less government.

Socialized medicine doesn't work. Government run medicine doesn't work. Single payer systems don't work. There is never enough money to do all the things that people want or need. We would constantly be looking at ways to either impose higher taxes or cut services. Given our track record in passing an annual state budget, I think it's safe to say that we do not handle such decisions very well at all.

Also attached to my testimony is background on my "Healthy Pennsylvania", which is like fingers on a hand; individually, they have little impact. However, collectively, they form a mighty fist that would fight back at the increased costs, the decreased availability, and the diminished quality of our current system.

I would be happy to answer any questions that you may have.

Attachments:

- Existing Pennsylvania Health Mandates
- "Healthy Pennsylvania" bills

Existing Pennsylvania Health Mandates

Covered Services:

- Alcoholism
- Birthing Centers/Midwives
- Breast Reconstruction
- Cervical cancer/HPV Screening
- Chemotherapy
- Diabetic Supplies
- Drug Abuse Treatment
- Emergency Services
- Mammogram
- Mastectomy
- Mastectomy Stay
- Maternity Stay
- Mental health
- Mental Health Parity
- PKU/Formula
- Prostrate Screening
- Well-Child Care

Covered Persons:

- Adopted Children
- Continuation/Dependents
- Continuation/Employees
- Conversion to Non-Group
- Dependent Students
- Handicapped Dependents
- Newborns

Covered Providers:

- Chiropractors
- Dentists
- Lay Midwives
- Nurse Anesthetists
- Nurse Midwives
- Nurse Practitioners
- Nurses
- Optometrists
- Osteopaths
- Physical Therapists
- Physician Assistants
- Podiatrists
- Psychiatric Nurses
- Psychologists

“Healthy Pennsylvania”

Senator Mike Folmer

SB 1181: Sunset Health Care Mandates:

Pennsylvania presently has thirty-eight (38) mandates that must be part of health insurance products offered in the Commonwealth (interestingly, Washington, DC has 17 mandates). Some mandates are said to reduce health care costs while many are believed to increase costs. With changes in medical technology and medical delivery, I believe that all current (and future) mandates should be systematically analyzed and reanalyzed for appropriateness, value, and affordability.

If each existing mandate is increasing costs by just 1 percent, consumers are paying \$5.1 Billion annually in extra costs – yet they have no say in whether they believe these costs are warranted. I believe that consumers should be given a choice as to whether to buy these coverages through optional riders.

The first step in giving consumers more choices is requiring that each of the current insurance mandates be periodically justified. My proposed legislation would do this by sunsetting all current and/or proposed mandates after five years – subject to reauthorization by the General Assembly.

SB 1182: Promote Health Savings Accounts (HSAs):

Health Savings Accounts (HSAs) were created by federal law in 2003 as privately owned savings accounts funded with pre-tax dollars. HSAs are similar to 401(k) retirement plans, but rather than allowing people to save for future retirement expenses, they allow people to save for future medical expenses.

HSAs are popular with the previously uninsured. Government-subsidized health insurance programs tend to attract those who are already insured. Because HSAs are bound to “qualified high-deductible” health plans, they cost less and reduce spending:

Avg. 2005 HSA high-deductible premium		Avg. premium other plans
\$2,772	Single Coverage	\$4,024
\$6,955	Family Coverage	\$10,880

My proposed legislation would provide tax credits for small businesses with HSAs (similar to House Bill 121).

SB 1183: Lift mandates from HSAs:

In order to provide health care consumers with a basic HSA package, legislation is needed to exempt HSAs from state-mandated insurance benefits. As noted above, there are thirty-eight (38) state mandates that are currently imposed on health insurance. This bill would exempt HSAs from each of these mandates.

SB 1184: Establish an HSA option for government employees:

In addition to encouraging HSAs for small business, I also plan to introduce a companion bill that would establish HSA options for state and municipal employees. Eleven other states have taken such an approach.

SB 1185: Weed out bad doctors:

This bill would deny, revoke, and/or suspend physicians who have lost their licenses in another state.

SB 1186: Weed out bad osteopathic physicians:

This bill would deny, revoke, and/or suspend osteopathic physicians who have lost their licenses in another state.

SB 1187: Weed out bad nurses:

This bill would deny, revoke, and/or suspend nurses who have lost their licenses in another state.

SB 1188: Give Consumers More Price Information:

Last Session, Senator Armstrong introduced SB 1358, which would have required the Health Care Cost Containment Council to collect and disseminate prices relating to the twenty most common health care services or procedures performed in Pennsylvania.

SB 1189: Establish Tax Deductions/Credits for those who Pay for Health Care:

With the ever-increasing costs of health care, more and more people (especially retired people) are covering all or a portion of their health costs. I propose to extend tax deductions and tax credits to these individuals:

Health Insurance Premium Deduction: authorize 100% of the amount paid for non-reimbursable, qualified health insurance premiums to be deducted from a taxpayer's Pennsylvania taxable income

Health Insurance Tax Credit: allow self-employed taxpayers (who are otherwise ineligible for the federal income health insurance tax deduction under federal law) to receive a tax credit

SB 1190: Increase Competition among Health Insurance Carriers:

The current lack of competition among Pennsylvania health care insurers has hurt consumers because they have few choices on issues of quality and/or costs. I propose to increase competition among health care insurers by allowing out-of-state insurers to offer their products from other states in Pennsylvania. As many of these products do not include existing Pennsylvania health care mandates, consumers will be allowed to choose whether they want coverage with or without current Pennsylvania mandates.

I propose to reintroduce this bill (minus the provision establishing a "Pennsylvania Suggested Retail Price").

SB 1191: Establish a State High Risk Pool:

Risk pools can help fill gaps in insurance coverage by providing coverage for those who are denied health insurance for medical reasons. Risk pools are state-created, nonprofit associations. Thirty-four other states have some version of a high risk pool.

In most states, these pools do not allow public funds to pay premiums. I would apply this ban to Pennsylvania law. Additionally, I would disallow Medicare-eligible people and require that premium reductions be based upon 100% of the federal poverty level.

Such a pool would also ensure the ability of all insurers to appropriately match premiums to the cost of the underlying risk in all products sold in the Pennsylvania marketplace.

SB 1192: Adopt Medical Procedures Used in Other States:

Other states have enacted laws that have proven to reduce health care costs, including:

- Collect and publish health care facilities' fees for certain services;
- Allow hospitals to implement emergency room diversion programs, including an "emergency hotline" to determine if the emergency room is the most appropriate place for care;
- Expand the information that the Pennsylvania Health Care Cost Containment Council collects relative to facility performance and require that this information be published, and;
- Promote the use of electronic health records (consistent with Senator Wonderling's SB 8).

This bill would bring these changes to Pennsylvania.

SB 1193: Reform Government-Run Health Care Plans – Medicaid:

A significant portion of the state budget is devoted to government-mandated or government-controlled health care programs, including:

- Medicaid
- CHIP
- PA adultBasic

These programs are made possible with moneys paid by all taxpayers so that specific classes of citizens may benefit. I propose to require that each program have a revised “means test” for granting and continuing benefits: 100% of the federal poverty limit.

This bill would apply these changes to Medicaid.

SB 1194: Reform Government-Run Health Care Plans – CHIP:

Consistent with President Bush’s SCHIP plan, I propose to change the means test for the Pennsylvania CHIP program to 200% of the federal poverty limit. Any applicant not meeting this revised means test would be ineligible to participate in the program.

SB 1195: Reform Government-Run Health Care Plans – PA adultBasic:

This bill would establish a means test to adultBasic: 100% of the federal poverty limit.

This bill, and the preceding two, will help to assure that tax dollars and contributions made by not-for-profit insurers are being used to help only the neediest citizens. More importantly, this will also mitigate the significant costs of government-mandated medical plans. I believe that the success of these plans should be measured by the number of individuals who no longer need help rather than developing new ways to engineer these plans to cover more people directly or indirectly at taxpayers’ expense.

SB 1196: Phase Out MCARE:

Each year, the General Assembly is faced with an ongoing challenge of budgeting moneys to the Medical Care Availability & Reduction of Error (MCARE) Fund. Meaningful tort reforms would help to alleviate medical malpractice claims.

However, until tort reform is enacted, I recommend phasing out the MCARE Fund and returning liability coverage to the private market. This bill proposes to do this by using revenues now being budgeted for MCARE abatement (the cigarette tax and the Catastrophic or “CAT” Fund for automobile insurance). Rather than paying

for MCARE abatement, this bill would both pay down and ease the costs of transition from MCARE to the private insurance market.