



Testimony

**PA Senate Republican Policy Committee
Public Hearing**

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Harrisburg, Pennsylvania**

**Offered by
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Chairman Corman, members of the Committee, good afternoon and thank you for convening this hearing. My name is Gary Swan and I am offering testimony on behalf of Pennsylvania Farm Bureau, the state's largest general farm organization, which is comprised of a voluntary membership of more than 42,500 member families.

On April 8, 2003, several hundred farmers stood on the steps at the Capitol Rotunda – just a short distance from here – to express the urgent need to address the soaring cost of health care and health insurance. They described those dilemmas as a priority concern for farm families. That speaks volumes since farmers are typically confronted by so many other difficult problems. Needless to say, a focus by the General Assembly on remedies to stabilize the soaring cost of health care and health insurance is welcomed and long overdue.

Pennsylvania Farm Bureau has significant experience in the health insurance area. In association with Capital BlueCross, our group health insurance plans provide coverage for more than 15,000 farm families and retirees throughout the Commonwealth. Our Health Services Division handles all administration, service to subscribers, sales and billing for the group plans that serve our diverse membership. We have provided health coverage for our farm family members for 30 years. The primary functions performed by our carrier are underwriting and the payment of claims. One of many examples of its success is that our senior population enjoyed no rate increase during a recent period of three consecutive years.

As you know, farmers are in a self-employed status so far as their access to health insurance coverage. Farm Bureau's Health Services program provides farm families and farm employees an option for quality health coverage which is otherwise difficult to obtain.

Let me note from the outset that Pennsylvania Farm Bureau enjoys a productive working relationship with insurance carriers. Our partnering arrangement primarily with one insurance provider has benefited thousands upon thousands of farm families over the past three decades. Insurance companies are frequently the main target of criticism and concern about insurance costs. Farm Bureau notes that in many respects, however, insurance companies are merely the deliverer of bad news when it comes to soaring insurance premiums. The predicaments we face with health care and health insurance costs are a shared responsibility among all segments of our health care system, including all Pennsylvanians.

First allow me to offer some general comments.

- Farm families, like many other Pennsylvanians, are finding it extremely difficult to afford health insurance even with the success of Farm Bureau's Health Services program. Unlike many other

businesses, farmers are unable to increase the price of their products in the marketplace to cover rising costs like health insurance.

- Farm families have fewer options to choose from when trying to obtain affordable services from health care providers. Rural areas of Pennsylvania generally have fewer doctors, hospitals and clinics compared with more populated areas.

- Cost reduction is critical for any reform. The health care cost burden must be shared, not merely shifted. Pennsylvania farmers believe that cost-savings measures must be implemented and given a chance to eliminate excessive and unwarranted costs from the system.

- Monies held by insurance companies should not go for other government programs, because those funds belong to the health insurance subscribers. People who struggle and sacrifice to pay the health insurance premiums for their families and employees expect any accumulated surplus to be used to reduce or stabilize their future insurance bills.

Over the past several years, our membership has discussed and adopted specific policy positions for the reform of health care and health insurance. Those recommendations include the following:

- Pennsylvania farmers believe the State Insurance Department should be given greater authority for oversight of health insurance premium rate increase, regulation of reserves of premium revenues and limitations on administrative fees. We believe that de-regulation of the State Insurance Department during the 1990's did not produce the intended results, and that an adjustment in their regulatory authority is necessary.

- Farm Bureau strongly supports implementation of a program to prevent or reduce the costly development of health care facilities where the need is not clearly established. We recommend the return to a "Certificate of Need" program, improving upon what previously existed in Pennsylvania. Farm Bureau policy goes so far as to recommend that unnecessary duplication of health services should not receive government funding.

- Farm Bureau members adopted policy in 2005 supporting community rating as a preferred alternative to the current method of demographic rating. Community rating – even in a modified form still using certain demographic factors – spreads the risk more evenly among all insured, and reduces the potential for rate-shock. An adjusted community rating methodology also reduces the potential for unfair hiring practices where age might be given more consideration than what is appropriate, either legally or professionally.

- Farm Bureau strongly supports additional tort reform. As you know, defensive medicine is a major cost driver.

Much has been said about the potential of stabilizing health insurance costs for businesses and their employees by strengthening the ability of association groups to provide group health coverage. Farm Bureau urges consideration of a measure to require insurers that offer group health insurance policies to members of a professional or trade association to base the premiums for association members upon the actual claims and administration expense for their group. Stated more simply, it would enable association groups the possibility of acquiring and offering health insurance at rates lower than what exists in the customary marketplace, depending upon a number of factors.

Equally important, such a provision would enable associations to serve our members on a statewide basis by developing group health plans with multiple carriers for similar benefits and potential advantages. All would operate under the same rules and it would provide us more certainty so far as our future ability to offer and provide quality health care coverage at the lowest cost possible. The proposal, by the way, is not a new or radical concept. Many other states have similar insurance programs.

In fact, Pennsylvania Farm Bureau's group health insurance program already benefits from an experience-rated arrangement. Thanks to the cooperative spirit of Capital BlueCross in partnering with Farm Bureau, we are able to offer health plans under an experience-rated arrangement throughout their 21-county region. In addition, Highmark Blue Cross/Blue Shield has voluntarily allowed Capital BlueCross to function as a so-called "control plan" within their own coverage territories for Farm Bureau's group health care insurance. It enables our organization to provide our farm families with coverage in several additional counties. It means that we are able to provide administration and customer service from a central location. That produces efficiency with reduced costs. In those counties where the arrangement does not exist, our farm families pay significantly more for their health insurance and they do not enjoy other benefits and advantages that come from our group health program.

Unfortunately, these arrangements are voluntary on the part of the respective insurance carriers. Even though we believe these are win-win alliances for all involved, there is that element of uncertainty about the future. A decision by one or more of our cooperating insurance providers to withdraw from the arrangement – for whatever reason – would be a cataclysmic event for the farm families of the Commonwealth, who rely upon Pennsylvania Farm Bureau for their health care coverage. And our contracts are year-to-year. Also, in the spirit of support for other association groups, we believe there are many – not all, but many – who have the capacity of developing their own group health programs with the quality, efficiency and discipline that is necessary to well serve both the carriers and their subscribers.

Finally, Pennsylvania Farm Bureau wants to offer comment and recommendations on two specific measures which are emerging in the General Assembly.

As you know, last year Highmark and Independence Blue Cross announced a proposed consolidation that would make the new combined entity one of the largest health insurance companies in the nation covering over 50 % of the market territory in Pennsylvania. The potential negative impact of such a merger on competition is huge. We believe that competition is already insufficient in Western and Southeastern Pennsylvania. The merger could well produce the same consequences for the entire state.

Pennsylvania Farm Bureau supports language in SB 1304 that would allow for a statewide Blue-branded competition like what already exists in Central Pennsylvania. If the merger of Highmark and Independence Blue Cross is approved, Capitol BlueCross should be allowed to compete on a level playing field by having statewide access to Pennsylvania's marketplace.

Finally, Pennsylvania Farm Bureau is very concerned about legislation which suddenly surfaced on March 12th and was actually given first-round approval on the very same day. SB 1137 started out with entirely different provisions in the Senate. Its original language was replaced in the House to create a statewide, government-subsidized health insurance program for qualifying Pennsylvanians. Pennsylvania Farm Bureau does not have an existing policy position on whether the new government-subsidized program should be enacted; the question is currently being taken up as part of our statewide policy development process. However, aside from the pros and cons of the proposal itself, Pennsylvania Farm Bureau believes that the proposed health insurance program could undermine the longer-term future of PFB's non-senior group insurance plans unless certain provisions are included in the legislation.

The simplest explanation of the potential problem is that the government-subsidized health insurance program could attract subscribers away from PFB's health insurance pool – especially the younger and healthier. A diverse mix of subscribers is essential in a health care claims-experience pool to keep insurance rates stable and affordable. PFB has asked for provisions in the legislation that will strengthen the ability of our group health plans to increase and maintain a sufficiently large and diverse group of subscribers. So far, our concerns have not been adequately addressed, but the discussions continue. As Farm Bureau has constructively advocated for meaningful health care and health insurance reforms, we have urged lawmakers to practice the Hippocratic Oath when adopting new remedies. Namely, please do no harm to successful existing programs.

Thank you for this opportunity to share the views and experience of the Pennsylvania Farm Bureau. We know it is a very difficult and complex matter. Yet the farm families of Pennsylvania who we represent are counting on all of us to make health insurance and health care reform a sustained priority so that relief can be achieved very soon. I will welcome any questions at this time