

**M**ASSACHUSETTS ASSOCIATION OF HEALTH UNDERWRITERS

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REGARDING: SENATE BILL 2437  
AN ACT TO PROMOTE COST CONTAINMENT, TRANSPARENCY  
AND EFFICIENCY IN THE PROVISION OF QUALITY HEALTH INSURANCE  
FOR INDIVIDUALS AND SMALL BUSINESSES

HOUSE WAYS AND MEANS  
ROOM 237  
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BOSTON, MA 02133  
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The Massachusetts Association of Underwriters' (MassAHU) is a membership organization of professional health insurance brokers, consultants and other professionals, over a 1000 strong, who share your concerns and efforts in addressing the affordability of health care costs and insurance in the Commonwealth of Massachusetts. Our association continues to be engaged, advocating on behalf of consumers and very concerned with the cost drivers behind health care the need for greater transparency and financial relief to individuals and the small business owners.

First, MassAHU would like to acknowledge and support the following in addressing stabilizing and controlling cost in health care insurance: the **Move to an Annual Open Enrollment**, to **Eliminate Age Factor Brackets**, to **Reduce Inappropriate Use of Individual Coverage** and to **Establish a High Risk Reinsurance Pool**. However, we have significant concerns over several sections of Senate Bill 2437, specifically Sections 23, 24, 26, 27, 37, 38, 41, 42, 44 and 54 and concerns over Section 13 in the Amendments relating to the allowance of Association Health Plans for small businesses in Massachusetts.

- 1) Any legislative initiatives in Massachusetts on plan design should be considered in light of how they will deliver value, enhance competition and provide choice in the market place. For the most part, health insurance products and plan designs evolve around market research and consumer demand.
  - a. Requiring health plans to offer selective network plans is dictating a solution to the market legislatively rather than allowing innovation and market responsiveness to develop solutions to pricing concerns. **MassAHU therefore recommends** that provisions such as found in Senate Bill B 2437, Sections # 23 and # 24 should not be included in legislation.
  - b. Capping HMO deductibles limits choice by consumers and by employers who may be interested in offering consumer directed high deductible health plans. Requiring everyone to obtain prescription coverage as part of the minimum credible coverage requirements limits choice by consumers who may prefer holistic medical approach and/or who wish to self insure their prescription needs. **MassAHU recommends** passage of an endorsement to MGL of 956 CMR 5.03(2)(a) through (h) to allow consumers to purchase MCC without prescription coverage.
  - c. Restricting the number of plans and/or design of such plans to be offered in the market serves to limit choice and competition in the market, both of which ultimately impact the price of such insurance products. **MassAHU recommends** removal of provisions found in Senate Bill 2437, Section #54.
- 2) Connector should not duplicate distribution of products in the employer-based market, should not have exclusive products or pricing arrangements in the market, and should not use taxpayer dollars to solicit currently insured persons. The Connector needs oversight to ensure the scope and reach of its products and services are appropriate to

the task of assisting the uninsured to find insurance. Special attention should be paid to other Connector/Exchanges models which focus on directing people to insurance, based on financial need, medical need, etc.

- a. Regarding Section 40 in SB2437, on the Commission Study on Connector Exclusivity, **MassAHU recommends** implementation of the Oversight Commission should be immediate with report of findings to full legislature on 10/31/10.
  - b. No wellness discounts that are not also available in 'standard' distribution market. **MassAHU recommends** amending the SB 2437, Section 38 to allow health plans to include wellness discounts in their standard pricing regardless of the market through which products are distributed. (In Section 38 (c), Wellness Programs are discounted by 5% through the Connector.
  - c. Individual health plans distributed by whatever means deemed appropriate by the health plan (whether through direct in-house sales, producer-driven sales, and/or Connector sales). **MassAHU recommends** striking Section 26 from SB 2437.
- 3) New Massachusetts initiatives which are already addressed in some manner in the federal health care reform legislation should not be included in any reform legislation. We should avoid having to reconcile differences in the federal vs. state mandates. Having two sets of standards adds to the cost of insurance in Massachusetts and confusion on the consumer level. (Federal legislation is already working on provisions of determining Minimum Loss Ratios (MLR) for example.)
- a. **MassAHU recommends** removal of provisions for MLR as described in Section 108 and 108A of Chapter 175 and replacing it with the MLR as determined by the NAIC definition of Medical Loss Ratio. The NAIC definition of the Medical Loss Ratio is due out by the end of this year 12/31/2010.
- 4) All health insurance products sold in the state of Massachusetts, including products in the Connector, should be sold through licensed insurance agents. Health producers are licensed and regulated by the Division of Insurance, attend training by the health plans, and maintain their license through continuing education requirements. Further, the health plans use producers for over 90% of the health insurance sales because they recognize the value and efficiency of agents in the distribution system.
- a. The proprietary and budgetary impact of using UMass Business Development Center or any public, state or locally funded resources is a duplication of existing services by qualified professional licensed brokers and a duplication of infrastructure and distribution channels already in place.
  - b. Any commission or council formed in the state of Massachusetts to study and/or direct health insurance products and distribution in the state should include a licensed health producer representing the Massachusetts Association of Health Underwriters. We are able to bring a unique perspective in understanding

employer/consumer concerns in balance with an understanding of products, pricing and underwriting principles.

- 5) Massachusetts reform should work to preserve the level playing field and community rating that has been created through two rounds of health care reform in 1996 and in 2006. Establishing *Association Health Plans*, or cooperative health plans, in the under 50 insurance market only fragment the ability to create universal access and pricing in the market. Association Health Plans do not help to lower costs in the market, do not produce measurable administrative savings, and work to upset the market and pricing outside of the associations. (Please refer to our prior position statement on AHPs as attached herein). **MassAHU recommends** against provisions to establish Association Health plans in the under 50 market in Massachusetts.

MassAHU has addressed several concerns in regards to the SB 2437, Act to Promote Cost Containment, Transparency and Efficiency in the Provision of Quality Health Insurance for Individuals and Small Business. It is our hope that as the House reviews SB 2437 and adopts its own version, that MassAHU's recommendations will be considered insuring that this legislation address not only cost containment, transparency and efficiency but also maintains choice and stability the market.