



Statement by

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Hearing: Allowing Americans to Purchase Affordable Coverage Across State Lines

Introduction

Good morning, Mr. Chairman, Ranking Member Waxman and distinguished members of the Committee. I am Stephen Finan. I am the Senior Director of Policy at the American Cancer Society Cancer Action Network (ACS CAN). We are the advocacy affiliate of the American Cancer Society (ACS), which is a nationwide, community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer through research, education, advocacy, and services.

ACS CAN is grateful for the committee's invitation to speak to the issue of interstate sales of health insurance and the potential impact on consumers. We appreciate the committee's long-standing interest in improving consumer access, choice and affordability of health coverage. Insurance issues are inherently complex and often dense, so I would like to explain the issues

through the “cancer lens” – how the concept might ultimately affect cancer patients and survivors.

I would like to begin by briefly explaining why ACS CAN made the decision to enter the health care debate nearly five years ago to provide context for my comments on interstate sales. From a consumer perspective, interstate sales offer the theoretical potential of greater choice and lower prices. In fact, this potential will be real under the Affordable Care Act (ACA) if states choose to participate in multi-state exchanges. If the committee is interested in other approaches, any expansion of interstate sales must be built on strong consumer protections and uniform rules for insurers. The overriding purpose of any reform must be to improve the nation’s health for all its citizens. Interstate sales must be built on a foundation that prevents predatory practices and unfair practices, with strong consumer rights and enforcement protections firmly in place.

American Cancer Society’s Commitment to Access to Care

Cancer death rates have decreased by 21 percent among men and 12 percent among women since the early 1990s. Despite this significant progress, the American Cancer Society concluded that its long-term goals of significantly reducing the incidence and mortality of cancer cannot be achieved unless the significant coverage gaps that exist within the current health care system are addressed. Although major advances have been achieved through research in the fight against cancer, too many of the advances are not being realized by actual patients because of major short-comings in our nation’s health delivery system.

The Society's leadership and national board decided in 2005 to enter the national health care debate because evidence has shown that improving the nation's health delivery system is vital in the fight against cancer. And it is a huge fight: there are more than 1.5 million new cancer cases diagnosed and more than 550,000 Americans still die from the disease each year. There are more than 11 million cancer survivors currently living in this country. At the same time, the odds are that 1 in 2 men and 1 in 3 women will get cancer sometime in their life. Cancer is truly a disease that touches everyone in some way, regardless of race, income or any other social or demographic factor.

Insurance coverage is critical for the proper treatment of cancer. For example, we know that insurance status is significantly associated with use of cancer screening services, cancer stage at diagnosis and survival outcomes. Cancer patients who were uninsured at the time of diagnosis were 1.6 times as likely to die in 5 years compared to those with private insurance. Not only does insurance make a difference for later stage diagnosis, but it affects a patient's ability to access cancer treatment and their likelihood of survival. Uninsured patients diagnosed with early stage disease are less likely to survive cancer than privately insured patients diagnosed with later-stage disease. Simply put, a patient's insurance status is a strong indicator of the stage of their cancer diagnosis. If you are uninsured, you are more likely to be diagnosed with advanced-stage cancer, which is less curable and more deadly than cancer caught at its earliest stages.

Even among those with private insurance, many cancer patients are "underinsured" – their coverage does not provide for all necessary and appropriate medical treatment. The challenge

lies in the fact that even among those who are considered insured, more than 25 million are underinsured. Many underinsured are left with the extraordinary dilemma of either incurring serious and potentially ruinous out-of-pocket financial expenses to obtain necessary treatment, or curtailing essential treatment, thereby putting their health and possibly their lives in jeopardy. The problem of dealing with high-cost medical bills acutely affects middle-class families, particularly those with chronic diseases such as cancer. Often insurance policy deductibles, co-payments and limits on health services can leave cancer patients without access to the timely, lifesaving treatment they need. Cancer patients may have to deal with major financial burdens because of out-of-pocket costs in addition to their cancer diagnosis.

Last year, ACS CAN commissioned a nationwide poll among households with a cancer patient age 18 or older. Among the findings:

- Half of families with someone under 65 with cancer (49%) say they have had difficulty affording health care costs, such as premiums, co-pays, and prescription drugs in the past two years.
- Nearly one-third of families with someone under 65 with cancer (30%) have had trouble paying for basic necessities or other bills, and 23% have been contacted by a collection agency. About one in five (21%) has used up all or most of their savings, and one in six (18%) has incurred thousands of dollars of medical debt.
- As a result of costs, one in three individuals under age 65 diagnosed with cancer (34%) has delayed needed health care in the past 12 months, such as putting off cancer-related tests or treatments, delaying cancer-related check-ups, not filling a

- Four in ten families (42%) with insurance say their premiums and/or co-pays have increased in the past 12 months for the family member with a cancer diagnosis, and one in four (25%) says his or her deductible has gone up.
- One-third (34%) of those under age 65 said they had problems with insurance coverage of cancer treatment such as the plan not paying for care or less than expected, reaching the limit of what the plan would pay, or delaying or skipping treatment because of insurance issues.

Clearly, meaningful insurance has to treat a disease adequately and fully, and the coverage has to be affordable for the patients to fully realize the benefits necessary and appropriate to treat the disease. For these reasons, ACS CAN sought major reforms to the health insurance system to enhance access, adequacy of coverage, affordability of health insurance, and administrative simplicity to increase transparency and accountability.

Insurance Reforms under the Affordable Care Act

The ACA fundamentally alters the rules of the health insurance market to work for consumers, and thereby, the nation's health and well-being. Moreover, the insurance market rules are changed in a manner that significantly enhances competition by creating a level playing field. Among the most important changes:

- **All insurers must provide access to coverage regardless of health status.** Insurers cannot use health status, medical claims or any other indicator of potential risk in determining eligibility for plan enrollment or premium rate setting after 2014. All

products will be guaranteed issue and there can be no pre-existing condition restrictions on coverage.

- **All health plans must include benefits to adequately cover a serious medical condition like cancer.** Arbitrary limits on benefits, such as the number of doctor visits or days in a hospital, are unacceptable. Both the Society and ACS CAN hear too many stories about cancer patients who have had to skip doctor visits or delay the use of vital drugs because of arbitrary limits in their plans. Rather, both to contain costs and improve quality, coverage should be evidence-based. Some insurers have already begun moving in this direction. For this approach to have viability nationwide, all insurers must compete on the same basis, which will be the case when ACA is fully implemented
- **Evidence-based prevention services must be included in all health plans.** A greater emphasis on prevention is absolutely essential to improving our nation's health and controlling long-term costs. Cancer, heart disease and diabetes are among the nation's most expensive medical conditions, and there is an abundance of science to show that proven prevention methods, if made accessible and properly supported, could significantly lower the incidence, severity and costs of these diseases. By requiring all U. S. Preventive Services Task Force "A" or "B" recommendations to be covered by most plans this year, the law takes a significant step toward this goal, but more can be done and will be addressed in future regulations under the law, such as that for the essential benefits package.
- **Financial assistance to purchase health insurance is essential for many Americans.** Whether through tax credits or other means, the government must provide

assistance to ensure that every American can afford coverage that is adequate to treat a serious medical condition like cancer. If we do not provide such assistance, the taxpayer or others, including those who do have insurance, will still foot the bill. Simply put, cancer and other diseases do not discriminate based on a person's insurance status. However, we do know that the uninsured often wait longer to have their condition treated, and this often means worse outcomes and higher costs that are ultimately borne, directly or indirectly, by taxpayers. From both a health and economic perspective, our society is better off assisting people in obtaining and maintaining good coverage.

- **The administrative processes of insurance need to be simplified and standardized.** There is considerable inefficiency in our health care system today that if reduced would represent considerable savings to the consumer. More importantly, the health insurance system is opaque and consumer literacy is extraordinarily low. Today, most consumers have virtually no understanding of health insurance. They may know the price of insurance (though they often mistake an employee contribution as being the total price of their insurance), but they rarely know the range of benefits or how well they would be covered if they got a serious condition like cancer. Furthermore, the processes of insurance must be standardized and readily comprehensible to the vast majority of consumers including, everything from enrollment forms, to bills and appeals. To have a truly consumer-driven, competitive market, consumers must have easy and essentially free access to comprehensible information so they can make informed decisions. These conditions exist today for virtually every consumer product, but they don't exist for one of the most important

products in our lives – health insurance. Fortunately, the ACA sets in place a number of reforms that will do much to increase the transparency of the insurance market and begin to provide consumers with the information and tools to make informed decisions about their coverage.

- **Risk adjustment must be an inherent part of the private health insurance system.**

As explained below, the distribution of claims is highly skewed, and in a relatively unregulated market, it is virtually essential that insurers take steps to avoid high risks. A competitive market will drive an insurer (including non-profits) with “too many” cancer patients into bankruptcy. To rectify this potentially destructive consequence of competition, it is imperative that risk adjustment mechanisms be developed and implemented. Instead of rewarding risk avoidance, which will necessarily occur in an unregulated, competitive market, an effective risk-adjustment system could eliminate the incentive to avoid risk and replace it with the incentive to compete for consumers by developing efficient ways of delivering quality care. This is the proper way to harness competition to the benefit of consumers and our nation, and it is a requirement under ACA.

- **Interstate sales would have to be built on an interstate system.** Historically, our private health insurance system has been largely state-based, and thus, many consumer protections and means of recourse are also state-based. But what happens to consumer rights and protections in interstate sales? Are state insurance departments or state courts going to give full recognition to the problems of out-of-state consumers, especially in these times of very tight state budgets? Interstate sales without adequate consumer protections and safeguards could easily become a debacle with grave

consequences for our nation's health and well-being. Interstate markets could well benefit some consumers, particularly in areas with adjoining small population states, but it is imperative that such states develop the interstate coordination of laws and enforcement to minimize the potential for fraud, abuse and denial of essential consumer protections.

Potential Impact of Interstate Sales on the Health Insurance Market

Let me now turn to the issue of interstate sale of health insurance.

The Society's and ACS CAN have long sought to ensure that access to affordable health coverage is available to every cancer patient and survivor. In addition, both organizations have fought for years at the state level to ensure that coverage of proven cancer screenings, including mammograms, colonoscopies, cervical screenings, and smoking cessation, is available under all insurance products. The evidence is strong that good, continuous health coverage leads to lower costs and better outcomes. The Affordable Care Act represents an enormous step forward in providing affordable care to all Americans by establishing basic, uniform rules for insurance and an essential benefit package that will, for the first time, ensure that every American has the essential benefits to treat a serious condition like cancer.

The general concept of interstate sales of health insurance is consistent with the overall trend in consumer products. In recent years, especially with the development of the internet, competition across state lines in many consumer product areas has resulted in greater

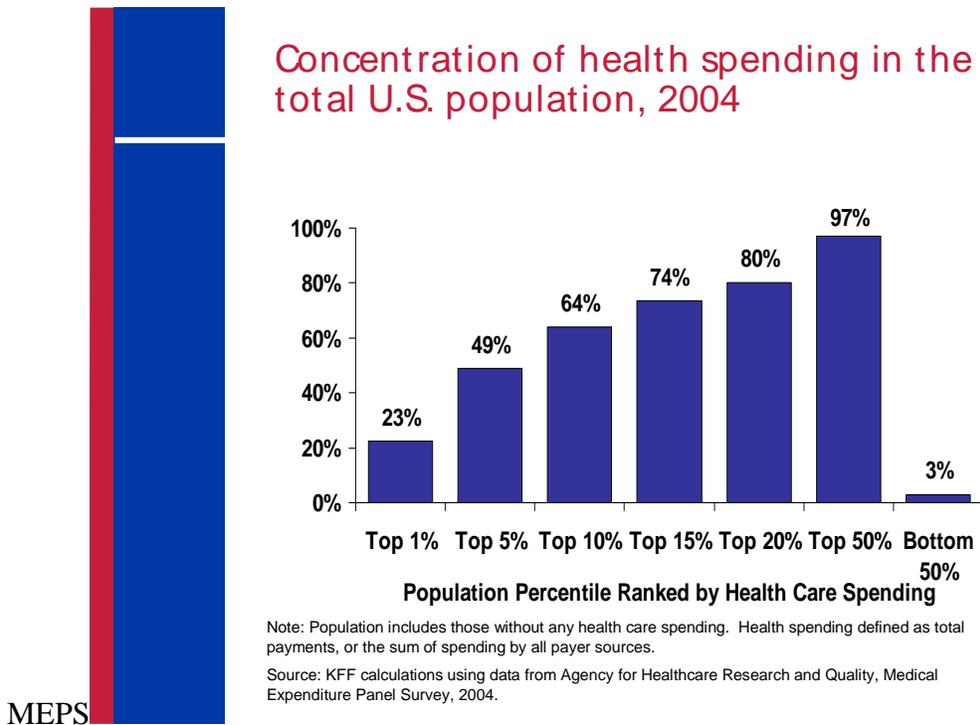
competition, often benefiting the consumer through greater choice and lower prices. So the question is, why wouldn't the same be true for health insurance?

Health insurance is fundamentally different from other consumer products because of the sharing of risk through an insurance pool. Interstate sales could make insurance less expensive for many – specifically for the relatively young and healthy. But if the market is not structured properly, this lowering of costs would come at the expense of cancer patients and survivors and others with serious medical conditions.

Chart 1 below demonstrates this point. It shows the distribution of health care claims for the under 65 population. (The data are from 2004, but this general distribution has remained essentially unchanged for over 30 years.) Simply stated, the chart shows that a relatively few people account for the vast majority of expenses. For example, 20 percent of the population accounts for 80 percent of the health care costs, and conversely, 50 percent of them account for merely 3 percent of all health spending in a given year.

Now look at the data again from the perspective of an insurance company in a largely unregulated and highly competitive market. This chart could easily be a strategic plan for an insurance carrier. If an insurer can identify the top spenders and **NOT** insure them, the claims avoided could be significant. For example, if an insurer can identify the likely 20 percent of claimants, 80 percent of the likely costs will not be incurred. An insurer could sell insurance at relatively low rates, realize good profits and still have a very large market for its products.

Chart 1



Indeed, in relatively unregulated health insurance markets, this is the strategy that has been and continues to be aggressively pursued by many insurers. They invest extensively in underwriting, marketing, benefit design and other techniques to deny or discourage high risk individuals or potentially high risk individuals from entering their pool. In insurance parlance, they “segment” the market. In layman’s terms, they “cherry-pick.”

Permitting interstate sales could, in effect, significantly advance this discriminatory strategy by allowing insurers to cherry-pick across state lines. Indeed, the competitive pressures of the market would almost certainly force insurers to embrace highly discriminatory tactics of cherry-picking. If some insurers are cherry-picking the lower risks in the market, the remaining insurers are left with pools that are disproportionately high risks compared to their

competitors. No insurer could survive long with such insurance pools. Their premium rates will be higher, which will make it difficult to retain current enrollees or attract new relatively health ones, thus causing their premiums to rise further. The result is the so-called “insurance death spiral,” and the phenomenon is real.

The Consumer Perspective

Interstate sales of health insurance might work in theory, but in practice it would only work if very specific conditions outlined above are met. In many states today, the insurance pool is relatively small, and this is disadvantageous to the consumer because it limits the insurers’ ability to spread risk while offering multiple options of plans at affordable premium rates. The key to making interstate sales work to the benefit of consumers is a level playing field among insurers and across states. Insurers have to compete by the same rules. They cannot be allowed to have a market advantage by discriminating against people with cancer and other serious medical conditions. Rather, when all insurers play by the same rules, they must compete based on the quality and efficiency of coverage they provide to plan participants.

Conclusion

As a nation, we enjoy a high standard of living in part because we have a market-based economy that is highly responsive to consumer preferences. And yes, there are ways to restructure the insurance market to nominally increase competition and lower prices for some. However, it is imperative that we not jump to the conclusion that the high cost of health insurance is simply a function of too little competition or too much regulation. In fact, a highly competitive market, without good, uniform rules, could simply become a race to the

bottom. Insurers would domicile in states with the least amount of regulation and would offer plans with limited benefit coverage. The relatively young and healthy could realize lower health insurance premiums, but the consequence would be foreclosure of access to or affordability of coverage for those who have serious medical conditions. That is clearly an unacceptable outcome. Any reform of the insurance system has to be premised on the fact that sooner or later, virtually all of us will experience a serious medical condition, whether it is cancer, heart disease, or something else. Largely unregulated interstate sales of health insurance do not lower health care costs overall. Rather, interstate sales simply shifts costs to those individuals who have, or have had, cancer or another disease to a time in their lives when it is harder to work and more difficult to recover from a financial hardship.

As an organization totally committed to the fight against cancer, ACS CAN fully understands the committee's concern about the lack of competition in health insurance in some states. Moreover, as an active participant in the ongoing debate about health care reform, we fully appreciate the concerns and perspectives of those who question current law. ACS CAN, like the American Cancer Society, is an evidence-based organization, and after very considerable and lengthy internal debate and discussion, we came to the conclusion that the evidence demonstrated that the old insurance rules were fatally flawed. The number of uninsured people has been growing steadily for years, as has the problem of underinsurance. Although the increases alone are of great concern, we believe that cancer patients have been disproportionately affected. Insurers have sought to contain costs by engaging in ever increasing discriminatory practices and cost-shifting, to the detriment of those with cancer and other serious medical conditions.

The ACA offers significant opportunity to improve health care and lower costs, not only for cancer patients and survivors, but for the betterment of all. The fundamental health care cost problem today is the inefficient use of health care, the highly fragmented and uncoordinated health delivery system, and the lack of focus on quality that derives from a fee-for-service system that remains highly prevalent today. The ACA, though not perfect, will eliminate much of the historical discriminatory practices in the insurance market and provide a solid foundation to shift the incentive of providers and insurers to focus on greater efficiency and quality of care. These changes won't be easy and they will take time to fully realize, but they represent the direction in which the nation's health system must move.

ACS CAN, along with the Society, is fully committed to finding the best solutions to our health care problems, and we appreciate this opportunity to discuss alternatives that seek to fully engage the power of competition in addressing the problem of enhancing access to affordable, quality health insurance.