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Banking, Commerce and Insurance Committee
November 07, 2008

[LR305]

The Committee on Banking, Commerce and Insurance met at 9:30 a.m. on Friday, November 7, 2008, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR305. Senators present: Rich Pahls, Chairperson; Tom Carlson; Mark Christensen; and Tom Hansen. Senators absent: Chris Langemeier; Tim Gay; Dave Pankonin; and Pete Pirsch. [LR305]

SENATOR PAHLS: Welcome to the Banking, Commerce and Insurance Committee hearing. My name's Rich Pahls, I represent the Millard of Omaha, which is District 31. The committee today will take up LR305. I think it's posted outside. Our interim study here today is your public part of the process. This is your opportunity to express your position on the proposed resolution before us today. To help facilitate today's proceedings, I ask you to abide by, I think if you look over to my right on the board over there, you can see some of the things we are asking you to do. Many of you are very familiar with that, of course. Dealing with the cell phones, we have the on-deck chair, and asking you completing a sheet. And following the introduction of the resolution, we will hear the testimony and since this is an information gathering, we do not go in any order of proponents, opponents, neutral. We just...you come up and testify when you feel the need. Again, we are asking you to spell your first and last name for the record. That makes those people listening to us easier to understand. If you do have some information to hand to the page, we need at least one, two, three, four, five, six, seven copies. If you need that, our page over here...if you give it to him, he will run those off for you. And by the way, our page is Ryan McIntosh. Two, the person or persons, who help hold this committee together is, of course, many of you know, Bill Marienau, and also Jan Foster. What I'm going to ask the senators is, as we've done in the past, to introduce themselves and if they have anything to say about themselves, feel free. We're starting with you, Senator. [LR305]

SENATOR CARLSON: Tom Carlson from Holdrege, District 38. [LR305]

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SENATOR CHRISTENSEN: Mark Christensen, Imperial. [LR305]

SENATOR HANSEN: Tom Hansen, District 42, home of the Spike. Welcome you all out there to visit the largest rail classification yard in the world. Thank you. [LR305]

SENATOR PAHLS: We'll appreciate that, that's our part of economic development, (laughter) the building on tourism. Today we're going to start out with Bill giving us some information on the resolution. [LR305]

BILL MARIENAU: (Exhibits 1 and 2) Mr. Chairman and members of the committee, my name is Bill Marienau, M-a-r-i-e-n-a-u, legal counsel to the Banking, Commerce and Insurance Committee. I appear to provide some introductory remarks regarding interim study resolution LR305. LR305 is a follow up to LB1002 introduced by Chairman Pahls during the 2008 regular session. The purpose of the study is to consider whether insurers, which issue group health benefit plans, should be required to provide the plan sponsor with information regarding claims paid and the amount of premiums paid by line of coverage. At the public hearing on LB1002 back in February, the committee heard from witnesses who generally supported the concept, but differed on the form any such legislation should take. I've had some handouts from the LB1002 hearing put in your books for your review today, so they're in your committee book there in front of you. No action was taken on the bill, but the study resolution was introduced in order to gather further information and input. That brings us to today. Based on what the committee has already seen and heard, three major issues have emerged regarding a requirement to provide a claims and premiums history: (1) What size group would be subject to such a requirement? (2) What coverage period or periods would be subject to such a requirement? (3) What coverages would be subject to such a requirement? Of course, this is not an exclusive list of issues. Additional issues may be identified. For example, we might hear about concerns regarding the need to prevent disclosure of protected nonpublic personal health information. The text of the resolution says that the

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committee should seek the assistance of the Department of Insurance to carry out the purpose of the resolution. So at the direction of Chairman Pahls, I asked the Department if they could help us find similar laws in other states and the Department staff contacted their counterparts around the country and compiled not just the statutes, but rules and regulations, bulletins, and directives on point. They assembled what they came up with in a memo. And I'd like to pass out copies of that memo to you now. Ryan, two, one to each person up there and then hand them out to the audience then. Ryan is going to pass out that memo and then I'll note for those in the audience that the extra copies he has, he will make available to the members of the audience who are interested in having one. And I hope we have enough and if we don't, I have the original copy from which we can make more copies. So there should be one for anyone who wishes to have one and see one. The memo provides state-by-state citations and then all of the cited provisions for 18 states. The memo also notes each state's threshold, if it has one, for triggering the reporting requirement expressed in numbers of covered employees or individuals. The department's work on this has been very helpful. I am very grateful to them for their assistance. Left to my own devices, I never could have found some of these items, especially when you're talking about a bulletin or a directive from some other state Department of Insurance. Now that is an overview of how things stand to this point. I know there are a number of witnesses who wish to come up and I hope my overview has been helpful. [LR305]

SENATOR PAHLS: Do we have any questions for Bill? Bill, could I just...one more time, would you go over the three... [LR305]

BILL MARIENAU: The big three? [LR305]

SENATOR PAHLS: The big three, right, yeah. [LR305]

BILL MARIENAU: I think the big three issues regarding a requirement to provide the claims and premium history would be, what size group is subject to the requirement?

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What coverage period or periods would be subject to the requirement? What coverages would be subject to the requirement? And I think the first one is probably the most significant issue. Most states have a requirement of about 50 or 51 covered employees or covered lives enrollees. To review a bit, LB1002 had a requirement like that in it. So the bill at the hearing back in February provided that the requirement would be triggered only if there were...and I think it was 50 covered employees in the group. I don't have it in front of me right now, or was 51. [LR305]

SENATOR PAHLS: Seeing no questions, thank you, Bill. Now, again, as I said earlier, this is an information gathering, so when you're ready, you may come up. This could be short. (Laughter) Good morning. [LR305]

JUDY HAYES: Good morning. Mr. Chairman, members of the Banking, Commerce and Insurance Committee, my name is Judy Hayes. I'm currently the vice president of Human Resources at SAC Federal Credit Union, which is a small to mid-sized financial company located in Bellevue, Nebraska, although we're also in Omaha. I am representing not only them but other businesses and organizations of similar sizes and similar situation throughout Nebraska. I am here today in support of the legislation that would require issuers of group health benefit plans to provide all Nebraska businesses with information regarding claims paid and the amount of premiums by the line of coverage. Nearly two years ago, I spoke with Senator Pahls about introducing this legislation in Nebraska similar to what other states have passed. And I greatly appreciate the legislation again this session, and here today to request your support and help for employers and business companies. I'd like to address my involvement and the need for this bill, kind of, from the employers viewpoint. I've worked in Human Resources in benefits area for 20 years and healthcare costs continue to spiral upward, as you probably know. Often these are double-digit premium increases, yet many employers are actually receiving less and less information. Like many Nebraska businesses, my company provides health insurance for their employees and their families, and we want to continue to do this. In doing so, we do try to give them the best

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plan. We also try to keep healthcare costs down because not only are we paying for that, but the employee is also paying for that. Oftentimes these increases...each year when the premiums have to go up drastically, we have to make changes to our plan, such as increase in deductibles and coinsurance. We would much rather utilize those healthcare dollars for prevention and wellness programs, which you all know are becoming very important too, so that we can live healthier and ultimately keep healthcare costs down now and in the future. In other words, my goal is to build a better partnership with the insurers, the brokers, and with employers. Each year, when it comes time for renewal, which is about now for us, our premiums increase substantially, sometimes in the double-digit figures. Yet we get little or no information whatsoever to justify the increase. We ask them, of course, how do you justify a 8 to 18 to 20 percent increase without any data or any facts. As HR professionals, then we have to go to our management team and also then, ultimately to the employers and say, guess what, the costs are going to go up, your plan designs are changing, you're now going to have also pay more out of pocket. Sometimes we have to do both. Normally, we have to do both in order to keep the premiums even affordable, or people just drop the coverage. Essentially, what I'm saying is that we have absolutely no information. I get nothing. Brokers are unable to obtain any information for us either and therefore, both of us feel we have absolutely no control over the expenses of the healthcare plans. It makes it extremely difficult to look or compare plan designs or insurance providers. And the lack of information makes it difficult, if not impossible, for us to even design plans or wellness programs that can benefit employees and target issues. We don't even know what those issues are that would actually help reduce healthcare costs. For example, if we knew there was a large part of the claims being paid out for brand name drugs, we'd educate our employees to use generics. We continue to raise the deductibles to reduce the premium costs but in actuality, maybe only a couple of employees are reaching those anyway, so it's not even making any difference. Are they utilizing the networks? Perhaps, instead, employees' claims are really more in the area of copays for office visits or maybe their prescriptions are high, or maybe they're doing too many trips to the chiropractic care. So then our planning is all in the wrong areas if we don't have any

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information. Because we are a company and there's a lot in Nebraska that are, with fewer than 100 lives on our plan, no information is given to us. It's happening all across Nebraska. We have no idea where that money is being spent. My question for you is, how many businesses would pay out \$100,000, \$200,000, \$300,000, we're now close to \$400,000, or more per year for a service and a plan and have no idea how the money is being spent? Wouldn't there be some type of receipt or itemized list of what categories or where that money has gone? This is what we are asking for, some expense claim general information. We often hear we're doing everything right with our plans and you're doing what you can, but then next year we come across with another double-digit increase. Obtaining information is a business necessity. We can't manage what we cannot measure. Other companies that are over 100 lives, or in a self-insured small plans, do receive this information. I have included a list of some of the information that would be helpful for plan administration. I do have handouts of what I'm going over and a list of those. A 36-month history would be a good overview. Sometimes the insurance companies actually would like five years. But 36 months would give you a good idea of, you know, we do know once in a while you're going to have a bad year but it would give you a pretty good overview. There have been raised concerns about HIPAA. We're not asking for individual identification. We want general information. How much is being spent on claims? How much is being spent on prescriptions? How much is in network, out of network? Where are our employees having high risk areas so that we can target our programs towards that? And I have included that in the exhibit. I've also...would like to share that I've visited with other companies throughout the Human Resources Association and found they too are facing the same problems as we are. Everyone's extremely frustrated, including the brokers, and sometimes, the insurance carriers. Some of my discussions have included the insurance carrier representatives. They would be willing to provide reports and claims information but only if all the other insurance carriers do it too. It appears that without legislative action there will continue to be a lack of information from group benefit insurance providers. Most of us agree a partnership would be a good thing between all the carriers, brokers, and businesses and would enhance the ability for us to design better programs and plans for wellness

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and preventive measures, and actually better control costs for healthcare plans. Businesses our size, especially with fewer than 100 lives in their plans, are asking for your help. I'm most familiar with the Iowa and the Texas plans and I did bring copies of those, but Mr. Marienau has already done a lot of research, which is great. They do have bills requiring information to be provided. Plans to include, I know that question came up. I'm basically talking about medical plans because that's where the big dollar cost items are. Dental plans and vision plans for us, we're already getting that information because they're not actually protected under HIPAA anyway and they're providing it, so we do get that. I want to thank the committee for holding this interim hearing. I urge the introduction of the legislation again this year, and that there are other businesses that do support it. However, unfortunately, they might not be able to present today, so they may be sending information in. And I'd certainly be happy to answer any questions the committee might have either today or in the future. And I appreciate your support. [LR305]

SENATOR PAHLS: Do I see any questions? Senator. [LR305]

SENATOR CARLSON: Senator Pahls, and thank you, Judy, for coming to testify today. In listening to this, I just want to bring up two factors I think that go through my mind from the standpoint of the employer. One of them would be a negative temptation, the other one would be, I think, pretty important information for an employer to have. Depending on the size of the group, when you get back information on claims paid and premiums paid, you may have, as an employer, you might have a pretty good idea of who's responsible for the majority of those claims. And then it could be tempting to, it may be tempting, whether it's an employee or a member of the employee's family to kind of encourage them out of your business, which would be a detriment. On the other hand, if you have information on the claims paid and premiums paid, and you pretty well know who may have been responsible for the majority of these, it may be that that person has left the firm or the family member has passed on or whatever it might be, and so you'd like to be able to convey information to somebody else you may be

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receiving a quote from that our experience last year is not going to be reflected that way this year because. So...and then from the standpoint of the insurance company, they paid those claims and they're trying to recoup their costs. So that's a difficult issue.

[LR305]

JUDY HAYES: Absolutely. And we as employers, we understand that all of us are in the business to make money, and that we expect them to make some profit. We don't know how much they're making out of this \$400,000. The...to kind of answer your concerns a little bit, number one, if it's a small company you're going to know that stuff anyway because just employee relations issues, people know. Probably the HR people are the last people to know sometimes. In providing that information as an HR person, I would keep anything that I'd know confidential anyway. This does not identify people. You're right, a small company they might, but that insurance carrier is going to know that claims information anyway. They also, if that person is on that plan and next year they have left employment, they're going to know that because you send in termination information and so they know they're going to be off of that plan. We also understand and we have had this, where if you have a bad year, you're premium rate may go up 30 percent next year, 40 percent next year. But if you at least know that's what the reason was, you can say, I understand that and it's going to take us either a couple of years in the past or a couple of years going forward to recoup that cost. We understand that. But if we have nothing, we have no idea that's what the problem is. And I will have to say, my senior management team says, wow, they must be making a big chunk of money in profit, because we kind of have to go in the back door and ask employees, how many of you have met your deductible? We shouldn't have to do that. That information is out there. And so if I know that a lot of people have done that, then I'm assuming our claims aren't that high this year. But then we get hit with a high premium increase, we don't know why. So all we're asking is just provide us some of this general information so that we can plan. And I do have...I don't know, I have these copies of exhibits of the kinds of things as a HR person that does renewals and works with our insurance carrier and our broker on the kinds of things that would be very helpful for us to plan. And, you know,

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hopefully, no one is rejecting people from that. I would have a real hard problem with that myself, (laugh) because that's not the way the plans are supposed to be working. [LR305]

SENATOR CARLSON: Thank you. [LR305]

JUDY HAYES: Uh-huh. [LR305]

SENATOR PAHLS: Judy, I have a question. What is that magical number, you know, of the size of, that you would... [LR305]

JUDY HAYES: That's probably kind of a hard one. I can speak for us because we have about 67 on our plan right now and like I say, I'm getting no information, "zippo," nothing, nothing at all. And we're paying over \$300,000 to \$400,000 a year and I have no idea where it's going, any of it. Magical number, I would say that, you know, some companies, I think, could get real good general information. If they're paying out \$100,000 I'm sure they...and I'm just pulling a figure out of the hat, for say 25 or whatever employees, they still need to know how much of that is claims? How much of it is administration? How much of it is, you know, are they using just even yes, no questions? Are they using the network like they should be? Are they using the generic drugs like they should be? You know, where should we target our wellness plans? We don't get any of that. Now we can go do a wellness plan. They'll do risk assessments. We pay for that again. They'll do health risk assessments and then they'll give us general reports. Here's where your problem areas lie. So it's a roundabout way to have to try to get some information for planning but it still doesn't help with the healthcare costs within the plan. I don't know if that exactly answers your questions but I'm sure small companies would like some general information. They would like to know where their dollars are going. [LR305]

SENATOR PAHLS: Okay. Senator Christensen. [LR305]

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SENATOR CHRISTENSEN: Thank you, Senator Pahls. Judy, thank you. But don't you think an individual person has, they have access because it's their family only, so shouldn't any group size be able to get information? [LR305]

JUDY HAYES: I would think that if I were a small business person and I was writing out a check, I would like to know where some of that money is going, absolutely. [LR305]

SENATOR CHRISTENSEN: Okay. Thank you. [LR305]

JUDY HAYES: Because if they don't, what will happen is, they'll just drop plans. They'll just drop the healthcare plan and say, here's the \$1,000, go find your own. [LR305]

SENATOR PAHLS: Seeing no more questions, thank you, Judy. Appreciate it. [LR305]

JUDY HAYES: Thank you. [LR305]

SENATOR PAHLS: And if you just leave the information here, the page can... [LR305]

JUDY HAYES: Okay. [LR305]

SENATOR PAHLS: You know, he can distribute it. [LR305]

JUDY HAYES: Thank you. [LR305]

SENATOR PAHLS: We're sharing pages with several other groups going on today. Good morning. [LR305]

JENNIFER PURSELL: Good morning. My name is Jennifer Pursell, and I began my career in Human Resources for... [LR305]

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SENATOR PAHLS: Jennifer, I'm just going to ask you to spell your last name, please.
[LR305]

JENNIFER PURSELL: Oh, I'm sorry, P-u-r-s-e-l-l. And I started my Human Resources experience for a small business in Omaha that had 75 to 80 employees. Currently, I'm a consultant in Human Resources for NOLL Human Resource Services here in Omaha. It's a small service oriented company and we have anywhere from 25 to 30 employees, but we do have temporary associates in excess sometimes of up to 2,000 that are out there working for us. Most of my experience has been helping companies design and redesign their health insurance plans along with compensation and employee relations. But one of the things that I do, I help work with the small business owner in deciding how much the employer is going to pay and how much the employee is going to pay. So I'm here to represent not only NOLL and our clients but other small businesses. So since most of my experience has been with small business owners, I have the most empathy and compassion for them. And that's one reason why I believe that all business sizes should be receiving this information from the insurance companies. So the three things I want to bring to conversation, is the information I believe that employers need from the insurance company, the second is a list of reasons why I believe we need this information as the employer, and the third issue is why all employers, even the smallest ones, need this information to make decisions. And I do have handouts for you guys so I'm not go to go, read the list but the information I'm giving you is a summary and it lists all the information we need from the insurance company. Frequency and claim dollars spent in network, out of network. The number of insurance that have met their deductibles. The number of insurance that have fulfilled their coinsurance limit. The frequency and claim dollars spent on each tier of the prescription drug program. The frequency and claim dollars spent on each tier of doctor copay structure. Right now our plan, it's a \$20 copay for a regular physician visit. It's a \$30 copay for a specialist visit. So preventive and everything is covered under regular. Your specialist, if you go to a neurologist or an internist, it's covered under specialist. I

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would also like frequency and claim dollars spent on each major breakdown of the services provided. You know, whether it's in conjunction with physical, speech or occupational therapy, chiropractic visits, home medical equipment, the mental health substance abuse. Right now plans pay differently for substance abuse and mental health. One plan might pay nothing until you hit your deductible and then 50 percent after that. Another plan might make it a general copay but then max the number out a year. Ideally, I would like this information provided at least once a year, three months prior to renewal. And it would be ideal if we could go back 36 months to gain information on our insured people. This would make it sure even if a company is changing insurance companies that they would be able to obtain the information they need. The reasons why I think employers need this information is so they know how to design a plan to help it be a benefit. You could only design a functioning plan with information and we receive none. In designing a good plan it's crucial at the time of renewal. The information we give to employers when they're looking at a double-digit increase, so as a vendor, would you ever walk into a client and raise their bill 15 percent without ever explaining to them why. It happens every single year for small employers at renewal time. So instead of our agent telling us why our premiums are going up to health, to help see the...where the business owner, who can you imagine is extremely upset...we're just given another breakdown but this time it is of reduced plan designs. So if we've reduced the amount of coverage, it reduces our premiums. The only problem is, I have no idea which benefit to cut. I have no usage information and I don't even know how my premium is being used. I have no idea if the insurance company paid out more in claims than they collected in premiums. So why would any reasonable, smart business owner ever buy anything without information? It's like a purchasing manager buying supplies without receiving any usage reports. It just wouldn't happen. So just last year, for an example, to help reduce the double-digit increase that my company faced, we wanted to mess around with the numbers for copays and deductibles and coinsurance. But I didn't know whether a large number of my employees went over their deductibles or used the majority of copays on doctor visits and I didn't know if people were maxing out the health plan. So if multiple people were maxing out the health plan, then we could raise

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that feature to minimize the risk for the insurance company and therefore, reduce our premiums. Also last year to reduce costs at renewal time, the agent introduced changing our two-tier or generic and brand name drug plan to a formulary plan. The formulary plan is when brand name drugs are broken down into further tiers. The insurance company will provide a list of brand name drugs which are cheaper, and then the insured will have the lower copay for that. But if the insured uses a brand name drug that's not on the list, the copay will be increased. And, of course, generics are made in the cheapest option. Right now insurance companies send us propaganda to include in employee's paychecks, to put on our bulletin boards, to hand out as fliers, for employees to use generic. But we have no idea whether the majority of the insureds on the plan are using it already. And then I also had no idea how many insureds on the plan were using the brand name, like maybe the top tier of drugs. Because the premium saving might only be \$5 to \$10 on premiums a month, but the cost of that one prescription could go up \$30 or more a month. So as an insured, you would want to not go with that plan. And another reason why employers need this information, when it comes down to it, employees just have no idea of how the money they pay for health insurance is being used. I think employers would be surprised at how much one piece of the plan cost in comparison to how often it is even being used. In the information that I'm asking for is already being given to employers with over 100 lives and I understand that one of your decisions is to determine which size of employer should receive this information. Is a company with over 50 lives, but what about employers below 50 lives? From my point of view, employers with just 15 employees have to comply with the majority of all federal employment laws and just 2 employees, you have to comply with the Fair Labor Standards Act. But however, when we come to a decision such as health insurance, which is one of our major costs, we get absolutely no information. So small business owners either can't afford or are just too frustrated to keep paying out a huge portion of their hard earned money on health insurance and they will stop offering plans. So this would be a great way to help small business owners feel better about the money they're spending, help them feel back in control over their money, and I think it's...now is a really good time to give them real reasons to keep their health insurance for their

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employees. Thank you. Any questions? [LR305]

SENATOR PAHLS: I have a question. You represent companies of over 100? [LR305]

JENNIFER PURSELL: I represent employers under 50. [LR305]

SENATOR PAHLS: Okay, under 50. Okay. [LR305]

JENNIFER PURSELL: I've been employed for them for all sizes, over 100, under 100, and now I'm even close to being around 25 or less. So we probably insure only about 17 to 20 people on our plan. [LR305]

SENATOR PAHLS: Okay. But you're familiar with plans of 100 or more where the information is given to the employer? [LR305]

JENNIFER PURSELL: Its already given. [LR305]

SENATOR PAHLS: Its already given. [LR305]

JENNIFER PURSELL: Uh-huh. And I've also had experience with self-insured plans where we obtained all that information. [LR305]

SENATOR PAHLS: Okay. So I'm curious. Let's say I'm a business owner of 20. And if I were a business owner of 100, in similar plans, do you see a discrepancy on how much the fees are? [LR305]

JENNIFER PURSELL: You know, for small people they do...the insurance companies do pool us in a way to try and keep that from happening. So for like my husband, who's employed by the Douglas County, the amount that the insurance company receives is probably within \$50 of what my company pays, because they pool us. They pool us, so

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one year if I have an employee with cancer, that my premium shouldn't jump up 20 percent, even though I've experienced that. But then on years when we have good years, our premiums still go up because we're in a pool with maybe other high risk employers. But the total amount is usually within \$50. But they get information to make decisions, and we don't. So last year, my business owner paid out probably about \$75,000 to \$100,000 a year for his employees to have health insurance. And then we've had consecutive years or double-digits and it's really infuriating and he didn't know, I couldn't answer him why that happened. I couldn't give him any information as to whether we could move or should move to health savings account, because I didn't know how many people were even reaching the deductible. I didn't know how many people were even reaching the maximum out-of-pocket. So if our deductible is \$500, the people have to pay the first \$500, they pay their copays as normal, the coinsurance might be 20 percent up to \$1,500 and then they have to pay out additional with that to hit a maximum out-of-pocket of maybe \$2,000. Well, he wanted to do a health savings account to save money, but we had no idea of how many people were actually using the plan. Were they using it just for prescriptions? Were they using it just for doctor visits? Or were they using it for major medical in which we should stick with the coinsurance to help reduce the cost to the employee? [LR305]

SENATOR PAHLS: Do you hear more people going into the health savings plans like was in the paper just a day or two? [LR305]

JENNIFER PURSELL: A lot of small business. A lot of small businesses are going to the health savings account. One of the problems I have though, is that the monthly premium for my company has not been low enough for us to have a real savings impact to the business so we can help employees fund their account. There is nothing scarier to an employee than taking away their prescription copays because then they...you can pay a doctor back. You can pay an emergency room back, the money you owe them. You can pay back for your surgery. You cannot pay Walgreens \$50 a month to get your \$400 prescription filled. You have to pay all that money up-front. So then we would try to

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fund an account to help prevent that fear for the employee but our premium savings as a company isn't enough for us to be able to fund those accounts. [LR305]

SENATOR PAHLS: All right. Senator Carlson. [LR305]

SENATOR CARLSON: Senator Pahls. Jennifer, you partly addressed the question that I had, but I'll rephrase it anyway. And your defending small business and I appreciate that and I'm in general agreement with what we're talking about here. But you're a small business owner, you got 25 employees and you get this significant premium increase, what are the factors that go into determining that increase? And think of it from the company's standpoint. What goes into determining your premium increase? [LR305]

JENNIFER PURSELL: We have no idea. We get told from our agent... [LR305]

SENATOR CARLSON: Well, you addressed one of them. [LR305]

JENNIFER PURSELL: Right. Well, we get told from our agent that, you know, it's either because of our own claims activities or claims activities of other companies. But we've also been told from the agent, it might be because our employees are using too many brand name drugs and not enough generic, so. But we don't know. [LR305]

SENATOR CARLSON: Well, it brings out a significant point here that if a group is large enough to be self-insured, it's only their employees experience that determine cost. [LR305]

JENNIFER PURSELL: Right. [LR305]

SENATOR CARLSON: And when you're a group of 15 or 25 or what, you don't want to be by yourself. [LR305]

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JENNIFER PURSELL: Oh, no. [LR305]

SENATOR CARLSON: That's a huge risk. But you're in with another group of people and the whole concept of insurance is sharing of risk, so you're accepting some risk from other groups that you don't know a thing about and that's a pretty significant factor in that increase. It doesn't make it less frustrating. [LR305]

JENNIFER PURSELL: Right. [LR305]

SENATOR CARLSON: But that's one of the difficulties, but thank you for your testimony. [LR305]

JENNIFER PURSELL: You're welcome. [LR305]

SENATOR PAHLS: Thank you, Jennifer, appreciate it. [LR305]

JENNIFER PURSELL: Thank you. [LR305]

SENATOR PAHLS: Good morning. [LR305]

RON RAPP: (Exhibit 6) Good morning, Senator Pahls, members of the committee, my name is Ron Rapp, and I offered testimony when LB1002 was heard by this group. I have that testimony. I will not be redundant. If you need a copy, I have it. Generally, to address the questions that Bill sent me...and by the way, the first two testifiers that you heard were HR people in those times, we're agents. We're the ones that tell the HR people you've got a 30 percent rate increase. [LR305]

SENATOR PAHLS: Okay. Could I just have your spelling of your name, just to make... [LR305]

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RON RAPP: R-a-p-p. [LR305]

SENATOR PAHLS: Okay. Thank you. [LR305]

RON RAPP: And like I say, I have copies of that testimony that I offered based on the Texas law if that would be helpful. Generally to address the questions that were asked, what coverages would be subject to this requirement. I would say, generally, ladies and gentlemen, the health insurance, the medical portion. Because most group insurance plans have three factors to them. They have a group term life insurance policy. They have the medical, and then they have the prescription drugs that the previous testifier addressed. The medical information would be the most valuable, I would suggest. The prescription information would be helpful. As far as dental and vision, they would be of little consequence because those are capped coverages. They have X number of dollars. The second was on what size, and I addressed that in the testimony last spring. The small business, the Nebraska Small Business Employer Health Insurance Ability Act, which was LB1222 passed by the 93rd Legislature in its second session, covers plans from 3 to 49. And I would submit to the committee that would be a group that would be helpful. And then from 50 to 100 would also be helpful. Yeah, if that would be of value, you're welcome. I've got enough copies, I believe. And the third question, what time period would be subject to such a requirement and that I would reiterate the previous testifier, that 36-month period would be extremely appropriate. Now where we're going with it from the agent's point of view is we can then tell the insured customer, here's what's going on with your group. And the previous testifier was absolutely correct in small employer plans, 3 to 49, those are pooled. Well, where it would be helpful to have this information, is not all companies look at their pools the same way. We have five of the major players in small group that we represent, and we could then go to other companies on behalf of the employer with this information. Now as addressed in the testimony, to get a...I can get a proposal for you. And it's not going to be worth the paper it's printed on. To get you a meaningful proposal with credible numbers, I would need to have all your employees fill out a health statement of who's

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covered, but their anonymous, names are not important. What's going on, what beds are being taken, on and on and on. You get about this close to HIPAA violations with that. If you keep them anonymous, you're okay, just by a pay code number or initials or whatever. You get in a group of six or eight people, you're going to know exactly what's going on. And you're awfully, awfully close to a protected health information violation from HIPAA. But that's the only recourse we have now as agents to go out...got a company, an employer with 12 people, and I go to, from his existing plan to another two or three carriers. I can then present the owner with some real choices, where I don't have that option at this point without going through that information that I addressed last spring in the testimony. So we're the messengers and employers like to kill us, (laughter) because we're the only face that the insurance company has. The CEO doesn't go out on the street like we do, and so this information would be extremely helpful in allowing the employer to get competitive, competitive bids from other companies. Because other companies, like I said, they use...all companies at that level use the pool concept. But Principal's pool might be in better shape this year than Coventry's or whatever. And for us to be able to go to other companies on behalf of the employer would be extremely, extremely helpful. I hope I have addressed the questions that Bill sent me, coverages, size and period. Any questions? [LR305]

SENATOR PAHLS: Any questions for Ron? Senator Carlson. [LR305]

SENATOR CARLSON: Senator Pahls. Ron, I can sympathize with the circumstance where you go out and...first of all, I agree totally with you, a quote is, it's hardly worth ink on paper. It doesn't mean a thing. All it does is raise hopes for something that's not possible. So then you go and get the information on each employee, which is a lot of work... [LR305]

RON RAPP: (Laugh) Have you done this, Senator Carlson? [LR305]

SENATOR CARLSON: Yes, I have. [LR305]

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RON RAPP: I thought so. (Laughter) [LR305]

SENATOR CARLSON: It's a lot of work and then you're taking a risk on your relationship with that employer because you take employees time and then you come back with bad news. So I sympathize with that circumstance and would hope there's a better way. [LR305]

RON RAPP: Well, that is...and like I say, the Texas law is attached to that testimony and it, it...there's a similar law in Iowa which Mr. Faber from our TPA, because we have done something to help try to mitigate that. And that is in groups that are large enough, we go with what is called a parcel self-fund where they will have like a \$30,000 deductible. And these are public entities so I can discuss them and you can read about them in the newspaper. We've done that with the city of South Sioux as well as Dakota County and been very, very successful. Don's firm also, we do a modified version of that called a MERP. And that is for smaller employees, offer a \$1,000 deductible but buy a \$2,500. And MERP that Medical Expense Reimbursement Plan that back to...that's becoming extremely popular because companies are catching on to the fact that and they teach you that, Senator Carlson, you'll appreciate this, is that EOB. Some companies now will send the EOB directly to the TPA which makes it seamless and it's working extremely well. We've got to get creative in this business. If we don't, somebody will do it for us. Any other...Senator Pahls. [LR305]

SENATOR PAHLS: Any other questions? Thank you. Appreciate it. Good morning. [LR305]

DON FABER: (Exhibit 7) Good morning. Senator Pahls, committee members, my name is Don Faber, and I am sales manager with Three Rivers Benefit Corporation. We are headquartered in Sioux City, Iowa. We do have our license and have a rather large book of business in the state of Nebraska. So I join Mr. Rapp this morning in just

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sharing some thoughts with you because we have, and I do have a handout for you, we do have as a third party administrator, we do self-funded plans, we do partially self-funded plans, we do medical expense reimbursement plans as Ron indicated. And we have experiences from groups that, where we have all the medical data and we have experience from groups that we don't have medical data. I would just share with you that we are able to help clients manage their healthcare benefit plans. When we have sufficient data, we have even been able to lower rates as in the case of, Ron referenced it earlier, Dakota County. We actually lowered their rates last year. We had sufficient information to do that because they're self-funded. Senator Carlson brought up an issue regarding HIPAA and the fact that small business owners are likely to figure out who their claimants are and the kind of situations they have, which is a, you know, perilously close to HIPAA violation. but that happens anyway. In small groups they're going to know what goes on. I would propose to you that there's a different tact here in terms of...you've heard the other testifiers visit about the benefits of having that information. And a lot of it implies that the incumbent carrier maybe is making too much money or is not sharing the information well with them and could do a better job. We use incumbent carriers. We're licensed with all the major carriers in the state of Nebraska and we use them as a mini-backstop insurance, if you will, to do a medical expense reimbursement. As Ron had indicated, we will take a company as low as seven people and be able to buy a high deductible and have them then use the ERISA plan to self-fund it down for those who actually are going to use their deductible and their out-of-pocket max. Because any time that you are going to be...anytime you're going to reach your out-of-pocket max, it's going to be hospital billing, so somebody's going to be hospitalized or have hospital treatment. We have...I don't know the exact number, 40 or 50 of these accounts and they're all successful. But the information that we have will tell us whether or not you have four or five people that are going to have a potential hospitalization in a given year or one or two. Because if you use an ERISA, many self-funded plan, your liability may only be \$2,000 or \$3,000. So a claimant can have a quarter million dollar claim but the employer's liability is \$2,000, \$2,500, maybe \$1,500. That would constitute a good risk versus paying, you know, buying the high

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deductible and saving that premium dollar and using that premium dollar to self-fund those costs for the people that max out versus paying for that lower deductible and having it spread across the entire employee base. You know, knowledge is power. That's why we're here today to talk about information so that you can make an intelligent decision. Employers are no different and we help them to do that. It may tell us whether we need to switch carriers. It may tell us whether we need to do a mini self-fund. It may tell us that they just need to bite the bullet and pay the increase in cost. But that information is extremely valuable when it comes to helping employers manage healthcare benefits and not just buy insurance, and there's a huge, huge difference. I would just tell you that we also work with the folks in the state of Iowa to try to get this same legislation passed. It died in committee last year but is expected to be resurrected. The information that I gave you is in regard to that. The National Federation of Independent Businesses is behind this and we just think that there is a far greater good that can be, can be...come out of this as a result of having insurance companies provide information in two or greater. And that's where we'd like to put it, two or greater. I would also echo that the three years is really a pretty standard in the state of Iowa. If you have three years worth of claims data and three years worth of rate history, Blue Cross and Blue Shield will give you a quote without the, having to fill out the health questionnaires, a firm quote. And that seems to be their data is a three years worth of rate history and three years worth of claims history regardless of size, which is a big help for those of us who are trying to work with clients to take a look at where they need to be. [LR305]

SENATOR PAHLS: Don, just a question. I heard you say, Blue Cross is a three year? [LR305]

DON FABER: Uh-huh. [LR305]

SENATOR PAHLS: Are the other major carriers? Is that... [LR305]

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DON FABER: We're not seeing that. Blue Cross and...Wellmark Blue Cross and Blue Shield of Iowa has come out with a pilot program where they will, if you can provide them three years worth of claims data and three years worth of rate history, and a census, they will give you a quote regardless of size group. I've done it for groups under 20 and I've done it for groups, you know, over 50. The other thing that they've done and I apologize for not knowing where you are in this regard, but they've also standardized the questionnaire for health history. Whereas, in...starting the first of January, if there is a single health questionnaire that all companies who do business in the state of Iowa use, heretofore, if you wanted a principal quote you had to use their paper, a Blue Cross quote you had to use their paper, you know, Coventry quote, their paper, and it really does cause a lot of hardship for employers and employees to have to fill out all of those papers. So they've consolidated that and that, I think, is a good move as well. [LR305]

SENATOR PAHLS: Seeing no more questions, thank you. Appreciate it, Don. [LR305]

DON FABER: Okay, thank you for your time. We appreciate it. [LR305]

SENATOR PAHLS: Thank you, Don. [LR305]

LEE JOHNSON: Good morning. [LR305]

SENATOR PAHLS: Good morning. [LR305]

LEE JOHNSON: My name is Lee Johnson, last name is spelled J-o-h-n-s-o-n. I'm president of Mid-American Benefits. We're a third-party administrator in Omaha and I testified last February at the hearing on LB1002 and I'm not going to go back over all that testimony. All the previous speakers have spoken to what's needed in legislation to help our small employers. And so everything that they have said is pretty much on the mark. In regards to coverages, I'll just state that I do believe that the medical coverage is the key component that small employers need to make intelligent decisions and to

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have justification for rate increases. Size, it's my belief that there's no reason that an employer of any size paying the premiums that they're paying don't have a right to see the experience for those premiums. And for period of time, the previous speaker spoke to three years, as have other speakers. And I believe that that's a reasonable and legitimate period of time that would allow underwriters to determine a trend in perhaps going forward with their bid. The only other thing I'll say is that all of these components, that all of these speakers have said, have been addressed. And I hate to say this, because I hate to give kudos to Texas, but the Texas legislation, in my opinion, is the Cadillac. And if you want a guideline as to what's going to provide answers to all these people who have spoken, and give employers in this state an opportunity to do the best job they can with their health plans, put them in the best possible position to get a decent bid when they take it out for bid, I would strongly suggest that you mirror some of the language that's in the Texas legislation. That's all I have to say. Thank you. [LR305]

RON RAPP ?: Senator Pahls, the Texas legislation is attached to my... [LR305]

SENATOR PAHLS: Yeah, yeah, we got that. Any questions for Lee? You aren't as rowdy today as you were yesterday. [LR305]

LEE JOHNSON: What's that? [LR305]

SENATOR PAHLS: You aren't as rowdy today as you were yesterday. [LR305]

LEE JOHNSON: No, I tried to calm myself down. (Laughter) [LR305]

SENATOR PAHLS: Seeing none, thank you. Appreciate it. [LR305]

LEE JOHNSON: Thank you. [LR305]

SENATOR PAHLS: Good morning. [LR305]

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BRUCE RIEKER: (Exhibit 8) Senator Pahls, good morning. My name is Bruce Rieker, it's R-i-e-k-e-r, and I'm vice president of advocacy for the Nebraska Hospital Association. I guess first and foremost I should say I got great care and that's why I came up here on these crutches and I did pay my bill, so... [LR305]

SENATOR PAHLS: Can I ask you that? (laugh) [LR305]

BRUCE RIEKER: ...just a testament to our hospitals. But nonetheless, we testified in support of LB1002 when it was introduced last year as well and we continue to echo our support. I think Mr. Johnson said it very well, all of the testifiers that preceded us have brought to light the critical components that need to be in this legislation and that need to be provided for Nebraska's employers. The Nebraska Hospital Association represents 85 hospitals and we employ over 41,000 people. I do have some testimony. I'm sorry that...but yes, we come to the table from two perspectives, so obviously as hospitals we are providers of care. But we employ 41,000 people as I had mentioned and I could share with you just how much our hospitals pay in group health insurance costs. We agree that this information is critical to helping make informed decisions. We find it interesting and it varies between hospitals. We represent all the way from the largest hospitals in Nebraska to the smallest. But when our group health insurance premiums go up, then the cost of us providing the care, we wonder where the gap is. So these are some of the things that we believe will also help keep down the cost of healthcare if we had a more informed position or negotiating position on these particular costs of providing care. Another thing that will help us, and that isn't directly related to the negotiating the cost but it would help us track or do trend analysis for our wellness programs, not only within our hospitals but probably for other employers who have those, to see if there are benefits of providing the wellness programs. In some cases we've seen that there was a benefit. In other cases, we've seen that there was actually, it did not save money and some of our hospitals have discontinued some of those wellness programs. So it's helped them make informed decisions. One last thing, and

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we did share this with the committee last February during the hearing, we would also like workers' compensation to be covered, not only group health and prescriptions but also workers' compensation. We believe that it goes hand in hand with medical care, and that is an issue that has been left off the table and we would like to see it included. We believe that it should be two or more in the group. We agree with the 36 months. Senator Pahls, if I may ask liberty, you asked a question about HSA's, Health Savings Accounts. May I address that for just one moment? [LR305]

SENATOR PAHLS: I'll ask the question. Do we save money? [LR305]

BRUCE RIEKER: Okay. The HSA accounts in theory seem to be...I mean, to have people be involved in high deductible plans with something such as a \$5,000 deductible with that being the employee or the participants responsibility, seems good, or sounds good, to keep down the cost of healthcare. Previous witnesses, the second witness, I believe, Jennifer, spoke to the fact that they have not seen significant decreases in healthcare premiums associated with that. I would say that is our experience as well. And I want to draw to the committee's attention one other thing that we are now starting to experience in the hospitals is that we never get paid, or I shouldn't say never. That's an absolute. We are starting to be paid a lot less by the individuals that are holding that \$5,000 high deductible or something like that. We are paid by the insurance company or whoever is providing the insurance, but for that higher deductible we are now seeing people not pay or defaulting on that simply because their plans aren't funded or they choose not to pay us. And they have the latitude not to do that, and so that is a significant challenge on our part is to receive payment for the services we provide. [LR305]

SENATOR PAHLS: Senator Carlson. [LR305]

SENATOR CARLSON: Senator Pahls. Bruce, I'm going to ask you kind of a tough question because we're talking about controlling costs, we're talking about gaining

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information, which is very, very important. What would it take for you to adopt procedure where all providers would post their charges in a manner in which the average person could read and understand? [LR305]

BRUCE RIEKER: Well, I would say that we as hospitals are further down that continuum than insurance companies. Case in point, we have...our Web site went live in May of this year. It's called the Care Compare. It is hosted on our Web site. It is also an initiative of the American Hospital Association. And I appreciate...you asked the question about charges. Those are our charges, the costs of providing the care. There is a difference between...it's wholesale versus retail in a layman's terms there. But the bulk of the majority of our hospitals from Scottsbluff to Omaha are all participating in the Care Compare Web site. You can go on there if you are having foot surgery, such as I had. I can look at what Bryan charge or Alegent in Omaha or whatever it is, I can look at that. And what that helps...the responsibility is still on the part of...the person with the insurance then is to contact their insurance company and see what the benefits are because the charges are one component of it. How insurance companies pay for that, whether or not you're in a contracted situation where a certain carrier, Blue Cross and Blue Shield has a contract with that hospital and were insured by that or whatever it may be, then to actually look at your out-of-pocket costs, that's incumbent upon the person who has the insurance. But almost all of our hospitals have their charges posted on that for the substantial amount of the services they provide. On the other hand, if you take United Healthcare, not to mention anybody, but United Healthcare who has a significant presence in this state, even our most...what should I say, sophisticated financial analyst in our hospitals, we find it very cumbersome to find out where exactly their profit and loss margins are. At our last count, it took...we had to go through 23 different reports to figure out, I mean reports filed with the NAIC, to figure out where the profit and loss was in the overall book of business. The reason we're looking at that is because the Nebraska Hospital Association in partnership with the Department of Insurance, we have them at the table, and several others. I'm not saying that they're underwriting this but we are putting together a task force to take a look at insurance

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company performance. It causes us great concern when an insurance company pays their executive more than a hundred million dollars, which United Benefit did, or United Healthcare did. In fact, the stock options were over a billion. And then we wonder where the cost of healthcare is going up. Those things trouble us. We know that we need to keep down the cost of healthcare and I think we're doing a good job. But in this day and age where we are looking for transparency, until there is true transparency on every component, whether it is the public payer, which is government, the private payer which is insurance company or self-insurance and the provider, we're not going to be able to serve the consumers as well as we would like to. So we as hospitals, admittedly, have a long way to go in making sure that there's as much transparency as possible. But I would like to say that we have stepped out first to provide that transparency on our charges and then, hopefully, consumers can use that information to make informed decisions as to where to get their hospital care. [LR305]

SENATOR CARLSON: Thank you, Bruce. What's the Web site? [LR305]

BRUCE RIEKER: The Web site, our Web site is nhanet.org, Nebraska Hospital Association net.org and there's a link on there. It's called the Care Compare link and whether you wanted to look at Holdrege, Alegent, Bryan, St. E's, a significant number of our hospitals and a majority of the services they provide for their top DRG's are listed on there. [LR305]

SENATOR CARLSON: Thank you. [LR305]

SENATOR PAHLS: Any other questions? [LR305]

SENATOR HANSEN: I have one, thank you. [LR305]

SENATOR PAHLS: Oh, yes, Senator. [LR305]

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SENATOR HANSEN: The idea of transparency is always good, I'll agree with that. But the transparency that you're talking about, you're going to go into an insurance company and find out what the CEO makes, which I don't know if that's all that important because it is a private company. But then you're going to list every medical procedure that that company will pay for and have that on your Web site? Is that correct? [LR305]

BRUCE RIEKER: No. We have, what we have on our Web site is what our hospitals charge, whether it's delivering a baby or whether it would be a knee replacement. What our hospitals charge is what's on our Web site. We do not have access to any of that other information nor have we asked for it. However, there have been requests on us to make sure that that information is available to the consumer, but the only people that have that are the payers. We don't have that. We don't know what the contracted benefits are. Now we're not here advocating that we would have that. But until we truly can serve the consumer some of that information, not all of it, but some of it, it needs to be disclosed. [LR305]

SENATOR HANSEN: So what the hospital charges would be on your Web site for... [LR305]

BRUCE RIEKER: It's there. [LR305]

SENATOR HANSEN: ...a specific surgery. It doesn't cover any complications, of course... [LR305]

BRUCE RIEKER: Oh, yeah, it does. [LR305]

SENATOR HANSEN: ...so there is a range then? [LR305]

BRUCE RIEKER: Yes. [LR305]

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SENATOR HANSEN: Okay. [LR305]

BRUCE RIEKER: There would be a knee replacement, standard knee replacement, a knee replacement with complications. It's a fairly, in my estimation, a fairly sophisticated Web site, not just say, well, here's some general charges. But it gives ranges. It will say, this is what Great Plains would charge, this is what would be charged at McCook. There's also customer satisfaction surveys on this. So it's not only this is what the hospital says, but there's the ability to have the feedback from other patients as far as how their treatment was performed. Once again, always trying to protect the confidentiality. I mean it's their decision, not ours. But there's a rating system in there that protects patient confidentiality. [LR305]

SENATOR HANSEN: Thank you. [LR305]

SENATOR PAHLS: That's created a little interest here. So let's say that...and I'll just use you for example, let's say it's a \$2,000...you went to the hospital and it says that it's going to cost you \$2,000. Then the idea is for me to contact my insurance company and say, hey, how much of that \$2,000 would you pay? [LR305]

BRUCE RIEKER: Uh-huh. [LR305]

SENATOR PAHLS: And the reason why you couldn't say Blue Cross usually pays this because of all the different plans? [LR305]

BRUCE RIEKER: Exactly. And Blue Cross and Blue Shield has a different contract with Bryan versus St. E's. What should I say, the possibilities are endless. Each provider, I mean, to look at all of the different insurance providers and how they pay, if your a self-pay versus you're part of a group. We don't have all that information. [LR305]

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SENATOR PAHLS: Yeah, yeah. We're still...we do have a private aspect to the business role too there... [LR305]

BRUCE RIEKER: Absolutely. [LR305]

SENATOR PAHLS: ...you know, so I see the...okay. Any other questions? If not, thank you, Bruce. Appreciate it. [LR305]

BRUCE RIEKER: You're welcome. Thank you. [LR305]

SENATOR PAHLS: Last call. [LR305]

MIKE GRAY: For opponents? [LR305]

SENATOR PAHLS: We don't have any opponents. Just come on up any time you want to. [LR305]

MIKE GRAY: Well, I'm ready. [LR305]

SENATOR PAHLS: Okay. [LR305]

MIKE GRAY: Thank you for allowing me the opportunity, my name is Mike Gray. I'm with the Harry A. Koch Co. I appreciate Senator Pahls and the committee allowing me to be here. I am in opposition to portions of the discussions that we've had. I think one of the things that bothers me the most is that small group, 2 to 50 lives, are all pooled together. They have to be because they can't stand on their own. The risk is just too great for them. So I have a hard time when probably 85 percent of the renewal is going to be based on the pool. Now that's a guess on my part. I've been in the insurance industry for about 15 years. I'm a broker selling small group product and large group product. But it concerns me that if...the bulk of the claims experiences, the pool, why

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supplying a small employer group with 2 to 50 employees, the claims experience is going to benefit them in their decision making process. I think the HIPAA privacy piece that you touched on, Senator Carlson, is absolutely a problem. I will tell you this morning at 7:30 I had a renewal meeting with a small employer group. Part of their renewal was based on the fact that a dependent spouse of one of the employees had hospitalization for five days. And if you supply that information it wouldn't be too difficult because it would be listed as a dependent, not an employee, to determine who that was. And there is a chance that the company would not know that she had to have that hospitalization. So I'm a little concerned about releasing that type of information. I think the other thing that we need to really talk about in this process is that there are a limited number of folks who were doing the self-insurance piece that were discussed earlier. There's not a lot of employers who are willing to take that risk. And very frankly, most employees are risk adverse. I have a number of groups that offer a higher deductible plan for less premium. Now you have to be over ten lives to do that, understand that, but...and some that offer then a lower deductible plan and the employees have to pay more for that. And I would submit to you that about 80 percent of the employees will pick that higher priced plan because the deductible is lower because they're adverse to that risk. And I don't think that really when we look at this whole picture and talk about how this works, 2 to 50 employees, those plan designs from the insurance carriers that I do business with are standard plan designs. You have no way to change the copay. You have no way to change...unless you completely change the plan design. So one plan design may offer a \$250 deductible, few of those left, I would tell you, but some are still available. And the out-of-pocket may be \$1,500 and the copay may be \$20 or \$30. But you get into the higher deductible plans, the copays go up. So you have to choose a plan design from the offerings that the insurance company gives you. So you don't have a real choice in mix or match within the plan designs of what copay you might want to charge or what drug card you might want to use. There are some choices on the drug card, but most of the other components of the health plan there is no choice. Unless my clients...and they may be, they may be just because of my mentality, but unless my clients are markedly different than most, they really don't understand how health

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insurance works. It's very complicated for them. And when you start supplying them with all this claims data, and all this information, I'm afraid they're just going to throw up their hands and say, look, why do I have you as my agent? You're the one that's supposed to help me make these decisions. Tell me what you think, and tell me what you think I should do. And by and large, that's how my clients deal with the renewal process. So when you look at the way that some of these discussions have gone, I just don't think the small employer group needs that claims information. The other thing I think you have to be really concerned about is that the insurance industry as a whole has...they're not a whole group of crooks out there. I believe these companies are honest trying to provide a good insurance product. I need them as partners in my business because I cannot come up with the insurance product on my own. I am not doing the self-funded pieces or the partially self-funded pieces that have been discussed earlier. We have eight benefit producers at the Harry A. Koch Co. and none of them are doing that. And most of the agents I know, because of my representation with the National Association of Health Underwriters and the local Nebraska association, do not do that type of business. It doesn't mean that it's wrong. It just means that that is fairly complicated and in the 2 to 50 life target particularly, the employers have not been very receptive to doing those kinds of things. I think that you need to also understand that the dependent piece, an employee...an employer knows when the employee's at work. There's no question about that. And if they're sick, they know that they're sick because they're not at work. But the dependent component of all of this, they could not know that. And I admit that in a small employer group they do know about everything that goes on, but there could be some dependent components of that that they don't want people to know about. So I think you really need to think about the privacy piece and Senator Carlson, you brought that up. The other thing, I think that when you look at the wellness component today, every health plan that I use from the four major carriers that I...and I represent all carriers, but there are four major carriers that we use. In their plans that aren't qualified high deductible health plans, the wellness component is in that at 100 percent. So an employee can go in, pay their office visit copay, whatever that might be and get their wellness exam done, routine exam. They can even get...under some

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companies, the treadmill EKG is covered. So you have a wellness component built into the plans in terms of going out and using that to see what your health conditions might be. But to give them the experience, I am opposed to doing that. I had a meeting yesterday with ten of the top agents probably in the state of...well, let me rephrase this, some of the top agents in eastern Nebraska. And I discussed this very thing with them and everyone of them were radically opposed to turning loose of the claims data for 2 to 50. There is some disagreement on the 51 plus. And I'm going to give you my personal opinion. I don't think that self-funding should work for anybody that has 250 lives or less. Now, that's my personal opinion. That's not shared by everyone. So I want to make it clear to you that it's my personal opinion. I think the insurance industry understands the risk. They have the claims. They're able to pool that risk and that 2 to 50 category, it makes no sense to me to turn loose of that experience. The qualified high deductible health plan has been brought up and touched on. I would agree with the Hospital Association that one of the things we're seeing in our industry today is that when the employer takes the path of least resistance, and that is the premium, he'll move the deductibles and change different things within the plan when he can to keep that premium down. One of the things that happen is, the employee is now exposed to more risk. And the more risk you expose them to, if the employer is not contributing any to the health savings account, the employee could be exposed to, at the low end, \$1,500 deductible, with the high end, \$5,000. And they're responsible to put the money into the health savings account to use it. Admittedly, it's tax deductible but...so I don't know how that's going to impact some of the things that have been discussed here earlier. But the qualified high deductible health plans are a fact of life today. But one of the reasons I believe they are is because of the cost. So I think that one of the things we need to think about is the 51 plus market place. And one carrier was releasing that information and giving it to their groups. The other carriers decided not to do that. And so the carrier who was, decided that they didn't want to do that any more to level the playing field. That makes sense to me. They were providing information that no one else was. But in today's market place, if I...51 plus probably isn't a bad idea to release that information. Two to fifty I believe it is not a good idea to do that. So let me address one issue that

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the other individuals don't know about and so this will be news to everyone in the room, except the Department of Insurance because they have been involved in this. I believe that by the first of the year Nebraska will have a universal application that will be no more than five pages and that we will be able to use that. The insurance industry is going to allow that to happen on a voluntary basis. So instead of having to use Blue Cross Blue Shield "apps", Coventry "apps", Principal "apps", United Healthcare "apps", we can just use one application. There's still a few more details to work out, but I do believe that we're going to be able to have that in Nebraska and we're going to be able to do it without passing legislation. It will be a voluntary piece. And so if the three largest carriers in the state are willing to use that, I believe that everyone else will then be forced to use that. And I think it's a very positive thing for the brokerage community. It's a very positive thing for employer groups because we no longer have to fill out those "apps" if you want to get the information on a...what we call, final rates. But...and Senator Carlson I don't mean to disagree with you, but we have to start somewhere so using the census data and receiving a quote from the insurance carrier to find out what their standard base rate is, is one way for us to determine, because everybody's not competitive in every group. Depending on what the group does, those kinds of things can vary what the rate may be. So we do use that. I have never in my practice in the 15 years ever gone out and asked someone to complete "apps" and do those kind of things to get what we call a prescreen rate. We have taken the base rate, made an informed decision about what we thought we should do from that point on, and then decided what we were going to do with the applications and what carriers we would use. My job, I believe, is to sell benefits, not price. My job is to go to the employer groups and provide them with information for them to make an informed decision. They don't have any idea. I have to tell you there's just a whole lot of people who don't understand how health insurance works. I think you're fortunate in this committee that you have folks that do, but there are a lot of folks who don't understand it. And my job as a broker is to explain that to them so that they can understand it in simple terms. But the end of the day, they don't let me see every single employer or employee and I don't have an opportunity to explain it to them and it's very confusing to them. And change, I will tell you, is

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something they believe is bad. So I'm talking specifically now about health insurance. I'm not going to get involved in the other changes we've been faced with in the last several days. So that's my opinion. Agents that I know and respect in this industry and I happen to, because of my association in the National Association of Health Underwriters, know a lot of agents in the state of Nebraska, most of those folks agree that 2 to 50 is not the way to do it, 51 plus might be. Any questions? [LR305]

SENATOR PAHLS: Yes, I have one I'd like to start with, Mike. Would you spell your last name just to make sure we spell it... [LR305]

MIKE GRAY: G-r-a-y. [LR305]

SENATOR PAHLS: Okay, because I know there's several Grays in this world. A question I have, let's say I'm a businessman, I have 40 people that I'm helping with the insurance and you come to me several years in a row saying my rates are increasing, or the rates are increasing, and I ask you why. Do you tell me why? [LR305]

MIKE GRAY: Well, I think you have to think about medical inflation, number one, Senator, and that's running somewhere between 12 to 15 percent, depending on who you talk to about that. But medical inflation is going up in this country because of the utilization piece. And that's not going in and having your routine physical done, but we are using more and more medical services today than we've ever used. [LR305]

SENATOR PAHLS: So your answer to me would be, my employees are... [LR305]

MIKE GRAY: We talk about medical inflation. That would be one component. [LR305]

SENATOR PAHLS: They're using...well, that would be part of it but the other part of it, I have some employees who are probably really utilizing the plan. [LR305]

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MIKE GRAY: And we could talk about that. Do you realize what your reutilization is and the answer in almost every case would be, well, I know that Fred was gone and we think that Harry had this. We talk about that. But the facts are, that the rate is the rate and going back and supplying them with information about who that claims data may be on, they now...it won't be identified. There's no question. It will not be identified by an individual. It will be a list of the claims. It will be, in some cases as I read, some of the information if it was over \$10,000, it would be a specific diagnosis. [LR305]

SENATOR PAHLS: But you would give me that information at that time? [LR305]

MIKE GRAY: No, I can't give you that information. HIPAA privacy prevents them from giving it to me on a specific individual. [LR305]

SENATOR PAHLS: Okay. So you don't have the...I'm not even talking about it on a particular case. I'm just talking about in general. [LR305]

MIKE GRAY: No, no, I do not have it. [LR305]

SENATOR PAHLS: That's the frustration I'm hearing from the other people. [LR305]

MIKE GRAY: Exactly. [LR305]

SENATOR PAHLS: Prices are going up and we really don't know why. So I'm now, I'm the business person who's saying, I want to know why. And you cannot give that to me, not individually. [LR305]

MIKE GRAY: I do not have that...that's exactly right. I do not have that. Now, what I could do is ask the carrier to give me some information relative to how many people have met their deductible. That information is available from some carriers. And so as an agent, it's my job to go out and delve into that as far as I can. But to get specific

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claims information, reports from the carrier, I cannot get that. [LR305]

SENATOR PAHLS: Okay, but Mike, now you told me that there was one part that you may go back and grab. Are there ten of those parts that you could give me that would satisfy my needs? I mean, cannot I not see some...maybe there's something out there that you can give me that...you can't give me everything but are there parts out there that you can give me that I would feel more comfortable that my rates are going up. I understand the inflation factor but I'm just saying, are there some things you could be giving me right now that you're not, not intentionally, but just not doing it? [LR305]

MIKE GRAY: No. I'm giving you the information I have that's accessible to me from the carrier. But I cannot give you claims data. I do not have that. I cannot tell you what your gross claims were, and I cannot tell you...I know what the premium is, but I don't know what the gross claims are. [LR305]

SENATOR PAHLS: But you could not go back and say, hey, I need to give this client of mine at least some information. That's not there? [LR305]

MIKE GRAY: Its not there. [LR305]

SENATOR PAHLS: See, I was hoping if we could give some, that might help alleviate the problem if... [LR305]

MIKE GRAY: And as I sit here and as you ask me that question, I think there probably could be some limited information that could be supplied. [LR305]

SENATOR PAHLS: Enough to make me feel like that you're just not getting into my pocketbook. I mean, I know you're a legit company, but... [LR305]

MIKE GRAY: Well, it has nothing to do with me. [LR305]

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SENATOR PAHLS: No, but you are the... [LR305]

MIKE GRAY: I mean, but the insurance industry is setting the rate. I'm not setting the rate. I'm not the insurance company. I'm a representative, licensed representative of that insurance carrier. But you're correct, Senator, I don't have that data. I think we've gone way too far in this...as I remember, this legislation was introduced 51 plus. And then we came back after testimony and decided we needed to go 2 to 50. I'm not disagreeing on the 51 plus even though personally I don't think that's necessary. But that's a personal. The 40 life case you're discussing with me, I believe we should look at some limited number, maybe, of information available to that employer. But...and today, I don't know what that is. [LR305]

SENATOR PAHLS: Yeah. But in the part that after listening to this, because I can feel the frustration on the other side. And I know you're not the insurance company but if you keep coming to me and my rates are going up and dismiss the inflation factor, which I know is significant, if you could me some information, I would say, oh, yeah, they're right, now I get it. [LR305]

MIKE GRAY: Well, what difference would that make in your decision? [LR305]

SENATOR PAHLS: It'd make me feel like I'm probably getting a deal. It's like if I trade a car. I mean, come on, there's... [LR305]

MIKE GRAY: Well, now Senator, I'm not disagreeing with you. [LR305]

SENATOR PAHLS: We're just, we're arguing back and forth. I don't mean to do that. That's not the intent. [LR305]

MIKE GRAY: Right. No, no, no. I don't take this as an argument. I think that's a

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legitimate question. What I would say to you is this, what difference is it going to make in an employer's decision on what he's going to do. Because, after all, at the end of the day, the discussion is, what's the price going to be. And when I...it's my job is to come to him and say, here is the current plan design you have and here is why we chose that. Here are options available to you to change to mitigate some of that rate increase. And I think that is...and from my perspective, and what I do every day for a living, that is exactly what I do for my clients. I give them choice, informed decisions about what they're going to do. However, you are...but it isn't going to be...you're not going to be able to change what the renewal rate is and you need an option, in my opinion. So if you know that you had four or five folks that had major heart bypass surgery and you know you've got two or three people with cancer, and you know that you've got three children were born and one of them was premature, is that going to make a difference in what the decision is that you make about how you're going to change your plan and what different benefit you're going to choose? That's my question. Made him feel a little better about it but I don't think the insurance industry as a whole is the cause of why healthcare is rising today. But that's a soap box thing and I don't want to get on there. But I do think that you need to understand, they do understand the risk. They know how to manage the risk and when they give you a renewal, it is a legitimate renewal based upon the information that they have. And I don't know why you would make a different decision if you had the information. That's just my only point. [LR305]

SENATOR PAHLS: Yeah. I just hope you follow through and find out all the information that you could give out, I mean... [LR305]

MIKE GRAY: I absolutely do. [LR305]

SENATOR PAHLS: ...that I would feel good about and I probably will push that issue. [LR305]

MIKE GRAY: But what I'd like to do, because there are a number of folks in the room

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that I hope were going to testify that are not agents but do represent the carriers, maybe we could come to a compromise that might work and you all might feel better about. I can't, you know, that's not my decision, but... [LR305]

SENATOR PAHLS: Yeah, I'm not asking you to do it, I'm just saying... [LR305]

MIKE GRAY: Okay. I appreciate that. Thank you. [LR305]

SENATOR PAHLS: Okay. Any...Senator. [LR305]

SENATOR HANSEN: Thank you. Mr. Gray, these small companies that come to an agent and say we need health care insurance, 2 to 50. And they're going to be pooled with other small groups to get to a number that someone says, this is a big enough group to insure. How many people are in that insurance pool, for a program? I don't know if there's similarities in business types or what it would be. [LR305]

MIKE GRAY: The insurance industry is going to pool the two...and they separate out inside that pool, Senator, different segments so you could have employer groups with two to four to five employees. And they know what their experience has been in that group size and then it goes on up from there, so. And they can better address that than I. I am an agent and I'm not involved exactly in how each one of those rates are determined, but they would be in the pooling concept because of the way that HIPAA was designed in the 2 to 50 categories being the guarantee issue piece. You also have to remember that there are differences in that small group market place. Fifty-one plus, the insurance industry does not have to issue that policy. In the 2 to 50, any group that applies for coverage, it has to be issued. It could be rated up, but it has to be issued and they have to accept in. [LR305]

SENATOR HANSEN: But my question is, these small businesses that are 2 to 50, the insurance industry will group those together to form one pool. Correct? [LR305]

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MIKE GRAY: Correct. [LR305]

SENATOR HANSEN: So that pool will be over 50. And you said earlier, that it's okay to divulge the claim data from 50 to 100, but not this other pool, because they're a group of more than 50 people. [LR305]

MIKE GRAY: But you have to remember that each group is individually in that pool. So you could, I suppose, disclose the... [LR305]

SENATOR HANSEN: The big picture. [LR305]

MIKE GRAY: ...the experience of the whole pool. I suppose you could do that. [LR305]

SENATOR HANSEN: Well, that's the pool they're in. [LR305]

MIKE GRAY: That's something that some of our esteemed individuals in the back may be able to answer better than I. [LR305]

SENATOR HANSEN: To answer, not to answer Senator Pahls's question, but to just ask it again. We have two HR people here who were talking about \$400,000 policies. They need some information. [LR305]

MIKE GRAY: I think, if I remember correctly, wasn't your group over 57? [LR305]

SENATOR PAHLS: We will...let's just go with what you have and then... [LR305]

MIKE GRAY: Okay, fine. That's right, yeah. Okay. [LR305]

SENATOR HANSEN: Yeah, that's all I have, thank you. [LR305]

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SENATOR PAHLS: Senator Carlson. [LR305]

SENATOR CARLSON: Senator Pahls. Mike, you talked about when you got small groups and probably up to almost 50, the employers pretty well going to know who's costing them money. They got a pretty good guess. So I don't see the difference between that...I think you have a point in the information given back should be total claims paid, not broken down by employee independent. But we can easily figure out what the premium paid is. That's not difficult. But to have then claims paid in one lump sum for that group, I'm not agreeing with you that that would be a bad figure and it's just part of transparency that I think is important. And you can respond to that if you want to, and I hope that we have somebody testifying that's from the company point of view because, if not, Senator Pahls, I want to make a statement before we're done, but I'll stop now. [LR305]

SENATOR PAHLS: I think we will, I'm sure. Thank you, Mike. Appreciate it. [LR305]

MIKE GRAY: Thank you. [LR305]

SENATOR PAHLS: I'm just curious, by a show of hands, how many more people coming forth? You are the last one. [LR305]

JAMES WATSON: Sweet. [LR305]

SENATOR PAHLS: So you get to...oh no, we have two, lady in red. [LR305]

JAMES WATSON: Good morning, Mr. Chairman, my name is James Watson. I'm a vice president of state government affairs with UnitedHealth Group. (cough) Excuse me. My last name is spelled W-a-t-s-o-n. I have a little frog in my throat here, I apologize. I want to add a couple of things and I won't take a lot of time with. But from a carrier's

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standpoint, what we're really talking about here is the federal law that says that we cannot as a covered entity release personal health information. So if you took an individual health insurance claim, it would contain personal health information just by virtue of the fact that it has an address on it, let alone the health information. So the theory is then, that if you take a group and look at the combined information with that group, say a dollar figure, the smaller the group, the easier it is to figure out whether there is a large claim in there, and so you're indirectly releasing health information. And that's what we have to guard against. We do business in all the states in the survey that the Department collected for you, and we can comply with your directive, whatever that would be. But I do think that we have to be very careful about getting down to smaller group sizes where it's going to be too easy for an employer to know by virtue of the fact that somebody's missed work or by virtue of the fact that they're home taking care of a dependent that's sick. I mean, they can put two and two together and figure out who's personal health information they're talking about. So when you talk about 51 and above, that seems to be the kind of general trend in a lot of these states that the Department was talking about. And I think too, Mr. Gray makes a good point about how the rates are figured in group sizes there anyway. So 51 and above is something we can live with. We prefer something larger, say 100, because then we're really pretty sure that even a sizable claim isn't going to reveal personal health information about someone. But the other caution that I want to bring up is that when you talk about 51, and you say, eligible employees, not all 51 eligible employees will take the coverage. A lot of these states laws in here that I've seen talk about enrolled employees or covered employees, meaning the employees are actually participating in the plan should be 51 or more. And I think that that's probably a drafting technique or style, but I did recall that in LB1002 last year the term eligible employees was used. And that really doesn't mean that the employee was in the plan, so you could have 51 eligibles but only have 35 people take the coverage. And then really, it's working around the intent of the state law if that happens, so. Anyway, I'm not an actuary, by the way. I'm a recovery attorney, so...
(Laughter) [LR305]

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SENATOR PAHLS: Glad to know you're recovery. [LR305]

JAMES WATSON: I'll do the best to answer any questions you have. [LR305]

SENATOR PAHLS: I'm not familiar with the Texas law but your company operates in Texas. [LR305]

JAMES WATSON: Yes. [LR305]

SENATOR PAHLS: And I'm not asking you to go over that, I'm just saying so if it's...we've had the other side sort of say that Texas law seems to be a good law. [LR305]

JAMES WATSON: I don't know what they're talking about. In Texas they don't specify a group size so that's obviously going to be a problem. [LR305]

SENATOR PAHLS: Okay, okay. [LR305]

JAMES WATSON: And, you know, some of this stuff we don't like. We probably took a position against it but in the wisdom of the Texas Legislature, that's what we ended up with. [LR305]

SENATOR PAHLS: Okay. You live with what, the same way as Iowa if they change theirs. You just sort of like say, you live with whatever we... [LR305]

JAMES WATSON: Exactly. Correct, correct. [LR305]

SENATOR PAHLS: Well, just to make sure, you think "covered employees" instead of "eligible." [LR305]

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JAMES WATSON: Yes, I think that's very important. [LR305]

SENATOR PAHLS: Okay. [LR305]

JAMES WATSON: Because then the number you know you're specifying, is going to be the actual number used. [LR305]

SENATOR PAHLS: Okay. Any questions? Senator Carlson. [LR305]

SENATOR CARLSON: Senator Pahls. Mr. Watson, I'm going to make a positive statement here and then I'm going to ask you a tough question. [LR305]

JAMES WATSON: All right, go ahead. [LR305]

SENATOR CARLSON: Profit is not a dirty word. [LR305]

JAMES WATSON: No. [LR305]

SENATOR CARLSON: And we need to never forget that. A fair profit is what our whole economy is based on and it's certainly not sinful. Without it, we're in deep trouble. I understand that. Now question for you, I asked Mr. Rieker in the hospital association, about posting charges. To what degree as a carrier do you post the amounts that you will cover for various procedures so that the employer or the insured, employer in particular, in deciding which plan he or she is going to go with, has some information about when they spend premium dollars, how much are you really going to cover? [LR305]

JAMES WATSON: Well, the individual, (cough) sorry. The individual employees have access to that information on myuhc.com. It's a Web-based cost estimator. And it works similar to what the gentleman from the hospital association was talking about. An

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employer in Nebraska, I believe, can ask for an estimate from an insurance company of what it would cost to do certain things. And, you know, we will work with them to make sure they understand, you know, roughly...you can't do it with exact precision because you don't which code the doctor's going to use or how the hospital is going to group it together in these kinds of thing, but you can come pretty close. And we do provide that kind of information for people. I think brokers, in particular, have an idea of what sorts of things we pay and don't pay. I mean, that's really the information source for the employer and I think, by and large, most brokers understand exactly what they're selling. [LR305]

SENATOR CARLSON: Well, and the idea of transparency information is vital. [LR305]

JAMES WATSON: It is. It is. [LR305]

SENATOR CARLSON: And very important for the consumer, so generally you get what you pay for. [LR305]

JAMES WATSON: That's true. [LR305]

SENATOR CARLSON: And I'm in favor of the employer having all the information possible so that they can best use those dollars and, hopefully, be satisfied that they're getting what they pay for. [LR305]

JAMES WATSON: Absolutely and the transparency issue for individuals is particularly key if you're looking at the high deductible health plans, because in order for those to work, in order for those to save money, the individuals really need to know what the costs are going to be, they're going to hit their deductible before they access the care, because they might make different choices. [LR305]

SENATOR CARLSON: Thank you. [LR305]

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JAMES WATSON: Thank you. Thank you very much. [LR305]

SENATOR PAHLS: I just have one more question. Then you probably, might be able to provide some information that these groups are looking for that's not already provided for them. And let's say, I am the person that has that 40 person company and if you raise my rates, not you but they're going up, and you just won't say, well, Rich, they're automatically going up, you maybe could provide me with some information. [LR305]

JAMES WATSON: Not without the employee's consent. I mean if you're going to get down to the individual... [LR305]

SENATOR PAHLS: Not to the individual, but to...okay, I see what you're saying. [LR305]

JAMES WATSON: Because see, the group size gets small enough, then it's easy to guess. [LR305]

SENATOR PAHLS: Yeah, I hear you. Okay, thank you. [LR305]

JAMES WATSON: Thanks. [LR305]

SENATOR PAHLS: I'm assuming the lady in red is the last person? Good morning. [LR305]

JAN MCKENZIE: Thank you. At least I'm not the fat lady singing at the end of the event. For the record, my name is Jan McKenzie, spelled M-c-K-e-n-z-i-e. I'm executive director and registered lobbyist for the Nebraska Insurance Federation testifying in opposition today to parts of what has been discussed in the hearing. The Federation did not testify on LB1002 last year and we did not have an official position. We were

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basically neutral on the legislation. And as those of you who are familiar with associations will understand, when my competitive individual member companies have different points of view about things, then as a federation we do not take a position. The original legislation was something that the Blue Cross Blue Shield was interested in and, in fact, introduced. We, since that time and in the last few weeks, have had a couple of conference calls and meetings regarding what might be appropriate in following up for the legislative hearing today. And at this point in time, I'm reporting based on the company's kind of consensus from those calls and that's that if any group size at all is considered, they believe it should be 51 and above. And the basic reason for that is once you start to get below that, not only do you run into the HIPAA privacy confidentiality issues, but the general feeling in the industry is once you start to get into smaller groups where they're pooled and a portion of the risk or payouts or claims may have come from other groups, other smaller groups, that your information gets a little skewed. In other words, I can look at it and say, well, maybe my group met all of its deductibles or didn't use generics, but you really have a hard time predicting accurately what the overall effect of the pool payout might be. So in general, it's considered data under 50 tends to be a little inaccurate and unreliable. So the...my group in particular would only be interested in talking about 51 or above and, in particular, they feel 100 and above. The second part that you asked about was the coverage inclusions and it is their feeling that quite honestly, it should be the major medical, the medical expenses, possibly claims history and prescription drug card but not work comp, not disability, not dental, not those kinds of other plans. And finally, the look back period. In general, everyone was comfortable with 18 months as a minimum and around 18 months or two years and that was generally their consensus. And so I just wanted to report that to you today that we are in opposition to anything under 51 as a disclosure requirement for the reasons I indicated but...I'll answer any questions you might have. [LR305]

SENATOR PAHLS: Senator. [LR305]

SENATOR HANSEN: Thank you. Jan, I want to ask the same question I asked a little

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bit ago. When insurance companies have small employers, employees, small companies that have small numbers of employees, they'll group those together. [LR305]

JAN McKENZIE: Right. [LR305]

SENATOR HANSEN: What keeps the insurance company from going to a minimum pool size of 200, or 250? [LR305]

JAN McKENZIE: Yeah, I don't know, Senator. In fact we were talking...I was trying to see if anyone from the company is here today could answer that question and quite honestly, from the roles that they have as government relations or whatever, they don't always know the answers to those very intricate how they pool. But it is a mandate that those are pooled together for purposes of spreading risk. So we'll have to go back and talk to the folks at the companies who know that but I will certainly be happy to... [LR305]

SENATOR HANSEN: But if you can get four companies, small four companies to go together to pool, I mean, they're not going to talk company to company but the insurance company is going to say, these fit the same criteria, let's pool them all together. And then why can't you disclose the information that Senator Pahls wants on a generic term... [LR305]

JAN McKENZIE: For the whole group. [LR305]

SENATOR HANSEN: ...said someone in your pool has had catastrophic health costs and that's why you're insurance premiums are going up. I don't want to know names. I mean, I don't think Senator Pahls wants to know names, especially in his small group. [LR305]

JAN McKENZIE: Right and I might... [LR305]

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SENATOR HANSEN: We just need some information of why our premiums are going up and greater than inflation. [LR305]

JAN MCKENZIE: Well, I'm going to just...I was thinking about this from my personal experience. Being self-employed and my husband self-employed, we purchase our insurance through an association plan. And so my assumption is, even though we're a family plan, we're pooled with all the rest of the people who belong to that association and our pool is whoever they are that belong to this. So when my premium goes up every year, and it goes up every year, even though I have a very high deductible health savings account plan, I don't know that knowing...I mean, does it help me to know that the 400 other people in that pooled plan, 65 claims were made for a triple bypass or, I mean, all I know is, I figure my plan is probably going up because of utilization and increased costs. [LR305]

SENATOR HANSEN: But what if you wanted to know? Shouldn't you have the right to have some general numbers out there that can assure you that there is a reason for it going up? [LR305]

JAN MCKENZIE: Yeah, and as long as I think there is a reasonable number there where you aren't suddenly getting into people's privacies and knowing that someone may actually lose their job because they're the person in the group that made everybody's premiums go up. We do share...the idea is that we all share your triple bypass costs. I may not do anything this year or pay anything out but I still pay my premium so that when it's my turn for the triple bypass, we're all sharing the risk, so. I mean, I think in a perfect world you could say, yeah, I can find that on two people or ten people but I think it gets really a little dicey in really being able to see exactly who that went to, and that goes... [LR305]

SENATOR HANSEN: Well, I don't think you want to see that. [LR305]

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JAN MCKENZIE: Yeah, but it goes to cherry-picking, which... [LR305]

SENATOR HANSEN: I know, I mean, you can't see that. Just... [LR305]

JAN MCKENZIE: But it also goes to the cherry-picking that we see happening sometimes where, you know, if you don't have just the right kind of health insurance you might not get in that clinic door. [LR305]

SENATOR HANSEN: Thank you. [LR305]

JAN MCKENZIE: Yeah, and I will find out what I can find out about that. [LR305]

SENATOR HANSEN: Thank you. [LR305]

JAN MCKENZIE: Certainly. [LR305]

SENATOR PAHLS: Yes. [LR305]

SENATOR CARLSON: Senator Pahls. Jan, I think in the example that you gave, and going in past experience and going back to an employer with a rate increase and trying to place, keep that case, obviously, if I knew what the claims were and I've gotten that information. I don't know if I was supposed to or not but I've gotten that information and I go back to an employer and he says, how come we got a 16 percent increase. Well, the easy answer is, you paid in \$50,000 in premium and you had \$75,000 in claims. Oh, that usually ends it. Now on the other hand, if I have to tell him that you had \$50,000 in premium and \$10,000 in claims, then I think it would be my obligation to say, do you want me to look elsewhere. Do you want to consider something else. I think the employer ought to have that prerogative. And even you as an individual, you get a premium increase, say it goes up every year, I know it does, and a lot of times you don't

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even pay any attention, I don't think, and maybe I don't pay any attention to what my claims were, but I don't like the increase and I paid \$12,000 in premiums but I look at my EOB's and find out, I had \$15,000 in benefits. So okay, I'm not upset. But I paid in \$12,000 and I had no claims, then hopefully, I can think, well, this is sharing of risk and I'm helping some other people out. But I might take a look elsewhere as well and I think that's important to be able to do that. And you're just having to listen to this. (Laughter) My other statement is, insurance companies do not cause claims. Insurance companies simply have to figure out a way to pay claims. And so...and pay them and still acquire a reasonable profit. Thanks for listening. [LR305]

JAN MCKENZIE: Certainly. Well, you know, I also compare it also to the P&C Industry, which I represent. You know, when my car insurance goes up every year and I have not had a speeding ticket or a claim or an accident in 15 years, if I didn't understand the insurance industry, I'd say, well, that's not fair. Or my house insurance. But the bottom line is, I pay because other people do because it is a collective, (laugh) a word bantered around the last few weeks in the campaigns, it is a rather kind of governmental socialist concept that we're all helping each other share the risk. And I may not make any claims but other people do. And I'm hoping when it happens to be my turn, that other people are there and that that program is still solid so that I'm not stuck with a quarter million dollar payment on my own, because I couldn't do that and most people can't, so. Did I get myself in trouble? (Laughter) [LR305]

SENATOR PAHLS: Socialist? [LR305]

JAN MCKENZIE: I know I said the word, didn't I? Out loud. It is. [LR305]

SENATOR PAHLS: Well, what I think our duty here is to keep the government as much out of the insurance so if we can make everyone...you know, that's a fair playing field for everyone. The private industry, of course, we want them to be profitable but that way we'll keep that big brother off our back. [LR305]

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JAN McKENZIE: We want competition. [LR305]

SENATOR PAHLS: I think there are no more questions and you being the last one of this session, we appreciate that...this hearing. [LR305]

JAN McKENZIE: You don't want me to sing, right? (Laughter) Thank you. [LR305]

SENATOR PAHLS: Thank you. That concludes this hearing. [LR305]