

Health Insurance Bill Meets Opposition The Patriot-News

Jul. 24--Small businesses share a common problem: the ever-escalating cost of health insurance.

But they are divided over a federal proposal intended to lower their costs by giving them some of the advantages enjoyed by large corporations and labor unions.

The federal proposal involves "association health plans," which would enable small businesses, through national trade associations, to band together across state lines to negotiate lower health insurance rates.

Supporters said the plans, known as "AHPs," would free insurers from state-mandated health benefits that drive up insurance costs, and would create more competition among health insurers.

A U.S. House committee recently approved a bill that would allow multistate AHPs, and a bill has been introduced in the Senate.

But a coalition of opponents, including Pennsylvania Insurance Commissioner M. Diane Koken and several of the state's Blue Cross-Blue Shield plans, are waging a campaign against AHPs.

"My concern is that two-thirds of all small businesses, or more, will be hurt by this," said Cliff Shannon, president of SMC Business Councils, a Pennsylvania organization that provides health insurance coverage for its members.

Shannon has been a leading a voice in the fight for affordable health care, and normally opposes state mandates.

But in this case, he argues that opening the door to insurers that would operate free of state regulations will harm the quality of coverage and undermine the health insurance market in Pennsylvania.

Shannon said the most logical way for AHP plans to lower costs is to form groups of the

healthiest people while avoiding older people and those with conditions such as diabetes and cancer, and families with women who might become pregnant.

This practice, called "cherry picking," will increase the concentration of people with the greatest health care needs in the overall insurance pool, driving up costs even more, Shannon said.

That's because an effective health-insurance pool relies on spreading costs across a group that includes an adequate number of healthy people. Increasing the concentration of people with expensive medical needs drives up premiums to the point that healthy members drop coverage or seek it elsewhere. Insurers call the process a "death spiral."

"It's Pollyannaistic not to believe that will happen," Shannon said. "That's the insurance industry ... to the extent that the law allows, you never write coverage for bad risks."

Koken opposes AHPs for the same reasons cited by Shannon, as does the National Association of Insurance Commissioners.

But AHPs have wide support among small businesses and groups including the U.S. Chamber of Commerce and the National Federation of Independent Businesses and from President Bush.

Jessie Howe Brairton of the National Federation of Independent Businesses said health-insurance costs can be reduced by freeing insurers from mandated benefits that most people don't need, such as hair replacement or fertility treatment.

She said AHPs also would drive down costs by creating more competition among health insurers. She said this is especially important in

Pennsylvania, where the market is dominated by four Blue Cross-Blue Shield plans.

She said the Blues plans, which have taken a national stance against AHPs, oppose them because they threaten their market dominance.

Aji Abraham of Capital Blue Cross said the Susquehanna Twp.-based Blues plan opposes AHPs mainly because of the prospect of "cherry picking" and the subsequent impact on overall larger insurance pool.

Katie Strong, director of congressional and public affairs for the U.S. Chamber of Commerce, said AHPs, by enabling small businesses to join large groups covering multiple states, would increase their buying clout.

She also said the AHP bills include language intended to limit "cherry picking," and that cherry picking already occurs under insurance laws.

Regarding the freedom from state-mandated health benefits, the main problem is not the cost of providing those benefits, but rather the difficulty in dealing with state-by-state variances among mandates, Strong said.

These variances make it impossible to create one plan to cover workers in multiple states, she said. She also argued that the law already allows large companies and unions to create self-funded, multistate plans that are free from states' mandates. These companies typically provide the best health insurance coverage, she said.

However, opponents such as Koken have argued that staggering increases in premiums, which have risen by 10 percent or more annually for five years, have created desperation among small businesses that makes them vulnerable to attractively priced but infe-

rior coverage.

Shannon said the best way to create affordable coverage is to reduce health care usage by helping people take better care of themselves, and improving health care quality to reduce extra costs caused by medical errors and hospital infections.

Over the years, AHP legislation has repeatedly been approved in the U.S. House, only to fail in the Senate, Shannon said. But he believes political dynamics have shifted, and the bill has a strong chance of passage this year.