



Testimony of Aetna

to the

New York State Department of Health and Department of Insurance

on

Increasing Access to Health Insurance Coverage and  
Moving Toward Universal HealthCare Coverage

New York, New York  
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Hello my name is Michael Hudson. I am the President of the Northeast Region for Aetna. Aetna has approximately 740 employees located in New York providing coverage to more than one million New Yorkers.

Thank you Commissioner Daines, Superintendent Dinallo and esteemed colleagues for inviting me here today to discuss the important topic of health care reform in New York.

Our health care system remains the world's pioneer in research and medical technology, leading treatment breakthroughs that benefit Americans and people across the globe. The presence of first-rate physicians, hospitals, drugs and treatments are due, in large measure, to the competition inherent in our market-based system and New York is a leader on this front.

However, the need of the uninsured across the country and New York must be addressed. Research consistently shows that the uninsured obtain less care, fewer preventive services, and fail to adhere to recommended treatments. Significant dollars are spent each year treating those without health insurance. Emergency rooms are often the settings for the treatment of illnesses or chronic conditions that could have been prevented or treated earlier had they been part of a course of care associated with having health insurance. This kind of waste in New York's health care system places enormous strains on the state budget, hampers the economy, and results in higher premiums for employers and those with insurance. No person or organization is exempt from the negative health and financial consequences of the uninsured.

As one of the oldest and largest insurers in America, we believe that Aetna has both an opportunity and an obligation to be part of the solution. Our commitment to advancing the public good is reflected in Aetna's core values of integrity, quality of service and value, excellence and accountability, and employee engagement. We fundamentally believe that being a leader in health care means not only meeting business expectations, but also exercising ethical business principles and social responsibility in everything we do.

Our commitment to being a thought leader means that we must be willing to challenge the status quo; that we set high expectations and support the development of fresh, yet pragmatic, policy approaches offered by our industry and others; and that we serve as a resource to policymakers and others striving to improve our health care system.

Transforming the New York State health care system is a monumental challenge. Any sustainable solution will depend upon the support and participation of all stakeholders – including the federal government, state government, individuals, employers, health plans, and the provider community.

**1. New York must leverage the strengths of the current health care system to advance the goal of achieving universal coverage.**

It is imperative that government and the private sector work together to expand access, increase affordability and improve quality. A competitive marketplace and a strong public health system are not mutually exclusive.

**2. Possessing health insurance coverage is a civic responsibility. Aetna endorses the principle that health insurance should be universal, continuous, affordable and sustainable.**

Aetna was the first national insurer to support an individual coverage requirement that would require all Americans to possess a basic level of health insurance. If properly structured, this common-sense approach would require those who can afford health care coverage to purchase it, while providing subsidies from broad-based funding mechanisms for those who qualify for free or reduced coverage.

New York is one of eight states that have implemented guaranteed issue and community rating reforms with what most would agree unintended negative consequences. With this approach, many wait until they anticipate spending more for health-care services than the cost of their premiums and the result is anti-selection or “death spiral”. Without the shared responsibility of individuals who can afford to purchase health insurance -- which we have advocated for four years -- the market will continue to experience adverse risk, policies will become increasingly unaffordable, and the number of the uninsured will increase.

**3. A legislative and regulatory environment that enhances, not inhibits, affordable health insurance options is critical.**

Affordability is critical to achieving universal coverage. New York continues to have some of the most restrictive HMO regulations in the country. For comparison purposes, an Aetna monthly rate for a healthy, single male 35-39 years old is \$670 in New York City and \$163 in Philadelphia, PA. A small group single premium in New York City is \$582, and a family policy is \$1239. The same policy in Philadelphia, PA is \$340 for a single and \$997 for a family.

In addition, well intentioned benefits mandates and coverage requirements can have the unintended consequence of making health insurance unaffordable for many employers and individuals.

Mandates constrain flexibility and add cost. Though most mandates add less than 1% to premiums, their aggregate impact is substantial. Legislation should not be a barrier to affordability. Aetna encourages laws permitting the flexibility to offer products tailored to meet the health care and budgetary needs of different purchasers.

For some New Yorkers, consumer directed care is a great option. Aetna offers consumer directed health plans that provide up-front, one-hundred percent coverage of preventative care. This is a strong incentive for consumers to get the quality care they need. Additionally, consumer directed health plan premiums are more affordable than most traditional plans, which means that some consumers are able to afford coverage they otherwise might not have.

#### **4. Make the health care system more transparent and consumer friendly.**

Engaged consumers can change behaviors. Price and quality transparency is key. Consumers are demanding tools and information to help make more informed choices and Aetna is committed to providing our members with they need to make well-informed health care decisions. As part of that commitment, Aetna is providing our members with physician-specific information on clinical quality and the cost of health care. By providing both pieces of the puzzle – meaningful quality and price information – members will be better informed consumers who are better able to make intelligent choices about their care. Providing members with cost information for their health care services and quality information about their physicians, increases consumer health benefits literacy, which is a key factor in improving health care outcomes and lowering costs.

#### **5. Medical Cost Ratio**

Everyone is concerned about the cost of health care. The assumption that medical cost ratio (MCR) is a useful or reliable metric for identifying administrative waste, however, is fundamentally flawed. MCR is simply a ratio of medical expenditure to insurance premiums, neither of which sheds light on administrative “waste” or the quality or level of service delivered.

Aetna’s administrative costs include critical investments in information technology, coordination of care, and disease management. These vital activities are key to reducing the overall costs to the health care system. MCR restrictions would create a disincentive for advancing these information technology and medical cost reduction investments. Restrictions would place carriers who are willing to make these investments at a competitive disadvantage and/or cause them to fall below the minimum MCR. These investments benefit consumers and make the health care marketplace more accessible, of better quality, and more affordable. We recognize that not all carriers in New York place the same value on these investments.

#### **6. Innovations in Health Care**

With our personal health record technology, Aetna is working to personalize and simplify how members navigate the health care system. The personal health record is a major step forward in that effort. Aetna has innovative technology that will find opportunities where evidence-based care may have been missed, and show areas for improvement. This new

tool will allow physician to benefit from improved information about each patient, and members and doctors can share that information to make the best decisions concerning their health care.

Health care disparities, including unequal health care access and outcomes, are a critical challenge to the health care system. The issue of health care disparities is immensely complex, but there are targeted solutions that can help us bridge the gap. Emphasis must be placed on encouraging health lifestyles, timely screenings, accessible medication and regular care. Language and cultural barriers must be eliminated.

Aetna uses information our members voluntarily provide to:

- Develop preventive health, early detection and disease management programs and processes.
- Assess Aetna's health care provider networks' ability to meet race, ethnicity, culture and language communication needs and preferences of our member population.
- Create and deliver quality improvement, management or assessment programs and processes.

In closing, business leadership and thought leadership go hand-in-hand. Aetna is committed to being part of the solution. As you know, states are the real laboratories for change and innovation; and we believe the best solution requires a public-private partnership. I would be happy to answer any questions that you may have.