



**PHI – Health Care for Health Care Workers Campaign
Comments to the Senate Health Policy Committee
Opposing the Individual Market Reform Legislation – HB 5282 -5285
November 29, 2007**

On behalf of the PHI Health Care for Health Care Workers Campaign, thank you for the opportunity to provide comments on the Individual Benefit Plans Reform legislation, HB 5282-5285.

PHI is a national non-profit that works to improve the lives of people who need home or residential care – and of the workers who provide that care. Our practical workplace and policy expertise helps consumers, workers and employers improve the quality of care, by creating better-quality direct-care jobs. Our goal is to ensure caring, stable relationships between consumers and workers, so that both may live with dignity, respect and independence.

A critical piece of a quality job is access to affordable health insurance coverage. The Health Care for Health Care Workers (HCHCW) Campaign, an initiative of PHI, seeks to raise awareness about the high rates of uninsurance among direct-care workers in long-term care and identify viable policy solutions to address this problem. Nationally one in four caregivers in nursing homes and two in five home care workers are uninsured. We believe these numbers may be slightly lower in Michigan. However, direct-care workers in Michigan are uninsured at levels that are significantly higher – likely double – the rate of uninsurance for the state generally.

With this mission, HCHCW is extremely concerned that this legislative package, as currently drafted, does not aid in providing affordable health insurance options for the state's uninsured and may, in fact, increase their numbers by putting individual health care coverage out of reach.

Our comments will highlight those issues of particular concern to low-income direct-care workers: rate setting and methodology, administrative costs and loss ratio, and pre-existing condition provisions. However, we urge the Committee to consider additional points raised by other health care consumer groups concerned that this package will do little to increase access to affordable health care coverage in Michigan.

Background

Although direct-care workers in Michigan only earn an average of \$9.83 per hour, a surprising number purchase health insurance on their own. A 2006 HCHCW report on health insurance coverage among direct-care workers paid by the Medicaid Home Help program revealed that almost one-third (29%) of these workers were uninsured. These workers are hired directly by the

consumers they provide care for. They are similar to independent contractors, in that they are not tied to a business and do not have the option having coverage through an employer group health plan. Despite earning wages of \$7.00 per hour, 17% of Home Help workers are purchasing health insurance on their own. An additional 19% are covered by Medicare.

Elimination of Public Hearings

Affordability is a significant barrier for direct-care workers in purchasing health insurance. The rate setting guidelines and methodology established in this legislation are of great concern to HCHCW. This legislation will compromise existing coverage for workers covered under individual policies and/or Medicare Supplement plans.

Currently, the Attorney General and individuals covered by Blue Cross Blue Shield of Michigan (BCBSM) can request a public hearing before the Insurance Commissioner when BCBSM requests higher rates. These bills eliminate the use of public hearings – a recourse for consumers and a tool for oversight and accountability – when rate increases are not justified or make health insurance unaffordable. Eliminating the ability to request a hearing when BCBSM requests rates increase upwards of 50% creates a significant barrier to people having access to affordable coverage. Consumers and their advocate - the Attorney General - should have a voice in whether such increases will leave them with the difficult decision of dropping necessary health insurance coverage when they can no longer afford it.

Rate Setting Methodology

Though the legislation as currently written seeks to create a high risk pool for individuals who cannot get coverage elsewhere, the rate setting methodology proposed will create a significant barrier to direct-care workers being able to afford any coverage. This legislation also changes the way in which rates are determined.

Rather than using community rating, individual health plan rates would be based on geography, age, and health status. This form of rating will create further barriers to direct-care workers purchasing individual health plans. Direct-care workers are overwhelmingly women, almost half are women of color, and the average age is 41 – with home health workers, averaging age 45. A 2005 Kaiser Family Foundation survey showed that 50% of women over 45 and 53% of African-American women over 45 have a chronic health condition requiring ongoing treatment. Under a rating system that creates rate bands that consider age and health status, direct-care workers will be priced out of affordable coverage. Community rating must be maintained to make coverage more affordable for all.

Administrative Costs and Loss Ratio

The legislative proposal to allow a 70% loss ratio allows the sellers of health insurance to have 30% of every premium dollar to go to the seller's administrative costs. The state Legislature would not allow the state's Medicaid program or any other program to run with only 70% of the funding going to services. Currently, BCBSM is able to maintain a credit rating higher than the State of Michigan and to deposit hundreds of millions of dollars annually in its reserve fund with only 10% of premium funds currently going to administrative costs. We have seen no reason to grant health insurance sellers the ability to add uncontrolled administrative costs to the already high costs of health care.

Pre-Existing Conditions

Finally, this proposal extends the length of pre-existing condition exclusions from 6 months to 12 months. The extension of this exclusion creates additional gaps in care when people are seeking necessary health care coverage. This can be particularly detrimental to direct-care workers, who often suffer from chronic conditions such as diabetes and hypertension that are manageable with access to medical care. Extended periods in which workers do not receive treatment for these conditions can not only place them at risk for further medical complications, but also jeopardize their ability to continue working in the growing field of long-term care. We ask that the pre-existing condition exclusion be maintained at 6 months.

We thank you for the opportunity to provide comments on how this legislation will impact direct-care workers in Michigan. If you have any questions, please contact Tameshia Bridges at (517) 372-8310 or tbridges@phinational.org or our Governmental Consultant, Jean Doss by phone at (517) 999-3165 or by email at jmdoss@comcast.net.