Insurance Commission Testimony - 07272016

Ms. Teresa Miller, Insurance Commission Chairman and Johanna Fabian-Marks, Special Deputy Health Care Reform , thank you for granting me this time to share my comments with the Insurance Commission:

I am very interested in the subject matter, and listened intently to Highmark, GHP, AETNA, UPMC, Capital and Independent Blue Cross explain why these increases are necessary. They indicated that utilization, turnover, provider cost increases and prescription drug cost increases along with market uncertainty were contributors to their request for projected premium price increases. I agree, however, I believe the need for premium price increases are also reflective of a broken "sick care" monopolistic system.

I have invested my time, treasure and talent in analysis of the industry since 1996. I spent quality time with the NEPA/HRTF[i]. We produced The White Paper outlining "sick-care" abuses and spoke about the role of the Pharmacy Benefit Managers, insurance increases of 15% to 25% per year, and escalating provider costs. We estimated the total US expenditures, $2.4 Trillion in 2007, and projected $3 Trillion in 2014, reaching 19.5 percent of GDP by 2017. UPMC experts expect a 20% GDP by 2020. This is unsustainable.

Before my NEPA/HRTF experience, I participated in the HIPAA code transformation design[ii]. HIPAA was passed on August 21, 1996, with the dual goals of making health care delivery more efficient and increasing the number of Americans with health insurance coverage. The government pursued objectives through three main provisions of the Act: (1) the portability provisions, (2) the tax provisions, and (3) the administrative simplification provisions. Since then as a small PA, S Corp business, residing in NE PA, I published[iii] a book "Understanding & Curing American Healthcare: A Wise Way to Better Outcomes and Lower Costs," published two patents related to healthcare transformation, and I continue to pay higher premiums, copays and deductibles.

I really got concerned with "sick-care" deficiencies when I became the caregiver for my parents[iv]. I began working with elder care providers. It was a costly mess (about $7K per month) with very little continuity of care[v], and with very little business process or information technology to enable quality, comprehension or tracking. President Bush designed EHR interoperability into the ONC mandate, executive order 13335, April 27, 2004[vi] to fix these problems. We have spent billions since 2004 and we are no closer to controlled cost and relaxed pricing today then in 2004. In fact, costs are increasing and the industry continues to turn a blind eye toward the "sick care" system problem. It would appear HIPAA has not met its expectations, and now based on testimony it does not appear that the ACA will help neither ease the price burden nor repair the healthcare insurance access problem.

I believe the insurers have a major problem with healthcare system cost management. The insurers do not appear to represent the citizen in their negotiations with pharmaceutical brokers nor with providers. I believe, that the insurance-provider-pharmaceutical complex, is similar to the Eisenhower "Military-Industrial" complex concept of 1961, i.e., low value, low quality, high price, poor performance, without transparency with significant cost associated with burden (administrative burden estimated to be 38%).

I will focus on one example. I believe this "sick care" complex, monopolistic system is practicing unethical business practices. The most recent industry allegation, "Allergan, Others Hit With Generic Drug Pricing-Fixing Suit" examines the issues that concern us all[vii]. We joke that a toilet seat and a hammer cost the Department of Defense hundreds of dollars. It would appear that the insurance-provider-pharmaceutical complex is not far behind the department of defense in not controlling cost.

Allergan Restasis is a monopoly product introduced in 2004. The CEO, Mr. Pyott, noted that he could cover all of his costs[viii] by pricing Restasis for $66 for a one-month supply. I checked Allergan 10K report for 2014. In the fourth quarter, Allergan posted a $306 million revenue stream for Restasis and about 23 million customers. That translates into $5 per prescription month per customer. As a Restasis customer, my care plan requires that I use it; the retail price is between $374 and $424 per one month's supply. I have GHP insurance, I pay out, copay, about $110 per month for Restasis, amortized over one year, and I now fall into the donut hole. If you multiply the $110 per month, I pay, times 23 million that translates into about $2.5 billion dollars circulating in the industry complex per month. The ratio between the $5 per month Allergan number reported and the approximate $400 per month the consumer pays is 80 to 1.

These prescription drug prices and inefficient provider cost management processes are contributing to higher insurance premiums. I have been unable to uncover the chain of evidence that would shed light on this pricing issue; I pray that the commission can help uncover this flagrant price-gouging aberration. I find that PACE and PACENET identified 30 to 40 other high expenditure medications showing similar aberration as Restasis.

The question I raise with you today is this, who is pocketing this monopolistic system money and why are the complex of companies, discussed here today, in need of more increases? Why would the top six insurers ask the insurance commission for a raise to defray their costs, when they have demonstrated poor cost containment performance, lack of price transparency, and set an expectation that the consumer give them a raise to compensate them for their poor business practices?

I believe someone or some group of companies are gaming the system. Could it be that Allergan is under reporting revenue? If so that would be fraudulent, or is it that bogus shell companies have permeated, the supply chain such that burden and profit have become exorbitant and price gouging accepted. Recent court cases should bear out these unethical business practices. The Vanity Fair[ix] article clearly exposes these unethical business practices and implies that the complex of companies may be complicit.

I requested that Allergan, CVS and GHP provide some feedback through the auspices of the Attorney General of PA[x], as to why these prices should be so high. They all responded that it was the system. CVS is a billion dollar company, GHP is a large vertically integrated "sick-care" provider, and Allergan is another billion-dollar corporation; and they implied that no one is accountable or responsible. I believe their position is an example of ethical omission or commission, and both are reprehensible.

I further believe, THE GENERAL ASSEMBLY OF PENNSYLVANIA[xi] and the US Senate attempt to ensure greater affordability of prescription drugs, and they are attempting to institute transparency. They have

stated in their respective legislation, that we need full industry transparency in cost and pricing. Without it, I believe we will continue to fail the citizen.

I will paraphrase what Eisenhower might say in 2016, that we have a complex of companies that instead of focusing on Sarbanes Oxley, Lean Manufacturing and supply chain efficiency and effectiveness, the monopolistic system, "sick-care" industry fails us. It is like the Ostrich that places its head in the sand. They might say, it is not my problem, ignore it, it is their problem, and we should be able to charge whatever the market will bear and ask for a raise whenever we want.[xii]

Amazing, the automobile industry almost went into the dumpster because they had the same perspective. However, unlike the "sick-care" world that practices "price gouging," we bailed the auto industry out of their failure. However, the government forced the auto industry into a competitive position, to adhere to Sarbanes Oxley principles, introduce Lean Manufacturing process and provide, for the most part, a quality product at a reasonable price, with maintenance provisions that keep these vehicles operating consistently at reasonable maintenance cost (well care). Of course, they are in a competitive industry. The "sick-care' industry is not competitive, it is a monopolistic system, it is not practicing well care, nor is it interoperable in any way. The "sick-care" industry and the complex it belongs to even gets away with errors and omissions that cause over 100 thousand lives per year.

The insurance industry demonstrates though their arrogance and misguided business practices that they do not deserve a raise. I believe they must clean up this mess before we should even consider giving them a raise. I also think that the industry abrogates its responsibility to fix the monopolistic system, when through omission and commission; it becomes complicit in unethical business practices that lead to price gouging. The commission must deny the insurers request for a raise.

Thank you for your time and consideration. Please help the Pennsylvania consumer fix this. The citizen of Pennsylvania needs your sincere efforts on their behalf.

Regards,

Sabatini Monatesti

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[i] Rep. Ed Pashinski coordinated and published, “Have a seat…at the table…of affordable healthcare,” December 2008

[ii] The Health Insurance Portability and Accountability Act

[iii] Understanding & Curing American Healthcare, A Wise Way to Better Outcomes and Lower Costs,” S. Beller & S. Monatesti, http://www.lulu.com/shop/stephen-beller-and-sabatini-monatesti/understanding-curing-american-healthcare-a-wise-way-to-better-outcomes-and-lower-costs/ebook/product-18588697.htm

[iv] Mom died 2002 due to Alzheimer's disease and Dad died 1998 due to Congestive Heart Disease

[v] Little coordination between administration, primary care, specialist, pharmacy and medical staff

[vi] President Bush issued Executive Order (EO) 13335 “to provide ... interoperability, adoption, and collaborative governance to ensure control of and reduction in "sick-care" cost.

[vii] Carpinelli v. Lannett Company Inc. et al., case number 2:16-cv-01954 in U.S. District Court for the Easter District of Pennsylvania

[viii] Research, production, license fees, regulatory approval requirement, profit, etc.

[ix] “The Valeant Meltdown and Wall Street’s Major Drug Problem”

[x] case HCS-16-05-000580

[xi] HOUSE BILL, No. 1042 Session of 2015 and the Federal Government, 114th CONGRESS, 1st Session, S. 2023

[xii] I describe the monopolistic system model, Healthcare a Closed Loop, Monopolistic System Model (Update with real numbers), Jun 6, 2016, https://www.linkedin.com/pulse/healthcare-closed-loop-monopolistic-system-model-sabatini-monatesti in a LinkedIn post.