Bybee, Cressinda

From: Bybee, Cressinda
Sent: Wednesday, October 09, 2013 8:06 AM
To: 'dharbaugh@morganlewis.com'; 'Davis, Steven'
Subject: FW: Comment by Connie Briggs in response to comment by Independence Blue Cross for Approval to Restructure Its Insurance Holding Company System, [43 Pa.B. 4682], [Saturday, August 10, 2013]
Attachments: Blue Cross, Blue Shield Get Richer by Borrowing Playbook of Corporate Insurers.pdf; FeelingBlue.pdf; IBC-ProfitsSoared2012.pdf

Messrs. Harbaugh and Davis:

The attached public comment concerning the subject filing is being forwarded to you for appropriate response.

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From: Connie Briggs [mailto:conniebriggs@comcast.net]
Sent: Sunday, October 06, 2013 8:45 PM
To: Bybee, Cressinda
Subject: Comment by Connie Briggs in response to comment by Independence Blue Cross for Approval to Restructure Its Insurance Holding Company System, [43 Pa.B. 4682], [Saturday, August 10, 2013]

To: Cressinda Bybee, Company Licensing Division, Insurance Department, 1345 Strawberry Square, Harrisburg, PA 17120

Re: Application by Independence Blue Cross for Approval to Restructure Its Insurance Holding Company System, [43 Pa.B. 4682], [Saturday, August 10, 2013]

Dear Ms. Bybee, PA Insurance Department:

This is my response to IBC for its response to my initial comments.

My concerns are still twofold:
1. That a Plan of Division will allow IBC to behave more and more like a for-profit company, where making profits conflicts with paying for medical care for those who need care;
2. As a nonprofit, shouldn't IBC lower deductibles and include some doctors' visits and preventive care in all of its plans? What are Pennsylvanians getting in return for allowing IBC to pay less in taxes? Will the Plan of Division allow IBC to pay LESS in taxes than it does now?

Recently IBC has not been the same company that it was in its first 70 years. It is not the same good company that helped me, while a student, get bilateral hip replacements due to a congenital condition in 1988. It is not the same good company that helped my family cope with my mother's lung cancer care in 2004. Since I have a pre-existing condition, I had to get IBC's guaranteed individual plan and had no other choices, having been turned down by other insurers because of my hip replacements. IBC increased my plan premium by the maximum 9.9% per year in 3 of 4 years between 2009 and 2013, even as its profits soared and payouts of claims decreased.

IBC has been doing other very disturbing things recently, including raising my deductible 10-fold in 2011, from $500 to $5,000, and in 2011 raising my premiums from $3,600 to $6,500. Something has changed within IBC, and subscribers with pre-existing conditions are getting less and less each year. **Since no other PA nonprofits have the infrastructure and resources to provide funding for subscribers' medical care, IBC should fill that void. IBC should help all of its Pennsylvania subscribers get AFFORDABLE care.** As a subscriber with few choices, I ask the PA Insurance Department to convince IBC to use more of its nonprofit resources to lower premiums and deductibles and provide more to its subscribers. IBC is getting further and further from a mission statement that Pennsylvanians need: to help people get affordable, high-quality medical care.

I ask the PA Insurance Department to assess whether this Plan of Division will affect IBC's behavior as a nonprofit. If this Plan of Division causes IBC to behave even more like a for-profit, then it should be discouraged. IBC's response to my first comments speaks volumes in its lack of attention to my concerns regarding discrimination based on age and disability, as well as its lack of comment on my request to see the MLR for the individual market (to demonstrate transparency). While IBC does not turn anyone away from getting coverage, IBC has charged unaffordable premiums or imposed high deductibles, and people often CANNOT AFFORD the plans it offers or associated out-of-pocket costs. Because of the higher costs passed to subscribers, subscribers have been seeking less care and IBC has fewer payouts and makes more money. As for the MLR, if there is nothing to hide, why not let subscribers see the calculations?

To address its comment that IBC welcomes competition and thinks it has adequate competition, I direct readers to the website which refutes that assertion:
http://www.feeling-blue.org/states/pa/providers/7 or to the attached FeelingBlue.pdf. There it states: "From 2005 to 2011, Independence Blue Cross' surplus grew by 58%...Since 2008, IBC has seen steady increases in surplus, yet their member enrollment has dropped each year along the same time frame. With nearly 70% market share in their region, IBC has significant control, making it difficult for other health plans to compete. Furthermore, IBC has come under scrutiny in the last few years over "anticompetitive or unfair trade practices" (Philadelphia Business Journal)."

IBC has the resources to do more for its vulnerable subscribers, since it has been making record profits: IBC's profits rose 49% in 2012! **IBC should use these profits to help its subscribers with pre-existing conditions get lower deductible plans. It should include doctors' visits in the plans as well, as well as more preventive care.** Please see website http://articles.philly.com/2012-04-17/business/31355908_1_ibc-health-care-net-gain or refer to the attached document IBC-ProfitsSoared2012.pdf. In my current plan with a $5,000 deductible, I do not even get any doctors' visits included! If IBC could decrease deductibles, expand covered services and tests, especially for preventive care, and offer lower premiums, it would serve Pennsylvanians better. IBC's move to remove preventive care from newer plans shows IBC does not care about its subscribers. Preventive care could prevent more serious illness. **IBC is not following its mission for this part of its community. Will the Plan of Division make this worse?**

Since IBC owns for-profit subsidiaries, it says it does not pay dividends out of its net income, but IBC does need to take care of the stockholders within its subsidiaries through IBC's policies of bringing in more money and paying out less. Thus, **IBC's statement that it does not pay stockholders is misleading**, since there are people in the for-profit subsidiaries within IBC who want to make profits. **Paying for sick people's care is in conflict with making profits**. Wendell Potter (Center for Public Integrity) sums it up in the attached Blue Cross, Blue Shield Get Richer by Borrowing Playbook of Corporate Insurers.pdf, as found on the website:
http://www.huffingtonpost.com/wendell-potter/nonprofit-insurers-are-de_b_885029.html

Finally, I would ask that the PA Insurance Department assess the effects of high deductible plans on the medical economy in Pennsylvania. While IBC pays some taxes, it would pay more taxes as a for-profit. What are Pennsylvanians getting in return? IBC's policies discourage people from getting care so people are not going to the doctor as often if they have to pay extra out-of-pocket expenses. People are not getting recommended tests to prevent serious illness if they cannot afford the out-of-pocket expenses. This is harmful to the economy because people are not seeking care that they need. IBC makes more money, but the medical care providers make less. IBC's new plans, while they can be cheaper, may not cover preventive care, getting around provisions of the ACA. This is very strange, since preventing serious illness can save IBC money. Preventive care could certainly prevent more expensive illness and suffering.

Thank you for your attention to protect the health care providers and not just insurers, to define what a nonprofit should be and, most importantly, to provide for subscribers who need medical care in Pennsylvania.

Connie Briggs
Individual IBC subscriber
2953 Susquehanna Rd.

Abington, PA 19001
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October 1, 2013

HUFF POST BUSINESS

Blue Cross, Blue Shield Get Richer by Borrowing Playbook of Corporate Insurers

Posted: 05/ 2/11 08:20 AM ET

I've written frequently in recent weeks about the eye-popping profits the big publicly traded health companies have been reporting. Last year -- as the number of Americans without health insurance grew to nearly 51 million -- the five largest for-profit insurers (Aetna, CIGNA, Humana, UnitedHealth and WellPoint) had combined profits of $11.7 billion.

But that was so 2010.

If the profits those companies made during the first three months of this year are an indication of things to come, 2011 will more than likely be the most profitable year ever for these new darlings of Wall Street.

But lest you think only those big New York Stock Exchange-listed corporations have figured out how to make money hand-over -fist while their base of policyholders is shrinking, take a look at the so-called nonprofit Blue Cross and Blue Shield plans.

Don't think for a minute that the Blues are any more interested in your health and well-being than the companies that at least own up to being in business to make a hefty profit off of insuring the healthy and shunning the sick.

According to a report by Carl McDonald of Citi Investment Research and Analysis, last year was the most profitable year in history for the Blues plans, which enjoy significant tax advantages because of their claim to be nonprofit and terrific community citizens. Collectively, the Blues reported more than $5.5 billion in net income in 2010.

Not only that, but the Blues now have more than five times that amount in capital above what state regulators require. As McDonald noted in his report, maintaining such a huge reserve should make regulators think twice before approving rate increases in the future.

Our analysis of the financial position of 33 Blue Cross plans suggests that their capital position has reached a level that's difficult for the nonprofits to justify, and if sustained, will lead to significant tension between the nonprofit Blues, regulators and consumer activists," McDonald wrote. "According to our data, the nonprofit Blues held a total of $52 billion in capital at the end of 2010, or more than $29 billion above minimum regulatory requirements.

One of the ways the Blues have been able to amass such fortunes is by avoiding paying for care in exactly the same way the big for-profit companies do. They are rapidly moving their policyholders into high-deductible plans and spending far less on medical care -- and far more on overhead -- than they have in the past.

How much insurance firms spend on medical care is measured by what is called the medical loss ratio.

In 1993, the average medical loss ratio in the health insurance industry was 95 percent, which meant that insurers spent 95 cents out of every dollar they collected in premiums on medical care. In their quest for profits, all insurers, regardless of their tax status, have been spending less on care in recent years. The average medical loss ratio is now closer to 80 percent.

McDonald found that some of the Blues are spending far less than that these days. The medical loss ratio at the Texas Blues, for example, was just 64.4 percent last year.

Beginning this year, as a result of the health care reform law, insurers will have to maintain medical loss ratios of at least 80 percent. Had that provision of the law been in effect in 2010, McDonald says the Texas Blues plan would have had to price its policies for individuals about 12 percent lower than it actually did.

McDonald found that some Blues are much greedier than others when it comes to making profits and building up big surpluses.

It turns out that the Blues plans that have to compete with the big for-profit companies behave, well, just like the big for-profits. In other words, the competition actually works against the interests of policyholders. The profit margins and the size of the surpluses of the Blues in states where the for-profits have a significant presence were on average considerably higher than in states where the for-profits don't have as much market share.

So much for the myth that competition among insurers results in lower premiums.

Health insurance is one part of the U.S. economy where the free market works beautifully for the insurers and a few executives (and shareholders of for-profit companies) but horribly for the rest of us.

The nonprofit Blues don't have to reward shareholders, but they do lavish a big chunk of their premium revenue on themselves. Take BlueCross BlueShield of Tennessee as an example.

Last year was a very good year for the Tennessee Blues. It raised premiums an average of 6.5 percent, which was enough to increase profits five-fold over 2009 and boost its reserves to almost 50 percent more than the $955 million required by the state. Its medical loss ratio for individual policyholders was only 76.7 percent.

The company has been building up the reserves for many years, but instead of giving money back to policyholders in the form of rate reductions, it has built itself a veritable palace overlooking downtown Chattanooga.

Under pressure by lawmakers and consumer advocates a few years back to reduce its surplus, BlueCross BlueShield of Tennessee decided instead to spend $300 million on a new 950,000 square-foot headquarters. The building has a scenic view of the Tennessee River and is on historic Cameron Hill, where during the Civil War the Union built a fort and fired cannons at the Confederate army.

When the company's 4,000 employees moved in 2009 to their new digs, they left vacant several buildings in downtown Chattanooga. City officials now realize it will be hard to find new tenants for those buildings, but that didn't stop them from giving BlueCross an unprecedented 16-year, 50 percent tax break back in 2005.

Blue Cross plans in several other states have also recently built grand and shiny new headquarters buildings with money from policyholders that could have been spent providing care and insuring more Americans. But why would they want to do that?

The bottom line: nonprofits can be extraordinarily profitable if your nonprofit happens to be a Blue Cross or Blue Shield plan.

Follow Wendell Potter on Twitter: www.twitter.com/wendellpotter

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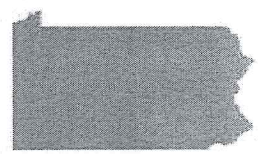
From 2005 to 2011, Independence Blue Cross' surplus grew by 58%.



Since 2008, IBC has seen steady increases in surplus, yet their member enrollment has dropped each year along the same time frame. With nearly 70% market share in their region, IBC has significant control, making it difficult for other health plans to compete. Furthermore, IBC has come under scrutiny in the last few years over "anticompetitive or unfair trade practices" (Philadelphia Business Journal).

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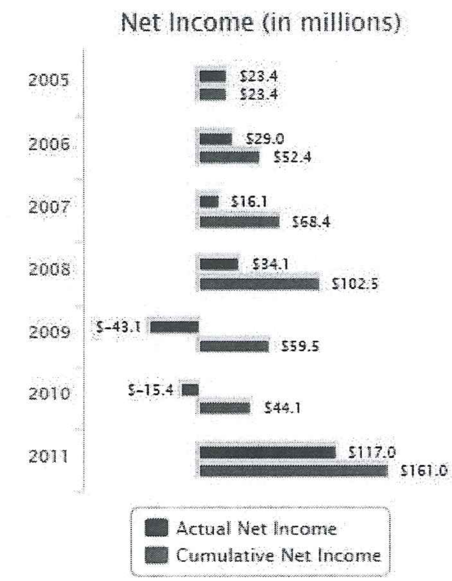

Independence Blue Cross' net income rises 49 percent

April 17, 2012 | By Harold Brubaker, INQUIRER STAFF WRITER

Independence Blue Cross, the largest health insurer in the Philadelphia region, said Tuesday that its 2011 net income soared 49 percent, to $314.8 million. The company's profit margin of 3.4 percent was its biggest in at least 10 years.

"I'm proud of the progress we've made," said IBC's president and chief executive officer, Daniel J. Hilferty. The insurer has rebounded from two years of losses, in 2008 and 2009.

Glen Philips, an IBC customer, said it bothered him to hear of IBC's strong profits, given the heavy cost of buying insurance for 40-plus employees at Philips Bros. Electrical Contractors in Glenmoore. "We need to open up competition," said Philips, who adamantly opposes President Obama's health-care plan.

Story continues below.

But to Lawton R. Burns, chair of the health-care management department at the University of Pennsylvania's Wharton School, it made sense that IBC had its biggest profit margin in 10 years, "especially if the recession has caused people to stop using health care because of the high out-of-pocket costs," Burns said. "As a result, IBC gets to keep more of the premium."

IBC's revenue fell 4 percent to $9.2 billion, but claims incurred fell even more, 6.7 percent to $7.7 billion. Also boosting net income was a sharp decline in restructuring and other costs to $10.5 million from $109.2 million.

IBC continued its efforts to keep administrative costs in check by trimming 173 jobs last year, Hilferty said.

Those trims from a combination of layoffs and attrition came before IBC joined with Blue Cross Blue Shield of Michigan to buy Mercy Health System's stake in the AmeriHealth Mercy Family of Companies. That deal, which gave IBC a majority stake in AmeriHealth Mercy, helped boost IBC's workforce to 6,987 at the end of 2011, up from 4,742 the year before, according to annual reports posted on the IBC website. The company employed 7,140 in 2006.

The "bulk" of IBC's net gain of 45,000 new members last year, the first gain since 2008, came from IBC's Medicaid business, Hilferty said. About 6,000 of the new members joined IBC under individual contracts, IBC's chief financial officer, Alan Krigstein, said. IBC has 3.1 million members.

With new plans for individuals and small businesses, IBC is responding to inroads by for-profit competitors Aetna and UnitedHealthcare. For example, IBC offered new small-business plans last year with rates 30 percent lower than in 2010, Krigstein said.

Contact Harold Brubaker at 215-854-4651 or hbrubaker@phillynews.com.