

# How Health Insurance Rates Are Set



**OR WHY THEY CAN GET AWAY WITH  
ALMOST ANYTHING**

# Most Health Insurance Isn't Regulated



## Group Plans

- Supposedly negotiated between group and insurance company, but group has limited to no access to information to proprietary, company information

## Individual Plans

- Regulated by the State's Insurance Department

# Most Utility Services Are Regulated



## Regulated

- Electric distribution
- Gas distribution
- Water utilities
- Basic phone service

## Unregulated

- Electric Generation
- Gas from the wells
- Private wells and septic systems
- Long distance, internet and cell phones

# Which Is More Important a Land Phone Line or Health Insurance



## Land Line

- Average cost per month \$15
- Without a land line you can:
  - Borrow a phone
  - Use a cell phone
  - Use skype or other service on a wi fi or cell network
  - Use VOIP

## Health Insurance

- Average cost per month \$460– (Keystone HMO 20)
- Without health insurance you can
  - Pay out of pocket
  - Rely upon charity care
  - Use emergency rooms
  - Go bankrupt

# How Are You Notified of Pending Rate Increases?



## Phone Rates

- **Notification of pending rate hike**
  - Published in general circulation newspaper
  - Notice included in bill
  - State Consumer Advocate notified
  - Small Business Advocate notified
  - Interested parties notified

## Insurance Rates

- **Notification of Pending rate hike**
  - Published in the Pennsylvania Bulletin
    - You have insomnia and you read the Pennsylvania Bulletin to fall asleep

# Right to Intervene In Rate Making Process



## Phone

- Pa law gives the State Consumer Advocate and Small Advocate the right to intervene
- All other interested parties with standing may become interveners

## Health Insurance

- No one is allowed to intervene

# Right to Ask Questions



## Phone

- All interveners and all members of the public who attend public hearings

## Health Insurance

- Any member of the public may send written questions to the Insurance Department

# Right to Receive Answers to Questions



## Phone

- All parties

## Health Insurance

- No one

# Other Due Process rights



## Phone

- Right to discovery
- Right to cross examine witness
- Right to present own witness and evidence
- Right to independent judge
- Right to written decision
- Right to protection from ex parte communications

## Health Insurance

# Basis for Decisions



## Phone

- An administrative law judge writes a decision
- Every party has an opportunity to file a brief arguing why the ALJ's decision isn't correct
- The PUC then votes on the rate hike

## Health Insurance

- There is no written decision, the basis for the decision is never published or made public



**Are you still wondering why health insurance is so expensive?**

# Will a Free Market Solution Work For Health Insurance?



- **Needed for a free market**

- Transparency of product
- Voluntary decision to purchase
- No entry boundaries
- Rational choice

- **Health Insurance**

- No, it is impossible to know if what you might need will be covered when you need it
- No, “The armed robbers choice your money or your life offers a choice, but no one would describe it as a free choice” – Milton Friedman
- Insurance will not be sold to those with pre existing conditions, to non group members and to those who are recently uninsured
- Not when it comes to health preserving the life of a loved one

# What to Do?



- If you buy a computer from a store and it doesn't work do you?
  - Complain to the computer, or
  - Complain to the store?

- If health insurance companies are given rate increases by our government, what do you do?
  - Complain to the health insurance company, or
  - Complain to our elected officials?