



America's Health  
Insurance Plans



**BlueCross BlueShield  
Association**

An Association of Independent  
Blue Cross and Blue Shield Plans

March 24, 2009

The Honorable Max Baucus  
Chairman, Committee on Finance  
United States Senate

The Honorable Charles E. Grassley  
Ranking Member, Committee on Finance  
United States Senate

The Honorable Ted Kennedy  
Chairman, HELP Committee  
United States Senate

The Honorable Michael Enzi  
Ranking Member, HELP Committee  
United States Senate

Dear Senators Baucus, Grassley, Kennedy, and Enzi:

The health plan community is united in support of comprehensive health care reform that ensures all Americans have high-quality, affordable health care.

As the nation considers health care reform, we believe all stakeholders must come to the reform table offering solutions and also be willing to explore new ways to achieve shared goals. This is a responsibility that our member health plans take very seriously. Our organizations have offered policy proposals to achieve universal coverage, reduce costs, and improve health care quality.

We believe that policymakers and stakeholders should focus on ensuring that health care reforms we enact today are sustainable well into the future, particularly as the nation faces daunting fiscal challenges.

Sustainability starts with reducing the rate of growth of medical costs. Under current projections, a staggering one-fifth of our economy will be devoted to health care within 10 years. At the same time, mounting evidence shows that spending more on health care generally does not result in better quality care and that many regions of the country with higher spending actually have poorer quality. Therefore, true health reform must be broadly focused on the entire delivery system—prevention, early intervention, and care coordination—in addition to implementing insurance market reforms.

A robust private insurance system is critical to achieving these needed delivery system reforms. Creating a new government-run plan would thwart the ability of the health care sector to implement meaningful delivery system reforms, exacerbate the cost-shift from public programs to consumers and employers in the private market, and destabilize the employer-based system. In fact, studies show that more than 100 million people who currently have private coverage would move to the new government-run plan.

Government safety-net programs do have a vital role to play in achieving universal coverage. Under our reform proposals, every uninsured American living in poverty would be eligible for Medicaid. Our organizations also strongly supported the expansion of the children's health insurance program.

The Honorable Senators Baucus, Grassley, Kennedy, and Enzi  
Page 2  
March 24, 2009

We believe an important principle of health care reform is building on what works, starting with the employer-based coverage on which 162 million non-elderly Americans rely. It is also important to recognize that the individual insurance market provides health and financial security for millions of Americans who lack access to employer-based insurance. We agree there are ways we can work together to create an equally successful individual market.

Specifically, by enacting an effective, enforceable requirement that all Americans assume responsibility to obtain and maintain health insurance, we believe that we could guarantee issue coverage with no pre-existing condition exclusions and phase out the practice of varying premiums based on health status in the individual market.

While we support transitioning to a reformed system in which health-status-based rating is no longer used, rating flexibility based on age, geography, family size, and benefit design is needed to maintain affordability. We are also exploring the development of a risk-spreading mechanism to protect consumers from unintended consequences associated with these reforms. To promote better health and personal responsibility, we also encourage the allowance of premium discounts for individuals who make healthy choices such as not smoking, participation in wellness programs, and adherence to treatment programs for chronic conditions.

Individuals from low- and middle-income families who are being asked to participate in the health insurance system will require health care tax credits. Additionally, it is critical to provide tax equity for those without access to employer coverage. These tax reforms will further encourage individuals to purchase and retain coverage over the long term.

We believe this package of interrelated reforms will give the American people peace of mind and help the nation achieve universal coverage.

Experience in states shows why it is so critical that individual market reform be pursued in conjunction with a strong commitment to universal coverage. A report by Milliman, Inc. found that enactment of guarantee issue and rating restrictions in the absence of an individual coverage requirement will encourage people to defer seeking coverage until they have health problems – a situation which unfairly penalizes those who are currently insured. According to the report, states that implemented these laws saw a rise in insurance premiums and a reduction of individual insurance enrollment.

Our organizations welcome any questions you have and look forward to continuing to work with you in support of comprehensive health care reform.

Sincerely,



Karen Ignagni  
President and CEO  
America's Health Insurance Plans

Yours in good health,



Scott P. Serota  
President and CEO  
Blue Cross and Blue Shield Association