

## **Senate Banking and Insurance Committee – UPMC-Highmark West Penn Hearing - September 22, 1:00 p.m.**

Testimony written by Ralph Pontillo, President, Manufacturer & Business Association, to be read by Lori Joint, Director of Government Affairs, Manufacturer & Business Association

Thank you for the opportunity to testify before this committee on the Highmark/UPMC contract dispute.

The Manufacturer & Business Association is an employers' association representing more than 4,500 businesses and organizations throughout 27 counties in northwest and central Pennsylvania. The majority of our members are enrolled in one of more than 80 insurance plans, which include both Highmark Blue Cross Blue Shield and UPMC Health Plan.

It is widely acknowledged that health-care costs in this country continue to skyrocket at an alarming rate. It is, by all accounts, an industry out of control.

The majority of our members are small companies who, for the past 35 years, have struggled to continue to pay astronomical insurance premiums. Both employers and employees have reached the point where they can no longer pay these massive insurance premiums – which only serves to swell the ranks of uninsured Americans.

It is abundantly clear that this system is broken and in desperate need of reform. Thankfully, a majority of Americans have soundly rejected a single payer national health-care plan, recognizing that a socialistic behemoth

government program will only make a bad situation even worse. We look forward to the total repeal of Obamacare.

Employers and employees also recognize that the current system is not only not working, but void of any cost controls. Through excessive premium costs, the health-care industry is forcing small businesses to stop providing employer-based insurance, reduce their work force, or absorb large cost increases – placing the company in a position that threatens their very existence.

Highmark and UPMC are two dominant health insurance providers in our region. Both continue to battle for market share within a declining and limited market. Both maintain massive networks and essentially open access to most providers. As a result, health insurance premiums rise each year at an alarming rate.

This model does not work. It is not a competitive model. These insurance companies are not competing head to head the way our member companies do in an open market; Highmark and UPMC compete side by side. Their contracts are not designed to satisfy their customers – the premium payers – but rather they are designed to satisfy their monetary needs as well as the monetary needs of the multitude of health-care providers. In the health insurance industry, everybody wins except one group – the premium payers.

We firmly believe that the solution to control the costs of health care can be found by simply allowing private-market forces to take hold. Empower the consumer to determine with whom they wish to do business.

With all due respect to this distinguished panel, the government should stay out of it completely.

When UPMC was a health-care system and then started and operated a health-insurance company, the government had no objections.

Highmark is an insurance company that now wants to purchase and operate a health-care system, and again, the government has no objections.

Highmark and UPMC are mirror images of each other. UPMC does not want to contract with Highmark because they consider Highmark to be a direct competitor. It's only now that the government objects.

It is in the government's best interest to allow the private-market forces to control the markets. If you force Highmark and UPMC to contract with one another, it is the consumer who will pay the price in the form of higher premiums.

If UPMC does not contract with Highmark, Highmark customers will eventually be restricted access to UPMC facilities. This will have a direct effect on the Erie market because of UPMC's recent purchase of Hamot Medical Center. Other provider and physician contacts may be affected as well, causing a disruption in the marketplace – both here and across the state. In Erie, it is possible that Highmark will lose market share. In the Pittsburgh market, it is clear that both Highmark and UPMC will lose market share by simply restricting access to each other's provider networks.

In the private market, there are always competitors who will move to fill a void created by a market shift. In this case, UnitedHealthcare, Aetna,

HealthAmerica and CIGNA may increase their market share. They are free to contract with both Highmark and UPMC.

The point is this: Consumers will make their choice based on access, quality and cost. In this scenario, if Highmark has diminished access, it also has the opportunity to control its contracts because, in effect, Highmark is contracting with itself. The result may be lower cost. If Highmark can lower its costs, then premiums can be reduced and Highmark becomes a fierce competitor on price and quality. They can grow their market share.

When companies compete head to head, the consumer always wins.

When companies cooperate side by side, everyone but the consumer wins.

We need more competition, not less.

We need more insurance companies to compete for our business, not less.

We need more options, not less.

We can't predict exactly what the market will do if UPMC refuses to contact with Highmark. But we can predict that if you force them to cooperate, our health premiums will continue to skyrocket.

Thank you for the opportunity to testify.