



Testimony Submitted to the Senate Banking and Insurance Committee

Public Hearing on Senate Bill 594

Submitted by:

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May 6, 2014

Thank you for the opportunity to provide testimony on Senate Bill 594 (SB 594), which would limit cost-sharing for certain insured medical services.

SB 594 aims to limit cost sharing for chiropractic, occupational therapy, and physical therapy services. Cost-sharing is defined to include copayments, coinsurance or deductibles. The bill would require that a health insurance policy issued by a licensed health care insurer in Pennsylvania may not impose cost-sharing which is “unreasonably disproportionate in relationship to the provider’s services and the insurer’s reimbursement for those services in denigration of the insurance benefit of the consumer patient.” SB 594 would also require the Pennsylvania Insurance Department (PID) to establish by regulation a method to determine whether any cost-sharing arrangement violates this standard.

SB 594 imposes unnecessary bureaucracy into insurers' product design processes, which could result in stifling innovation and increasing health care costs. The PID is diligently working to facilitate cost containment mechanisms in Pennsylvania’s health care delivery system. Through opportunities such as the State Innovation Model grant, the PID is meaningfully participating in crafting innovative strategies to lower health care costs for Pennsylvanians. Insurers are also working to lower health care costs through a variety of strategies. One such strategy is to employ cost sharing mechanisms, which are an effective means to control consumers’ over-utilization of services. In contrast to the PID and insurers’ efforts to control health care costs, SB 594 has the potential to raise health insurance costs, as the bill would restrain insurers’ ability to use cost-sharing mechanisms as a way to incent appropriate utilization of health care services and control costs.

SB 594’s intent to restrict insurers' ability to vary cost-sharing based on type of care delivered or provider type is unfounded. The bill singles out physical therapists, occupational therapists and chiropractors. Since many specialties might want certainty regarding their cost-sharing benefit, the PID views the creation of a regulation for some specialties and not others as problematic.

The bill would also mandate that the PID promulgate regulations to determine whether an insurance plans’ cost-sharing is “unreasonably disproportionate in relationship to the provider’s services and the insurer’s reimbursement for those services in denigration of the insurance benefit of the consumer patient.” The goal of such regulation is vague: the bill uses subjective standards that are quite difficult to define, such as “not creat[ing] a barrier to access for care”, “reasonable in relation to the covered benefit”, and “encourag[ing] appropriate and necessary utilization of services.” Finally, SB 594 does not include language to establish a process for addressing a potential violation or the penalty should a violation be found.

The PID appreciates the opportunity to articulate our concerns with SB 594. In sum, the Department is concerned that SB 594 would create an unnecessary bureaucratic requirement for

the calculation of cost-sharing mechanisms, potentially raising health insurance costs and stifling innovation. SB 594 would also single out particular specialties, creating an advantageous position for those specialties. Finally, SB 594 would task the PID with the creation of regulations, based on vague and subjective guidelines, without any enforcement authority. Given the agency's concerns, the PID opposes SB 594.