Testimony of Katherine Pelletreau
to the Joint Standing Committee on Health Coverage, Insurance and Financial Services

In Opposition To

LD 530 An Act to Consolidate Patient Bills by Directing Health Insurers To Collect Copayments and Deductibles

April 20th, 2021

Good Morning Senator Sanborn, Representative Tepler, Members of the Joint Standing Committee on Health Coverage, Insurance and Financial Services:

My name is Katherine Pelletreau, and I am the Executive Director of the Maine Association of Health Plans (MeAHP). MeAHP has five members including Aetna, Anthem Blue Cross and Blue Shield, Cigna, Community Health Options and Harvard Pilgrim Health Care. Collectively, MeAHP's members provide or administer health insurance coverage to over 600,000 Maine people. The organization's mission is to improve the health of Maine people by promoting affordable, safe and coordinated healthcare.

MeAHP strongly opposes this bill as it represents a dramatic attempt to transfer hospital debt to insurers and to further remove patients from the cost of health care services. LD 530 would increase premiums significantly without any benefit to consumers, employers, or the health care system.

Requiring insurers to collect consumer cost-shares disconnects consumers from an understanding of the true cost of care and does nothing to address underlying health care costs.

Having a provider collecting cost-sharing, particularly at the point of service, connects the service itself to the cost for the patient. Disconnecting the delivery of care from the cost of care flies in the face of the state and federal governments efforts to increase transparency of medical costs. Under the ACA, premiums must reflect the underlying cost of care. Consumers are feeling the impact of the ever-increasing prices when they are charged high provider and hospital charges.

We must gain a better line of sight into the underlying cost of care, rather than attempting to mask it by requiring insurers to collect hospitals and provider's cost sharing.

Premiums are regulated and statutorily required to reflect underlying costs of care. While insurers are risk-bearing entities, they are NOT debt-carrying entities (unlike providers and facilities, whether they like it or not). Under this bill, carriers are prohibited from lowering payments to providers if cost-shares are not collected. They are also prohibited from cancelling policies for non-payment of cost shares.

The only way for carriers to manage this would be to build premiums that encompass the increased cost of administration and collections as well as bad debt. Premiums would skyrocket.

Under this proposal, even though massive costs of bad debt and collections would be shifted to private insurers, hospitals and providers would be paid more than they are today because they would receive the reimbursement and cost share from the carrier without incurring bad debt and administrative costs related to collections.

The Maine Bureau of Insurance is responsible for solvency and regulates the balance between health care costs and premiums – they should look carefully at this proposal.

If any administrative savings are realized and uncollected medical debt is eliminated, even in part, hospital systems and providers must be required to directly and meaningfully reduce the rates and prices they charge for their services.

Confusion would abound among both providers and patients with no benefit.

This proposal would impact only the fully insured market (23-25% of Maine's insureds according to the Bureau of Insurance). Hospitals and providers would continue to collect cost shares from all other insureds i.e., self-insureds (ERISA), federal employees and Tri-care, Medicare, and Medicaid. Duplicative systems for collections would have to be built by carriers to perform collections already done by providers. Additionally, HSA plans are regulated by the federal government, not states, and require first dollar coverage from members in exchange for tax benefits. We are concerned that this proposal could result in HSA plans no longer being available in Maine.

Should the Committee decide to move forward with a version of this proposal, we believe it is very important to understand the following (I've attached a longer list of detailed data and questions to this testimony):

- The current level of medical debt for hospitals and providers and how the transfer of that medical debt to carriers would impact premiums
- The increase in premium costs if carriers could not terminate members for not

paying their cost shares
- The administrative costs to carriers to build new systems to collect cost shares
- The expected rate reduction from hospitals and providers for transferring the administration of cost share collection to carriers in the fully insured market
- The existing laws pertaining to cost sharing ratios and AV calculations in plan designs

Shifting cost share collection to carriers would be an enormous change to the billing structure and would significantly increase premiums for purchasers in the fully insured market - undermining the many efforts underway to lower premiums while simultaneously doing nothing to address the costs of care.

Thank you for your consideration of these comments.

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Before enacting this costly and misguided proposal, it is critical that Maine understand the impacts of hospital and provider charges on the system.

Before considering a requirement that insurers collect cost sharing amounts:

- ***Understand hospital and provider pricing practices:***
  - Evaluate the impact that the price variability and arbitrarily high health care pricing for health care services have on the affordability of patients' cost share liabilities, and on the overall affordability of health care coverage

- ***Observe the trends in hospital systems' medical debt collection practices.***

  - The number of individuals with outstanding medical debt in a calendar year;
  - The total amount of uncollected medical debt in a calendar year;
  - What portion of uncollected medical billing debt is comprised of outstanding cost-sharing payments;
  - The number of individuals that the health system submitted to medical debt collection practices;
  - The number of individuals for whom the health system sold an individual's medical debt to another party, such as a debt collector or agency that performs medical debt collection.
  - The third-party organizations, firms, or agencies to which the hospital system sold its uncollected medical debt;
  - The number of individuals that, as a result of the health system's debt collection practices or resulting sale of an individual's medical debt that were subject to:
    - A lien on real property
    - Bank account or other personal property seizures or otherwise encumbrances
    - A civil legal action
    - Wage garnishments

- ***Develop recommendations to require hospitals and providers to:***
  - Provide itemized bills to patients with outstanding medical bills;
  - Retain legal agency and bear responsibility for the medical debt collection practices employed by any and all third-party debt collectors with whom they contract; or

- To provide receipts to patients for payments made against an outstanding medical debt to the hospital or its third-party debt collection agent.

- ***Observe the range of accounting practices and revenue streams that hospital systems leverage to mitigate the financial impact of uncollected medical debt, including but not limited to:***
  - Reporting the operational losses for the purpose of annual financial and tax reporting;
  - The total amount of charity care that the hospital system claimed per year,
  - The total amount of uncompensated care that the hospital system claimed per year,
  - The total revenues received by any and all state and federal programs that provide direct or indirect reimbursement, funding, or other revenues to a hospital system on account of any claimed amount of charity care, uncompensated care, the system's patient population, risk adjustment and regional status, and payer mix or any other like revenue streams, including but not limited to any and all state and federal revenues from state programs, other hospital provider fees programs, federal disproportionate share hospital payments, etc.
  - What percentage of hospitals' rates is directly or indirectly related to claimed amount of:
    - Uncollected medical debt;
    - Any other form of claimed under-payment from an individual patient or a public health care payer.

- ***Understand the impact of transferring uncollected medical debt to insurance premiums:***
  - Evaluate the total annual amount of medical debt that went uncollected by all hospital systems and providers.
  - Evaluate the impact to all fully-insured health insurance premiums across the state if the liability for total annual amount of uncollected medical debt is transferred to health insurers.
  - Evaluate the total administrative costs expended annually by hospital systems in the state.
  - Evaluate the total reduction in administrative costs estimated to result from transferring the liability for hospital systems' and providers' uncollected medical debt to health insurers.

- ***Evaluate hospital systems financial assistance policies to identify for each health system:***
  - The number of individuals who received financial assistance in each calendar year;

- The number of individuals who received financial assistance that had public health insurance coverage;
- The number of individuals who received financial assistance that had private health insurance coverage;
- The number of individuals who received financial assistance who were uninsured;
- The average amount of financial assistance received by individual beneficiaries;
- The average outstanding medical bill that remained after financial assistance was applied;

- ***Understand current billing practices****:*
  - Evaluate the average time all providers take to bill insurers,
  - Evaluate the average number of bills sent per visit,
  - Evaluate the level of detail provided to patients in their bills, and
  - Evaluate the average clerical errors billed to patients and insurance companies.