



**Testimony of PA Association of Health Underwriters before the Pennsylvania House Insurance  
Committee  
May 7, 2019**

Good Morning. My name is Jessica Waltman, and I am the principal of Forward Health Consulting, a health insurance compliance and regulatory consulting firm located in Wayne, PA. I am also the current Legislative Chair of my professional association, the Pennsylvania Association of Health Underwriters (PAHU). I am joined by health insurance agent, Damian Mochan, PAHU President and Eric Beittel PAHU Treasurer. PAHU represents over 500 individual health insurance agents, brokers, general agents, consultants, and benefits specialists from across the Commonwealth, and it is on their behalf that I present this testimony.

I would like to thank Chairman Pickett and all of the members of the House Insurance Committee for holding this forum. I would like to thank the Pennsylvania Insurance Department (PID) for taking the initiative to craft a bold proposal to reform the health insurance market in Pennsylvania. A state-based health insurance exchange initiative and application for a federal Section 1332 waiver to create a reinsurance program, challenges the status quo. The PAHU would like to acknowledge the PID's efforts to improve market conditions for residents of the Commonwealth.

We were invited here today to explain how a state-based exchange and reinsurance program could benefit both the Pennsylvania Association of Health Underwriters and the residents of Pennsylvania. As an association, our top public policy goal is expanding access to affordable and high-quality private market health insurance options for all Pennsylvanians. We also want to make sure that individual health insurance consumers in Pennsylvania have access to health insurance agents and brokers. Agents and brokers serve health insurance consumers immediate enrollment and long-time policy service needs.

The federally facilitated exchange marketplace serves thousands of individual market consumers in our state. Hundreds of Pennsylvania health insurance agents, including many of our members, are certified by the federal Department of Health and Human Services to work with state residents. These agents help consumers obtain individual coverage and apply for related premium tax credit subsidies. The federal exchange is working adequately to serve Pennsylvania consumers, but the experience consumers receive is less than what PA residents deserve. Five years after its unveiling, healthcare.gov is still fixing glitches and problems. While many behind the scenes improvements have been made to allow agents to work more smoothly with the federal exchange, the process to get these changes made and enhance consumer support services has been long and arduous at times. Up-front employer coverage verification is still not happening, so subsidies may be awarded inappropriately, which can have long-term tax consequences for both employers and individuals alike. Valuable data could likely be gleaned from federal exchange purchases, but right now no one has access to it and so no one benefits. Since it is the national fallback mechanism, healthcare.gov systems and processes have been designed to serve the masses, not the needs of people in our specific state. Bottom line, the FFM is fine, but it would be possible to serve Pennsylvanians better.

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The outcome, and ultimate success or failure, of the individual market policy changes outlined by the PID does hinge on heretofore unknown details. It is easy to think that the devil you know is preferable to one that you do not know. However, it is also hard to affect positive change without taking some risks and tackling unknown devils. PAHU sees some risks with a state-based exchange; not all states have had a positive experience with theirs. However, many states have seized the opportunity to build a marketplace that genuinely addresses the unique needs of their citizenry and now provides a very positive experience for their individual market consumers. Since we have five years of data to review and see what has worked well and what hasn't in other states, the Commonwealth has the opportunity to learn from the mistakes and triumphs of others. If you commit to tackling the unknown, then we have the potential to work together to make sound choices and lift our state's marketplace from the "just fine" to excellent category.

One of the most significant opportunities the PAHU sees, is the potential for health insurance agents and brokers to provide value to even more individual market consumers. Right now there are thousands of Pennsylvanians that need to buy health insurance coverage on an individual basis because they cannot obtain coverage from another source, such as through an employer. The PAHU wants to make sure that all individuals have full access to the state-licensed professionals who are specially trained to help review all available coverage options when choosing a policy that best meets their needs. Health insurance agents are uniquely qualified to assist consumers when claims or needed test may be denied. Health Insurance agents are the only profession who touch every aspect of the healthcare delivery system. These agents deal with the consumer, the insurance company, the physician's office and governmental agencies. PAHU members and agents have long-term relationships with their clients that extend far beyond the point of sale. Agents are dedicated to providing year-round service to their customers with claim issues. This year-round service helps agents recommend appropriate policy on renewal dates. The PAHU believes that a state-based exchange could create opportunities for agents to team up with other types of assisters and serve Pennsylvania individual market consumers more effectively. The PAHU is gratified to see that the PID's approach anticipates working closely with both licensed producers and other means of complementary consumer assistance and outreach. Health insurance agents are a ready-made delivery system already located in every rural and urban community across the Commonwealth, and agents would welcome the chance to maximize it.

The proposal for Pennsylvania to apply for a federal ACA Section 1332 waiver to create a federal reinsurance program for the Commonwealth, could benefit Pennsylvania residents. Members from our professional association located all over the country have worked with state legislators and regulators to create and improve upon mechanisms to improve risk-sharing in state-level individual health insurance markets, including through the development of reinsurance pools. The PAHU strongly supports individual market risk-sharing mechanisms for the simple reason that they are needed to combat adverse selection and make the private market work. If our country is going to have an individual health insurance market that assures protection for the millions of people with preexisting health conditions and allows for issuing coverage to all qualified applicants on a guaranteed basis, then there must be a permanent and stable mechanism working behind the scenes to ensure all market players bear risk appropriately. If issuers can accurately assess their risk exposure ahead of time, then

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they can price individual coverage fairly and accurately, lowering premium costs in the process. A stable individual market doesn't just benefit those who do not have access to employer-based health insurance; it helps all private health insurance markets and can strengthen the overall economy. When individual market premiums are reasonable, and the private non-group market is competitive, other health insurance markets benefit as well, because this eliminates the need for people to try and “game the system” and obtain coverage inappropriately elsewhere. Issuers also do not need to try and make up their losses in other markets.

The only problem the PAHU sees with our state legislature granting the insurance department the authority to apply for a Section 1332 waiver for the specific purpose of creating a statewide individual market reinsurance pool is the need for a state-level investment on the front end to provide for initial pool payment flow. Funds generated through the proposed state-based exchange would be the source for the initial payments, with eventual supplementation by federal funds generated through the Section 1332 waiver. While we understand and appreciate the assumption that revenue provided by the state-based exchange user fees would be enough to fund the pool initially, and that individual market premium and subsidy savings generated by the reinsurance program would yield enough federal waiver money to cover ongoing necessary reinsurance payments, assumptions aren't enough. Due to our association's vast experience of working with state-based risk spreading mechanisms over the years, we know that funding stability is the key ingredient to a successful state-level reinsurance pool. Observations of the national individual market instability caused in 2016 and 2017 by uncertain and in some cases unexpectedly reduced federal risk-sharing payments to issuers confirmed this opinion. As such, the PAHU urges this committee and all of our lawmakers to work together to ensure real funding stability if and when you move ahead with this proposal.

The PAHU is grateful that both the Pennsylvania Insurance Department and the members of this committee are focused on addressing the underlying conditions in our state's health insurance markets that have made individual coverage for the non-subsidized population in our state so expensive. We feel the individual states are best positioned to decide what type of health insurance market options will work best for their specific residents. So on behalf of the Pennsylvania Association of Health Underwriters, I urge you continue your discussions and bipartisan work to help provide long-term stability to the Pennsylvania individual health insurance market and to promote private market health insurance solutions that will benefit all residents of the Commonwealth. Our membership would be glad to work with this committee, other legislators and the Wolf Administration in any way needed to improve consumer access to high-quality and affordable health care coverage.

Thank you for this opportunity to present testimony. I consider it an honor to represent Pennsylvania's health insurance agents and brokers before this committee, and I would be glad to answer any questions you may have.

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