



STATEMENT

By

**KISHAN PERERA, President-Elect
GREATER CENTRAL NEW YORK ASSOCIATION OF HEALTH
UNDERWRITERS**

And

**DANIEL C. JUDGE, Member State Board
NEW YORK STATE ASSOCIATION OF HEALTH UNDERWRITERS**

To

NEW YORK STATE INSURANCE DEPARTMENT

At

PUBLIC HEARING

On

LIMITED BENEFITS HEALTH PLANS

SEPTEMBER 30, 2009

**Central Library of Rochester and Monroe County
115 South Avenue
Rochester, New York**

Good morning. My name is Kishan Perera, and I am the President-Elect of the Greater Central New York Association of Health Underwriters (GCNYAHU), a Chapter of the National Association of Health Underwriters (NAHU). I am joined today by Daniel C. Judge, a Member of the State Board of Directors of the New York State Association of Health Underwriters (NYSAHU).

This testimony is offered and submitted on behalf of both the New York State Association of Health Underwriters (NYSAHU) – www.nysahu.org , the leading professional Association of licensed health insurance brokers and agents in the state, and the Empire State Healthcare Coalition (ESHCC) – www.empirestatehealthcarecoalition.com , which is comprised of health insurance brokers and consultants working to find solutions to keep healthcare affordable and to reduce the ranks of the uninsured in New York State.

In view of the focus of these public hearings, we think it's appropriate to restate our Mission and Vision Statements in full:

Mission Statement

NAHU will improve its members' ability to meet the health, financial and retirement security needs of all Americans through education, advocacy and professional development.

Vision Statement

Every American will have access to private sector solutions for health, financial and retirement security and the services of insurance professionals.

On behalf of both NYSAHU and ESHCC, we would like to thank the Insurance Department for inviting us to testify at these public hearings. We have monitored the earlier hearings held by the Department in New York City and Newburgh, and are happy to provide our Associations' views on the issue of limited benefits health plans here today.

We have canvassed our general membership and discovered that few of our members engage in the sale of limited benefits health plans in New York. That being said, we offer the following observations on the marketing, sale, distribution and underwriting of such plans in New York.

Limited benefits health plans can be viewed as “first aid” or essentially primary care plans and they should be clearly sold as such. They can be effective in preventing the escalation of certain conditions or diseases, and can also be used to promote wellness and health monitoring. For the otherwise uninsured, they can act as a bridge to Medicaid coverage.

Such plans usually have a benefits dollar limitation or a cap on the number of office visits (e.g., \$1,000 or 3-6 visits). They have an emergency room benefit of \$1,000 and

a hospital benefit of \$5,000. In the workplace, such plans are often marketed as costing a certain number of hours of pay per week (e.g., 2 hours). The products are generally insured and can be sold with a network of doctors. Aetna's SRC and CIGNA's Starbridge products are the two biggest limited benefits health plans, but there are many versions.

Unfortunately, limited benefits health plans are often sold as major medical plans. In some states, “mini-med” products are coupled with critical illness plans. These critical illness plans pay a per day or lump sum benefits upon diagnosis of certain specified conditions. Such plans are better than nothing, but are not for the uninformed.

In order to prevent misinformation, it is essential that limited benefits health plans be sold only through trained and licensed health insurance brokers or agents who provide the appropriate disclosures of such products' shortfalls and limitations. This would include disclosures that these types of products are probably not creditable under HIPAA or Medicare and thus would not be eligible for continuity of coverage waivers.

With respect to the plans themselves, minimum benefit levels should be established and required as part of the product design, so that any such plan sold or delivered in New York provides more than just illusory coverage. Moreover, any such plans should clearly state that they do not provide, nor are they a substitute for,

comprehensive major medical coverage.

These limited benefits health or “mini-med” plans probably provide adequate coverage for young adults (the so-called “young immortals”). But the problem then arises that we water down the total risk pool by removing these good risks, so we need to be careful.

A more useful product is the new class of "middle-med" plans. These plans are more comprehensive, generally with a \$50,000 or \$100,000 annual maximum benefits cap. But here again, we potentially dilute the risk pool, as these would run into Healthy New York.

There are a lot of well-intentioned employers that cannot afford to provide comprehensive health insurance to their employees, but want to provide something to their employees. Limited benefits health plans would cover basic care to their employees and should thus be encouraged. However, such plans may not be appropriate for sale in the individual market, so as to avoid any appearance of impropriety or misunderstanding about their limitations in coverage.

There is an analogous situation in New York, which is the NYS Partnership Plan for Long-term care insurance. What the Partnership Plan does is encourages individuals to buy private LTCI, which ultimately mitigates the costs that flow into the Medicaid/Medicare system. Limited benefits health plans thus may be right

for consumers who want a minimum level of protection but can't afford a fully comprehensive health plan. Even such basic coverage may help alleviate some of the costs of healthcare provided to the uninsured and charged to the hospital bad debt and charity pools funded by HCRA assessments.

NYSAHU fully supports the Department's efforts to enforce existing insurance consumer protection laws and regulations against bad actors like American Medical and Life Insurance Company and its intermediary Cinergy Health, Inc. However, we believe that current statutory and regulatory frameworks are sufficient. More regulations or legislation would simply create additional compliance work for carriers and producers that already follow the law, effectively penalizing the good actors.

In sum then, we believe that limited benefits health plans do have a place in the New York insurance marketplace, as they provide some level of coverage for consumers that don't want or can't afford comprehensive health plans. But appropriate consumer disclosures must be made and enforced under current insurance laws and regulations.

Such disclosures can be assured if the marketing, sale, distribution and underwriting of limited benefits health plans is mandated to take place only through licensed health insurance brokers or agents. Only such licensees have the training and motivation to do the job right. NYSAHU and ESHCC take a dim view of

insurance product sales via TV advertisements and Internet sales, without the involvement of a licensed health insurance professional.

Thank you for this opportunity to express our views, on behalf of the licensed professional health insurance brokers and agents of New York. We stand ready to respond to any questions you may have at this time.

#####