Testimony H.R. 2833
A Bill to amend the ERISA act of 1974
To provide additional limitations on preexisting condition exclusions
John J. Farrell

I would like to thank you for the opportunity to note my support for H.R. 2833. This bill helps protect patients whose clinical condition has compromised both their medical and financial well-being. I believe this bill will reduce the cost shift to those with private insurance. It will also limit the broad latitude often exercised by health insurers in denying benefits under the umbrella of a pre-existing condition, with minimum additional financial impact upon private payers.

My comments will be from a financing perspective using the Connecticut health delivery system as an example.

It is not uncommon for people with chronic medical conditions to also experience a deterioration of their personal financial resources. In addition, the physical and logistic demands their medical condition makes it harder to maintain consistent employment.

To appreciate the financial impact of HR 2833, I believe it would be helpful to view the issue from an individual's perspective. What happens, for example, when a new employee with a preexisting chronic condition, without health insurance is in need of care?

The answer is straight forward, they either postpone care until coverage begins, or they seek immediate care. If they choose the former option, the employer ultimately picks up the expense, now possibly increased by the cost of complications. More likely they seek care, without the financial resources to pay the full cost of care..

The Cost Shift

In Connecticut, the health care delivery system is anchored by 31 acute care hospitals. It is essentially a non profit community based delivery system. Each hospital, functions as a safety net, caring for all patients irrespective of their coverage status, including the indigent and uninsured. This system, while under mounting pressure, works relatively well when compared to other states.

The health facility rendering this uncompensated care shifts this unmet cost to private payers, including self insured employer groups. This is commonly referred to as the "cost shift". Approximately 12 % of each hospital bill is attributable to the cost shift.
While HR2833 would increase the amount directly paid by the health insurer, it would correspondingly reduce the amount of cost shift. On a net basis there would be little additional cost.

Development of Health Insurance Premiums.

It should also be noted that the aggregate health care experience of a population is utilized in the establishment of community health insurance rates. In simple terms the experience of the previous period is used to set prospective rates. The historic expense of caring for chronically ill patients are included in the aggregate plan wide costs. These costs are spread among the broader population and every party paying community rates effectively absorbs a portion of this cost.

Thank you for this opportunity to provide the committee with my views on this important legislation.

John J Farrell