Rep. Peter Welch on Thursday highlighted the struggles facing underinsured Vermont families who face exorbitant premiums, deductibles and co-pays.

At a hearing of the House Energy and Commerce Subcommittee on Oversight and Investigations called, “Insured But Not Covered: The Problem of Underinsurance,” Welch shared the stories of two Vermonters whose health insurance failed to cover them.

Welch’s testimony, as prepared, is copied below:

Congressman Peter Welch

Statement before the House Committee on Energy and Commerce

Subcommittee on Oversight and Investigations

October 15, 2009

Mr. Chairman, Ranking Member Walden, and Members of the Committee, thank you for the opportunity to discuss the growing, insidious problem of underinsurance. While much attention in the debate over health care reform has focused on the 47 million Americans who are uninsured, far less has focused on the many more Americans who are underinsured.

As you know, too many insured Americans find themselves paying exorbitant premiums, deductibles, and co-pays – going into debt even with the health insurance coverage they have.

Today I want to share with you the stories I've heard from two Vermonters struggling with this critical problem.

Susan, a resident of Montpelier, Vermont, has held private health insurance for more than 30 years. When her premiums increased last year to $330 a month, she decided to save money by increasing her deductible to $10,000.

On a snowy day this February, Susan fell and broke her wrist. After seeking treatment at the local hospital, she found herself with a $1,000 bill for emergency room care and an additional $900 bill for the surgery to set her wrist. Because her deductible was so high, Susan found herself – after 30 years of dutifully paying for health insurance – essentially with no coverage at all.

Like Susan, more than 25 million Americans have health insurance policies that do not adequately cover their health care expenses – sixty percent more than in 2003. According to the Commonwealth Fund, underinsured individuals are more likely to forgo needed medical services because of cost. Two-thirds of those with high medical expenses and low coverage go without necessary care.

The experience of another Vermonter, Cheryl from Milton, might explain why.

After her doctor suggested she have colonoscopy as a baseline screening, Cheryl found herself with more than $1,000 in medical bills – even though her policy covered 100 percent of wellness screenings. She thought a mistake had been made, so she checked with the insurance company. What she learned was that because her colonoscopy resulted in a diagnosis for diverticulosis and was categorized as “diagnostic,” she was responsible for one third of the cost of the procedure.

It was the same test, the same lab work, and the same amount of care. But because the test did what it was supposed to do – diagnose an illness - she was responsible for a tremendously expensive medical bill.

Americans already struggling in these difficult economic times face the additional burden of overwhelming out-of-pocket medical expenses – and the problem is only getting worse. The number of American families struggling to pay medical bills in 2007 climbed to 57 million – or one in five – up from one in seven in 2003. In my home state of Vermont, premiums for working families increased 75 percent from 2000 to 2007. Nearly 8 percent of working adults in Vermont reported spending 20 percent or more of their income on out-of-pocket health care expenses in 2004, an 85 percent increase from three years earlier.

Given these factors, a costly illness can lead to massive medical debt. Forty-six percent of underinsured adults report using all of their savings to pay their medical debt, and 33 percent took on credit card debt to address medical expenses. In the worst cases, medical debt forces Americans into bankruptcy, with the rate of bankruptcy due to medical expenses rising 50 percent between 2001 and 2007. Medical bills are the number one reason for personal bankruptcy today.

Unfortunately, the health insurance industry has established a record of valuing profits over care. They have resorted to saving money by denying those with preexisting conditions and limiting benefits while paying executives exorbitant salaries. One health insurance company CEO recently received nearly $100 million in a stock option deal. The profits that he reaped from the exercise of one year's worth of stock options would not only pay the salary of the administrator of CMS but of every employee in the agency for more than three months.

Thank you again for the opportunity to convey these Vermont stories to you today. I look forward to working with you to ensure that any health reform legislation that is signed into law protects Americans against inadequate coverage and ends the burden of excessive medical costs. Nobody, rich or poor, should bear that burden.