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November 4, 2009

Senator Harry Reid
522 Hart Senate Office Bldg.
Washington, DC 20510

Dear Senator Reid,

As we move closer to passing health reform legislation, it is clear that private insurance companies will continue to play a major role in our health insurance system. The key role of private insurers makes the issue of consumer protections in the private insurance market of particular importance. This is especially true for rural residents, who disproportionately buy insurance in the non-group market, where costs tend to be higher, coverage skimpier, and protections less stringent.

A survey of family farmers and ranchers in seven Great Plains states, conducted by the USDA under a contract with The Access Project, found that people's overall healthcare expenditures were mainly determined by the market in which they obtained insurance. People with higher premiums were much more likely to have purchased insurance in the non-group market rather than to have obtained coverage through off-farm or ranch employment. Farm and ranch families who purchased insurance on the non-group market spent a median of \$11,200 a year in premiums and other out-of-pocket costs, compared to \$5,600 for those who had employer-sponsored insurance. Many of the survey respondents talked about insurance premiums that had increased by large percentages year after year, while also requiring deductibles of \$5,000, \$10,000, or even \$15,000. As one respondent said, "We just make the deductible, then the year is over, so we never really feel the benefit from having insurance. We are paying everything at 100 percent." Another commented, "Why are people paying every month for insurance when the insurance won't pay for the type of care they need?"

One important component of establishing and enforcing consumer protections is access to data, for example about how insurers allocate their resources, determine premiums, and make decisions about which services will be covered. However, this information is usually not available, either to consumers or to regulators.

The lack of insurer transparency was highlighted again, quite recently, by a new Senate analysis showing that for-profit insurance companies are spending much less than they claim on actually paying for medical care. This was especially true in the non-group and small group markets, where medical loss ratios were much lower than in the large group

market. However, insurers are generally not required to provide data broken down by market segment, which makes it impossible to ascertain the extent to which they are shifting costs to individual and small group purchasers. In response to the new Senate analysis, Senator Rockefeller said that "insurers need to tell us how they are spending their customers' money. Are they spending it to make people well when they are sick and keep them healthy? Or is the money they charge going to profits, to executive salaries, and to figuring out how to deny care to people when they really need it?" These issues affect everyone, but they are of special concern to rural residents.

Most states do not have the power to gather these key data. The most efficient way to gain access to them, in order to allow people to make meaningful comparisons among health insurance plans, would be to provide the federal government with oversight and enforcement authority that would complement state regulation. HR 3692, Sections 133 and 142d, provide for insurance transparency and accountability, with reasonable federal oversight and enforcement. We hope the Senate will support it as well.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Rukavina', with a long horizontal flourish extending to the right.

Mark Rukavina
Executive Director

cc: Senator Max Baucus
Senator Christopher Dodd
Senator Tom Harkin
Senator Jay Rockefeller