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MAR 4 1996

TO: Carol Rasco
FROM: Jennifer Klein J.K.
DATE: 3/4/96
RE: *Washington Times* Article ~~on~~ Kennedy-Kassebaum

You had asked me about the attached article from the *Washington Times* about the Kassebaum-Kennedy health insurance reform bill. The article states that if the bill were enacted: (1) premiums for people seeking to purchase an individual health insurance policy could increase 200 to 300 percent in 34 states; (2) as a result, the states would enact legislation that would restrict the premiums insurers could charge; and (3) after states had enacted that legislation, people would still experience premium increases between 125 and 167 percent.

Not surprisingly, the article is totally misleading. The American Academy of Actuaries (AAA) recently concluded that the Kassebaum-Kennedy bill would raise individual health insurance premiums by 2 to 5 percent over a period of three or more years. Over the past ten years, the average rate paid for individual health insurance premiums has increased between 8 and 15 percent annually.

Taking the points one at a time:

- Currently, 34 states do not restrict the range of premiums insurers can charge for individual health insurance. In these states, the bill would have *no* impact on the premiums charged to those with who today have individual insurance. The 200 to 300 percent increase refers to the amount the *newly insured* would pay above current premiums.

- The *Washington Times* article correctly reports that AAA assumes that those states will respond by enacting legislation restricting the range or premiums insurers are allowed to charge.

- AAA then assumes that states will restrict premium increases to a range of 125 to 167 percent. People who are able to buy insurance because of the Kassebaum-Kennedy bill would pay premiums 125 to 167 percent more than other individuals (mostly because the reason they can't buy health insurance today is because they have pre-existing conditions or pose other risks). Again, AAA concludes that current purchasers of individual health insurance would pay only 2 to 5 percent more.

The *Washington Times* article does point out the weakness of the Kassebaum-Kennedy bill -- that while it will increase access to health insurance, for many Americans, the cost of insurance will still be high. For that reason, the Administration continues to talk about the bill as just one step in the right direction.

cc: Chris Jennings

Jen-7

The right numbers on health reform

By Merrill Matthews Jr.

Would it surprise you to learn that the recently released report by the American Academy of Actuaries analyzing the impact of the Health Insurance Reform Act, introduced by Sens. Nancy Kassebaum and Edward Kennedy, predicted that:

- Premiums for people seeking to purchase an individual health insurance policy could increase 200 to 300 percent in 34 states;
- As a result, the "states would tend to respond by enacting legislation that would restrict the range of premiums insurers could charge for individual health insurance."
- And, after states had responded with legislation that would spread the cost among those with individual insurance policies, people would still experience premium increases between 125 and 167 percent.

That's not the message that most people got reading the newspaper accounts of the academy's report. Heck, that's not the message most people got reading the academy's own press release. It says in the first paragraph that Kassebaum/Kennedy "would have minimal impact on the cost of individual health insurance premiums barring additional legislation by individual states."

A person forced to pay 300 percent above the standard probably would not consider that increase minimal.

In paragraph two of the academy's release it continues, "Even in states that enact legislation, the academy stated that premium rates would increase only 2 to 5 percent."

Any average reader — and that includes most of the journalists who reported on the academy's findings — would determine from the first two paragraphs that Kassebaum/Kennedy would have no noticeable impact in most states and result in a small 2 to 5 percent increase in a few states.

That's certainly the message that supporters of Kassebaum/Kennedy wanted to hear — and they are using it to promote its passage. Those who have looked at the report know better.

The press release discussing the academy's analysis of the Kassebaum/Kennedy bill also announced a new study by the academy which warned that "the Academy study strongly cautions that insurance costs per person are expected to increase under guaranteed issue and that health care markets may be significantly disrupted." Yet guaranteed issue, which requires insurers to accept any applicant regardless of health status, is at the heart of the Kassebaum/Kennedy bill.

Thus, while it is true that the academy study warns of the many adverse consequences of the Kassebaum/Kennedy bill, the press release only vaguely refers to such problems — resulting in either an implicit or explicit misrepresentation of the report.

Interestingly, at the academy's public briefing to release its study, Dan Perrin of the Business Coalition for Affordable Health Insurance pointed out this very fact. He noted that Thomas J. Stoiber, chairman of the academy's Guaranteed Issue/Universal Access Group, who presented the academy's findings, spent about 45 minutes discussing the problems, caveats and potential pitfalls of the Kassebaum/Kennedy health insurance reform bill, but said nothing of these concerns in the press release.

Actuary Mr. Stoiber appeared somewhat perplexed at an insight that would have been apparent to almost anyone with any political sense.

The truth is that the academy's report raises a number of troubling issues about Kassebaum/Kennedy. For example, it recognizes that many people entering the individual insurance market would face unacceptably high premiums, who would then put pressure on lawmakers to impose price controls. However, virtually none of these issues is carefully noted in the press release.

Of course, some people recognize that the chain of events discussed by the academy's report would result in massive government, either federal or state, intervention in the health insurance marketplace leading to a slightly tamed version of the Clinton health care beast. That's why they support the Kassebaum/Kennedy bill.

It is also fair to say that people who had been uninsurable before implementation of the Kassebaum/Kennedy bill might be glad to pay three times the standard insurance rate, since, considering they may have very high medical bills, even triple the standard premiums may be a bargain. However, healthy people entering the individual health insurance market would also see their premiums rise. And history shows that when healthy people are faced with unacceptably high premiums, they often cancel their policies, leaving more people uninsured.

But how the American Academy of Actuaries could move from the numerous problems mentioned in their full examination of the Kassebaum/Kennedy bill to the supportive — indeed, glowing — press release that appears almost tailor-made to provide actuarial cover for the bill is a mystery to many health policy analysts and even to a number of actuaries.

Merrill Matthews Jr. is the health policy director of the National Center for Policy Analysis in Dallas.

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