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HOUSE JOINT RESOLUTION NO. 144

Offered January 14, 2004

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Requesting the Bureau of Insurance within the State Corporation Commission to study the operations of the health insurance industry and the escalating cost of health insurance in Virginia. Report.

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Referred to Committee on Rules

WHEREAS, over the years, the ballooning of health care costs has been attributed to various components of the health care industry, for example, in the 1970s and 1980s, to the prevalence of fee-for-service insurance coverage and the scarcity of managed care; and

WHEREAS, since the early 1990s, the Commonwealth of Virginia has moved away from fee-for-service plans to great diversity among its health insurance carriers and a heavily managed care market; and

WHEREAS, moving to managed care has not stopped the acceleration of health care costs or proven to be the panacea for all health care cost ills; and

WHEREAS, the most pressing issue facing private and public employers alike continues to be the escalating costs of health insurance and the significant drain on cash flow created by maintaining adequate coverage for employees; and

WHEREAS, from 2001 to 2002, the Kaiser Family Foundation estimated in a study that the cost of health insurance in employer-sponsored plans increased by 12.7 percent or \$3,060 for individual coverage and \$7,954 for family coverage; and

WHEREAS, the Kaiser Family Foundation study noted that health insurance costs had increased more than double the amount of increase of general medical cost inflation for the same period; and

WHEREAS, national average health care costs increased by 7.8 percent in 1999, 9.4 percent in 2000, 10.2 percent in 2001, 15.2 percent in 2002, and 14.7 percent in 2003 and are projected to grow by an additional nine to 14 percent over the next few years; and

WHEREAS, pricing data provided by the Medical Expenditure Panel Survey (MEPS) demonstrates that, in 2000, Virginia was ninth among those states considered to have the lowest average family premiums; and

WHEREAS, however, since 2000, Virginia has experienced great increases in health insurance costs, reputedly because prescription drug costs have been and continue to be a major component of these cost increases, having experienced double-digit increases in per capita spending during the 1998-2002 period ranging from 12.4 to 19.5 percent, and with projected health plan costs for prescription drugs increasing by 18.1 percent for retail costs and 17.4 percent for mail order costs in 2004; and

WHEREAS, many reasons other than the increasing costs of prescription drugs may be factors in how health insurance costs fluctuate, e.g., the growth of for-profit health insurance companies, corporate mergers of BlueCross BlueShield companies, the aging of the population and the workforce, the level of occupational risks among the populous, the types of plans that prevail in the state, increases in mandated benefits required by state law, increases in new and more expensive drug therapies, the growth and dissemination of sophisticated and expensive medical technology, and patient expectations and demand for services; and

WHEREAS, in order to attract business to Virginia and to maintain the Commonwealth's sound economic base, health insurance costs must be contained; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Bureau of Insurance within the State Corporation Commission study the operations of the health insurance industry and the escalating cost of health insurance in Virginia.

In conducting its study, the Bureau of Insurance shall identify and consider the impact of various influences on escalating health insurance costs, including dramatically rising prescription drug costs; increased patient demand and education for new drugs and other new medical therapies; the effects of direct consumer advertising; greater reliance on drug therapies by the physician community; efforts by drug manufacturers to increase market share; the aging of the workforce; increased obesity and other health risk factors among various age groups; critical labor shortages for certain medical professionals such as nurses, physical therapists, and pharmacists; escalating medical malpractice insurance premiums; consolidations of for-profit health care provider groups, which have enabled providers to negotiate higher reimbursement levels and made it more difficult to contain costs; mergers of health insurers with health care providers, which may result in less competition and increased costs; the erosion in value of

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59 fixed-dollar co-payment levels over time relative to the cost of medical care to the patient, which may
60 encourage greater use of services; limited information about the effectiveness of many medical tests and
61 procedures; and significant amounts of uncompensated care provided for many individuals without health
62 insurance.

63 The Bureau of Insurance shall also collect, analyze, and report aggregate data relating to the past and
64 present business practices of the insurance companies to determine the companies' yearly total premiums,
65 surplus funds, net incomes, and assets; the salaries of executives and bonuses or other perquisites for
66 executives; workforce size and makeup; actual costs of the delivered services to the company, as
67 negotiated with health care providers; the effects of conversion to stock companies; and the effects of
68 any changes in corporate documents or any other matters relating to company structure and form that
69 may be relevant to costs.

70 The Bureau of Insurance shall identify potential strategies and mechanisms to address the escalating
71 costs of health insurance in Virginia, including regulatory schemes and enforcement, chronic disease
72 management techniques, provider payment incentive systems, the widespread distribution of comparative
73 quality information about providers and effectiveness information about various medical procedures and
74 tests, restrictive choices of providers, and cost-sharing approaches that provide increased incentives to
75 patients to make cost-effective decisions about their use of health care resources.

76 All agencies of the Commonwealth shall provide assistance to the Bureau of Insurance for this study,
77 upon request.

78 The Bureau of Insurance shall complete its study by November 30, 2004, and shall submit to the
79 Governor and the General Assembly an executive summary and a report of its findings and
80 recommendations (for publication as a document). The executive summary and report shall be submitted
81 as provided in the procedures of the Division of Legislative Automated Systems for the processing of
82 legislative documents and reports no later than the first day of the 2005 Regular Session of the General
83 Assembly and shall be posted on the General Assembly's website.