

TESTIMONY

PENNSYLVANIA ASSOCIATION of HEALTH UNDERWRITERS

Pennsylvania Senate Finance Committee

Public Hearing on Senate Bill 1182 and Senate Bill 1189

Re: Tax Credit for Small Businesses who contribute to Employee HSAs

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Chairman Browne, Senator Folmer, Senate Finance Committee members, and the general public...

Thank you for the opportunity to address you today regarding Senate Bills 1182 and 1189. My name is Eric Beittel, and I am here today to represent the Pennsylvania Association of Health Underwriters. The Pennsylvania Association of Health Underwriters is made up of licensed insurance professionals who specialize in health insurance and employee benefits. I am a Certified Financial Planner™ and independent insurance producer working and residing in Harrisburg, PA. A long-term believer in Health Savings Accounts and their ability to provide high quality coverage at a reduced cost when compared to traditional health plans, today I will share my personal experiences as both a holder of an HSA and as a financial strategist that has helped numerous small businesses successfully reduce health insurance costs while maintaining employee satisfaction. I and my association strongly support Senate Bills 1182 and 1189.

Allow me to begin with my family's personal experiences using an HSA. In the summer of 2003, my wife Jennifer and I had our second child. Though Jen had a job she loved as a public high school teacher, she wanted to stay home with our children...but we faced a problem shared by many families in our Commonwealth. While we figured we could tighten the belt and live without her income, we could not live without our health insurance coverage, particularly with two young children. As a

self-employed financial planner, I did not think we could afford the high cost of individual health insurance on one income.

When I looked for coverage, I discovered it would cost about \$800 - \$1,000 a month (mind you, this was five years ago), and that coverage did not really compare to the rich benefits my wife had under her health insurance plan under her school district. Then I learned about Medical Savings Accounts (MSAs) and the new HSAs coming in 2004, and I was hooked. We could get a high deductible health plan for \$200 - \$250 a month, and the monthly savings in cost of coverage would more than make up for the high deductible. Although there would be some initial monetary stress in having a large deductible, the cost savings it provided in one year's time allowed my wife to quit her job and stay home to raise our children.

We still have an HSA today, and my wife is still primarily at home, now with three children. Though our family has had a few health bumps in the road, including a gall bladder removal, ear tubes for the baby, and the devastating affects of Chronic Neurologic Lyme disease...we would never switch back to our "old insurance," despite our high out-of-pocket health costs (we have hit our deductible nearly every year including 2008). Today we are far more in tune with our health, and, most important, we are savvy consumers. We research treatments, compare costs, and really consider our lifestyle choices as part of the complete picture. And we have saved a ton of money, which only encourages us to continue weighing in the many different health and lifestyle options available for our family.

One of my best personal HSA examples happened a few years ago when my family was new to an HSA and HDHP. My wife was visiting her parents in rural

Pennsylvania and had to take our oldest child to the ER because he fell and split open his chin at bedtime one night. Alone on this trip, she frantically called me to check on our insurance, but I told her not to worry and to just give them our insurance card...and to get our son the care he needed ASAP. Fortunately, our son did not require stitches. The physician assistant who saw our son sealed his chin with dermabond solution and kept it closed with steri strips. It took all of two minutes, and my wife applied the antiseptic herself.

About one month later, we got the bill from the hospital, and the total charge was about \$630. While it is difficult to walk into an ER and not accrue such charges, I found two interesting items on the itemized bill. First, there was a fee for a “specialist” physician (when my son saw a P.A.), and the second was for sutures (which my son did not receive). I made one very patient call to the hospital to discuss these charges. The hospital took a day or two to research my concern that I was charged for services my son did not receive. When they called me back, they stated the charges were incorrect and our bill would be adjusted. The end result: our bill was adjusted from \$630 to \$304. In the days of our old health insurance, we never would have read the itemized section of the bill or “explanation of benefits,” we would have just read the “insured responsibility” section to verify our co-pay or deductible. Additionally, after this experience in the ER, my wife added over-the-counter steri strips and dermabond to the first aid kit she carries in the van. If there is a next time, she’ll be ready. While this ER story is commonly my “classic” HSA savings example, in the years my family has had an HSA; we have experienced dozens of similar cost saving realizations.

I distributed a list of the Top 20 Most Commonly Prescribed Drugs in the United States which includes information about available generics and generic alternatives. Ask the average person walking down the street about the difference between brand and generic and they will respond that brand is better...the tried and tested...the “true.” Many consumers still do not realize that in order for a drug to be a generic, it must be exact as determined by the FDA, including over-the-counter remedies. A good friend of my wife’s recently discussed her newfound understanding about the “sameness” of brand and generic equivalent drugs and commented on how much cheaper generics tend to be...ironic only in that my wife’s friend is the spouse of a physician. When was the last time you compared the store brand price of ibuprofen compared to Advil? The savings can be close to 50%.

HSAs can address the problem of high cost health insurance that small businesses and their employees face. I am not theorizing; I have helped dozens of small businesses make the move to HSAs, and I have seen the cost-savings continue time and time again. Let’s reward the small businesses in the marketplace who do struggle to offer health benefits to their employees and utilize HSAs to meet their needs by providing tax incentives for them to go the extra mile to find coverage that makes sense for everyone. When it comes to offering health insurance, small businesses have the deck stacked against them. Underwriting Rules are harder to meet for small businesses than large: large businesses can go the route of self insuring thus bypassing the numerous mandated state benefits; small businesses do not have the buying power of large companies; and finally, small businesses do not have the resources to implement wellness plans and other cost saving measures.

You may ask “If HSAs are so great and already save money, why do we need a tax credit?” HSAs have many obstacles: 1) HSAs empower the individual, but with this power comes responsibility. Implementation of an HSA takes guidance, education and time. An individual must learn to read and understand an EOB (Health Insurance-Explanation of Benefits) and a bill from a healthcare provider, research prescriptions, consider alternative treatments, and pursue a healthy lifestyle. 2) Health Insurance Agents and Brokers usually earn less money on HSAs than more traditional types of health insurance. This earning scenario is due to agents being compensated by commissions that are a percentage of the total premium; the lower insurance premium of HSAs translates into lower commissions to Brokers and Agents. Meanwhile, HSAs require more time and attention from Agents and Brokers because they are new and more complicated.

Despite these obstacles, HSAs have experienced dramatic growth because consumers realize that they can influence health care costs by becoming true consumers with a stake in the financial outcome. Despite some initial reluctance, insurance agents are looking at HSAs as a way to help employees and employers alike. Is it a panacea? No. Is it an important tool? Absolutely.

Despite these obstacles, HSAs have experienced dramatic growth since their birth in 2004. Pennsylvania Senate Bills 1182 and 1189 are another very important step on the road to reducing health costs by incentivizing small businesses to offer HSAs to their employees. Remember...only 51% of businesses with fewer than 50 employees offer health insurance to their employees. Think of what Senate bills 1182 and 1189 could do to reduce that percentage.

Thank you for your time today. It has been my privilege to offer this testimony. I look forward to your questions.

Top 20 Most Prescribed Drugs

Drug Name	Indication	Average Brand Monthly Cost	Cost Generic	Average Generic Monthly Cost
1. Lipitor	high cholesterol	\$133	none available	n/a
2. Toprol XL	high blood pressure	\$60	Metoprolol succinate long acting	\$32 (25mg-50mg) \$44 (100mg) \$69 (200mg)
3. Norvasc	high blood pressure and angina	\$62 (2.5mg&5.0mg)	Amlodipine Besylate	\$56 (2.5mg) \$55 (5mg) \$73 (10mg)
4. Synthroid	hypothyroidism	\$17 (30mg) \$22 (112mcg-200mcg)	Levoxyl	\$12 (100mcg) \$14 (112mcg)
5. Lexapro	depression	\$115	none available	n/a
6. Nexium	heartburn, GERD, ulcers	\$207	Esomprazole	
7. Singulair	asthma, allergies	\$103 (10mg tablet or 4mg chewable)	none available	n/a
8. Prevacid	heartburn, GERD, ulcers	\$145 (15mg) \$186 (30mg)	none available	n/a
9. Ambien	insomnia	\$116 (all doses)	none available	n/a
10. Zoloft	depression	\$105	Sertraline	\$100 (all doses)
11. Advair Diskus	asthma	\$93 (250/50) \$122 (500/50)	none available	n/a
12. Zyrtec	allergies	\$76	none available	n/a
13. Effexor XR	depression	\$109	venlafaxine	\$97
14. Fosamax	osteoporosis	\$85	none available	n/a
15. Plavix	lower risk of heart attack & stroke	\$134	Clopidogrel	\$70
16. Protonix	heartburn, GERD, ulcers	\$65	none available	
17. Vytorin	high cholesterol	\$95	none available	
18. Zocor	high cholesterol	\$83	simvastatin	\$5.50
19. Diovan	high blood pressure	\$70	none available	
20. Lotrel	high blood pressure	\$100	amlodipine-benazepril	\$76

PLEASE NOTE: Information contained on this sheet was derived from a variety of sources including, but not limited to, Consumer Reports Best Buy Drugs, RxList, Pharmacy Checker, and Costco Pharmacy. All prescription options and/or changes should be discussed in full with your doctor. All pricing information is based on averages from November 2007.

****Average Potential Monthly Savings is calculated using the lowest cost generic or alternative prescription medication available**

Comparable Generics/Other Alternatives	Average Monthly Cost	Potential Monthly Savings (Avg)
Lovastatin	\$32 (10mg) \$37 (20mg)	\$101 or 76%**
Pravastatin	\$70 (10mg) \$68 (20mg)	
Bisoprolol	\$37 (5mg) \$38 (10mg)	\$42 or 70%**
Nadolol	\$18 (20mg) \$19 (40mg) \$25 (80mg)	
Felodipine SR tablet	\$37 (2.5mg&5mg) \$64 (10mg)	\$30 or 54%**
Nifedipine SR tablet	\$32 (30mg) \$62 (60mg)	
Levothroid	\$9 (100mcg)	\$9 or 53%**
Levothyroxine	\$8 (100mcg)	
Fluoxetine 10mg	\$35 (10mg & 20mg)	\$80 or 70%**
Omeprazole	\$23 (20mg)	\$184 or 89%**
Fexofenadine HCL	\$18 (30mg) \$27 (60mg)	\$85 or 83%**
Accolate 10mg (Asthma); Zyrtec 5mg (Allergies)	\$96 (10mg&20mg); \$76 (5mg)	
Omeprazole	\$23 (20mg)	\$122 or 84%**
*Note: Ambien is considered the "Best Buy"		Ambien is Best Buy
Fluoxetine	\$35 (all doses)	\$70 or 67%**
Citalopram	\$51 (20mg & 40mg)	
Budesonide 200 mcg * Albuterol (used together)	\$136 Budesonide) and \$38 (Albuterol)	Advair is Best Buy
Fexofenadine HCL	\$18 (30mg) \$27 (60mg)	\$58 or 76%**
		\$12 or 11%**
Boniva	\$84	\$2 or 2%**
Actonel (with calcium)	\$83	
aspirin	\$3 or less	\$102 or 76%**
Lovastatin	\$32 (10mg) \$37 (20mg)	
Omeprazole	\$23 (20mg)	\$42 or 65%**
*Note: no comparable drug alternative available		
		\$77.50 or 93%**
Bisoprolol	\$37 (5mg) \$38 (10mg)	\$33 or 47%**
		\$24 or 24%**