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January 18, 2006

Jon Kingsdale, Ph.D.
Executive Director
Commonwealth Health Insurance Connector Authority
One Ashburton Place, Room 805
Boston, Massachusetts 02108
via e-mail and U.S. Mail

Re: Minimum Creditable Coverage

Dear Dr. Kingsdale:

Insurance is not insurance unless it provides basic coverage and protects patients from financial disaster. On behalf of the nonprofit, nonpartisan Foundation for Taxpayer and Consumer Rights (FTCR), I urge you to keep this truth in mind as the Connector defines what it means to be insured under Massachusetts' new health care regime.

The Connector's regulations defining "minimum creditable coverage" will determine whether Bay State citizens will be offered quality health care policies, or be required to buy junk insurance under the state's mandatory health care law.

Your decision will impact not only the citizens of Massachusetts, but the development of health care policy in every state in the nation.

Minimum creditable coverage must:

- cap annual out of pocket expenses at \$7,500 per individual, or \$10,000 per family
- ban limits on what insurers will pay per treatment or illness
- include affordable prescription drug coverage

In 2005, medical bills were responsible for half of all individual bankruptcies in this country. Without adequate protection, unpayable medical bills will continue to drive Massachusetts families into financial ruin. In fact, because the law requires individual

health coverage, more families are likely to be at risk of bankruptcy unless their mandated insurance policy protects them against financial disaster.

Some policies currently sold in Massachusetts do not provide this protection. Mega Life and Health Insurance Co. and Mid-West Life Insurance Co., that reportedly cover 30,000 Massachusetts residents, are providers of the type of junk plans that must be excluded from your definition of minimum creditable coverage.

Companies like Mega sell policies without an out of pocket maximum. This absence is coupled with very limited maximum benefits payable in the event of hospitalization, surgery or serious illness. The plan benefits are so low that patients end up responsible for the vast majority of their health care costs.

A sample Mega policy pays \$200 to \$600 a day for hospital room and board, while room and board charges in the hospital can easily range from \$1200 to \$7600 daily. In a worst case scenario, the skimpiest Mega policy would pay just 2% of an admitted patient's costs.

Dana Christensen of Playa del Rey, Calif., bought a health plan from Mega and was left with over \$450,000 in unpaid medical bills when her husband, Doug, died of bone cancer. Their agent had assured them that their new plan would cover chemotherapy if Doug's cancer recurred. In fact, the policy capped chemotherapy payments at \$1000 a day, though the costs were often twenty times as high. Doug urged his wife to divorce him prior to his death so she would not be responsible for the medical bills, a gesture she refused.

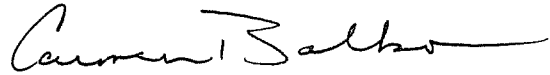
Minimum creditable coverage must accurately reflect the true cost of care.

Prescription drug coverage is equally critical to quality health care. Medications can be the first thing to go as financial pressures force families to choose between drugs and food or rent. Studies reveal that as many as one in four seniors have gone without their medications, or have skipped doses, because of high out of pocket costs. Uninsured patients and those with high out of pocket costs are many times more likely to skip prescribed drugs than those with insurance or lower costs. Medications can be the first line of defense against serious illness, and can successfully stave off health problems and prevent complications. Denying patients affordable prescription drug coverage will only encourage delayed or diminished care, leading to more costly health problems down the road.

But insurance companies cannot be allowed to charge patients whatever they want. Quality coverage will be accessible only when the amount health insurance companies spend on administration and overhead is capped, and prior approval of premiums is required so insurers must justify rate changes.

An annual out of pocket cap, no limit on what an insurer will pay per illness, and drug coverage to ensure patients can obtain preventive medications, all at an affordable price, are necessary features of minimum health insurance. In each area, we hope that Massachusetts will set the bar for reform efforts across the country.

Sincerely,

A handwritten signature in black ink, appearing to read "Carmen Balber". The signature is fluid and cursive, with a long horizontal stroke at the end.

Carmen Balber
(310) 392-0522 ext. 324

cc: Connector Board of Directors