
HEALTH PLAN WEEK

Beaten Up By Congress and the Public, Insurers Must Reshape Image, Impact Regs

Industry observers queried by *HPW* say health insurers have no one but themselves to blame for a poor public image, vilification by the media and the Obama administration, and a health reform law that could have a profoundly negative impact on their profits. But they agree it's still possible for the industry to repair its tattered image and influence regulations that will affect key provisions of the health reform law. The nation's five largest health plans allegedly are strategizing to do just that, by launching a new nonprofit entity funded with \$20 million.

"If you were to do sort of a roster of the winners and losers from the health reform debate, clearly the health insurance industry would be on the losing side," says Michael Franc, vice president of government relations at the Heritage Foundation, a conservative think tank based in Washington, D.C.

"Heretofore, health insurers haven't done the best job of communicating the value proposition they bring to the marketplace," says Henry Loubet, senior vice president and chief strategy officer at Keenan, a California-based health care consulting brokerage firm. "At the same time, that's a very challenging thing to do when the White House and administration decides [the health insurance industry] is the entity that is responsible for most of the problems" in health care. Loubet is a former UnitedHealth Group executive.

Despite the managed care sector's battered public perception, approval ratings for Congress and the federal government are even worse, Franc notes. "That's an inherent advantage for any campaign that [health insurers] decide to mount. Trying to influence the decisions by one of the least popular institutions in our society right now means [insurers] have an advantage on the playing field." But there are a lot of players (e.g., public interest groups) on the field, and health insurers don't have a lot of running room. To succeed, they must figure out a way to get their voice heard above all others, he tells *HPW*.

Five Biggest Insurers Form Alliance

The nation's five largest health plans are "in serious discussions" about creating a new nonprofit group and funding it with a \$20 million war chest that would

be used to "influence tight congressional races" and improve the industry's battered image, according to the Center for Public Integrity. Representatives from UnitedHealth, CIGNA Corp. and Aetna Inc. declined a request from *HPW* to comment on the alleged coalition. Spokespeople from WellPoint, Inc. and Humana Inc. did not respond to the requests.

A campaign to influence the reform law's implementation could be effective if health insurers have a strong commitment and the financial resources to back it up, says Helen Darling, president of the National Business Group on Health. "But because the individual market has had a number of problems, and insurance companies have been so demonized, the industry will struggle to get the public to understand what is true and what is inaccurate and out of context," she tells *HPW*. "The industry will want to be as careful as possible and explain with trustworthy and reliable data what can be done to ensure an effective and efficient market."

Fred Karutz, general manager of health plan solutions at Silverlink Communications and a former executive with Blues plan operator Health Care Service Corp., says it's important that health insurers work to influence the regulations because they understand what works and what doesn't. The reform law, he adds, could undermine the existing system of employer-based coverage and could devastate the small-group market over the next five years. "I believe there is nothing wrong with insurance companies informing the debate," he tells *HPW*. Karutz suggests that insurers will work on strategies that will help them avoid adverse selection and encourage the vast majority of the population to purchase coverage through exchanges or directly from the carriers.

To change public perception and influence regulations, Franc says the industry must explain why their vision of regulation's implementation will be more advantageous to the public than the government's strategy. Health plans need to ask questions like, "who should be advising your doctor on best practices? Your health plan, which has access to millions of pieces of real data, or some bureaucrat?" he asks. Moreover, health insurers must explain why they have a financial

stake in improving the quality of care that their members receive, he adds.

MLR, Exchanges Are Key Issues

Henry Aaron, Ph.D., a health policy expert at the Brookings Institute, says a well-funded war chest, if it exists, would be most effective if used to impact regulations related to health insurance exchanges, which are slated to be operational by 2014. "If I were planning how to spend a war chest, that is where I would put my chips," he tells *HPW*.

Carl Doty, vice president of enterprise strategy at customer relationship marketing agency Merkle, Inc., says he wouldn't be surprised if the largest health insurers have joined forces. He also agrees with Aaron that influencing the insurance exchanges would likely be a top priority for such a group. Rather than repealing elements of the law, he says the goal of the group is more likely to be ensuring that the implementation of the law is executed in a way in which all of the facts are on the table with regard to how the business of health insurance is done. Health insurers, he says, "need to provide complete transparency in what's driving profits, medical cost trends, premium increases, etc.," he tells *HPW*. Health plans also are concerned about the methodology that will be used to calculate medical loss ratio (MLR) floors, the structure and enforcement of the individual mandate and the definition of "minimum acceptable coverage."

Loubet suggests that the industry focus on ways to improve the affordability of health coverage, which he says is missing from the health reform law. "It is incumbent upon [the insurance industry] to come up with solutions that are focused on affordability. To not come out with ideas and recommendations around affordability is not acceptable."

AHIP Was 'Hamstrung' By Members

According to an Aug. 3 *Bloomberg* article, the alleged coalition of health insurers is debating whether to call for the ouster of Karen Ignagni, president and CEO of the America's Health Insurance Plans (AHIP) trade group. The article cites unnamed sources.

But industry consultant Joe Paduda, a principal at Health Strategy Associates, LLC, says AHIP was "hamstrung by the colossal missteps" of its members during the health reform debate. He points to widely publicized rescissions, soaring profits among publicly traded companies and Anthem Blue Cross of California's ill-timed rate hike for individual policies, which led to a congressional hearing just as the reform law was teetering toward failure (*HPW* 2/15/10, p. 1). "The industry is completely tone deaf, making Ignagni's job damn near impossible," he asserts.

Aaron agrees and says he doesn't think health plans have anything to gain by replacing Ignagni. "She strikes me as an articulate and effective advocate."

AHIP spokesperson Robert Zirkelbach declined to comment on the *Bloomberg* article's reference to Ignagni. "I'm not going to waste my time responding to anonymous so-called 'sources.' We are focused on doing our part to control soaring medical costs and implementing the new reforms in a way that will minimize disruption for the 200 million people our members serve."

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