

Public Policy and Education Fund Analysis
GHI/HIP and the Need
for Federal Health Care Reform

I. Introduction

Group Health, Inc. (GHI) and HIP Health Plan of New York (HIP) are two long-time non-profit health insurers that affiliated in 2006. (In this report, the combined company is referred to as "GHI/HIP"). GHI/HIP is the largest health insurer based in New York State, with a combined membership of more than 4 million members in several northeast states, including New York, Connecticut and Massachusetts, and combined revenues of over \$7 billion. In 2006, the two companies became units of the same company, EmblemHealth.¹ GHI/HIP now operates three health insurance plans in New York: GHI HMO Select and HIP HMO, both of which are HMOs, and Group Health, Inc., a non-profit indemnity insurer.

After affiliating, the combined company applied to regulators in New York to convert to for-profit status; this request provoked enormous opposition by consumer organizations. Given its size, market leadership, and documented poor customer service record as detailed below, GHI/HIP's poor customer service record is a major concern for New York policymakers and customers alike (see section II). **The company's poor customer service record is exhibit one as to the need for comprehensive federal health reform legislation that includes a public health insurance option.**

II. GHI/HIP's Poor Consumer Service Record in New York

Each of the 3 GHI/HIP health insurers has one of the worst consumer service records of any health insurer in the state, based on data compiled by New York State Department of Health (DOH) and the New York State Insurance Department (NYSID), the two state agencies with significant roles in regulating New York insurers.

The chart on page 2 contains data from a DOH and NYSID guide based on consumer complaint data for all insurers in New York entitled: *2009 New York Consumer Guide to Health Insurers*.² The complaint rankings (among commercial insurers and for all insurers) are developed from the total number of closed (completed) complaints lodged with NYSID about health insurers from consumers and health care providers like doctors that are upheld by NYSID as valid. The complaints concern such topics as failure to make prompt payment, reimbursement, coverage, benefits, rates and premiums.³

¹ Information from web pages of GHI, HIP and EmblemHealth: www.ghi.com; ww.hipusa.com; www.emblemhealth.com.

² The *New York Consumer Guide* is available at http://www.ins.state.ny.us/consumer/cg_hi2009.pdf. The guide is intended to enable New York consumers to select a suitable health insurance plan from among the competing insurers in their region.

³ The rankings are determined by dividing the number of "upheld" complaints by the insurer's total annual premiums. NYSID uses premiums as a measure of the health insurer's size; it would be expected

As indicated in the chart, **each of the 3 GHI/HIP plans is at or near the bottom of the rankings for its category of insurer and for all insurers for all types of complaints:**

- GHI HMO Select is 13th of the 13 HMOs in the state (i.e., the worst of the 13) and HIP HMO is 10th;
- GHI (indemnity) is 4th of the 4 non-profit indemnity insurers in the state; and
- GHI (indemnity) is 41st of the 46 insurers of all categories in the state, HIP HMO is 42nd and GHI HMO Select is 46th.

Each of the 3 GHI/HIP plans are at or near the bottom of the rankings for its category of insurer and for all insurers for prompt pay complaints:⁴

- GHI HMO Select is 13th of the 13 HMOs in the state and HIP HMO is 11th; and
- GHI (indemnity) is 4th of the 4 non-profit indemnity insurers in the state.

Prompt pay complaints concern violations of state laws requiring all insurers to pay all undisputed claims within 45 days, and to request any additional information necessary to resolve the complaint within 30 days of receipt of the claim.⁵

Complaint Record of GHI/HIP (EmblemHealth) Compared to Other New York Insurers						
	GHI HMO Select, Inc.		HIP HMO		GHI (indemnity)	
	Ranking Among All HMOs	Ranking Among All Insurers	Ranking Among All HMOs	Ranking Among All Insurers	Ranking Among All Non-Profit Indemnity Insurers	Ranking Among All Insurers
Overall Complaint Record	13 of 13	46 of 46	10 of 13	42 of 46	4 of 4	41 of 46
Prompt Pay Complaints	13 of 13	Not compiled by NYSID	11 of 13	Not compiled by NYSID	4 of 4	Not compiled by NYSID

The 2008 GHI/HIP data reflect a long-term trend of poor customer service. The NYSID and DOH have consistently ranked GHI and HIP among the worst in the state in their complaint rankings. For example, in 1996, Long Island Business News

that NYSID would receive more complaints from a large insurer, so dividing by the premium size controls for the number of customers in order to make comparisons between insurers of different sizes fairer. NYSID only considers "upheld" complaints in the computation of its rankings: failure to comply with obligations on the insurer established either by state statutes or by its contracts with its members or providers.

⁴ Prompt pay complaints are calculated in the same manner as complaints in general: upheld complaints divided by premiums.

⁵ Claims must also be denied within 30 days.

reported that HIP's HMO had the highest complaint ratio in the state; the article indicated that "[m]ost complaints deal with long delays in paying for treatment, often leaving subscribers to pay out of pocket or face collection agencies and/or lawsuits from doctors and hospitals for payment overdue by years, in some cases."⁶ Before 2008, both GHI and HMO received hundreds of thousands of dollars in fines for violations of the state's prompt payment regulations.⁷ Further, in a particularly outrageous practice, the New York Attorney General found in 1999 that HIP was illegally requiring prior authorization of emergency services. The AG found that this practice "could result in dangerous delays in emergency services." As a result of the investigation, HIP was forced to pay \$1.4 million to consumers whose claims had illegally been denied, and to stop the practice.⁸ Finally, in 2007, NYSID found that HIP has incorrectly calculated the maximum allowable charges to its customers; the company was required to refund roughly \$1 million in consumer overcharges.⁹

Finally, as already noted, GHI/HIP is applying to convert from non-profit status to a for-profit company. The conversion will almost certainly result in higher premiums for consumers, as the company increases its administrative expenses for marketing, profits and executive pay. Consumer representatives are also concerned about likely service declines and benefit reductions.¹⁰

It is obvious that GMI/HIP's large number of complaints and long history of poor customer service demands corrective action by the company.

III. GHI's/HIP's Participation in Work in Opposition to Health Care Reform

Not surprising, instead of working to adequately address its poor customer service record, GHI/HIP is working -- at least indirectly -- on heading off strong health care reform legislation that would subject it and other major insurance companies to greater governmental oversight and to effective competition, including from a public insurance option.

⁶ Long Island Business News; *HMO faces complaints but no sanctions*, June 10, 1996.

⁷ See, for example, NYSID Press Release, *Department Levies Over \$4 million in Prompt Pay Violations*, April 19, 2002; NYSID Press Release, *22 Health Insurers, HMOs Fined for Prompt Pay Violations*, November 28, 2005.

⁸ In the Matter of Health Insurance Plan (HIP) of Greater New York, Inc., Assurance of Discontinuance Pursuant to Executive Law Section 63 Subdivision 15, September 15, 1999.

⁹ New York State Insurance Department, *The Price of Deregulation: How "File and Use" Has Undermined New York State's Ability to Protect Consumers from Excessive Health Insurance Premiums*, June 8, 2009, at 11. New York State does not directly regulate health insurance premium rates. However, state law requires that a minimum percentage of customer premiums must be devoted to payment of claims. The NYSID proceeding referred to in this report concerned HIP's miscalculation of the factors in determining that percentage, resulting in the overcharging of HIP customers.

¹⁰ Consumers Union and New Yorkers for Accessible Health Coverage Press Release, *Consumer Groups Blast Plans to Covert HIP-GHI to a For-Profit Company, Urge Insurance Commissioner to Conduct an Independent Study of Premium Impacts*, January 29, 2008.

The insurance industry nationally is spending \$641,000 a day lobbying against health care reform, according to Health Care for America Now, the largest health care reform in the nation. GHI/HIP is an active participant in the anti-reform effort. Specifically, David Abernethy, EmblemHealth's senior vice-president for governmental affairs, is a member of the policy committee of America's Health Insurance Plans (AHIP), the major trade group for health insurers nationally and an aggressive opponent of reform. AHIP spent \$7.54 million on lobbying in 2008, significantly up from its expenditures in 2007, obviously to head off reform; as of the first quarter of 2009, AHIP had already spent \$2 million for lobbying.¹¹

IV. How Health Care Reform With a Public Health Insurance Option Will Provide a Check on Private Insurers Like GHI/HIP

Comprehensive health insurance reform legislation, including a public health insurance option is absolutely essential to protecting consumers from companies like GHI/HIP that have exhibited a disregard for the needs of their customers. First, strong legislation -- and that means with a public option -- will not only limit health care costs, but, coupled with strict regulation, is the only means to significantly improve the quality of care consumers receive. The American Medical Association has estimated in 94% of the metropolitan areas across the nation, only one or two companies dominate the market. In these markets, dominant insurers like GHI/HIP have little or no incentive to improve services or keep health care costs down. The experience of Medicare indicates that public plans have greater incentives to innovate, and to emphasize programs like primary care that improve patient outcomes.¹²

Secondly, all versions of the health care legislation now before the Congress would ban egregious insurer practices like pre-existing condition limitations and rescissions: the outrageous practice of canceling consumer health care contracts months and even years into the contract based on even minor and unintended misstatements made by the customer upon enrollment.

A strong public option, federal regulation of the most egregious practices like rescissions, and strong enforcement of consumer protection laws (including on the state level) are all needed to address the egregious insurer practices documented in this report.

V. Conclusion

This short survey of the practices of one of the nation's largest insurers calls for strong remedial action by GHI/HIP. The consumer complaints to NYSID establish that GHI/HIP and each of their affiliated plans have among the worst customer service records of the health plans in the state. The company's customer complaint record in the state in 2008 is, as already noted, consistent with GHI/HIP's history of ignoring the needs of its customers. One simple action that the company could take to address this lack of consumer confidence is to develop a plan which

¹¹ National Journal, *Health Care Reform Faces Its 'Super Bowl Moment'*, June 13, 2009.

¹² See Institute for America's Future, *Public Plan Choice in Congressional Health Plans: The Good, the Not-So-Good, and the Ugly* (August 20, 2009), at 3-4, 10-11.

would be released by the end of the year to improve company practices that will radically reduce the number of upheld complaints at the New York State Insurance Department. In addition, the company should terminate any policy or incentive that rewards employees financially or otherwise for denying care or rejecting claims.

Finally, we urge the company not to use any resources -- including funds, employees, and facilities -- to oppose the health reform proposals supported by President Obama and being considered by members of the United States Congress. The media has documented the practices of some health insurers like United Health Group, a large Minnesota-based company, to use corporate funding and tens of thousands of employees -- paid ultimately by customer premiums -- to defeat universal health legislation.¹³ Executives and employees of insurers like EmblemHealth, of course, have the right under the First Amendment to express their views on legislation that affects their industry. However, for the company should not use customer dollars for this purpose.

¹³ See, Public Policy and Education Fund, *United Healthcare: New York Customers Lose While the Company Fights Reform*, September 21, 2009.