

Introductory Remarks of Superintendent of Insurance Eric Dinallo

Partnership for Coverage Hearing
September 5, 2007

It is indeed an honor to be here. I am very excited and the Insurance Department is very excited to have this opportunity.

There are many statistics, but I will tell you of one which is just unbelievable to me. There are between 2.5 million and 3 million New Yorkers without insurance. I think that if you look at undocumented residents in the state, it's closer to 3 million people. Now, if that is true, we have 1 in 6 New Yorkers who do not have insurance. That's a big number, 1 in 6.

I think there is a misconception that the people who don't have insurance in this state are impoverished, people who are living in back alleys. That is completely untrue. The uninsured are often like the people I run across in everyday life – people who have given me hair cuts, the waiter at the local restaurant, a couple of writers and artists.

If you ask them why they don't have insurance, there is a pretty simple answer. They can't afford it and/or their employers don't offer it. That number of 1 in 6 uninsured people in New York State is a number that rattles me. It is a number we need to attack aggressively and incrementally, keeping in sight that public programs are under-utilized and that the cost of private insurance has to be reduced.

We have a tremendously important, essential goal to achieve here that goes to the heart of the kind of society we live in, and I am very, very excited and honored to be a part of the process.

The number one issue that we see is with respect to the individual insurance market. The costs there have gone up tremendously and so it is very expensive and very difficult for individuals to get insurance. It centers on the issue of adverse selection. That concept reflects the fact that as healthy young people are opting out of the system, the remaining pool of insured people are those who require medical care. As a result, costs go up. This causes the spiraling cost increases that we have to confront. We must figure out a way to get people back into the insurance system, especially in the individual market.

The small group market for small businesses is equally problematic -- there have been double digit increases in this market for the last several years. One of the biggest challenges of the Insurance Department is working with the private insurers to produce a product that is affordable. Massachusetts established a universal health insurance program and they have found challenges on the side of private insurers. In that state's program, not enough work was done with the insurance companies to produce an affordable product.

I want to focus on creating insurance products that are affordable for the citizens and small businesses in the state. This is a number one mandate for the Insurance Department in partnership with health insurers and providers. That is where I am trying to focus our efforts,

since it has been one of the major stumbling blocks for other states.

The other growing segment is retirees. You have the two ends of this curve – on one side, the young, who think they are invincible and retirees who need health insurance, but often can't afford it. It is almost like a tale of two cities, and it's a looming tragedy because those two segments of our population are going to grow and the issue is going to become more acute.

Some of the statistics that Doctor Daines alluded to apply to the small group market which includes 900,000 small employers. The average statewide single premium now is \$400 dollars per month. This is expensive and difficult for small businesses to maintain. As I said before, benefits and costs are all over the place, so there may be some rationalization and improvement that can go on there. In the individual market, the numbers are pretty eye popping. A recent article in the New York Post had some unbelievable numbers. The average insurance premium has basically tripled since 2001. It has gone from about \$275 dollars per month to \$800 dollars per month and in some counties it is as high as \$1,000 dollars per month. Actors, writers, barbers, waiters and painters are paying \$12,000 a year for their health insurance.

Again, adverse selection is the reason the cost is going up. Healthy people are dropping out of the individual market leaving only those who are ill. In New York, we have some unique features. Ours is a very diverse state with varying needs. We have what we call pure community rating and open enrollment, which essentially means that individuals and small group plans can access coverage without regards to age, sex, health status or occupation. This is a wonderful thing and it is regulated by the state, but it is fairly costly, and we have the individual market, which is standardized.

We have a network of public programs that Doctor Daines referred to, as well as Healthy New York. I think it is an under-utilized program and we are going to make an effort to try and advertise it and get the message out to the public in a better way. It is a small business and individual plan and it is a bare bones plan, but it is better than not having anything. It's affordable, and I think the co-pays are not too high. But for a lot of people, that may be the solution as a basic back stop for health insurance.

Finally, again I want to get back to the private partnership. There is no easy solution -- it's going to require commitment and dedication from both the government and the private sector. The Insurance Department is willing to put in the work and be part of this partnership. I want to emphasize how important it is for us to come out of this with a product that is priced appropriately for the people of the state. Lastly I just want to tell you how much I appreciate the turn out here today. It is essential to hear from the public and experts, and we are going to do plenty of that. I am happy to learn and I will dig in and do the best that I can. I look forward to hearing from everyone today.