

IN SUPPORT OF S. 585
An Act to Reduce Health Care Costs and Improve Patient Care
July 15, 2009
By Paula Vandever
League of Women Voters of Massachusetts Health Care Committee

The League of Women Voters of Massachusetts urges that you support S. 585, “An Act to Reduce Health Care Costs and Improve Patient Care.”

Included in its position on health care, The League of Women Voters supports a basic level of quality health care at an affordable cost for all residents. The stated purpose of Senator Tarr’s bill is to develop a system that will maximize the amount of direct premiums earned which are expended on the provision of care in the commonwealth.

In the past the League has supported, and continues to support, legislation that increases the patient care ratio, (that is, the percentage of premiums received expended on patient care). However, this legislation has continued to languish in committee.

Senator Tarr’s bill establishes a commission to investigate the ratio of direct claims to direct premiums (loss ratio) and, following the investigation and evaluation of potential methodologies, to design and implement a system it determines to be the “most effective, practical and efficient” in its application of said loss ratios.

Review of for-profit health care insurance providers has shown that up to 40% of premiums received are used to pay lobbying efforts, campaign contributions, advertising, costs incurred to deny payment for care, stockholder returns, and CEO salaries and benefits. In Massachusetts medical insurers have been demonstrated to expend between 10% and 25%. Medicare expends approximately 3% and Harvard Pilgrim traditionally operates on 5%. Limiting administrative costs by as little as 2% or 3% of the over \$60 billion dollars spent annually for health care in Massachusetts would provide significant savings to residents, government, and businesses alike.

It is the hope of the League of Women Voters of Massachusetts that, upon the timely completion of this evaluation, the percentage of premiums received by health insurers expended on administrative costs will be limited in a fair and equitable manner, thus increasing the percentage available to fund direct care to the insured and potentially decreasing the cost of health care coverage.