



Mountain State Blue Cross CEO Greg Smith warns that health insurance rates will reach a breaking-point in West Virginia before they do in other states. Here, the state's top 20 hospitals plan an explosion of spending on construction and technology. "When these hospitals compete and duplicate services and technology, it drives prices out of sight," Smith said.

**Photographer:**  
Kenny Kemp  
kennykemp@hotmail.com

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## 'We sink or swim with everyone else'

■ Insurance CEO stumps against high health insurance prices

By [Kate Long](#)  
Staff Writer

"When an insurance executive stands up and warns people about insurance prices, we know we're in trouble," somebody in the audience joked.

Greg Smith laughed. It was true. As CEO of Mountain State Blue Cross/Blue Shield, he came to a state conference of personnel directors to tell them they are in deep trouble.

In fact, Smith wants to wake up the whole state. He's worried.

"I believe that prices will hit very high levels in West Virginia more quickly than they will anyplace else in the country," he told the personnel directors.

Several people sighed. One man put his head in his hands.

In the hallway before Smith spoke, one person after another said companies have been cutting benefits and raising deductibles and co-pays for several years, trying to keep ahead of health care bills, struggling to find ways to keep employees insured.

"It's an incredibly painful process for many of our members," said Tammy Perkins, president of the state Society for Human Resources Management.

"We've all been searching for that magic bullet that doesn't exist for some time now," said John DeLawder, director of human resources at Fairmont's Institute for Scientific Research. "We don't want to drop insurance, but so far, all we've been able to do is juggle the costs around between employers

and employees. It's frustrating at best."

State insurance premiums will probably double within five years if health care costs keep rising at the same pace, Smith told the group. "People need to know this, while there's still time to do something about it."

If that happens, a family health insurance policy would cost businesses \$16,000 four years from now, he said. The room went very quiet.

These are surprising messages for an insurance executive to be delivering. Smith, a Lincoln County native, says he has no choice.

Mountain State Blue Cross/Blue Shield has just had four solid performance years. The company insures more West Virginians than any other company. Its premiums are among the state's lowest, according to the Insurance Commission. As a regulated non-profit, the company can't play the stock market, so it didn't get hammered there.

But Smith is looking five years down the road. "I'm trying to get people's attention and say, 'Look. Don't wait till this gets so bad, most people can't afford insurance.'"

This is no time to relax, he said. Health care costs are rising faster and higher in West Virginia than they are in most other states. They slowed slightly in the first quarter of 2003, but the Insurance Commission says no conclusions can be drawn from three months of data.

Smith believes many West Virginians are at risk. He believes his 814-employee company is at risk. If prices double, most customers may no longer be able to buy insurance.

How bad is it? Since 2000, at least 24 insurance companies have stopped writing health insurance in the state. Most are still selling in states where they make more money. Others have gotten out of health insurance entirely.

Thirteen companies are still writing new health insurance policies in West Virginia, according to the Insurance Commission.

But Mountain State Blue Cross/Blue Shield can't leave. Based in Parkersburg, it is chartered as a West Virginia-only company.

"West Virginia is our only market, and health insurance is our only product," Smith said. "We couldn't leave if we wanted to, and we don't want to. We sink or swim with everyone else."

Smith knows many people are suspicious of insurance executives. He knows they think insurance companies jack their prices up to cover stock market losses. Some have, he says. "Commercial companies, particularly the malpractice insurers, lost a ton of money in the stock market," he said. "And that's part of the reason they've had these terrible increases in the past few years."

He refers people to the Insurance Commission, which examines Mountain State's financial statements each year. They are very conservative investors, the Insurance Commission confirms.

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In the past year, Smith has made dozens of presentations to legislative committees, doctor groups, Rotary Clubs and insurance agents, trying to sound the alarm. He's not sure who's listening.

"Everybody knows it's a problem," he said. "Everyone knows it's getting worse. But they say, 'I don't have time to deal with it now. I've got my own problem.'"

He doesn't want the government to take over more of the health care system. He knows the Wise administration is putting together ideas that require government action. Some would involve potential private insurance customers.

The problem is too big for the private or public sector to handle alone, he told the personnel directors. "We're not going to have real solutions until all the players in this system can sit around the table and say, 'Look, if we're going to save this private health care system, we're going to have to give a little, sacrifice a little, and maybe have to accept some things that we're not crazy about.' "

It's not clear that everyone is willing to do that.

Last winter, Smith gave his talk to a group of doctors. Seven or eight approached him afterward. He thought maybe they'd express concern. Instead, he said, they wanted to tell him Blue Cross should pay them more for certain medical procedures.

"They didn't really get what I was saying," he said.

The personnel directors got it. Many wrestle healthcare cost problems every week.

As he spoke to them, Smith paced back and forth, flipping slide after slide onto the screen, comparing West Virginia to Ohio. Ohio residents pay lower premiums than West Virginians, he said. So do people in most other states.

A 45-year-old Ohio man would pay \$160 a month for a standard policy with a \$500 deductible. If the same man lived in West Virginia, he'd pay between \$229 and \$337 a month for the same kind of policy, depending on the company.

Smith's message: West Virginians may not be able to force international pharmaceutical companies to stop charging enormous prices for prescription drugs. Maybe we can't make technology companies charge less for medical equipment. Or make doctors cut their fees. Or change the fact that drug companies can now advertise on television.

But West Virginians can do something about homegrown factors that drive up insurance prices, he said. They can bring down the price difference between West Virginia and Ohio. He pointed to one slide after another.

s West Virginia is No.1 in smoking, heart problems, and obesity, not to mention diabetes and some forms of cancer. Ohio does much better.

s West Virginians are No. 2 in hospital use. Ohio is No.16.

s Younger West Virginians are leaving. The state has the oldest median age in the country. Older people have more health problems. Ohio is No. 28 in age.

s West Virginia hospitals appear to be on a building rampage since 2000. In 2002, they asked the state Health Care Authority to let them spend \$800 million on construction and technology, compared with a high of \$150 million in 2002.

Three cities - Fairmont, Clarksburg, and Morgantown - want to build hospitals within 38 miles of each

other on Interstate-79. "It all drives up the cost of insurance," Smith said.

s West Virginians use more prescription drugs per capita than residents of most states because they're older. Many drugs cost hundreds or thousands per month. Prices are zooming upward.

s Ohio has more specialists than West Virginia, he said. Ohio insurance companies can dictate prices to the specialists. West Virginia can't. Ohio also has more people in their insurance pools.

s West Virginia's malpractice premiums are higher than those in surrounding states. A few doctors run up most of the malpractice awards, he said. And some insurance companies have hiked their premiums to make up for stock market losses.

"Greed exists all over this system," Smith said. "It's a universal problem." Several people nodded like they were in church.

As Smith spoke, people milled about the exhibit area down the hall where third party administrators had set up displays, offering creative ways to shift costs onto employees. "You can't just keep increasing the deductible and co-pay indefinitely," Smith said.

He flashed slides of a five-point plan his staff feels might drag insurance bills down: "We don't want to suggest that ours is the only approach," Smith said. "If somebody has a better plan, great. Let's get the ideas out there."

s Bare-bones insurance for catastrophes should be required for all uninsured workers, he said. Employers could be given tax credits or incentives to provide it. Smith said his company can offer such coverage for \$40 a month for individuals and \$70 a month for couples if the state made it mandatory. A lot of uncompensated care bills and potential bankruptcies would be prevented, he said.

s Doctors who incur repeated malpractice claims should be disciplined. Now that the doctors have set up their own malpractice insurance fund, involving their own money, they may be more aggressive, he said.

s The state should declare a moratorium on hospital construction and other major capital expenses until the Health Care Authority comes up with a plan for health care expansion that is based on actual need.

s Healthy-living programs should be emphasized in elementary schools, if West Virginia is ever to lose its first place status in heart disease, cancer, diabetes, etc. Smith and his management team will put company money where their mouths are. They plan to offer \$5,000 grants to schools to develop such programs.

s Smith urges the state to look closely at the amount the Public Employees Insurance Agency (PEIA) reimburses health care providers. They should raise any reimbursements found to be below cost, Smith said, so hospitals will stop shifting so much cost onto private insurers.

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Weeks after he spoke to the personnel directors, Smith is still fine-tuning his ideas. He's getting a good reception, he says, but a Wise administration official dismissed his idea of bare-bones insurance, objecting that it doesn't provide for primary care or elective surgery or immunizations.

Once you add those things back in, Smith counters, you have a policy that is already on the market. And many people can't afford \$200 or more a month. It doesn't help to offer people things they can't get.

That question will be the subject of much debate in months to come. More than half of the uninsured working-age adults (53.1 percent) in West Virginia make less than \$20,000, according to the recently produced West Virginia University study of uninsured people in the state.

"I had a waitress tell me, 'I can't afford these products that you have on the market,'" Smith said.

"She's a single mother. She said, 'What scares me to death is that emergency hospital claim I have to pay for the rest of my life.'"

"That's the fear," Smith said. "That's what this would take care of."

We've got to think outside the box and make new plans that fit the times, Smith says. "We've got to be looking 20 years ahead."

Mountain State Blue Cross/Blue Shield will soon offer elementary schools those grants to develop healthy living programs. It already runs Dean Ornish programs to help people reduce and reverse heart disease. Management is looking at ways to offer lower premiums for people who take care of their health, Smith said.

He challenges others to get their ideas out there. "Everyone has to take responsibility to help solve this," he says.

"We don't expect everyone to agree with ours. The important thing now is to get the discussion going. If you wait until the door's about to shut, it's too late to do anything about it."

That prospect, he says, scares him more than anything.

*The "Everybody at Risk" series will continue in coming months, following uninsured people, people in danger of being uninsured, and people who are trying to do something about it. Visit [www.wvgazette.com/uninsured](http://www.wvgazette.com/uninsured) for information and links.*

### **Average family premium (Insured business)**

The cost of all health insurance will roughly double by 2008, according to the state Insurance Commission, if health care prices keep rising at the rate they have been. Mountain State Blue Cross/Blue Shield prices are among the state's lowest. This chart represents the low range. "Our rates are where they have to be for us to survive," Smith said.

### **Same service - different rates**

Government programs often reimburse doctors and hospitals only part of the asking price. So medical providers charge private insurers more to make up the difference. Here, Mountain State Blue Cross/Blue Shield calculates that anesthesiologists charge private insurers at least \$52 for the same service for which Medicaid pays \$17.26.

"The question always is: Are the hospitals and doctors charging a reasonable amount?" said Perry Bryant of the West Virginia Education Association.

West Virginia's limited number of specialists means state specialists can charge insurance companies more than, say, their counterparts in the Pittsburgh area.

In Pittsburgh, Smith said, there are many specialists, so the Blue Cross there can say, "This is our price. Take it or leave it." Out-of-state anesthesiologists accept \$38.50 for the same service for which their West Virginia counterparts are paid \$52.

### **Prescription drug costs**

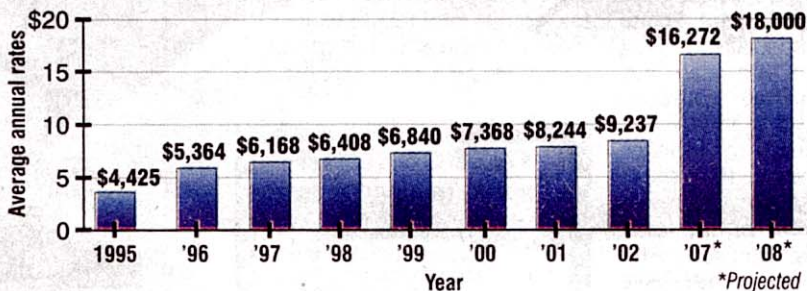
Prescription drugs in the United States often cost at least twice as much as the average cost in Canada or other industrialized countries. Within the United States, if drug prices keep rising at the current rate, they will more than double between 2001 and 2007, says Mountain State Blue Cross/Blue Shield's Smith. The high percent of elderly people drives up the total volume of prescriptions in West Virginia, he said, as do recent increases in television advertising of drugs.

*Staff writer John Heys contributed to this report.*

*To contact staff writer Kate Long, use e-mail or call 348-1798.*

# Average family premium

## (Insured business)



Source: Mountain State Blue Cross/Blue Shield Actuarial/Underwriting Weighted Tier 4 Rates

Gazette graphic by ALETHIA L. STOLLINGS

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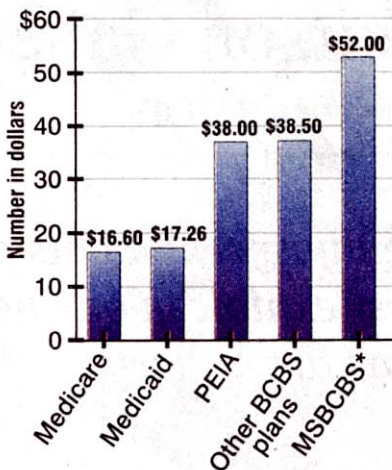
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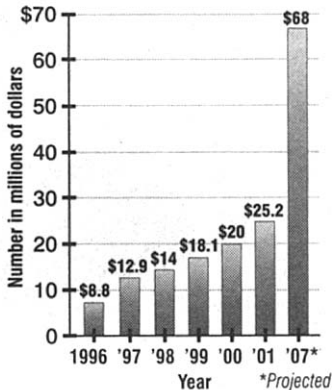


Source: \*Mountain State Blue Cross/Blue Shield Health Services Division  
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Source: ClaimsPro Statistics/ Mountain State Blue Cross/  
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Blue Shield