GHI/HIP requests for-profit status

City, unions eye move

By PETER HOGNESS

GHI and HIP, which merged in November 2006 to become EmblemHealth, are now seeking conversion to for-profit status.

"The plan is good for our customers, good for the people of New York and good for HIP and GHI," declared EmblemHealth CEO Anthony Watson at a January 29 hearing in Manhattan. "Our future stability depends on our ability to compete…against the vast economic advantages of large, out-of-state, for-profit insurers," Watson said. "Converting to for-profit status will allow us to access capital far more efficiently and less expensively." This in turn, the company claims, will enable investment in new technology, improved customer service and a range of new "insurance products."

The hearing was held by New York State Insurance Department, which must give permission before the conversion can go ahead. Testimony was heavily negative, and the City of New York was among those taking a strong stand against the change to for-profit status.

"If GHI and HIP are granted for-profit status, they will quickly and substantially raise the rates they charge, and the City will have no choice but to pay for it," declared Deputy Mayor Ed Skyler. Shareholders "would rightly expect the highest possible return on their investment" and would demand major rate increases. It would be easy to raise rates, the City contends, because GHI and HIP premiums today are much lower than those of their nearest competitor.

LAWSUIT

The City is suing to overturn the merger as anti-competitive. Skyler said that if the deal goes through, it is vital for the City to get a large share of the cash from the conversion. The new company's initial stock offering would create a financial windfall of over a billion dollars, and New York City, State and union welfare funds all have their eyes on those funds.

Municipal unions focus on finances.

City employees make up the largest block of GHI/HIP customers. "We want our members, the dedicated City workers who are the real stakeholders, who have contributed to the value of GHI/HIP for decades, to get a fair share of the proceeds," Municipal Labor Committee Chair Randi Weingarten, who is also president of the United Federation of Teachers, told the civil service weekly *The Chief*. On February 29, Weingarten wrote the State on behalf of the MLC to ask that GHI/HIP's request be denied, until those concerns are addressed.

The PSC is "vigilantly protecting members' interests," President Barbara Bowen assured members at the PSC's February 28 Delegate Assembly. It's not just the PSC that is affected, noted Bowen. "There are unions representing 300,000 municipal employees monitoring this situation, and they have two main concerns: cost and service to members," she said. City unions have "taken a very strong position that it was mainly union workers who created the equity in HIP and GHI."

"I don't see any upside to this for the unions and their welfare funds. I think it's a bad idea for GHI and HIP to go for-profit," said Welfare Fund Executive Director Larry Morgan. "But if they do, it's essential that the money from the conversion be used to stabilize health care costs for union members."

Public-interest groups have staked out a stance of strong opposition to a for-profit conversion. "As a for-profit company, GHI/HIP will be permitted to spend less of each premium dollar on health expenses and more on marketing, administration, and executive salaries and benefits," warned Consumers Union.

NO NEED TO RUSH

Len Rodberg, chair of urban studies at Queens College, spoke at the January 29 hearing on behalf of the NY Metro Chapter of Physicians for a National Health Program, where he is research director. For-profit conversion of GHI and HIP, he said, "moves us farther from, not closer to, the goal of universal health care….It would add still another entity that will stand in the way of achieving equitable access for all."

"There is *no* need to rush forward," said Mark Hannay of Metro New York Health Care for All, "other than perhaps the State getting its hands on 80% of [the proceeds] in a tight budget year."

Welfare Fund's new long-term care program

Opening to those in old plan

By PATRICK SMITH
PSC/CUNY Welfare Fund

The Welfare Fund is now offering its new John Hancock long-term care insurance plan to PSC members who already have long-term care coverage under the company's previous plan. As a plus, many current policyholders will be able to purchase the new program without providing any medical information if they apply during the upcoming enrollment window. This offer follows the initial offer of a new policy last fall to members without Welfare Fund long-term care insurance.

ENROLLEES IN THE ORIGINAL PROGRAM

The 1,900 people enrolled in the old plan will soon be notified by mail that they can choose to transfer to the new program. They will receive a rate quote in accordance with the level of care they select. However, anyone in the original program – which still provides excellent coverage – may simply stay with it if they wish.

Members who elect to join the new program at their current benefit level or at an increased level will have the option to sign up during the upcoming special enrollment period, from mid-April to mid-May. (Exact dates will be provided in the mailing and posted on the Welfare Fund website, www.psccunywf.org.)

A significant special feature of the new program is a one-time opportunity for "guaranteed acceptance" – the ability to join without the need for medical evidence of insurability. During this special enrollment period, John Hancock has agreed to waive the normal requirement of proof of insurability for current enrollees who are under age 70 as of May 1, 2008, and who are full-time active employees. Those members will qualify for guaranteed acceptance. Those enrolled in the old long-term care insurance plan who do not meet these age and employment criteria will still qualify if they enroll in the new program during the limited enrollment period at their current level of coverage. To enroll at a higher benefit level, however, those enrollees may be required to produce proof of insurability.

Janet Hamlin

WHY OFFER A NEW PLAN?

This new insurance program builds on the Welfare Fund's pioneering long-term care plan of the 1980s and adds more choices due to the many changes in the arena of long-term care. As people live longer, their chances of needing some form of assisted living increase. Many prefer to be insured for alternatives to nursing home care, e.g., assisted living, adult day care, home attendant services and more. The new offering will provide current enrollees with these options.

As part of a year-long development and negotiation process, Welfare Fund trustees appointed a committee (composed of Fund staff and trustees, long-term care experts from our consulting firm, and retirees and former board members who participate in our current plan) to negotiate which plan benefits would be offered through the John Hancock Life Insurance Company. We chose Hancock based on their performance with the current long-term care plan and the company's excellent reputation in the long-term care insurance field.

PAY TO PARTICIPATE

The new program is completely voluntary, funded by the premiums paid by those who choose to enroll. It is intended to address the needs of our membership by meeting the objectives of affordable cost, comprehensive benefits, greater flexibility and broader eligibility for coverage, including adjunct and hourly personnel. Current Hancock policy holders who have questions about the new plan can call the John Hancock Customer Service Center at (617) 572-0048, Monday through Friday from 8:30 am to 6:30 pm Eastern Time. They can also submit questions to our Service Center by visiting the PSC Welfare Fund Long-Term Care Website. (The web address and a special username and password are available on the Welfare Fund website at www.psccunywf.org.)

THE FIRST PHASE

Last fall's enrollment program, when the new plan was first made available to those not already covered under the Welfare Fund's previous long-term care plan, was quite successful. Of the 400 people who signed up, over 95% were able to take advantage of "guaranteed acceptance." Many entering the new program selected higher levels of coverage, but some, particularly older enrollees facing higher premiums, chose lower levels. Access to the medical/nursing team of the John Hancock program, if and when care is required, was important to many who chose to sign up.

Not surprisingly, over half of the application forms last fall were received during the final week. Enrollment sometimes involves unhurried contemplation and then a rush to get in during the window of opportunity. The surge of late enrollment caused the initial eligibility date for some to be pushed back to February.

A third of the new enrollees did not elect payroll deduction as a payment method. Since experience indicates that direct billing leads to higher rates of cancellation for premium non-payment, the Fund office provided those members with a second chance to elect payroll deduction.

SECOND PHASE: THE TIME IS NOW

The Welfare Fund encourages members enrolled under the old plan to take the time to learn more about this new long-term care coverage. Decisions such as this are easy to put off, but there is a very good incentive to actively consider it now.