

## Testimony Regarding the ACA Medical Loss Ratio

May 21, 2014

Katy Fernandez

Chairman Rockefeller, Ranking Member Thune, and members of the Committee,

Thank you for inviting me to speak today. I am Katy Fernandez. My husband Louis and I have been self-employed for nearly 33 years in Houston in various aspects of residential construction. We started with a trim carpentry company in 1981, which grew into a full service remodeling company, which was active between 1988 and 2003. We currently own two businesses: My Design Team (founded in 2003) and My Cabinet Source (founded in 2010). Our children are Michael, age 29, a grad student; and Sarah, age 24, a sign language interpreter.

Evaluating, qualifying for, paying for, and keeping health insurance took a lot of my time since we didn't qualify for group health plans. I tried to determine the best way to handle health care for our family and felt like I was gambling with our future—how could I predict what health crises would occur, and what we could afford to spend on health insurance when there were compelling medical expenses<sup>1</sup> which didn't apply to our deductibles. Michael<sup>2</sup> and Louis<sup>3</sup> both had pre-existing conditions, which meant the plans we could get had exclusion clauses.

There were lean years in the 1990's where we had no insurance and relied on public clinics, charities<sup>4</sup>, and home remedies. I was resourceful, and carefully apportioned our medical spending to make every penny count.

After that, I juggled two or three health plans at a time, balancing expenses and risk. Insurance companies sent biannual notices increasing rates, and offering "choices" of higher deductibles with less coverage at reduced cost. I spent hours fretting what we could afford, and worried about the chances we were taking. If more than one person got sick—could we pay two or three deductibles? Could we afford health care not covered by insurance if we were paying so much for insurance? It was like walking a tightrope with no net.

Between 2000 and 2003, we had two policies, and the insurance cost increased about 165%. In 2004-2005, I adjusted coverage and deductibles, yet the cost of this new arrangement rose over 30% during those two years. Mike went to college and I bought a student insurance plan to save a little money. In 2006, Louis stayed on the original plan, while Sarah and I moved to a lower cost one. We kept these three plans, despite combined increases of 45%, until 2009, when Michael graduated from UH and received a Presidential Fellowship which included health insurance at Columbia. What a relief.

The Affordable Care Act became law in 2009, and I was elated. No more pre-existing condition clauses and we couldn't be dropped by insurance for no reason. Lifting lifetime limits on coverage was great, and there would be preventative care with no copay. Insurance companies had to refund some of what we paid, if they didn't spend enough. What reasonable ideas.

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In 2010, Sarah had a student plan and I had a low cost HSA eligible plan. We kept the Louis' original plan, and increased the deductible. The cost still rose about 25% by the end of 2011.

In 2012, I moved Louis to an HSA Plan and upped our deductibles, so our coverage cost less than before. When the cost of my policy decreased from \$316 a month to \$310 in April, I was amazed! I credited the ACA.

I kept Sarah on the student plan. This was fortunate, because she became very sick in April, 2012, and spent six days in the emergency room and hospital. For the first time ever, we met an insurance deductible.

In July 2012, letters came from the insurance companies notifying us of rebates required by the ACA Medical Loss Ratio for plans bought in 2011. The three checks added up to \$794.82.<sup>5</sup> I could hardly believe it. Insurance cost just over \$10,400 in 2011 and that refund was for 7.6% of the amount. I used the money to pay the next month's insurance bills, of \$721. 83.

After Sarah graduated from Lamar College in May, 2013, she was hired as a sign language interpreter. In July, she proudly bought her own health insurance, so Louis and I were down to two HSA eligible plans.

In July, the insurance companies sent ACA Medical Loss Ratio payments for 2012. This time the three checks added up to \$228.51.<sup>6</sup> It was less than the next month's insurance, but did amount to 2.6% of the \$8642 we spent on insurance in 2012.

Last year, our plans cost over \$8,800, so I hope we'll get Medical Loss Ratio refunds again. Even more, I hope the insurance company cost estimates become more accurate, so that more money stays in the wallets of consumers like me, where it can do some good.

I figured out that over the past fourteen years we paid for just over \$100,000 for health insurance.<sup>7</sup> These were bare bones plans with high deductibles, not "gold" policies. Between 2000 and 2010, we spent about \$72,000. If the 7.6% Medical Loss Ratio refund for 2011 is an indicator, we overpaid about \$5500 over those eleven years, about \$500 per year. Truly, the ACA Medical Loss Ratio provision was long overdue.

In December, I braved the Health Insurance Marketplace and spent hours determining the best policy for us, and more time trying to get the website to work. For the first time, since 2005, my husband and I are on the same health plan, a Silver Plan Cigna PPO, and that feels good.

The ACA Medical Loss Ratio provision makes our health care dollars work better for us. Buying insurance is less complicated and less of a gamble because the companies must return what they don't spend for health care and basic preventative care is covered, too.

Thank you for giving me the opportunity to share my story. I'll be happy to answer any questions you might have.

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<sup>1</sup> Including chiropractic, acupuncture, orthopedic braces, dental care and glasses

<sup>2</sup> From birth, Mike had a benign muscle weakness and insurance explicitly excluded everything related to this. As a teenager, he developed scoliosis, which led to additional exclusion clauses.

<sup>3</sup> Louis contracted chronic Lyme disease, which was not diagnosed for many years because the various symptoms didn't look like they were related. After it was diagnosed, he couldn't change policies due to this "pre-existing condition".

<sup>4</sup> MDA and Shriners

<sup>5</sup> 2011 Rebates: Sarah's Assurant policy was \$69.90, Louis' BCBS was \$372.99; Katy's BCBS was \$351.93.

<sup>6</sup> 2012 Rebates: Sarah's Assurant policy was \$70.87; Louis' BCBS was \$75.22; Katy's BCBS was \$82.42

**<sup>7</sup> Fernandez Family insurance plans, monthly payments, and price changes from 2000-2013**

August 2000-April 2001

Louis, Katy, and Sarah: BlueCross Blue Shield (BCBS) Family Plan, \$252/month

Michael: BlueCross BlueShield (BCBS) Individual Plan, \$39/month

May 2001-October 2001

Louis, Katy, and Sarah: BCBS Family Plan, \$268/month (+\$16)

Michael: BCBS Individual Plan, \$42/month (+3)

November 2001-April 2002

Louis, Katy, and Sarah: BCBS Family Plan, \$349/month (+\$81)

Michael: BCBS Individual Plan, \$55/month (+13)

May 2002-November 2002

Louis, Katy, and Sarah: BCBS Family Plan, \$389/month (+\$40)

Michael: BCBS Individual Plan, \$61/month (+\$6)

December 2002-August 2003

Louis, Katy, and Sarah: BCBS Family Plan, \$499/month (+\$110)

Michael: BCBS Individual Plan, \$79/month (+\$18)

September 2003-November 2003

Louis, Katy, and Sarah: BCBS Family Plan, \$523/month (+\$24)

Michael: BCBS Individual Plan, \$79/month (+\$0)

December 2003

Louis, Katy, and Sarah: BCBS Family Plan, \$669/month (+\$146)

Michael: BCBS Individual Plan, \$101/month (+\$22)

January 2004-July 2004

Louis, Katy, and Sarah (New Plan): BCBS Family Plan, \$550/month (-\$119)

Michael: BCBS Individual Plan, \$101/month (+\$0)

August 2004-November 2004

Louis, Katy, and Sarah: BCBS Family Plan, \$550/month (+\$0)

Michael: BCBS Individual Plan, \$133/month (+\$32)

December 2004-May 2005

Louis, Katy, and Sarah: BCBS Family Plan, \$596/month (+\$46)

Michael: BCBS Individual Plan, \$155/month (+\$22)

June 2005-July 2005

Louis, Katy, and Sarah: BCBS Family Plan, \$635/month (+\$39)

Michael: BCBS Individual Plan, \$155/month (+\$0)

Aug 2005-November 2005

Louis, Katy, and Sarah: BCBS Family Plan, \$635/month (+\$0)

Michael (New Plan): United American Ins. Co., \$126/month (-\$29)

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### December 2005

Louis, Katy, and Sarah: BCBS Family Plan, \$721/month (+\$86)  
Michael: United American Ins. Co., \$126/month

### January 2006-June 2006

Louis (New Plan): BCBS Individual Plan \$291/month  
Katy and Sarah (New Plan): Unicare High Ded. Family Plan, \$154/month  
Michael: United American Ins. Co., \$126/month (+\$0)

### July 2006-December 2006

Louis: BCBS Individual Plan \$291/month (+\$0)  
Katy and Sarah: Unicare High Ded. Family Plan, \$154/month (+\$0)  
Michael: United American Ins. Co., \$143/month (+\$17)

### January 2007-March 2007

Louis: BCBS Individual Plan \$322/month (+\$31)  
Katy and Sarah: Unicare High Ded. Family Plan, \$161/month (+\$7)  
Michael: United American Ins. Co., \$153/month (+\$10)

### April 2007-September 2007

Louis: BCBS Individual Plan \$322/month (+\$0)  
Katy and Sarah: Unicare High Ded. Family Plan, \$169/month (+\$8)  
Michael: United American Ins. Co., \$153/month

### October 2007-December 2007

Louis: BCBS Individual Plan \$322/month (+\$0)  
Katy and Sarah: Unicare High Ded. Family Plan, \$195/month (+\$26)  
Michael: United American Ins. Co., \$153/month

### January 2008-March 2008

Louis: BCBS Individual Plan \$363/month (+\$41)  
Katy and Sarah: Unicare High Ded. Family Plan, \$195/month (+\$0)  
Michael: United American Ins. Co., \$153/month (+\$0)

### April 2008-August 2008

Louis: BCBS Individual Plan \$363/month (+\$0)  
Katy and Sarah: Unicare High Ded. Family Plan, \$211/month (+\$16)  
Michael: United American Ins. Co., \$153/month

### September 2008-November 2008

Louis: BCBS Individual Plan \$363/month (+\$0)  
Katy and Sarah: Unicare High Ded. Family Plan, \$264/month (+\$53)  
Michael: United American Ins. Co., \$153/month (+\$0)

### December 2008-August 2009

Louis: BCBS Individual Plan \$375/month (+\$12)  
Katy and Sarah: Unicare High Ded. Family Plan, \$264/month (+\$0)  
Michael: United American Ins. Co., \$153/month (+\$0)

### September 2009-November 2009

Louis: BCBS Individual Plan \$375/month (+\$0)  
Katy and Sarah: Unicare High Ded. Family Plan, \$324/month (+\$60)

### December 2009-February 2010

Louis (New Plan): BCBS Individual Plan \$323/month (-\$52)  
Katy and Sarah (New Plan): Unicare High Ded. Family Plan, \$300/month (-\$24)

### March 2010-November 2010

Louis: BCBS Individual Plan \$323/month (+\$0)  
Katy (New Plan): BCBS HSA Individual Plan, \$326/month  
Sarah (New Plan): Assurant Student, \$98/month

### December 2010-February 2011

Louis: BCBS Individual Plan \$360/month (+\$37)  
Katy: BCBS HSA Individual Plan, \$344/month (+\$22)  
Sarah: Assurant Student, \$98/month

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March 2011-November 2011

Louis: BCBS Individual Plan \$360/month (+\$0)  
Katy: BCBS HSA Individual Plan, \$344/month (+\$0)  
Sarah: Assurant Student, \$109/month (+\$11)

December 2011

Louis: BCBS Individual Plan \$415/month (+\$55)  
Katy: BCBS HSA Individual Plan, \$344/month (+\$0)  
Sarah: Assurant Student, \$109/month (+\$0)

January 2012-March 2012

Louis (New Plan): BCBS HSA Individual Plan \$283/month (-\$132)  
Katy (New Plan): BCBS HSA Individual Plan, \$316/month (-\$28)  
Sarah: Assurant Student, \$109/month

April 2012-December 2012

Louis: BCBS HSA Individual Plan \$283/month (+\$0)  
Katy: BCBS HSA Individual Plan, \$310/month (-\$6)  
Sarah: Assurant Student, \$129/month (+\$20)

January 2013-June 2013

Louis: BCBS HSA Individual Plan \$298/month (+\$15)  
Katy: BCBS HSA Individual Plan, \$312/month (+\$2)  
Sarah: Assurant Student, \$109/month

July 2013-November 2013

Louis: BCBS HSA Individual Plan \$283/month  
Katy: BCBS HSA Individual Plan, \$312/month

December 2013

Louis: BCBS HSA Individual Plan \$362/month (+\$79)  
Katy: BCBS HSA Individual Plan, \$343/month (+\$31)



Sarah, Mike, Katy, and Louis in 2012