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Testimony of

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before the

Senate Committee on Commerce, Science, and Transportation

on

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STATEMENT OF STEPHEN J. HEMSLEY

BEFORE THE COMMITTEE ON COMMERCE, SCIENCE & TRANSPORTATION

UNITED STATES SENATE

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Chairman Rockefeller, Senator Hutchison and Members of the Commerce Committee, my name is Steve Hemsley and I am president and CEO of UnitedHealth Group. Our mission at UnitedHealth Group is to "help people live healthier lives." We do so by providing high-quality health services and products to more than 70 million people each year in partnership with over 5,000 hospitals and 600,000 doctors and thousands of other care providers across the nation. Our businesses touch broadly on the services enabling health delivery and financing and we tailor our approach to respond to the ever-changing needs of different clients, markets and geographies in all 50 states.

We appreciate the opportunity to testify before your Committee about out-of-network reimbursement practices and, most importantly, the need to provide consumers with timely and accurate health information so they can make more informed healthcare decisions. These topics are of critical importance as the debate about how to modernize our health care system, and to contain its costs to the consumer, intensifies here in Washington and around the country.

Mr. Chairman, as you know, we recently announced agreements with the New York Attorney General and the American Medical Association that resolved disputes over reimbursement of out-of-network services based on "reasonable and customary" rates. In determining these rates, we have long utilized databases of physician charges licensed by Ingenix, one of our subsidiaries. There has been a good deal of commentary about our recent

agreements -- some of it accurate, some of it not. So, I am pleased with the opportunity to clarify the facts for the Committee.

- First, the Ingenix databases did not set the reimbursement rates used by any health insurer. The role of the databases was to solely collect data and then provide the data to a broad audience of users, including physicians, hospitals, researchers and insurers, who in turn independently used the information across a range of applications. Similar to other insurers, our subsidiary UnitedHealthcare, used the data only when our health plan beneficiaries sought care from physicians outside of our network and UCR protocols applied.

- Second, the primary database at issue in these settlements has been in existence for more than 30 years. During this time, the database has performed an essential function in our health care economy by setting a reasonable standard for the reimbursement of physicians who do not participate in managed care networks. This Committee knows better than most that physician reimbursement based on nothing but the doctor's bill is simply not economically tenable for consumers nor our health care system. The databases were created with the goals of appropriately managing costs and ensuring that consumers are protected from exorbitant medical bills.

- Third, we want to make clear that we stand behind the integrity of the Ingenix data. In addition, we stand by the way in which our insurance business, UnitedHealthcare, used the data to make reimbursement decisions. Our recent agreement with the New York Attorney General did not relate to the manipulation of data or other similar misconduct. To the contrary, working with the Attorney General, we agreed to transfer the databases

to an independent, non-profit entity in the hopes of increasing information transparency and public confidence in the quality of and access to the data that will be used to set future out-of-network reimbursement rates.

- Finally, the agreement with the Attorney General reflects our role as a leader in health care and our desire to strengthen the all important trust of consumers, and affirms our ongoing commitment to transparency.

Mr. Chairman, to understand the problems facing consumers and health plans with respect to payment for out-of-network services, one must first understand the critical role that physician networks perform in restraining health care costs. Our extensive network -- one of the largest physician networks in the country -- provides consumers with many options to obtain the highest quality medical care at an affordable cost. But our network also provides beneficiaries with another important benefit. It gives them visibility and certainty about the cost of health services before they seek care due, in large part, to in-network physician discounts. Unfortunately, the same is not true when consumers seek care out-of-network with doctors who have not agreed to discount his or her services.

This scenario is obviously not good for consumers. But, it's also not good for our health care system -- nor our broader economy -- when the costs of a routine, identical medical procedure can vary widely within the same geographic region and between private and public insurance, such as Medicare.

UnitedHealth Group has led the way in developing innovative programs that aim to provide valuable, easy-to-use health information to consumers and health care providers, among others. Since 2005, UnitedHealthcare's "Premium Designation" program has provided millions

of our beneficiaries with the ability to access online cost and efficiency data for physicians and hospitals through myuhc.com.

In addition, nearly two years ago we created the "Claim Estimator" that provides physicians with an online estimate of whether the cost of a procedure will be covered, at what amount and what level the claim reimbursement will be.

Our agreement with the New York Attorney General reflects and builds upon our long-standing commitment to reduce costs and improve care through the dissemination of information. The new not-for-profit entity that we agreed to fund with others in our industry will establish a Web site to allow consumers to search for medical services by geographic area showing the prevailing charge or range of charges. In addition, the site will alert consumers when insurers apply other policies to determine out-of-network rates, including terms in each plan document, other reimbursement policies, co-insurance and deductibles.

These are positive steps, but we believe even more can, and should be done beyond the parameters of the agreement, to enhance consumer access to health information. Consumers should be able find information online not only about how much they will be reimbursed by their insurer but also the cost of a medical visit or procedure at the time care is delivered. Meaningful and comprehensive transparency will only be achieved when all parties are equally accountable for the accuracy of the information and equal access is provided to all stakeholders. In the end, every consumer -- each patient -- must believe the costs for the care they receive are fair and consistent regardless of geography, insurance company, or health care provider.

At UnitedHealth Group, we are eager to be part of the national discussion to modernize our health care system. Thank you for this opportunity to address the Committee and we will be pleased to answer any questions that you may have.