New Coverage Programs: Federal & State Efforts to Cover the Uninsured – Washington State

State Coverage Initiatives National Meeting
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Governor's Long Term Goals

- Reduce State's Health Care cost trend to no more than the State Revenue Trend
- Improve the quality and cost-efficiency of health care services
- Improve the health of Washington residents
- Increase the number of insured Washington Residents by improving the affordability of health care

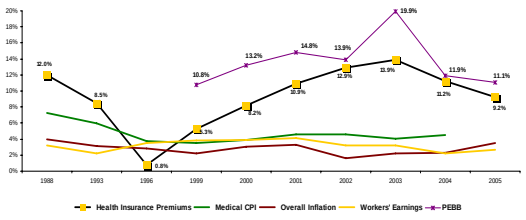
Current Thinking

- We have an access problem because we have an affordability problem
- We have an affordability problem because we have a quality problem
- We also have a dysfunctional payment system

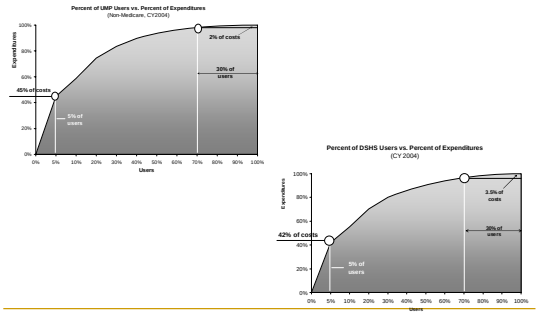
Strategies to Achieve these Goals

- Purchase high quality and cost-efficient care
- Create an improved market for buying health care
- Focus on the high health care cost population
- Support health promotion and health education of State beneficiaries
- Increase the insured population

WA State Public Employee Benefit Board



High Opportunity Populations 5/50



Health Plan Data Transparency

- Using health plan and provider information to evaluate and improve quality
- Promote the transparency/clarity of health plan and provider information and performance
- Work with Puget Sound Health Alliance (PSHA) to develop data warehouse/decision-support system capabilities as tools to evaluate provider quality and cost
- Develop a plan to support and encourage the success of PSHA and other collaborative efforts

Centralized Evidence Based Medicine System

- Create a centralized system for the systematic, evidenced based review of health care technologies and treatments purchased by state agencies (e.g., HCA, DSHS, & L&I)
- Through evidenced based review and a technical advisory committee (with lessons learned from SB6088), collaborate across agencies in creation of medical treatment guidelines to reduce redundant activities and coordinate application of evidence based practices across agencies

Health Information Technologies & Electronic Medical Records Project

- To develop a strategy for the adoption and use of electronic medical records and health information technologies
- Engaged nationally known consultant assisting HCA and 12 member Advisory Board (HIIAB)
- Additional stakeholder committee and town hall meetings
- Review of best practices and lessons learned in private and federal sectors as well as other state experiences
- Interim report to legislature Dec 2005. Final report & strategy recommendations Dec 2006

Increase the insured population

- Cover All Children by 2010
- Rebuild programmatic cuts suffered during the economic downturn
- Work to assist small businesses and their employees and dependents to afford reasonable coverage
- Work to develop strategies to address other subgroups of the uninsured

Small Business Assist Program

- Targeting those who currently do not offer health coverage benefits
- Looking at the small group market (2-50) and potentially the micro businesses (2-19)
- Reviewing other states' efforts
- Conducting focus group research among owners and employees
- Grant funds available from HRSA and RWJ to support development work

RWJ/SCI Grant Has Allowed Us to Focus on …

"Universe of Interest"

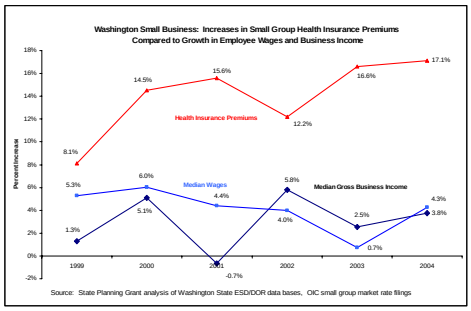
- ***Full time* workers, & *dependents*, who are**:
  - *Members of low-income families, and*
  - Working for the *smaller-of-small employers*
    - ➔ who either *do or do not currently offer* coverage;

On an "order of magnitude" level, our best guess of the size of the universe covered by this definition is 142,000 workers & dependents, about 30% (43,000) of whom are uninsured.

"Issue of Interest"

- ***Affordability*** as the primary challenge to increasing small employer offer and employee take up of coverage.
  - ➔ signaling a need to assist BOTH employer & employee

Why Affordability? Because Premium Increases Continue To Outpace Annual Growth in Employee Wages & Small Business Income



In Thinking About the Issue We Used These Assumptions:

- Impact is likely proportional to investment
- Sustaining & increasing coverage are equally important
- Blends of approaches will likely be more useful than any single approach.

Guiding Principles

- Focus on greatest need, highest likelihood of success, but don't try to address *all* subgroups at once
- Both employers & employees need help
- Explore direct and indirect methods of assistance
- Partner to the extent possible with employers, employees and the federal government
- Look first to market-based and market-developed products & delivery systems
- Respect small business' preference for choice, decision autonomy, & partnership with their employees
- Do no harm to Basic Health program
- Do not exacerbate issues confronting small group market

Guiding Principles

- Administrative simplicity is key
- Program may be capped but must be sustainable (being a "pilot" project is a handicap).

This Led to Three Broad Strategies and Nine Specific Tactics

Strategies:

- Drive down the cost of medical care (limited capability within small firms) ➔
- Educate and facilitate small employers' search for coverage options ➔
- Mitigate the price of premiums ➔

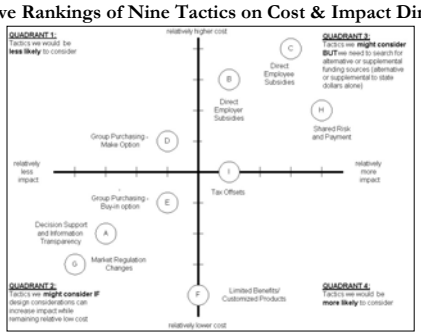
Tactics:

- Not unique to small business. To the degree it makes sense, incorporate the "Big 5" into models adopted to assist small business.

A. Decision support & information transparency

B. Direct employer subsidies
C. Direct employee subsidies
D. Group purchasing – make own option
E. Group purchasing – buy-in option
F. Limited benefits/ customized products
G. Market regulation changes
H. Shared risk and payment
I. Tax offsets

Relative Rankings of Nine Tactics on Cost & Impact Dimensions



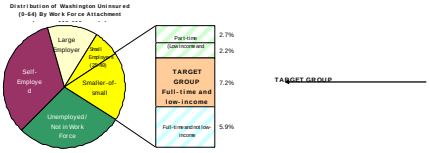
To determine rankings we asked:

1) In comparing cost, which tactics are likely to be less costly (in new money) to develop and maintain?
2) In comparing impact, which tactics are more likely to increase or sustain coverage?

Targeting a Subgroup

Small Business Assistance Project: Impact on Washington Uninsured of Targeting Small Business

Roughly 7%of Washington's uninsured (0-64 years old) are captured in the **target group** definition of "Full time workers, & dependents, who are (a) members of low-income families and (b) working for the smaller-of-small employers, who either do or do not currently offer coverage.



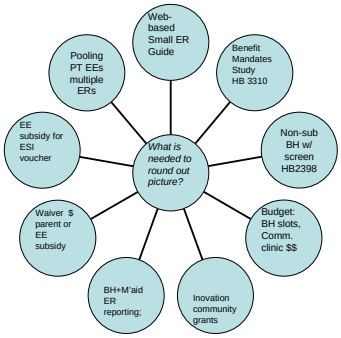
Source: State Planning Grant analysis of 1993, 1997, RWJF Washington Family Health Insurance Survey; 1998, 2000x5M, 2004x3M Washington State Population Survey

Note: Above is an "order of magnitude" best guess intended to demonstrate what portion or subgroup of the uninsured population is included through focus on small business assistance.

February 3, 2006

Proposals Related to Coverage and Care during 2006 Legislative Session

Lots of Ideas in play



We see the next steps as

1. Narrow the range of tactics under consideration.
2. Within selected tactics, narrow the scope of alternative implementation models.
3. For selected implementation models, refine their design parameters in order to estimate cost and coverage more precisely.

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The number of small businesses & their workers/families that could be helped depends on the implementation models we select, e.g.,

- Some models can be very targeted, e.g., subsidies to low-income, uninsured, full-time workers/dependents in micro-sized businesses.
- Other models can be broad based and assist the entire group of small employers & their workers/dependents, e.g., web-based clearinghouse & decision support tool.

Our Initial Analysis Suggests the Most Fertile Implementation Models to Explore are

- Interactive web-based clearinghouse & decision tool (small employer guide) (A1)*
- Government funded premium subsidy to employers as incentive to offer (B2)
- Government funded premium subsidy to low-income employees to buy into their employer's coverage (C4)
- State-subsidized mechanism to share with health plans the burden of a defined corridor of claims costs associated with individuals (H22)
- State-subsidized mechanism to share with health plans the burden of aggregate losses (H23)
- Statutory changes to allow small business to join together solely for purpose of pooling & purchasing health coverage (D9)
- Administrative mechanism to accommodate the purchasing of health coverage by employees with multiple employers (D10)
- Revised regulations to allow private market products with fewer mandates than currently allowed (F13)

Policy Challenges

- Unique challenge in Washington as we go forward.
- BHP created in late 80's for the "working poor"
- Individual sliding scale subsidy
- No concern about size of employer
- "Fair Share" proponents demanding data about BHP enrollees employers
- Passage of legislation to subsidize low-income employees into ESI.
- What will BHP look like in 5 years?