



Testimony of HealthNow New York

to the

New York State Department of Health and Department of Insurance
on

**Increasing Access to Health Insurance Coverage and
Moving Toward Universal Healthcare Coverage**

October 3, 2007

Good morning. I'm Cheryl Howe, executive vice president of HealthNow New York. Thank you for inviting me to this forum today.

HealthNow is the parent company of BlueCross BlueShield of Western New York, one of the first health benefit plans in the country and the largest serving Buffalo Niagara and the eight-county Western New York region. It is also the parent company of BlueShield of Northeastern New York, which serves the 13-county capital region district.

As a full-service plan, we offer a range of health insurance options for employer groups and individuals, as well as for government programs in New York State.

The discussions and debates taking place around the issue of health care are critical to the goal of providing access to quality care for all, and I appreciate the opportunity to speak to you about HealthNow's views on four key issues:

1. Competition and choice vs. a single payor system.
2. Direct pay reforms to achieve affordability.
3. Quality of care, and
4. Health information technology.

Competition and Choice vs. A Single Payor System

Representing more than 700,000 members, I can tell you that competition and choice matter. They ensure better service, better products and better overall quality.

At HealthNow, we care deeply about the health of our members and our communities, and we've been providing access to high-quality care for generations. We also know that if we don't continuously find ways to improve, we will lose our customers to other plans.

Our Board of Directors continuously focuses on our service statistics and customer satisfaction. In turn, I am constantly working with our staff to monitor and improve service and assure we are delivering what customers want.

As a result, we have created and implemented quality initiatives and cost-management strategies that have vastly benefited consumers, including those in government programs. As evidence of both the need for and benefit of these types of initiatives, New York State turned to private insurers to administer Medicaid managed care. Since then, studies and statistics have consistently shown that quality of care has dramatically improved for Medicaid members.

We have also learned that "one size fits all" does not work for health benefits: people's needs are just too complex for such a simplified approach. Moreover, the fact that consumers *are not* locked into one health plan, with one set of customer service levels, benefits, rates, and the like, has become a fundamental protection for members of every health plan in our region.

In short, because of competition and choice in plans and products, consumers are better served. That's why we strongly believe a single payor system would be disadvantageous to the public and is not the solution to healthcare reform.

Insurers know the administrative processes of multiple payor systems can be frustrating and improvements can be made. That's why we support the "building block" approach the Administration has suggested, building upon the strengths, tools, policies and practices of today's public-private system to craft plans for affordable universal coverage.

Direct Pay Reform to Achieve Affordability

The second point I'd like to make – one that is critical to achieving universal coverage – is reforming the direct pay market.

The key reason membership in direct pay products has dwindled is, quite simply, because direct pay products are disproportionately expensive. How bad is it? Typically, direct pay products are 250 percent more expensive than small group products.

Most of our self-employed entrepreneurs, our independent contractors and many others simply can't or won't spend the money on something for which they don't have urgent, immediate need. As a result, New York's direct pay products serve only those who can afford health insurance at any cost, or those who are too ill to go without it, no matter what the cost.

Currently, only two products – both mandated – are allowed by law.

- We propose that health plans be allowed to design additional direct pay products on a voluntary basis. These additional plans would be flexible in benefit and network design, with varying levels of co-pays, deductibles and co-insurance, as well as new benefit and cost-sharing options that would lower costs.

As a result, direct pay products would move away from the "one size fits all" approach to one for a range of clients with a variety of healthcare needs.

- To offset potential adverse selection, apply Regulation 146 – the State's risk adjustment process – to direct pay and Healthy NY products only and rework its mechanics.
- Significantly increase the subsidy for direct pay products, with a part of the subsidy used to subsidize premiums for low-income consumers.

- Exempt direct pay products from HCRA surcharges and covered lives assessment, which would have little impact on HCRA revenue overall but would further decrease the cost of direct pay products.
- Establish a minimum loss ratio for direct pay products at 85 percent.

While we haven't yet fully vetted this scenario with our actuaries, we believe these actions would significantly reduce premiums for these products. Together, expanded options and the resulting expanded enrollment will reinvigorate the direct pay risk market with healthier individuals, further lowering premiums.

This proposal, which entails give and take by all parties, could make a substantial impact on affordability, enabling a greater number of New Yorkers to afford quality health care for themselves and their families.

Improving Quality of Care

The third point I'd like to make is that, while expanding access to health insurance coverage and care is important, access to care alone is not enough – it is equally important to focus on the *quality* of care people receive. Reform efforts, then, must likewise and simultaneously seek to improve the quality of care.

Numerous studies and reports, including those from the Institute of Medicine, support the fact that evidence-based medicine can make health care safer and more cost-effective while eliminating redundant or inappropriate tests and treatment.

Health plans have been at the forefront of supporting and rewarding the use of evidence-based practices. BlueCross BlueShield began rewarding care quality with the successful Primary Care Physician incentive program in the mid-'90s. In 2002, we expanded that program, tying increased reimbursement for hospitals to demonstrable improvements in quality, based on mutually agreed-to clinical indicators tailored to each hospital's services and performance.

This program, which received national recognition from Harvard Medical School and the BlueCross BlueShield Association, has been further expanded to include specialists and has resulted in improved provider relations as well as quantifiable improvements in quality of care and outcomes. Any reform efforts that seek to increase access should build upon proven provider quality incentives.

Health Information Technology

Finally, the fourth point I'd like to present today is that increased adoption of health information technology should also be an integral part of health care reform.

While there are logistical and technological issues that need to be resolved, there is no doubt that information technology tools will improve quality and care management.

By utilizing improved access to information – which helps physicians and other care providers have fast and consistent access to important medical information about their patients – providers can deliver the right care at the right time, reducing medical errors and avoiding unnecessary, duplicate or inappropriate care.

Western New York HealthNet (administrative data available electronically) and HealthLink (a clinical information exchange) are collaborative initiatives between payers, hospitals and physicians and models of this adoption of healthcare technology tools.

Building on the early promise of this program, HealthNet – which has received HEAL-NY funding – has launched a pilot of its ePrescribing tools, which transmits prescriptions electronically and enables physicians to check medication history on a patient. This kind of information vastly reduces medical errors and misdiagnoses, improving outcomes while substantially reducing costs.

Taken together, these four key points – retaining competition and choice, reforming direct pay, improving quality of care, and increasing use of healthcare technology tools – are the kinds of incremental steps that can move the State toward universal coverage.