



Making Universal Coverage Affordable

Remarks by
Michael Cropp, M.D., President and CEO

Independent Health

To

The Partnership For Coverage
Public Hearing

Erie Community College, Buffalo
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The goal of universal coverage, to make certain that every man, woman and child has health insurance, is really quite simple and easy to understand. It is the Governor's expectation that such coverage "ensures access to affordable, high quality medical care for every single New Yorker, reduces the overwhelming and unsustainable cost of healthcare incurred by the public and the state, and avoids the significant implementation problems that have plagued other state efforts in this area," that makes universal coverage not so simple or easy to achieve. If universal coverage is the first step, affordability is the last mile on the road to achieving sustainable improvement in health care for all New Yorkers, and this is what I will focus my remarks on today.

I speak to you today with the collective wisdom and experience of the 900 employees at Independent Health. Headquartered in Buffalo, New York, Independent Health began operations in 1980 and has consistently been rated among the top health plans in the country for quality of care, customer service and member satisfaction. Our portfolio of product and service offerings include a variety of commercial group health insurance plans, Medicare and Medicaid plans, traditional indemnity insurance, consumer-directed plans, coverage for self-funded employers, plus health savings account and pharmacy benefit management services. Our extensive provider networks include more than 789,000 physicians, 3,600 hospitals, and 40,000 pharmacies nation wide. Combined, we provide health benefits and services to nearly 375,000 individuals in Western New York and throughout the country.

Trained as a family physician, my career has been dedicated to improving health care for large populations, spending time as medical director and family physician for two managed care organizations, as well as the Medical Director and Chief Operating Officer of Millard Fillmore Gates Circle Hospital. As the current President and CEO of Independent Health I continue to pursue a career in seeking health care solutions. Having been on the provider side and insurer side, I have seen the best and the worst of our health care system. So, I very much welcome this opportunity to share my thoughts on addressing the challenges that will be encountered in moving to a state of universal coverage.

Universal Coverage as a First Step

While there is much debate about health care issues, there is little disagreement when it comes to addressing the need to provide health insurance coverage to the 47 million uninsured Americans. In New York State alone, close to 2.5 million New Yorkers, including approximately 400,000 children, are uninsured. This lack of coverage is costing our state and our country in both dollars and lives. Those with coverage are struggling to pay premiums, while those without are forgoing primary and preventive health care, which can lead to greater complications and more advanced disease states.

While Congress and the President agree on the need to cover the uninsured, initial steps cannot be expected to come from Washington. Instead, states are taking the lead and Governor Spitzer's "Partnership For Coverage," which seeks "to make affordable, patient-centered health care available to all New Yorkers," should give hope to those in our state looking for answers.

Universal Coverage is a first step because coverage is an effective way to put everyone in the health care system, and that affords an opportunity for people to seek care at the earliest possible time that care is needed. A person with coverage has a greater chance of having their care coordinated, especially those with chronic conditions, which drive the

greatest share of health care costs. In the current environment, those with coverage receive more services than those without coverage, so universal coverage can result in more equitable distribution of health services. In a state of universal coverage, our investments in medical research, technologies and, most importantly, health care workforce, will have greater returns and broader impact. Theoretically, universal coverage supports the notion that costs can be contained by creating larger pools, which allow the total cost of health care services to be spread across the total population, including healthier people. Most importantly, universal coverage begins to create a culture of health in our schools, workplaces and communities.

A majority of the challenges we face in achieving universal coverage relate to cost. There are some costs that, from the perspective of a health plan, or payer, are the result of the current system of coverage:

- **Mandates.** New York State has many mandated benefits that are not required by other states. These benefits increase the pressure on premiums, which makes it difficult to hold the rates down, especially for individuals and small groups. As a recent example, in 2007, New York State added a mental health benefit to the list of mandated benefits, which impacted the premiums for large groups from 0.2% to 1.7% depending on the current coverage. In an analysis done by the Lewin Group, New York's mandated benefits account for about 11.5% of the premium. The *New York State Health Care and Costs Containment Commission* was recently created to review mandated benefits and evaluate the costs and benefits of mandates. This is a positive and important step in addressing the burden of mandates in New York State.
- **Hospitals.** The *Commission on Health Care Facilities in the 21st Century*, often referred to as the Berger Commission, was created "to ensure that the regional and local supply of hospital and nursing home facilities is best configured to appropriately respond to community needs for high-quality, affordable and accessible care, with meaningful efficiencies in delivery and financing that promote infrastructure stability." The implementation of the Berger Commission

final report which contains specific recommendations for rightsizing in specific regions, including Western New York, will begin to address the excess capacity of hospitals and nursing homes that are impacting costs.

- **Community rating.** New York is one of only ten states with a version of community rates that apply to the small group market. While our plan has the flexibility to provide large groups with the opportunity to reduce their costs by going to an experienced rate, the state does not allow us to adjust the premium rates for small groups by any factor. The fact that all small groups and some large groups are subject to a pure community rate means that the premium rate cannot be adjusted for group demographics, industry or health status. In addition to increasing costs, community rating reduces incentives for employers to invest in wellness activities, or to promote healthy lifestyles for their employees.
- **High cost members.** There are some extremely high cost cases that should be addressed at a state level to help reduce premium costs. Just recently, Independent Health had a member whose costs reached six million dollars a year, despite efforts by our care coordinators, physicians, consultations with experts around the country, and the family. Since most of these costs were incurred on outpatient services, they could not be recovered through reinsurance and thus had to be factored into our overall rates. The state should look at mechanisms to spread these extraordinary costs for rare occurrences across the entire population, rather than plans having to address these costs within their membership.
- **Significant surcharges.** New York imposes significant surcharges, or taxes, that are incorporated into the premium rates and paid by health insurers. These include Graduate Medical Education (GME), Bad Debt and Charity, and HCRA Small Group Demographic Surcharges. These taxes add a significant amount to the premium rates each year and, if reduced, would make rates more affordable.

Universal coverage will create larger pools that should lower costs initially. However, since coverage does not address the trend of increased utilization and medical costs, coverage alone cannot solve the issue of affordability. To help achieve affordability, we need to link coverage with strategies to improve quality and efficiency which will, or we

will be facing escalating costs again in the near future. In this regard, I want to highlight three elements that I think are critical to achieving a universal coverage design that is sustainable over time.

1. ***Individual Responsibility.*** I believe that a state proposal for universal coverage should include clearly defined responsibilities for individuals to obtain and maintain coverage. An individual mandate responds to legitimate concerns from those who are covered that those who do not have health insurance still receive medical services when needed, while the costs for those services are being passed on to those with health insurance. There are some states, like Ohio, Louisiana, Michigan and Maryland, which are considering state access proposals without any requirements for an individual mandate; while states such as Georgia, Illinois, and Massachusetts include mandates with enforcement mechanisms, such as income tax penalties. Pennsylvania is even considering a limited mandate for full time college students who might be required to demonstrate coverage for admission to college. Still other states, such as Alaska and New Jersey, are considering a mandate without a specific enforcement mechanism. The question of enforcement is one that needs to be evaluated with a rigorous cost/benefit analysis so that the costs of implementation don't outweigh its benefits.

In addition to mandating coverage, the state should also look at ways to support individual responsibility to live a healthy lifestyle and engage in activities that improve or maintain their health. For instance, proposals that reduce the rate for non-smokers or provide incentive for adherence to disease management protocols should be considered.

An expectation of individual responsibility will require the state, plans and providers to ensure that people have access to the type of information that will allow them to make informed decisions, whether it is about coverage or care. Recognizing the diversity of capabilities and access, this information should be made available in all delivery modes, whether through the internet, by phone or in person. An individual

mandate, more importantly, supports a “culture of coverage” that recognizes the responsibility and contribution of individuals to support an affordable system of care for everyone.

2. ***Access to Care.*** Universal coverage does not improve people’s health. It provides an opportunity to achieve better health by improving access to health care providers. However, if providers are not available or accessible, coverage is simply a card. With the implementation of Massachusetts’ landmark health care reform, we can already see some of the obstacles to access. In June, “The Massachusetts Medical Society 2007 Physician Workforce Study” reported that surveys of physicians have identified a shortage of family doctors for the first time in the state. More people are waiting up to two months to see a primary care physician and when polled, people said that the two major obstacles to access are cost and an inability to find a doctor. As stated in the report, “the task before those concerned about workforce issues is to educate policymakers about how changes in the physician workforce will affect cost, access, and quality and to impress upon them that serious efforts to improve quality of care and reduce costs will not be effective unless qualified physicians are there to provide that care.”

It is imperative that as New York looks to provide coverage that we also address the need to ensure access to health care providers. There is growing evidence that care from a “medical home,” which ensures accessible and coordinated care, can contribute to better preventive care and control of chronic conditions. While coverage can improve access to care, policies will need to, at the same time, address strategies that will ensure that care is available.

At Independent Health, we have worked with physicians on a practice design to help providers develop capacity in their office practice that is consistent with patient demand. The Idealized Design Clinical Office Plan, or IDCOP, is a program to improve timely access to care and to remove variation and waste in delivering care to

patients. Physicians who have adopted this model have demonstrated significantly greater capacity to accommodate patients in their practice while improving quality and lowering costs. The IDCOP model recognizes the need for patients to be able to get in to see a doctor at the earliest point of their illness so that treatment and recovery can begin as soon as possible.

3. ***Cover what works – all services and providers are not created equal.*** Rich benefit designs were conceived and promised in an era in which we had much less to offer. Over time there has been a huge proliferation of medical technologies and covered services and it is now time to look at the comparative effectiveness of technologies and treatments. The fact is not all technologies and interventions are necessary to achieve good health status and some are even harmful. For instance, New York had mandated coverage for chemotherapy and bone marrow transplant for people with stage four breast cancers, thinking that the latest advances were superior and should be made available to everyone. Unfortunately, it was subsequently demonstrated that the mandated intervention was harmful and in fact increased, rather than decreased, the morbidity and mortality rates of people with the stage four breast cancers.

States that are engaged in implementing state reforms recognize that more service and/or care does not always equal quality. As we become faced with difficult options, including higher cost-sharing or reduced benefits, we need to look at ways to obtain greater value for every health care dollar. In a report recently released by the Commonwealth Foundation, entitled “Value-Driven Health Care Purchasing: Four States That Are Ahead of the Curve,” we see how Massachusetts, Minnesota, Washington and Wisconsin are beginning to set the bar higher for both health care providers and plans.

In Massachusetts, the Clinical Performance Improvement initiative, which was set up by the Massachusetts’ Group Insurance Commission, assigns hospitals, physician groups and individual physicians to different “tiers” based on quality and efficiency. These tiers are tied to varying cost-sharing requirements designed to encourage

members to select high-quality, more efficient providers. While a tiered approach is new for health care providers, the idea of tiered services has proven effective in administering pharmacy benefits. There is no blueprint to help determine quality and efficiency when it comes to assessing individual providers, but there are success stories, and we need to build on them.

We cannot cover everything for everyone and still afford health care for all. Choices must be made at the level of plan purchase and at the level of individual care decisions. We must facilitate making better choices through benefit design and provide the consumer with information to make good choices.

4. ***A basic plan.*** An incremental step towards universal coverage might be to offer a base insurance product, with a benefit design that reflects evidence based medicine and achieves a level of affordability that may be more sustainable. The basic plan would cover the following:
 - a. Preventive services with no or minimal co-payments.
 - b. Care for chronic conditions, subject only to reasonable co-payments.
 - c. Acute services subject to co-payments and deductibles.
 - d. Most other services subject to co-payments and deductibles, with an ability to purchase additional coverage and pricing options for these services.
 - e. Some services not covered.

The Governor's efforts to seek universal coverage by using a "building block approach" indeed recognizes the importance of making sure that any plan for coverage is affordable and sustainable. If health care is a social good, we need to assure coverage for all, but mandating coverage must be tied to an ability to access and use the system wisely. There must be personal responsibility reinforced by benefit design that allows for informed decision-making, along with rating mechanisms, or other techniques, to reward better choices. I have identified some elements I think are critical to the foundation for a universal coverage plan: Individual responsibility, Access to care and Cover what works.

I look forward to working with the Partnership For Coverage as you begin to formulate a plan to make affordable coverage a reality for every New Yorker.