



July 21, 2008

Dear Commissioner Daines and Superintendent Dinallo,

Empire Blue Cross and Blue Shield would like to thank the Departments of Health and Insurance for allowing the public to comment on the modeling instructions they will provide to The Urban Institute to instruct its work pursuant to the Partnership for Coverage and in developing recommendations for expanding coverage to all New Yorkers. As the largest health insurer in New York, Empire recognizes the necessity of achieving quality, affordable health insurance for all New Yorkers.

Given its presence, history and dedication to the State of New York, Empire would like to offer the following issues for consideration:

The Modeling Process and Methodologies

- Empire supports the use of both the Health Insurance Policy Simulation Model and the Regional Economic Model Incorporated to model both the microeconomic and macroeconomic effects of various health reform scenarios. While it is obviously important to understand how each of these proposals would affect the uninsured, insured, and the cost and availability of coverage, it is equally important to understand the ramifications of these proposals on the broader economy. In particular, it is very important to understand what effect these proposals will have on the health care sector of the economy, the competitiveness of the State in retaining and attracting business and the impact any reforms might have on New York's unique position in the academic medical community. Moreover, the models must also analyze not only economic considerations, but also consider the impact any changes will have on the access to health care in underserved areas and the quality of care delivered throughout the State.
- Empire would like to respectfully suggest that The Urban Institute meet with all the various stakeholders in the state to discuss assumption setting for these models given New York's unique insurance market and the valuable insights each stakeholder can share. Health plans, in particular, may provide quantifiable cost containment experience which the micro simulation model appears unable to measure.

With respect to each reform proposal we offer the following modeling considerations:

Single Payer “Medicare-for-All”

- Under a single payer scenario, the State will incur administrative costs that it would not under a private system. Enhancements in technology, consolidation of payment platforms, network development and quality measurement tools are all significant components which will add to the State’s administrative cost of running a health plan and should be considered in modeling the impact of this proposal.
- A transition to a single payer system would certainly have implications for providers – financial, qualitative and otherwise. The modeling instructions identify how providers (both facilities and physicians) would be reimbursed; however, they do not identify the negative impact these financing changes could have on hospitals and other providers who rely on private level reimbursement to be able to continue to operate. Should this level of reimbursement be reduced, the available supply of services, in particular hospital services, could be in jeopardy. Thus, despite having insurance coverage, individuals still may not be able to access care. Even in the absence of any financial changes, insuring more New Yorkers will generally increase the demand for health services. Empire believes that it is imperative that the model take into account access and supply issues as this is not simply a question of having insurance coverage but also an adequate supply of providers.
- Empire recommends that the financing for this proposal be clarified as it is currently unclear as to whether it would be financed through a broad-based tax on individuals or a tax on employers. Likewise, any financing must consider replacement of New York’s private sector surcharges (the covered lives assessment and the 8.95 percent public goals surcharge) as well as the premium and corporate franchise taxes paid by health insurers and Insurance Department assessments to fund general government.
 - If the tax is to be on individuals, consideration should be made as to the treatment of contributions employers currently make towards health insurance coverage for their employees. For example, would these former contributions now be passed onto workers in the form of higher wages?
 - If the tax is to be on employers, there are important ERISA implications to consider.
- Empire also recommends that the loss of favorable federal tax treatment on income spent on employer-sponsored health insurance be considered as part of the model.
- In the macro simulation model, consideration should be given to the impact on the loss of jobs (both direct and indirect), and tax revenue from eliminating the role of health plans.
- Lastly, Empire recommends that interstate effects be considered in this model. For example, it is likely that residents of other states who have difficulty

obtaining health insurance will move to New York State to take advantage of this benefit. Also, how will this impact national or regional employers who must offer all employees the same benefits even though employees who are residents of NY will have no way of taking advantage of private health insurance benefits?

New York Health Plus

- The New York Health Plus proposal is essentially Family Health Plus (FHP) for all New Yorkers and many of the challenges currently associated with the Family Health Plus buy-in program should be considered. Specific areas which warrant extensive evaluation should include, for example: the potential for enhanced adverse selection, any necessary changes to minimum plan participation rules in rural counties, implications on guarantee issue and community rating, likelihood of federal funding participation, potential for increased large group self funding, and the potential loss of managed care tools.
- Empire recommends that the financing for this proposal be clarified as it is currently unclear as to whether it would be financed through a broad-based tax on individuals or a tax on employers.
 - If the tax is to be on individuals, consideration should be made as to the treatment of contributions employers currently make towards health insurance coverage for their employees. For example, would these former contributions now be passed onto workers in the form of higher wages?
 - If the tax is to be on employers, there are important ERISA implications to consider.
- Exempting providers from the State and Federal antitrust laws are likely to have a dramatic impact on the cost of care and should be scrutinized in the modeling exercise for this proposal.

Combined Public-Private Proposal

- The State will incur administrative costs in implementing and administering a state health insurance exchange. Empire recommends that these costs be included in the model when estimating the cost of this proposal. Likewise, more fundamentally, with guarantee issue and pure community rating in the HMO market and small group insurance market, which, in theory, creates equal bargaining power and choice for all groups, an analysis should be undertaken to evaluate the necessity of, or rationale for an exchange or connector in such a regulated marketplace and what impact such an exchange would have on the broker community.
- Given the adverse selection that currently occurs in New York's individual and small group insurance market, Empire agrees that it is important to evaluate the impact of an individual mandate for New York. Empire recommends that detail be added around the assumptions for the following: minimum benefit level to fulfill the mandate requirement, penalties for noncompliance with the mandate, and exemptions for those unable to secure affordable coverage. These

assumptions related to the “strength” of the mandate have the potential to greatly influence the number of uninsured who gain coverage under the mandate as well as the cost of complying with and enforcing the mandate.

- This scenario proposes to merge the individual and small group markets. Again, Empire agrees that this is an important provision to evaluate and Empire’s own estimates have shown this provision, when taken together with other efforts, would increase affordability in the marketplace. Empire recommends that the merging of the markets be considered as part of a number of steps reforming the individual and small group market including rating reform, product innovation, and cost containment, with particular attention paid to the premium impact of each of these components. Similarly, Empire recommends that only groups with up to 50 (not 99) employees be merged with the individual market. Current New York law recognizes groups of 2 to 50 as small employers which are subject to different laws and regulations than groups of more than 50. One example of this is the State’s community rating law. Currently, insurers are required to community rate groups with up to 50 employees, but not groups with more than 50 employees. Bringing groups of greater than 50 employees under this law could greatly increase the cost of coverage for these employers.
- It is unclear how revenue from the employer assessment proposed under this scenario will be used. If it is used to subsidize coverage purchased through the health insurance exchange, or to fund premium subsidies/reinsurance, it will impact the cost estimate for this proposal. Therefore, Empire suggests that this be determined and reflected in the model.

Freedom Plan

- The “Freedom Plan” should be considered as a component of a combined public – private proposal and Empire respectfully suggests that the “Freedom Plan” should be modeled as part of the combined public/private solution.

Please contact Sean Doolan or Ashley Walter-Dumm with any questions you might have regarding these comments. Thank you.

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