States’ Health Care Reform Initiatives

Presented to the:
Long-Term Care and Medicaid Reform Subcommittee
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Agenda

- State Health Care Reform Themes
- Massachusetts
- Pennsylvania
- Tennessee
- Vermont
- Virginia
State Health Care Reform Themes

- Offer insurance products with different premiums based on ability to pay
- Increase Medicaid eligibility levels
- Manage chronic disease conditions
- Establish incentives and penalties
  - Tax credits for businesses providing health insurance (HI) coverage
  - Fees for larger employers that do not provide health insurance

SCHIP Is Central to Many States’ Reform Efforts

State Children’s Health Insurance Program (SCHIP):

- Federal Government pays 65%
- U.S. enrollment (2005)
  - Over 6 million children
  - 600,000 adults

- The various states’ universal coverage plans all require significant SCHIP funds

The Massachusetts Context

- Experiencing double-digit annual increases in insurance premiums
  - Small businesses and individuals facing significant barriers to coverage
- The highest per capita healthcare spending in the nation
- An estimated 550,000 uninsured individuals (≈10 percent of the total population)
  - National Average = 16 percent uninsured (Kaiser Commission)
  - Virginia Estimate = 15 percent (2001 VHCF Survey)
- 68 percent rate of employer sponsored insurance coverage compared to national average of 61 percent (Kaiser Commission)

Massachusetts

Overview
- All adults required to purchase health insurance by July 1, 2007
- Merge small and individual insurance markets
- Individuals 300% the Federal Poverty Level (FPL) will receive no public subsidy
- 90,000 previously uninsured adults are now enrolled in state-subsidized private health insurance coverage

Coverage
- Universal requirement, except for individuals that choose to pay tax penalty
- Minimum Credible Coverage
  - Caps deductibles
    - $2,000 for individuals
    - $4,000 for families
  - Limits out-of-pocket spending
    - $5,000 for individuals
    - $10,000 for families

Source: Massachusetts Health Care Reform Plan: An Update, Kaiser Family Foundation, June 2007
### Massachusetts

#### Financing
- Additional general funds
- Employer Contributions
- Redistribute existing funding
  - Medicaid
  - Uncompensated Care pool
- Total Cost for FY 2008 - $1.7b
  - $981m Federal Medicaid
  - $338m State GF
  - $160m Insurance Surcharge
  - $160m Hospital Assessment
  - $24m Employer Assessment
  - $60m Other

#### Responsibilities
- All employers (ER) with 11 or more employees (EE) must:
  - provide HI coverage or
    - pay up to $295 per EE per year
  - permit EE purchases of insurance with pre-tax dollars or
    - surcharge
- Commonwealth Care provides premium assistance for individuals
  - Under 150% FPL - $0 premium
  - 150%-300% FPL – Reduced premium

Source: Massachusetts Health Care Reform Plan: An Update, Kaiser Family Foundation, June 2007

### Pennsylvania

#### Overview
- Create “Cover All Pennsylvanians” (CAP)
  - Small business and individual private insurance product

#### Coverage
- Businesses can participate if:
  - Under 50 EEs
  - EE average salary under state average salary (currently $40,000)
  - No health care offering in last 6 months
- Pennsylvanians making <300% FPL can receive a subsidy
- Uninsured adults > 300% FPL can participate ($280/month)

#### Additional Reform:
- Decrease Hospital-Acquired Infections
  - HC facilities must implement infection control plan
  - Report infections
  - If 10% improvement, facility qualifies for additional payment

Sources: Summary: Pennsylvania Health Care Reform Act, Governor’s Office of Health Care Reform,
### Pennsylvania

**Financing**
- Fair Share Tax
  - Businesses taxed 3% of wages paid
    - 3.5% after FY 2010
    - Credits available for offering HI coverage to EEs

**Responsibilities**
- ER pay $130/month per EE
- EE pay from $10-$70
- Insurers use modified community rating
  - Use only: age, region, and family composition
  - Vary rates by no more than 33%
  - Must offer CAP plan if small group or individual plans offered
- All college students must have HI coverage


### Tennessee

**Overview**
- **Cover Tennessee**
  - AccessTN — comprehensive HI for the uninsurable
  - CoverTN — basic individual HI for EEs of qualified small businesses and the working uninsured
  - CoverKids — comprehensive HI for children

**Coverage**
- **AccessTN**
  - Qualifications:
    - 2 insurance refusals or for qualified medical condition
    - No coverage for 6 months
  - Premiums capped
- **CoverTN**
  - No out-of-pocket maximum
  - No Deductible
  - Limited benefits
- **CoverKids**
  - Under 250% FPL

### Tennessee

#### Financing
- Premiums
- Health Care Safety Net program
- Savings from Medicaid changes
- State revenue
- Federal funding (CoverKids, AccessTN)
- Insurance industry assessment (AccessTN)

**Cost:** $251 million (3 years)

#### Responsibilities
- AccessTN participant pays 60% of average member
  - premium assistance for those >250% FPL
- CoverTN participant – State=1/3 & ER and EE=2/3
- CoverKids pays co-payments but no premiums
  - annual out-of-pocket expenditures cannot exceed 5% annual household income

Source: Frequently Asked Questions, Cover Tennessee website

### Vermont

#### Overview
- New state-supported individual insurance product if:
  - Uninsured over 12 months
  - Not eligible for most existing state insurance programs
- Available October 1, 2007

#### Coverage
- Goal is 96% of Vermont adults to have insurance coverage

**Plan specifics**
- $250 deductible
- 20% coinsurance
- $10 office visit co-pay
- $0 prescription deductible
- $0 out-of-pocket preventative and chronic care
- $800 out-of-pocket maximum

Source: Recently enacted state coverage programs/Vermont, State Coverage Initiatives, [www.statecoverage.net](http://www.statecoverage.net)
Responsibilities

- State will subsidize premiums on a sliding scale for individuals <300% FPL
- Premium responsibilities of the insured:

<table>
<thead>
<tr>
<th>Individual Income</th>
<th>Monthly Premium</th>
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<tbody>
<tr>
<td>Below 200% FPL</td>
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<td>200-225% FPL</td>
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<td>250-275% FPL</td>
<td>$125</td>
</tr>
<tr>
<td>275-300% FPL</td>
<td>$135</td>
</tr>
</tbody>
</table>

Sources: Recently enacted state coverage programs Vermont, State Coverage Initiatives, www.statecoverage.net

Virginia Facts

- Between 8.9% and 15.5% (632,000 – 1 million) of non-elderly Virginians were uninsured in 2005
- Approximately 60% of the non-elderly uninsured are under 200% FPL
- 71% of uninsured children are under 200% FPL
- 50% of uninsured families are not offered insurance by their employer

An estimated $1.45 billion in uncompensated medical care was provided to the uninsured (2005)

- Health Care Provider Donations: $538 m
- Medicaid Disproportionate Share Hospital (DSH): $139 m
- State and Local Hospitalization Fund: $13 m
- Indigent Health Care Trust Fund: $7 m
- Free Clinics Donations: $86 m
- Other: $667 m
  - Workers compensation, auto and homeowner liability insurance, and miscellaneous sources

Insured patients likely pay more for their health care to cover providers’ uncompensated care losses


Medicaid’s major pharmacy initiatives to improve patient care and control costs

- Effective 2004

Enhanced Smiles For Children

- Effective July 1, 2005

FAMIS Mom’s eligibility up to 166% FPL

- Program effective August 1, 2005
- Initial eligibility up to 150% FPL (increased in 2006)

Source: Biennial Report of the Board of Medical Assistance Services, Department of Medical Assistance Services, December 2006.
Virginia Medicaid Reforms

- Revamped FAMIS Select
  - Provides $100 per month/per FAMIS eligible child for families that enroll their children in a private or employer-sponsored health plan instead of FAMIS
  - Effective August 1, 2005

- Programs for All-Inclusive Care of the Elderly (PACE)
  - October 10, 2006, Governor Kaine announced 6 grant recipients
  - DMAS has requested applications for a Northern Virginia site

Source: Biennial Report of the Board of Medical Assistance Services, Department of Medical Assistance Services, December 2006.

- Chronic Obstructive Pulmonary Disease (COPD) added to the Healthy Returns disease management program
  - Expansion announced in January 2006

- Utilization of electronic funds transfer for payments increased

- Long Term Care partnership
  - Effective September 1, 2007

Regional model for service integration
- Ranges from capitated payment system for acute care with care coordination to fully capitated system for all acute and long term care services
- Began phased rollout starting September 1, 2007

Expansion of managed care
- Medallion II into Lynchburg region
  - 14,000 eligible enrollees
  - All of Virginia now covered by Medallion II except far southwest and portions of western border with Virginia
  - Effective October 1, 2007

Focus areas:
- Health Care Workforce
- Access to care
- Quality
- Transparency
- Prevention
- Long Term Care

Recommendations will be presented to JCHC October 26th