A View From A Blue: Reform Through Uninsured, Individual & Small Group Innovation

New York State Health Foundation

Reforming New York’s Individual Health Insurance Market

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Who are the uninsured in New York State?

The state of New York has done relatively well to insure lower income individuals compared with the rest of the country, but not as well for middle class people earning 300% of the Federal Poverty Level.

The growing burden of health care cost

Avg. Health Insurance Premiums and Worker Contributions for Family Coverage, 1999-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Employer Contribution</th>
<th>Worker Contribution</th>
<th>Total Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$4,247</td>
<td>$1,543</td>
<td>$5,791</td>
</tr>
<tr>
<td>2008</td>
<td>$9,325</td>
<td>$3,354</td>
<td>$12,680</td>
</tr>
</tbody>
</table>

119% Increase

117% Increase

Note: The average worker contribution and the average employer contribution do not add to the average total premium due to rounding.

Health care premiums – cost vs. administration

Total health plan costs = 14%

- Admin, Tax & Compliance: 6%
- Plan Profits: 3%
- Consumer Servs: 5%
- Other Medical Services: 6%
- Rx Drug: 16%
- Hospital Costs: 18%
- Physician Services: 24%
- Outpatient Cost: 22%

Payment for health care to providers 86%

Treating the symptoms, not the disease

As Prices Rise, Private Coverage Decreases

- Percentage of Americans in private coverage
- Percent of family policies costing over $12,000 per year

Year:
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007
What, me pay for your coverage?

- Small group policies in New York are among the most expensive in U.S.
- 50% of NY small businesses do not provide coverage
- 54% of employed uninsured work for firms with less than 25 employees

Source: HealthConnect, Q4 2008, Downstate Small Group Rates
Individual Market: If you build it – *wrong* – they may leave

*2008 membership through June 30*
Revising Public Policy

• Enact reforms which reduce the cost of coverage for both individuals and small businesses
  • Balance between private & government coverage

• Create solutions for key uninsured
  • Individuals
  • small businesses
  • working poor
Let’s expand coverage for the two most vulnerable markets

**Goal:** Reduce the cost of coverage by at least 20% and increase the choice of products & policies for consumers.

**Summary:** All reforms should be taken together to attain desired reductions in premiums.

- Merge the small group, individual & Healthy NY markets
- Community rate by product class with a fixed number of standard products
- Create stop loss subsidy ($20,000)
- Reduce 8.95% discharge tax on this population (to 4.48%)
- Secure insurers commitment to reduce administrative expenses through an increase in the minimum medical loss ratio (80%)
### Estimated Premium Rate Impact of Proposals

(state verification needed)

<table>
<thead>
<tr>
<th>Change</th>
<th>Small Group</th>
<th>Individual Direct Pay</th>
<th>Estimated Net Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Merge Markets</td>
<td>+9%</td>
<td>0% to +4%</td>
<td>-18%</td>
</tr>
<tr>
<td>2. Community rate by... (Net of 1 and 2)</td>
<td>0-10%</td>
<td>-28%</td>
<td>-30%</td>
</tr>
<tr>
<td>3. Stop loss (Net of 1, 2 and 3)</td>
<td>-20%</td>
<td>-20%</td>
<td>-30%</td>
</tr>
<tr>
<td>4. Discount half of 8.95% tax</td>
<td></td>
<td></td>
<td>-30%</td>
</tr>
</tbody>
</table>

*These savings are likely to be on the low side because*...
What Next? Start with individual market

• **With the State facing economic hardship, reform will need to come in stages**
  - Allow affordable options in the individual market; fully fund DP stop loss
    - E.g., cigarette tax increase
  - Permit unique products for target populations
    - e.g., young invincibles
    - near seniors
    - temporary coverage
    - Target enrollment of the 1.1 million Medicaid eligible uninsured.
  - Look at other sources of revenue before moving to small group reform.
Changes that improve care, health and affordability

• Antiquated, paper-based systems lead to inefficient and unnecessary care and expose patients to undue risk.

• Reducing the cost of health care will make health insurance more affordable for those in the system and increase access for the uninsured.
Reform: Focus on the delivery system

• **Need to address both cost and quality**
  - Promote evidence-based quality medicine
  - Focus on prevention and manage chronic disease – pay primary care before it disappears
  - Improve effective use of drug therapies to prevent and manage illness
  - Reduce medical errors and adverse drug events
  - Pay those who deliver what we want – best practices
  - Provide information on variation – to all stakeholders
  - Benefits to provide consumer engagement
  - Expose fraud and abuse
What is in the way of helpful reform?

• Everyone in this room
• Articulation of complex problem
• Will to act
• Expectance of share of change
• Accountability
• Realism
Thank you.