



# POLICY STATEMENT

## NATIONAL HEALTH CARE REFORM

September 2009

### *Message from Patrick Johnston, President & CEO of the California Association of Health Plans*

For the past three years, California has been engaged in a discussion about health reform. While our state did not pass comprehensive reform, there has been considerable thought and research into a myriad of policy options that apply in the context of national health care reform. California health plans also provide experience in offering a wide variety of public and private insurance options at competitive prices for a large, diverse population. Some of the more unique aspects of the California health plan market are:

- We are a large market, with 21 million Californians receiving coverage from health plans. Three out of every five Californians are enrolled in an HMO.
- We are a competitive market, with 39 different plans – for-profit, non-profit and government entities – offering private, employer-based, individually purchased and public health plans that are regulated by the Department of Managed Health Care. Because of our large market, we offer competitive prices that are lower than the national average.
- We do more than pay for visits to doctors and hospitals, with extensive programs in disease management, obesity prevention and coordination of care.
- We have the largest Medicaid program in the country with 52 percent of enrollees in managed care. Moreover, our state's Medicaid rates are among the lowest in the nation.
- We are a heavily regulated market, with over 48 different unique benefit mandates and oversight by the Department of Managed Health Care on the HMO side and the California Department of Insurance on the PPO side. We are the only state in the nation with a unique regulator for HMOs.
- We run tight profit margins, with an average 3 percent profit margin and 12 percent average administrative costs in California. Nationally, health plan industry profits rank 35<sup>th</sup>, well below that of pharmaceutical companies (3<sup>rd</sup>) and medical device manufacturers (4<sup>th</sup>).
- We are a large employer, with over 130,000 jobs in California created directly or indirectly by the industry and a \$13.5 billion contribution to the state's overall economic product.

During this national debate, health plans have been proactively supportive of bi-partisan reform and offered positive reforms. The overarching philosophy for health plans is reform should build on what works best. From our California perspective, our greatest strengths include an employer-based system that offers many options and government programs for veterans, seniors, the disabled, low-income residents and low-income children (Medicare, Medicaid (Medi-Cal in California), CHIP (Healthy Families in California) and Veterans' Affairs). Our reform discussion needs to focus on improving quality, lowering the

*CEO's Message Continued on Page 2*

***“California's health plans support bipartisan health reform efforts to cover all Americans, make care more affordable, and improve quality.”***

***-Patrick Johnston***

### ***CAHP National Health Reform Goals***

*As Congress and all Americans consider how best to improve our health care system, California health plans are offering a framework that builds upon the strengths of our current system. The framework supports four primary goals:*

- 1. Achieve sustainable universal coverage,*
- 2. Reduce the future growth of health care expenditures,*
- 3. Improve the quality of health care, and*
- 4. Streamline and improve efficacy.*

**Achieve Sustainable Universal Coverage**

Reduce the ranks of the uninsured by making individual and small employer coverage more affordable and secure while strengthening the safety net by:

- **Improving the individual market.**
  - Combine **guarantee-issue coverage** with an enforceable **individual mandate**,
  - Provide individual market consumers the same tax benefits as individuals with employer-sponsored coverage,
  - Eliminate consideration of pre-existing conditions and gender in offering coverage, and
  - Provide **premium assistance** to ensure affordable coverage for lower-income individuals and working families.
- **Eliminating the cost-shift** imposed on employers and those with private insurance due to underpayment in Medicare and Medi-Cal and the uncompensated care of the uninsured. Health plans support increasing reimbursement rates for public programs, expanding enrollment opportunities in public programs to reduce the number of uninsured, streamlining Medi-Cal administrative processes to lower administrative costs, and rewarding plans and providers which demonstrate high-quality, low-cost care for all Medi-Cal beneficiaries.
- **Improving public programs.**
  - Extend Medi-Cal (Medicaid) and Healthy Families (CHIP) eligibility to more residents,
  - Provide incentives to have more eligible Americans enroll,
  - Expand Medi-Cal managed care options,
  - Develop rates for public programs through a process that is transparent and actuarially sound,
  - Coordinate public insurance with private insurance to prevent employers from dropping coverage and relying on the government to cover their employees,
  - Provide tax credits to lower-income working families with private insurance, and
  - Provide adequate support to community health centers.
- Establishing a national “essential benefits plan” that could include:
  - Comprehensive coverage for primary care,
  - Preventive care,
  - Chronic care,
  - Acute episodic care and
  - Emergency room/hospital service.
- Assisting small businesses through a tax code incentive, targeted assistance that would promote rate stability on renewal, and **enhanced transparency** to help consumers take more control of their healthcare.
- Strengthening the large group market by ensuring federal policies will not harm the current employer-based insurance system which provides employers with a tool to attract and retain valuable employees.

*California’s health plans support combining guarantee-issue coverage with an enforceable individual mandate to ensure greater access to coverage.*

*CEO’s Message Continued*

skyrocketing cost of medical care and eliminating the gap of people who have no coverage at all.

Health plans have detailed policy proposals to improve health care for all. Including:

- Guaranteeing individual coverage for pre-existing conditions and discontinuing pricing based on a person’s health status or gender when coupled with a requirement that all citizens have health insurance.
- Improving performance-based evaluations of providers and evidence-based medical technologies that help consumers make educated choices and have more control over their health care.
- Adjusting Medicare and Medi-Cal reimbursement rates to eliminate the hidden tax that those with private insurance pay to help offset doctors’ and hospitals’ financial loss due to government underpayment.
- Bolstering preventive care and disease management programs – already widely offered and used in California.
- Encouraging patient-centered care with doctors and hospitals working together as a team, which will improve health outcomes and lower over utilization (the frequency of using services such as CAT scans or name-brand drugs).
- Streamlining administrative processes by establishing a common web portal to make it easier for providers to access insurance information about patients.

California’s health plans have achieved lowered costs and high quality care over the years and there is more to do. We remain committed to working with policy makers so that our skill set – managing the system – can help the nation achieve high quality, affordable coverage.

*-Patrick Johnston*

**Reduce the Future Growth of Health Care Expenditures**

Building upon health plans’ improvements, the industry supports additional systemic improvements that will improve quality of care while helping to rein in spending. Encouraging the use of scientifically proven medical practices, high-value technologies and treatment approaches would lead to healthier patients, better outcomes and lower costs. We can do this by:

- Restraining and reducing wasteful spending in the health care system. **Enhancing evidence-based medicine** to address the variations in care that result in inappropriate use of health care services or preventable medical errors will lower costs for employers and individuals.
- **Rewarding providers for quality and outcomes rather than volume.** Payment systems should reward excellence and improve patient safety. Payment reform that rewards clinicians for spending adequate time with patients and encourages a greater focus on prevention, primary care, and wellness will improve health outcomes and lower costs.
- Streamlining administrative processes. **Coordinating information technology for administrative simplification** will help make the health care system easier to navigate—for consumers and providers. As an example, California’s health plans are currently engaged in conversations with statewide stakeholders to streamline eligibility verification for providers and reduce costs.

*Insured Californians pay higher premiums—a hidden tax—to make up for the costs hospitals and doctors must pay to care for the uninsured and for government underfunding of Medicaid and Medicare.*

*For a family of four, this hidden tax amounts to \$1,788 annually.*

**Improve the Quality of Health Care**

Patients and physicians will have more information to make value-based health care decisions under a comprehensive new strategy to improve the safety and quality of medical care. Health reform offers Americans the opportunity to improve the ability of the health care system to deliver high quality care and address health disparities by:

- **Emphasizing prevention and the early intervention** of and care coordination for chronic conditions. Health plans lower costs with chronic condition management through health education programs, by expanding health plan and employer incentives for enrollees to live healthier lives, and by increasing provider education and screening of patients.
- Improving care nationwide by **adopting uniform standards for quality, reporting, and information technology.** This coordination will increase the amount of consistent and useful data that is available on quality of care, reduce medical errors, reduce duplication and, ultimately, reduce costs.
- **Investing in research to increase understanding of the best treatments and therapies.** Expanding comparative effectiveness research will emphasize health outcomes by evaluating benefits, risks and incremental costs of new drugs, devices and treatments.
- Creating **accountability for evidence-based practice** and high-quality care.
- Investing in the **public health infrastructure**, especially at the community level.

*The New England Journal of Medicine has found that 45 percent of the time we are not receiving the care we need at the right time. We are either getting too much, too little, or the wrong care. This has a negative impact on health outcomes and increase costs within our healthcare system.*

**Streamline and Improve Efficacy**

Implement a **regulatory system that is more consistent, effective and protective of patients and practitioners.** The health care system currently functions in a mix of state and federal regulations, which are sometimes redundant, that can prohibit efforts to provide care, contain costs, and offer choices to consumers.

In California, health plans have 48 specific benefit mandates which drive up the cost of insurance premiums. Every year, the California Legislature proposes more.

By **streamlining existing regulations** nationally, avoiding overly costly and unneeded regulatory packages, **reducing the number of paper claims through use of electronic exchanges of information**, and **speeding access to information** regarding coverage to help providers and reduce paperwork through electronic exchanges of information, we can improve the efficacy of our health care system.

*California’s health plans are actively engaged with the State and health care stakeholders to streamline eligibility verification for providers and reduce administrative costs. These efforts will result in lower expenditures for consumers.*

Please contact Maral Farsi at [mfarsi@calhealthplans.org](mailto:mfarsi@calhealthplans.org) or 916.558.1545 with any questions about this policy statement.