WORKGROUP 2 USE/CREATION OF STATE POOL
QUARTERLY PROGRESS REPORT

- **Members**
  Ms. Marcia Nichols (Chair)
  Mr. Tim Stiles
  Mr. Joe Teeling
  Ms. Susan Voss, Iowa Insurance Commissioner (Ex-Officio)

- **Workgroup Web Page**
  http://www.legis.state.ia.us/Current/Interim

- **Charge**
  At the Commission's meeting on September 9, 2009, Commission Chair David Carlyle presented the following charge to Workgroup 2**:**

  > Workgroup 2 is tasked to review, analyze, recommend, and prioritize options to offer a program to provide coverage under a state health or medical group insurance plan to non-state public employees of counties, cities, schools, area education agencies, and community colleges, and employees of nonprofit employers and small employers and to pool such employees with the state plan.

- **Workgroup Meetings and Focus**
  Workgroup 2 met on four occasions in the fall of 2009:

  - **September 29**
    Discussion with representatives of various public groups concerning their experiences in purchasing health insurance for their employees. Groups identified the following areas of concerns:
    - The ability to change insurance carriers to obtain access to affordable premiums.
    - Non-profit employers have such small staffs that one catastrophic claim can undermine the whole groups , leading to dramatically higher premiums at renewal.
  - **October 8**
    The Workgroup heard presentations by five health insurance industry representatives concerning insurance pooling and controlling health care cost increases. According to the presenters, the primary barrier to making pooling work is the size and wellness of the newly created group. Wellness programs

were identified as the key to lowering costs are realizing more affordable insurance premiums.

- **November 18**
  Discussion with representatives of entities that have formed insurance pools in Iowa about the challenges and lessons learned from pooling. Initial discussion of recommendations to the Commission.
- **November 24**
  Final discussion of recommendations to the Commission. (Telephonic Meeting)

The meetings were held at the Iowa Insurance Division (330 Maple St., Des Moines, Iowa). Notice of the meetings was provided to the the public on the Commission's web site (www.legis.state.ia.us/Current/Interim). In addition, a call in number was provided for telephonic meetings. A majority of workgroup members attended each of the meetings.

- **Background**

Connecticut Health Insurance Reform

In an effort to understand what other states are currently doing regarding opening up their state employee health insurance pools, the Workgroup examined Connecticut's *Connecticut Healthcare Partnership* and and its *SustiNet* legislation.

The ***Connecticut Healthcare Partnership*** *(HB6582)* would have allowed participation, on a voluntary basis, by municipalities, non-profit organizations (beginning July 1, 2010), and small employers (50 or fewer employees) (January 1, 2011) in the Connecticut state employee health plan. In addition, the *Partnership* legislation would would have converted Connecticut's state employee plan (excluding dental coverage) from a fully-insured plan to a self-insured plan. The conversion could only be made upon the agreement of the State Employees' Bargaining Agent Coalition and after canceling the existing fully insured state employee plan.

While the Connecticut Office of Fiscal Analysis estimated the Partnership could result in important savings to the State, there was also concern that introducing new participants to the existing Connecticut state pool had the potential to negatively effect the pool by altering the pool's composition. The Office of Fiscal Analysis was unable to offer an estimate of the size of the risk as there is no state that currently allows small businesses and non-profits to enter state employee pools.

There was significant concern that Connecticut's "rich" benefit package for state employees would be to expensive for the targeted groups (municipalities/non-profits and small employers) to purchase and only a small number of employers would join the pool, resulting in insignificant increases in the number of small firms offering coverage to their employees. Others were leery of having to renegotiate contracts with employees in municipalities that chose to join the new pool. These issues echo

what the Workgroup has identified as potential problems in opening up the Iowa state employee health insurance pool.

Ultimately, the *Connecticut Healthcare Partnership* was approved by the Connecticut legislature in 2009, but was vetoed by the Governor and the veto was sustained.

Sustinet is an ambitious health care reform bill introduced in the Connecticut legislature in January 2009. The *Sustinet* bill, which was drafted by the Universal Health Care Foundation of Connecticut was designed to move Connecticut onto a fast track for comprehensive health care reform with an emphasis on universal coverage. The bill's focus was on preparing the state for anticipated federal health care reform while advancing the state as close to universal coverage as possible. However, the deteriorating state and federal financial situation limited the state's ambitions, and ultimately, a scaled down version of SustiNet was enacted in July 2009, over Governor Rell's veto. (See Attachment 1 for additional information on Connecticut's reform efforts) The state is now moving cautiously towards its goal of achieving universal coverage prior to 2014.

- **Workgroup Materials**
  Information gathered by the Workgroup is available at the Workgroup's web page: www.legis.state.ia.us/Current/Interim

RECOMMENDATIONS

Recommendation 1: Adding New Groups to the Current State Pool.
The state employee pool currently provides a rich benefit package to a well defined group of persons, i.e. state employees. There are two primary concerns regarding opening the state pool to other groups (municipalities/non profits): 1) very few groups will enter due to the relatively high cost of the benefit plan, and 2) the effect of introducing new participants is unknown, but has the potential to increase the cost of insurance coverage to state employees.

> **Prior to adding new groups to the state employee pool, there needs to be measures developed which will protect the stability of the sate employee pool from both a cost and benefits perspective.**

To date, Iowa pooling has a mixed history. When pools have had poor results it appears a major factor is that groups exit from their pool at will.

> **Exit from pools, either the state pool if it is opened at some future date, or from other pools in Iowa, needs to be restricted by requiring that groups commit to a pool for a fixed number of years prior to being allowed to withdraw. Further research needs to be done to determine what the proper commitment (in years) should be before exit is allowed.**

Recommendation 2: Examine Potential New Directions for Increasing Coverage. Workgroup 2 has the most focused charge – developing options to include new groups in the state employee insurance pool – of the three workgroups. The Workgroup believes that having completed its initial look at state pooling there are still opportunities for it to contribute to the Commission's work and asks the Commission for future direction regarding the following:

1. Should the Workgroup reexamine the potential for adding new groups to the state employee pool once the direction of federal health care reform is clear? The goal would be to determine if new federal legislation influences how insurance pools are created or run and changes the climate for opening the state employee pool to the groups specified in SF 389.

2. Should the Workgroup reexamine the potential for adding additional groups to the state employee pool in light of recommendations coming out of Workgroups 1 and 3?

3. The Workgroup has determined that small employers have a strong desire to be treated like large employers when purchasing insurance for their employees. The Workgroup believes that further research should be done to identify opportunities for small employers to be able to purchase insurance in the same manner as larger employers. Specifically, the Workgroup asks for direction from the Commission as to whether it should investigate opportunities to alter the manner in which small employers purchase health insurance.

ATTACHMENT 1
CONNECTICUT LEGISLATION OF INTEREST

Summary Prepared for Workgroup II

October 28, 2009

Background
There are two pieces of Connecticut legislation of potential interest to Workgroup II:

- ***The Connecticut Healthcare Partnership*** (HB 6582)

- ***SustiNet*** (HB 6600)

Both bills were passed during the 2009 Connecticut legislative session, and were vetoed by Gov. Jodi Rell (R). Rell's veto of HB 6582 was sustained, however, she was overridden as to HB 6600, and the SustiNet Plan entered into law in July 2009.

The following is a brief analysis of the two bills.

✦ THE CONNECTICUT HEALTHCARE PARTNERSHIP (HB 6582)

This bill would have allowed participation, on a voluntary basis, by **municipalities**, **non-profit organizations** (beginning July 1, 2010), and **small employers** (50 or fewer employees) (January 1, 2011) in the Connecticut state employee health plan as an additional health insurance option for non-state employers.

In addition, the bill would would have converted Connecticut's state employee plan (excluding dental coverage) from a **fully-insured** plan to a **self-insured** plan. The conversion could only be made upon the agreement of the *State Employees' Bargaining Agent Coalition* and after canceling the existing fully insured state employee plan.

Had this legislation been enacted it would have positioned Connecticut as the first state to allow small businesses to join a state plan at this scale.

KEY PROVISIONS

Voluntary Participation. Supporters suggested that by participating in the state employee pool, small businesses, municipalities, and non-profit organizations would reduce employee health care costs while improving employee benefit packages.

When the bill was first introduced in the 2008 session, the authors were interested in making participation mandatory to reduce adverse selection risk and to assure an adequate number of participants. The 2009 legislation made participation **entirely voluntary** (but with a two year minimum participation requirement), but added a *Cost Containment Committee* with authority to control participation so as to reduce risk.

Enrollment. Any employer group where the entirety of the employees would join the pool would be immediately accepted into the state pool. Any partial group (employer seeking coverage of less than the entire employee universe) would be actuarially reviewed for risk. If a partial group's participation would negatively impact the state employee pool, it could be denied entry to the pool. The goal in requiring actuarial review was to protect the existing state employee pool by preventing an eligible employer form shifting a disproportionate share of its medical risk to the state.

Risk to State Employee Pool
Introducing new participants to the existing state pool has the potential to negatively effect the state pool by altering the pool's composition. The Connecticut Office of Fiscal Analysis was unable to offer an

estimate of what the monetary amount of that risk might be as there is no state that currently allows small businesses and non-profits to enter state employee pools.

COSTS

Participant and Other Costs. The new non-state employers would have been required to pay the same premiums as the state at the same coverage level, with the caveat that new groups could have their rates adjusted to reflect group characteristics. New employers could require employee premium contributions consistent with existing collective bargaining agreements.

State Costs. Connecticut would lose revenue from a insurance premium tax collected from municipalities, non-profit organizations, and small employers who currently purchase private health insurance for their employees. The State Comptroller would have added three employees at a cost of $245K (first year estimate).

SAVINGS

The Connecticut Office of Fiscal Analysis estimated a one time saving to the state of $70 Million.[1] The state would also have saved about $20 million per year in a risk charge, which would have been reduced by a $10 million annual cost for stop loss insurance covering excess claims.

In addition, the state suggested that employees of small municipalities and small businesses might achieve savings due to participation in a pool with greater purchasing power, pooled risk and administrative economies of scale.

CONCERNS[2]

There was significant concern that the benefit package for state employees is quite "rich" and that the targeted groups (municipalities/non-profits and small employers) would find the premiums too high and would not participate in significant numbers. Others were leery of having to renegotiate contracts with employees in municipalities that chose to join the new pool.

ADDITIONAL RESOURCES

Statute Text
http://cga.ct.gov/2009/ACT/PA/2009PA-00147-R00HB-06582-PA.htm

✦ **SustiNet PLAN (HB 6600)**

The original, ambitious SustiNet bill, drafted by the Universal Health Care Foundation of Connecticut and introduced in January 2009, was designed to move Connecticut onto a fast track for comprehensive health care reform with an emphasis on universal coverage. The bill's focus was on preparing the state for anticipated federal health care reform while advancing the state as close to universal coverage as

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[1] The estimated savings is a result of the moving from the fully insured plan to a self insured plan as there is a date certain from which no more premiums are paid to the insurer by the state and on the same date the pool assumes direct responsibility for member claims. The savings would come from the time lag of from 30 to 60 day in paying providers from the newly created pool. Connecticut was paying about $70 million per month in premium and assumed that half of the incurred claims would be paid during the first two months of pool operation. [See Fiscal Note: http://cga.ct.gov/2009/FN/2009HB-06582-R010995-FN.htm]

[2] Information from correspondence and discussion with Cara Passaro, legislative aide to CT House speaker Christopher Donovan.

possible.[3] However, the deteriorating state and federal financial situation put a definite crimp[4] on the state's ambitions, and ultimately, a scaled down version of SustiNet was enacted in July 2009, over Gov. Rell's veto.[5]

The current version of the legislation lays out a process for creating a voluntary "self-insured health care delivery plan" in Connecticut with the following goals:

- Improve the health of state residents
- Improve the quality of health care and access to health care
- Provide health insurance coverage to state residents who would otherwise be uninsured
- Increase the health care insurance coverage options available to residents and employers
- Slow the short-term and long-term growth of per capita health care spending
- Implement reforms to the health care delivery system that will apply to all SustiNet Plan members [Subject to the limitation that any SustiNet health care delivery system reforms affecting to plan members who are state employees, retirees, and their dependents must be subject to applicable collective bargaining agreements].

Despite the reduced scope of the legislation, it remains an ambitious plan, as it is anticipated that the Sustinet Plan will cover almost all of the state's 3.5 million residents, including the state's estimated 350,000 uninsured persons.

Despite the level of detail in the plan regarding coverage and governance, no decisions have yet been made on how to fund SustiNet. The legislature will be required to find the necessary funding after it receives the Sustinet board's recommendations (see below)

IMPORTANT SUSTINET PLAN DESIGN CONSIDERATIONS

✓ The plan will **assist Connecticut residents** who are uninsured or underinsured, are sole proprietors or self-employed, own small businesses, are municipal employees or are employed by non-profit entities.

✓ The SustiNet Plan offers the possibility of uniting the state employee plan, HUSKY[6] and SAGA (CT State Medical Assistance benefit).

✓ SustiNet uses the **existing public sector** to facilitate change in the health care system, without mandating changes in private behavior.

✓ Create a **public investment** in slowing health care cost growth and improving population health status.

✓ SustiNet does not create an insurance mandate.

KEY PROVISIONS

SustiNet Enrollment Groups.

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[3] There are several good sources of information on the "original" SustiNet Plan including: www.ct.gov/oha/lib/oha/Dorn_SustiNet_09_16_09.revised.ppt

[4] The legislation is 18 to 24 months behind the timeline envisioned by the original drafters.

[5] Full implementation of the SustiNet agenda has an estimated $950 million to $1 Billion cost to the Connecticut state treasury.

[6] HUSKY (*Healthcare for Uninsured Kids and Youth*) is Connecticut's version of Iowa's HAWK-i program.

- Non-state Public Employers
- State Employees, Retirees and Dependents
- Nonprofits Entities
- Small Employers[7]
- HUSKY PLAN Part A and B Beneficiaries to 300% of the federal poverty level (to the extent permitted by federal law)
- Medicaid and State administered general assistance programs
- Persons Not Offered Employee Sponsored Insurance (ESI)
- Persons Offered Unaffordable or Inadequate ESI – state residents with incomes up to 400% of the federal poverty level.

The Uninsured. The legislation provides that all state residents with incomes below 300% of the federal poverty level will be eligible to enroll in HUSKY A or B after July 1, 2012.

SustiNet Health Partnership Board.[8]
The legislation establishes a nine member board of directors whose broad charge is to 1) increase access to health care, 2) improve health care quality and outcomes, and 3) provide effective health care cost control. The legislation specifies that the SustiNet board is a voluntary organization and not a Connecticut department, institution, or agency. The Board does not receive any state appropriations.

The Board is required to make recommendations to the legislature, by January 1, 2011, on the design and implementation of the SustiNet Plan. The board's recommendations must address the following:

- The establishment of a public authority or other entity with the power to:
  - ✓ Contract with insurers and health care providers
  - ✓ Develop health care infrastructure ("medical homes")
  - ✓ Set reimbursement rates
  - ✓ Create advisory committees
  - ✓ Encourage the use of health information technology

- A phased-in offering of the SustiNet Plan to:
  - ✓ State employees and retirees – July 1, 2012
  - ✓ HUSKY A and B beneficiaries
  - ✓ Persons with employer sponsored insurance (ESI) or unaffordable ESI – July 1, 2012
  - ✓ Small and large employers – July 1, 2012

- Development of a model SustiNet benefits package

- Public outreach and methods of identifying uninsured citizens.

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[7] **Small Employers.** The SustiNet Legislation defines **small employer** as "a person, firm, corporation, limited liability company, partnership, or association actively engaged in business or self-employed for at least three consecutive months, which, on at least 50% of its working days during the preceding twelve months, employed up to 50 people, the majority of whom worked in the state."

[8] Board composition is set by statute and includes the state comptroller and the state health care advocate (board chairpersons); representatives from the provider community, the insurance industry, and organized labor; and persons with professional expertise in: a) health economics/policy; b) health information technology; and c) actuarial science. Additional information is available on the board's web site at www.ct.gov/oha/cwp/view.asp?a=3784&Q=446094&PM=1

In addition, the SustiNet Board must establish committees to address and make recommendations to the legislature regarding **health information technology**, **medical homes**, **clinical care and safety guidelines**, and **preventive care and improved health outcomes**.

Prevention Task Forces. Finally, the bill creates board task forces addressing obesity, tobacco usage, and the health care workforce.

Independent Information Clearinghouse. The bill also establishes an independent information clearinghouse to provide employers, consumers, and the general public with information about SustiNet and private health care plans.

SustiNet Benefits Package
The benefits package was designed to be comprehensive with an eye to mimicking what large Connecticut employers currently offer.

The SustiNet benefits package will require **out-of-pocket cost-sharing limits** and **provider network rules**, all subject to same coverage mandates currently imposed on small group health insurance sold in the state.

Specific benefits will include, but not be limited to:

- Medical home services
- Inpatient and outpatient hospital care
- Generic and name-brand prescription drugs
- Laboratory and x-ray services
- Durable medical equipment
- Speech, physical, and occupational therapy
- Home health care
- Vision care
- Family planning
- Emergency transportation
- Hospice
- Prosthetics
- Podiatry
- Short-term rehabilitation
- Identification and treatment of developmental delays from birth through age three
- Evidence-based wellness programs

Subsidies
The SustiNet Board will study the feasibility of subsidizing premiums for those earning between 300 and 400% of the the FPL. People in this income bracket would pay for premium on a sliding scale basis.

Cost Sharing
Individuals and families will be subject to a **deductible** that excludes drugs and preventive care (defined as, but not limited to well-child visits, well-baby care, prenatal care, annual physicals, immunizations and screenings).

Copayments will be applied to prescription drugs and to office visits for other than preventive care.

Other Included Coverage
Mental and behavioral health, including tobacco cessation, substance abuse treatment, and obesity prevention and treatment (these services require parity with coverage for physical health services). Enrollees will also have **dental coverage** comparable to that provided by large employers in the Northeast.

SustiNet Funding
This is an area that appears to be in flux. Currently, the SustiNet Board is charged with identifying all potential funding sources.

ATTACHMENT 1

COSTS[9]

Expanded Public Programs. By extending enrollment in HUSKY A or B to 300% of the FPL, the state anticipates an annual increase in state costs of at least $530 million. The state will pursue all possible federal reimbursements,however the eligibility changes to HUSKY are outside current federal eligibility standards. Without federal reform the state will absorb this entire cost.

State Agencies. The legislation will impose some additional administrative costs to the departments of Public Health, Revenue Services, Labor, Insurance, and the Office of Health Care Advocate.

Task Forces. The three task forces (obesity, tobacco use, and shortages in medical personnel) will impose minimal administrative costs to state agencies.

POTENTIAL SAVINGS
According to the legislation authors, the Universal Health Care Foundation of Connecticut, state residents and businesses can anticipate savings of $1.7 billion by 2014, if SustiNet is fully implemented and successful in attracting sufficient enrollment. According to the Foundation, Connecticut residents would save an estimated $875 per person on premiums and out of pocket expenses.

ADDITIONAL RESOURCES

Statute Text
http://cga.ct.gov/asp/cgabillstatus/cgabillstatus.asp?selBillType=Bill&bill_num=6600&which_year=2009

SustiNet Board Home Page
http://www.ct.gov/oha/cwp/view.asp?a=3784&Q=446094&PM=1
Currently, the Board is administered by the Office of the Healthcare Advocate, and is just getting operational, so the site isn't too fleshed out.

Universal Health Care Foundation of Connecticut
The foundation has a number of SustiNet publications available at www.universalhealthct.org

Original SustiNet Proposal
Stanley Dorn of the Urban Institute is the lead consultant on the SustiNet Plan. His original SustiNet proposal is available at http://74.125.95.132/search?q=cache:1eTdfhlmiPMJ:www.healthcare4every1.org/sustinetproposal+sustinet+stan+dorn&cd=2&hl=en&ct=clnk&gl=us&client=safari

KEY CT PLAYERS

Speaker Christopher Donovan
Rep. Betsy Ritter, Co-Chair of the Public Health Committee
Universal Health Care Foundation of CT
CT SEIU State Council
AFSCME Council 4

[9] See CT Office of Fiscal Analysis Fiscal Note available at http://cga.ct.gov/2009/FN/2009HB-06600-R010920-FN.htm