

PAHU's Alternative to the Rendell Plan

Goals:

1. Any solution to the problem of the uninsured must address the real "Cost Drivers" that have insurance premium so expensive. The drivers include but are not limited to:
 - a. Financially irresponsible access to the health care system i.e. Free Riders
 - b. Over Utilization and Consumer Demand
 - c. Provider Pricing discrepancies - varying 50-90%
 - d. New Technologies
2. Understanding that all Pennsylvanians currently have access to Health Care Services, all Pennsylvanians should also have access to private health insurance to pay for those services thus reducing the uncompensated care that drives up the overall cost.
3. Encourage financially responsible use of the health care system through incentives and penalties; helping consumers to become more rational in their usage of health care.
4. Develop programs that address the reasons health care is becoming more expensive such as over-utilization, duplicate services, malpractice/legal remedies, and new technologies.
5. Distribute all insurance plans through licensed insurance producers.
6. The State must recognize that the uninsured population is not monolithic but rather is made up of a number of distinct populations, each with its own needs and solutions. A one size fits all solution is bound to fail because it does not recognize the differences within these populations of the uninsured.
7. Pennsylvania must not adopt a program for the uninsured that leads to 'crowd-out' and a weakening of the private sector system of providing health insurance coverage through employers and to individuals. Adopting a massive state program leads to single payer because the private sector will be weakened, creating a vicious circle that calls for more government involvement.

Proposals:

1. Recognizing the fact that a market of competitive businesses over time delivers products and services more efficiently than a single-payor system, PAHU encourages supporting, enhancing, and utilizing the private sector to deliver health care and health insurance, and not expanding the public sector except in a way that helps the private sector and not supplants it. This means that adultBasic should be phased out and replaced with private sector-oriented incentives that will insure more people. One advantage of this approach is that 'crowd-out' ceases.
2. PAHU supports encouraging competition among carriers to deliver more health insurance alternatives by making sure that a state-required claims ratio is consistent with true market experience. In addition, the State should explore incentives for new health insurance companies to enter PA, possibly with a five-year waiver of premium taxes.
3. Use subsidies, rebates, vouchers, or credits to assist those people with the greatest financial needs. These subsidies can be used to purchase individual insurance (replacing the current adultBasic program) and can be used to offset employee cost for group insurance. The existing Pennsylvania HIPP could be easily expanded. Subsidies could vary based on need or % of FPL. Allow low income workers with CHIP eligible children to apply the subsidy to their group plan. Other states such as Utah have incorporated this expansion. (The National Association of

Health Underwriters (NAHU) has information at its web site www.nahu.org – Hot Issues – State Premium Subsidy Programs)

The State may want to consider a subsidy program for employees who lose their jobs and either are not COBRA eligible or can not afford COBRA. They must apply within 30 days of losing employment as not to “go bare” between plans. This subsidy could be used to help defray COBRA costs or, if below 300% of the poverty level, non-working individuals could qualify for a subsidy of an individual policy.

4. Today, two populations that most significantly use uncompensated care and drive up the costs of health care are sometimes referred to as “Free Riders”.
 - a. The “Indestructibles” (those that view themselves either as too healthy or are willing to take the risk of going without insurance).
 - b. Those eligible for subsidized or free health care insurance who chose not to enroll.

The focus of the PAHU alternatives is on boosting the private sector role. We would approach the uninsured problem in two ways.

- a. Address cost drivers that make health insurance premiums unaffordable for small business such as Tort Reform.
 - b. Promote consumerism in health care so as to permit consumers to rationally look at health care decisions instead of regarding it as an entitlement or quasi-entitlement.
5. Require price transparency via the PHC4 so users of health care are provided with price information.

Points to consider:

- a. New Hampshire may already have a transparency model in place.
 - b. Anyone paying cash upfront will receive the lowest rate charged to any private pay (includes any private insurance contracted rate) customer. Maryland requires a quick pay discount.
 - c. Limit the variance in provider charges to a reasonable ratio. Discounts of 50% to 90% suggest someone is being severely overcharged for services.
 - d. Prescription Price Transparency
 - e. Fairly reimburse providers
6. For employers with 10 or more employees that pay for a portion of insurance premium, require that the employer maintain a section 125 POP plan so the employees can take advantage of Federal and State tax savings.
 7. Ideas to lower costs health care services (not shift the burden) need to be encouraged. PAHU supports the concept behind some of these proposed initiatives:
 - a. Loan forgiveness and start-up assistance (perhaps in the form of grant money or tax credits) to providers that open practices in underserved areas, urban and rural.
 - b. 24 hour clinics to take non emergency care away from the ER (if this is financially feasible to the provider).
 - c. Expanding use of Nurse Practitioners, Physical Therapists, Dental Hygienists, etc. with the proper legal protections and qualifications verifications.
 - d. More use of electronic records and electronic Rx to reduce duplicative facilities and treatments.

8. Health Insurance plans should be designed to encourage proper utilization. For example:
 - a. When a prescription drug has an exact generic available, it should be mandatory.
 - b. Misuse of the emergency room should result in a financial penalty.
 - c. Incentives for recognized Preventive Care Exams for age and gender.
 - d. Incentives for Weight Loss and Smoking Cessation Programs.
 - e. An option to explore is for the insurance industry to develop a template for employer groups that develop or use certain wellness techniques similar to the Worker Compensation certified worker safety committees that receive a five percent discount off their Worker's Compensation premiums. While not mandating a premium discount, insurers should be encouraged to provide discounts to businesses meeting the industry wellness standards.
9. Reduce demand for medically unneeded tests such as MRI's, CAT Scans, etc. by addressing the malpractice issues that encourage providers of health care to request the tests to avoid potential legal issues. Passage of the Fair Share Act (comparative negligence instead of joint and several liability) is a must!
10. PA should establish a risk pool to siphon off the uninsurable population (both employed and non-employed) into a system similar to automobile assigned risk where insurers take uninsured based on their market share. Segmenting this slice of the uninsured population helps employers with premiums that would otherwise spike given a particular medical condition.
11. PA should mount a consumer education campaign to familiarize people with how health costs increase because of over-utilization and on the need for them to be rational consumers of health care, what questions to ask and how to compare services and prices.
12. Pennsylvania Act 147 states that if you sell, solicit, or negotiate insurance you must have an Insurance Producers license. PAHU wants the State to comply with the law regarding selling, soliciting or negotiating of public sector programs that are called 'insurance' programs. If they are deemed to not be insurance programs and as such not needing to be sold by licensed producers, then the State should not use the word insurance. Marketing through the media and interested advocacy group fulfill a function of advertising but non-licensed persons should not be permitted to actually do what insurance producers do. Precedents exist now for other insurance programs of last resort: mine subsidence, flood insurance, crop insurance, auto insurance, and medical malpractice insurance where insurance producers market a product that fulfills a goal of society.
13. PA should examine additional tax incentives to encourage employers to offer health insurance to their employees if they are not currently.