Coverage Expansion Proposal

1/10/06

General Implementation Objectives

- Achieve coverage of all Michigan residents over the shortest period of time allowed by the state's financial and political environments.
- Implementation of each phase builds on prior phases of the plan.
- Maximize the use of federal funds
- Improve the business climate by making health care universally available and affordable to all Michiganians, while asking businesses and other stakeholders to shoulder a share of the cost of coverage.
- Implement expansion options as funding becomes available
- Cover 300,000-500,000 new additional lives within 5 years of implementation and eventually all Michigan residents.

PHASE I

Build Support for Extending Health Insurance to all Michigan residents

- Objectives:
  - Increase awareness of the State Planning Project for the Uninsured and it's Coverage Expansion Plan.
  - Use "Cover the Uninsured Week" to build initial public and political support for Michigan's Coverage Expansion Plan.
  - Build support by quickly creating a "win" by covering some of Michigan's currently uninsured.
- Phase I includes only coverage expansion options that:
  - Can be implemented immediately following "Cover the Uninsured Week".
  - Are supported by existing public and private funds, or create minimal additional budgetary costs.
  - Make extensive use of enhanced program linkages, outreach and referral.

Outreach to Young Adults

- Objective:
  - Expand coverage using existing health insurance policies and resources.
- Promote the purchasing of existing low-cost insurance policies for young adults 19 to 29
  - Various companies offer polices for less than $50/month.
  - Advertise the availability and need for low-cost and affordable policies for young adults, to both the young adults and their parents, use the following linkages:
    - Colleges and community colleges - some which require students to be insured, others that don't.
    - Businesses that have young adult employees
    - MESC
    - DLEG
    - Department of Education
    - Federal, state, county and local organizations
    - Insurance companies
    - Other private sector partners

Encourage employees to take insurance offered by their employer

- Objective:
  - Use existing opportunities for available health insurance to cover as many Michiganians as possible
- In collaboration with employers, employer associations and organized labor, educate employers and employees regarding the need for insurance and the value of health insurance to them personally.

Outreach to Medicaid/MIChild

- Objective:
  - Enroll all people who are eligible for publicly funded programs.
- Determine what the impediments are to having all eligible individuals enrolled in Medicaid and MIChild (lack of information, stigma, complexity of application process, perceived lack of need for coverage, etc.).
- Enhance education and outreach linkages with:
  - MDHS
  - Department of Education
  - DLEG
  - MESC
  - Head Start
  - Federal, state, county and local organizations
  - Private sector partners

Coverage of target populations

- Objective:
  - Coverage with existing resources to as many uninsured as possible.
- Explore coverage for children and other target populations with no budgetary costs through outreach, promotion and referral, such as:
  - Children and adults who live in families that could afford individual coverage through existing or perhaps newly developed insurance products.
  - Children or adults who have coverage for which they are eligible but to which they are not linked either through divorce or separation from a parent or spouse.
  - Work with insurers to develop a product for parents to purchase for children who do not have dependent coverage and do not qualify for Medicaid or MIChild.

Establish a Commission

- Objective:
  - Develop implementation strategies for all phases of the expansion plan, until health insurance is extended to all Michigan residents.
- Activities of the Commission:
  - Develop strategies for improving quality of care and establishing cost controls as follows:
    - A system of chronic care management and disease and health maintenance protocols that are aligned with evidence-based medicine. Encourage all insurers to utilize the same protocols so providers have only one set of rules to follow.
    - A pay-for-performance system based on the above protocols. Give providers an incentive or bonus for better performance. For example, primary care providers may be given a bonus if they achieve a benchmark level of eye screens for diabetics; a surgeon may receive a bonus if complication rates are below average; or a hospital may receive a bonus for low rates of hospital-acquired infections. This type of reward/bonus system is currently being developed.
    - Incentive systems for patients to increase healthy behaviors.

- A single billing protocol for providers, including all types of medical claims such as Workers' Compensation, auto insurance reimbursement, etc.
- A mechanism to capture savings that may come as a result of simplification of administrative processes, as well as other savings that may be realized as health care is systematized, simplified and universally available.

➢ Develop a long-term strategy to extend health insurance to all Michiganians and draft supporting legislation.

PHASE II

Coverage for Adults up to 100% of Poverty (up to $16,090/year in income for a family of 3 or $9,570 for a single person)

❖ Objective:
- ➢ Maximize federal financial participation, while expanding insurance coverage.
- ➢ Only parents may be covered with Medicaid funds, other sources of funding would have to be made available to cover childless adults.
- ➢ Covering parents will help ensure that eligible children are enrolled in Medicaid or MIChild and get the health care they require.

❖ Actions:
- ➢ Provide Medicaid or Medicaid-like coverage for parents in families with incomes up to 100% of poverty. Choices abound as to what this coverage would look like. Possibilities include:
  - Either the same or limited benefits.
  - Premiums could based on income or there could be no cost sharing.
  - Use of Medicaid network or other providers.
  - Enhanced provider reimbursement to insure access.

PHASE III

Expansion to 200% of Poverty for Parents (up to $32,180/year income for a family of 3)

❖ Objective:
- ➢ Leverage available federal and state funding to the extent possible to cover the uninsured.

❖ Actions:
- ➢ Develop a Medicaid buy-in program with premiums on a sliding scale based on income and cost-sharing.
- ➢ Provide for premium assistance for low-income adults who have employer-based coverage available but who cannot afford their share of the premium.

Expansion to 200% of Poverty for Childless Adults ($19,140/year income for a single person in 2005)

❖ Objective:
- ➢ Provide coverage to this comparatively large group of uninsured individuals

❖ Actions:
- ➢ Cover additional childless adults under Medicaid or Medicaid-like expansion. Moving childless adults up to 100% of poverty into Medicaid or a Medicaid-like program would free up spaces in the county health plans so they could serve childless adults 100% to 200% of poverty and could subsidize employer-based coverage through Third Share

Plans or similar models. If state funds become available, a state-sponsored plan could be implemented.

Subsidized Dependent Coverage for Children above 200% of poverty

- Objective:
  - All children could be provided with health care coverage.
- Actions:
  - Since Medicaid/SCHIP funds can be used to cover children above 200% of poverty, Medicaid funds could subsidize dependent coverage through employer-based insurance or through a commercial insurance benefit package with an expected parental contribution up to 5% of income.

PHASE IV

Employer Contribution Plan

- Objective:
  - Would provide health insurance to all workers and their families and ease the transition into a multiple payer plan or other strategy for universal coverage.
- Actions
  - Require employers to pay a fee of a specified percentage (perhaps 10%) of each employee's wages to the state. Employers would get a credit against this fee equal to the amount they spend for health insurance for their employees and their employees' families. If the insurance costs less than the specified percentage, the employer would be required to pay the remainder of the fee unless benefits were purchased under the state plan.
  - Create a Michigan Health Benefit Plan through which employers who desire may purchase coverage. Employers would be required to pay at least 80% (or other agreed upon amount) of the employee-only premium, and 50% (or other agreed upon amount) of the dependent premium. Insurance would be risk rated by business. However, an employer's premium would be capped at the established fee and if the insurance costs less than the fee, the employer could keep the difference IF the insurance were purchased from the Michigan Health Benefit Plan.

PHASE V

100% Coverage System

- Objective:
  - Provide all Michigan residents with health care coverage through a multiplicity of payment arrangements.
- Actions:
  - Develop a state purchasing entity that contracts with multiple health plans to provide health care to all Michigan residents not on Medicare.
  - Individuals chose their own health plan from a number of available options.
  - Finance coverage through income-related premiums and continued fee on employers from Phase IV.
  - Either individuals or employers could purchase supplemental coverage for services not covered by the plan.

- People could choose a plan, but may be required to pay premiums for higher cost plans. Employers could cover the cost of premiums if they choose to do so.
- All plans would have a basic benefit package including consumer cost-sharing provisions that would be defined by the Commission, which was begun in Phase I.
- Benefits for people with incomes below 200% of poverty would be based on Medicaid requirements and would receive federal matching funds.

FINANCING ISSUES

- Big picture financing options:
  - Use and re-shuffle existing public and private funds that are paying for health care to cover 100% of Michigan residents. This approach assumes that "the collective we" are currently spending enough on health care to cover everyone. Specific approaches include: reducing Medicaid benefits (eliminate vision, dental, hearing, chiropractic, etc.) to give basic health care benefits through Medicaid to more people; collecting and combining all health care expenditures (worker's comp health care, auto insurance health care expenditures, employer and employee premiums, etc.) to re-shuffle the pot to pay for basic health care benefits for all Michigan residents; achieving savings through administrative efficiencies, and instituting various other changes in the delivery system.
  - Increase the overall amount of money spent on health care. This approach assumes that there is not enough money being spent publicly and privately to cover the uninsured. Specific approaches include increased revenues (taxes) through any method used to generate more public revenue (income, sales, sin taxes, property, etc.)
  - Wait until the economy improves with a resulting increase in business and state income. Dedicate those increased revenues to coverage expansion.

- Medicaid options:
  - Several states, such as New York, have received additional Medicaid funds by arguing that the federal government should share some of the savings it has realized though past management of Medicaid costs. Michigan has a very extensive managed care program that has resulted in significant savings to the federal government. We are hopeful the federal government will share some of these savings with Michigan.
  - Michigan may be able to get a waiver to leverage some existing health care expenditures and thus share those costs with the federal government.
  - Some states, such as Maine, expect to be permitted to indirectly receive federal matching funds on employer contributions to their subsidized health care system. If Michigan develops such a programs, perhaps we could also leverage additional federal funds.

- Savings that will be realized if all Michiganians are insured:
  - The burden of uncompensated care will be eliminated, which will result in lower insurance rates for the insured.
  - Streamlined administration such as elimination of multiple billings, use of standardized forms, standardization of policies, etc. will result in savings to health care providers and insurers.
  - The purchasing pool will broaden and may result in increased savings through enhanced bargaining power.
  - Timely treatment will reduce costs in the long-run.
  - Use of appropriate types and levels of care will reduce overall health care costs.

- Incentives for healthier lifestyles, such as reduced cost-sharing or enhanced benefits for those who make healthy choices, could be part of the plan.
- Providers/insurers will have long-term incentives to provide preventive care, which long-term will reduce costs, for their patients, as well as better manage chronic conditions since patients will not be changing providers and insurers as they currently do.