Rethinking New York's Direct Pay Market

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Agenda

The goal of this presentation is to share some initial ideas for how to think differently about the Direct Pay market. This is a thought-starter – we look forward to collaborating with the State and other stakeholders.

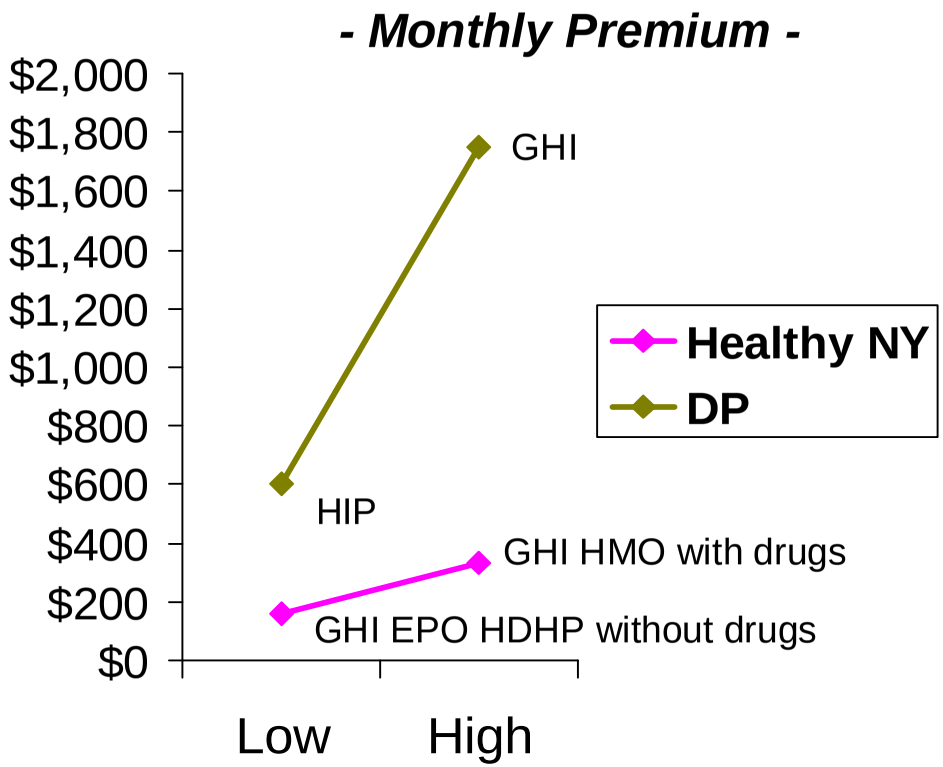
- Issues and Implications
- Suggested Solution
- Conclusion

Issues & Implications: Variability

There is huge variability in the Direct Pay market today in everything but benefits.

Variability in:

- Price
- Network
- Unit cost
- Administrative expenses
- Distribution system
- Medical management policies
- Quality care/health outcomes



Implications: Inefficiencies, unnecessary costs

Issues & Implications: Stop-Loss Inadequacy

The stop-loss pool created in 2000 to stabilize rates was frozen in 2004 and is no longer sufficient.

- Covered claims through 2003
- Reduced to $37M in August 2008
- Now covers less than 50% of claims liability

Implication

Return of instability for both the consumer and carrier

Issues & Implications: Inflexible Benefit Design

The mandated benefit designs are extremely rich and haven't kept up with the changing market.

- Mandated benefit design requirements adopted by statute in 1995 – unchanged in 13 years
- 1995-level office visit co-pays
- Comprehensive drug & medical coverage
- Low out-of-pocket cost sharing

Implications

- Generous benefit package + lack of flexibility = high premium cost
- No incentive for healthy people to join
- Lack of consumer choice of products
- Outdated benefits given current health issues (e.g., wellness, chronic diseases)

Issues & Implications: Uneven Risk Selection

The people joining the Direct Pay market are those who need insurance (generally those with chronic conditions) and are willing to pay the higher price.

- Mandated rich benefits encourages/allows high utilization
- People who buy DP need insurance – generally those with chronic conditions
- Current price points are unaffordable for the average uninsured person – likely to be exacerbated by current economic climate

Implications

- As membership continues to decline, premium cost will spiral out of control
- High cost creates no incentive for healthy people to join = no ability to offset or balance risk

Issues & Implications: Summary

If we don't take action now, the DP market risks collapse in the near future.

Variability + Stoploss Inadequacy + Inflexible Benefit Design + Uneven Risk Selection

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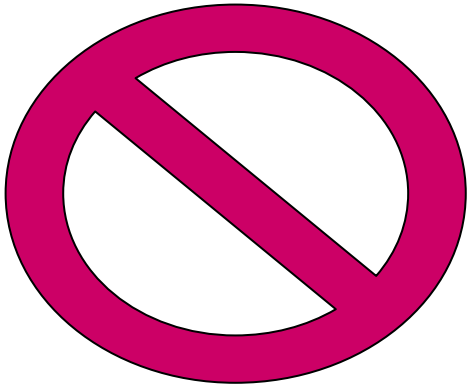


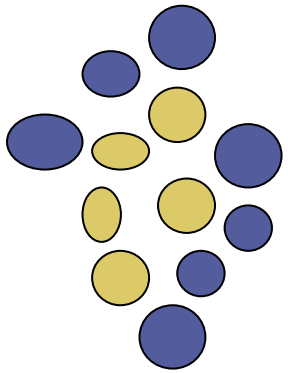
- Premium increases
- Enrollment declines
- Variability of health outcomes
- Collapse of Direct Pay Market

Rising Uninsured

Suggested Solution: Eliminate Variability

The first step is to create a stable platform for the future by getting into a single structure. This model leverages NYSHIP's experience and unit costs.

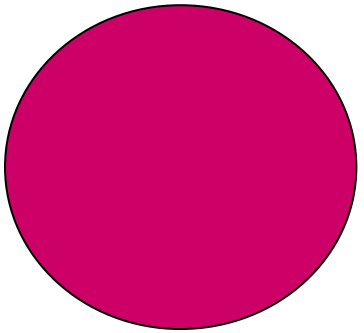
Existing Direct Pay Population – 12 carriers



Transfer current DP membership to NYSHIP vendors as condition of NYSHIP contract

No initial benefit change

NYSHIP Direct Pay Community Pool



- **Efficiencies**
  - One ID card for all DP market
  - One mechanism for claims payment
  - One network with one set of unit costs
  - One medical management process
  - Consistent pricing
- **Rating options**
  - Initially - current community rating
  - Long-term - consider other rating strategies

Suggested Solution: Expand Pool/Benefit Choices

The second step is to attract better risk to offset those with chronic conditions. This will essentially create more of a true insurance product with a wider range of benefit options at a variety of price points.

- Develop a new pool which will protect the current subscribers from benefit changes
- Devise new, more flexible benefit options within this new pool to create choice and attract a wider variety of enrollees
- Consider strategies to create a range in pricing:
  - Age/sex adjustments
  - Rating region adjustments
  - Wellness/DM adjustments
- Market through State, consumer groups, clinicians and other stakeholders – e.g., Healthy NY campaigns

Suggested Solution: Better Manage Outcomes

The final step is to create a long-term solution that results in better care management, more appropriate utilization and ultimately lowers costs and creates higher quality of care and better outcomes.

- **Benefit Design Pilots**
  - Study population and identify unique cost drivers
  - Develop benefit designs and care models targeted at these specific populations
  - Evaluate outcomes and refine as necessary
- **Chronic Care Coordination & Disease Management**
  - Predictive outreach
  - Case management
  - Compliance support
  - Integrated pharmacy, medical, behavioral
- **Consumer engagement/ wellness programs**
  - Healthy living (e.g., pregnancy)
  - Wellness programs (e.g., weight management)
  - Health assessments
  - Educational outreach/mailings
  - Screening exam and immunization reminders
- **Primary care/family physician pilots**

Suggested Solution: Potential Premium Reduction

By implementing this solution, we should be able to reduce Direct Pay premiums by 17% without impacting tax payers or the small group pool.

8% Medical →

- Better economics
- Lower insurance risk charge
- More consistent medical management of chronic conditions
- Increased focus on wellness

+

9% Medical →

- PMPM-based charge within a cost structure already serving 1 million members

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= 17% TOTAL Savings

Outcome

- No increase in small group subsidy to Direct Pay market (Reg 146) – no additional burden to small group
- Uses existing stoploss funding
- No additional public monies required

Conclusion

The suggested solution addresses the current issues and returns the viability of Direct Pay as a long-term healthcare solution.

Eliminate Variability + Expand Pool + Increase Benefit Designs + Better Manage Outcomes

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- Premium stability
- Enrollment increase
- Better health outcomes
- Viability of Direct Pay Market

Slowdown in growth of uninsured