

**A View From A Blue:  
Reform Through Uninsured, Individual  
& Small Group Innovation**

**New York State Health Foundation**

***Reforming New York's Individual Health Insurance Market***

**November 17, 2008**

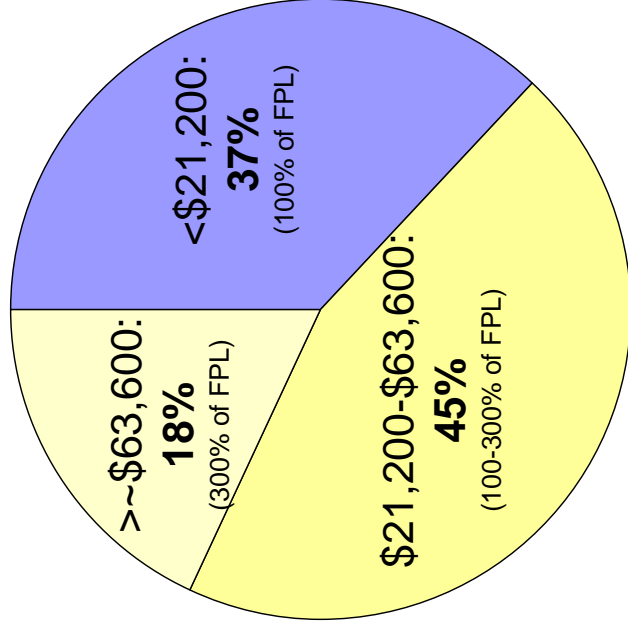


**Mark Wagar, President & CEO  
Empire BlueCross BlueShield (NY)  
Sr. VP, East Region, WellPoint, Inc.**

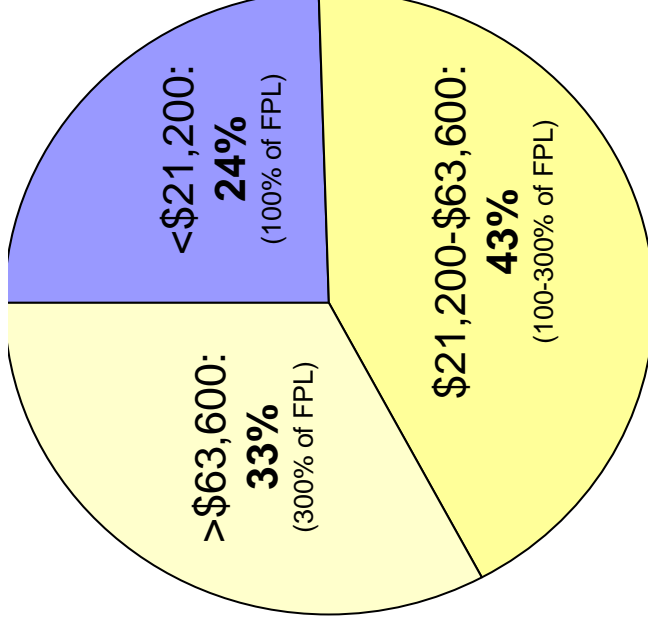
# Who are the uninsured in New York State?

## U.S. Uninsured

*\*Dollar figures based on family of four, using Federal Poverty Levels*



## New York Uninsured

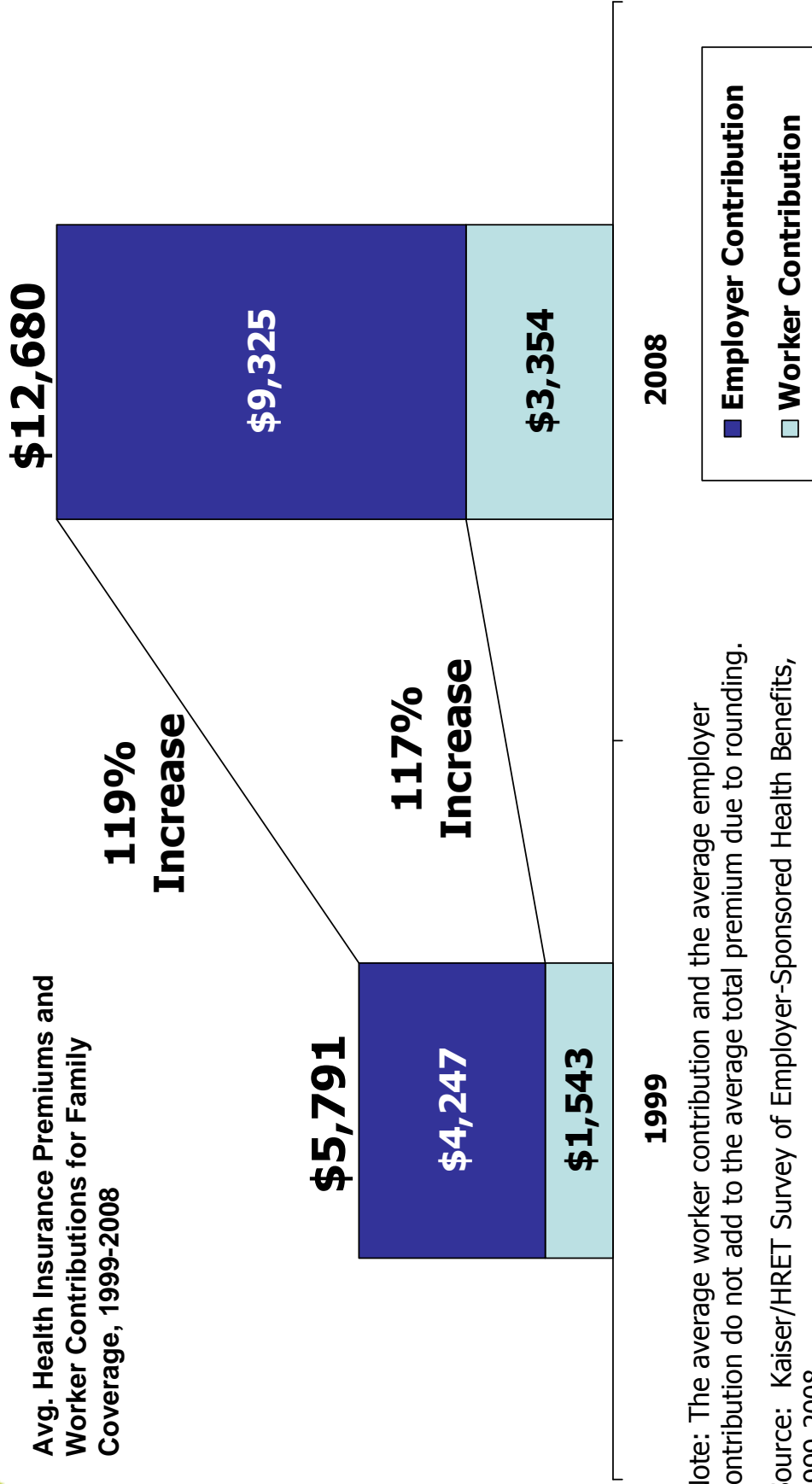


The state of New York has done relatively well to insure lower income individuals compared with the rest of the country, but not as well for middle class people earning 300% of the Federal Poverty Level

Data compiled from U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2007; 2007-2008 Poverty Threshold, Federal Register, Vol. 73, No. 15, January 23, 2008, pp. 3971-3972.

# The growing burden of health care cost

Avg. Health Insurance Premiums and Worker Contributions for Family Coverage, 1999-2008



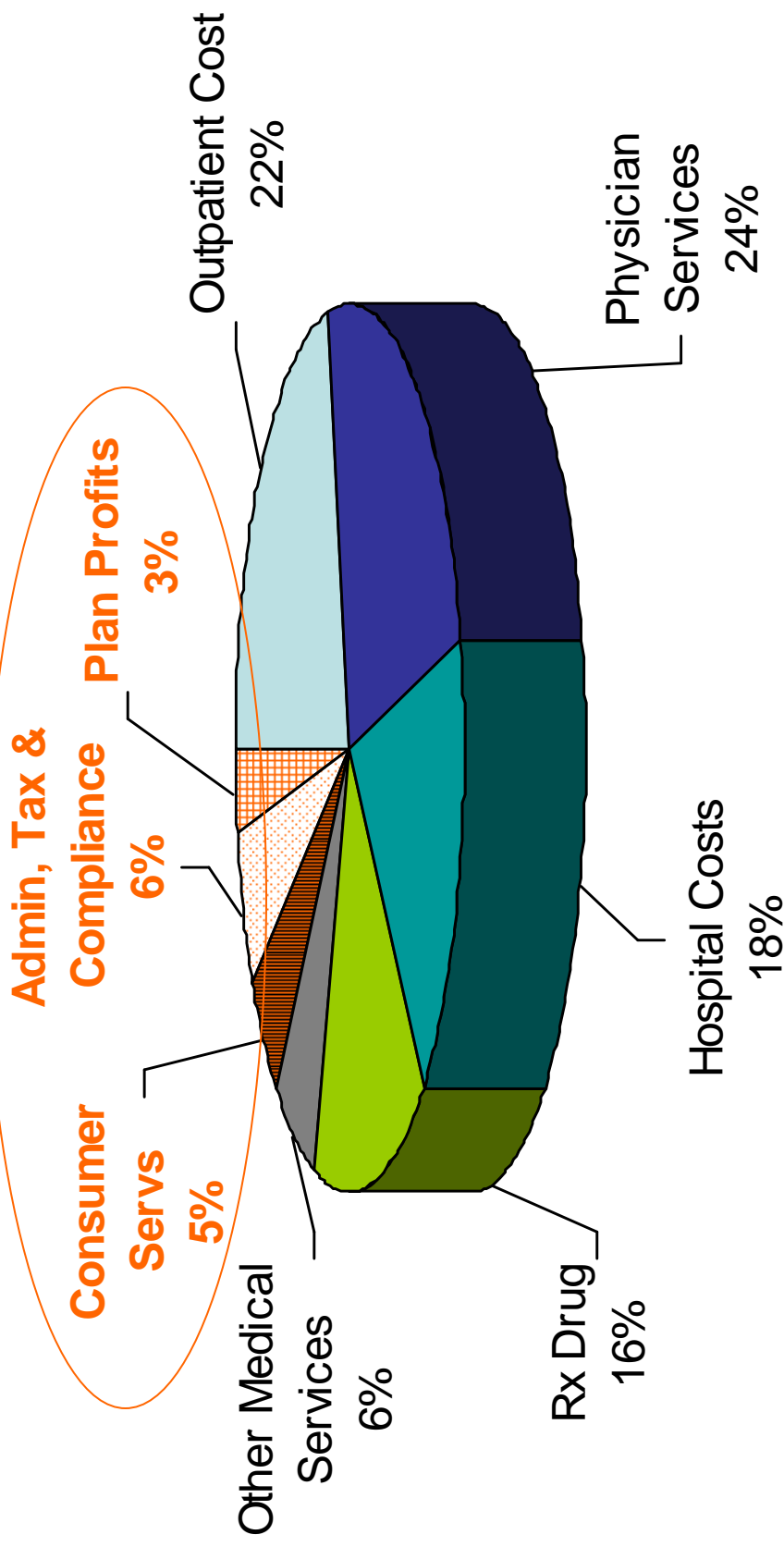
Note: The average worker contribution and the average employer contribution do not add to the average total premium due to rounding.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2008.



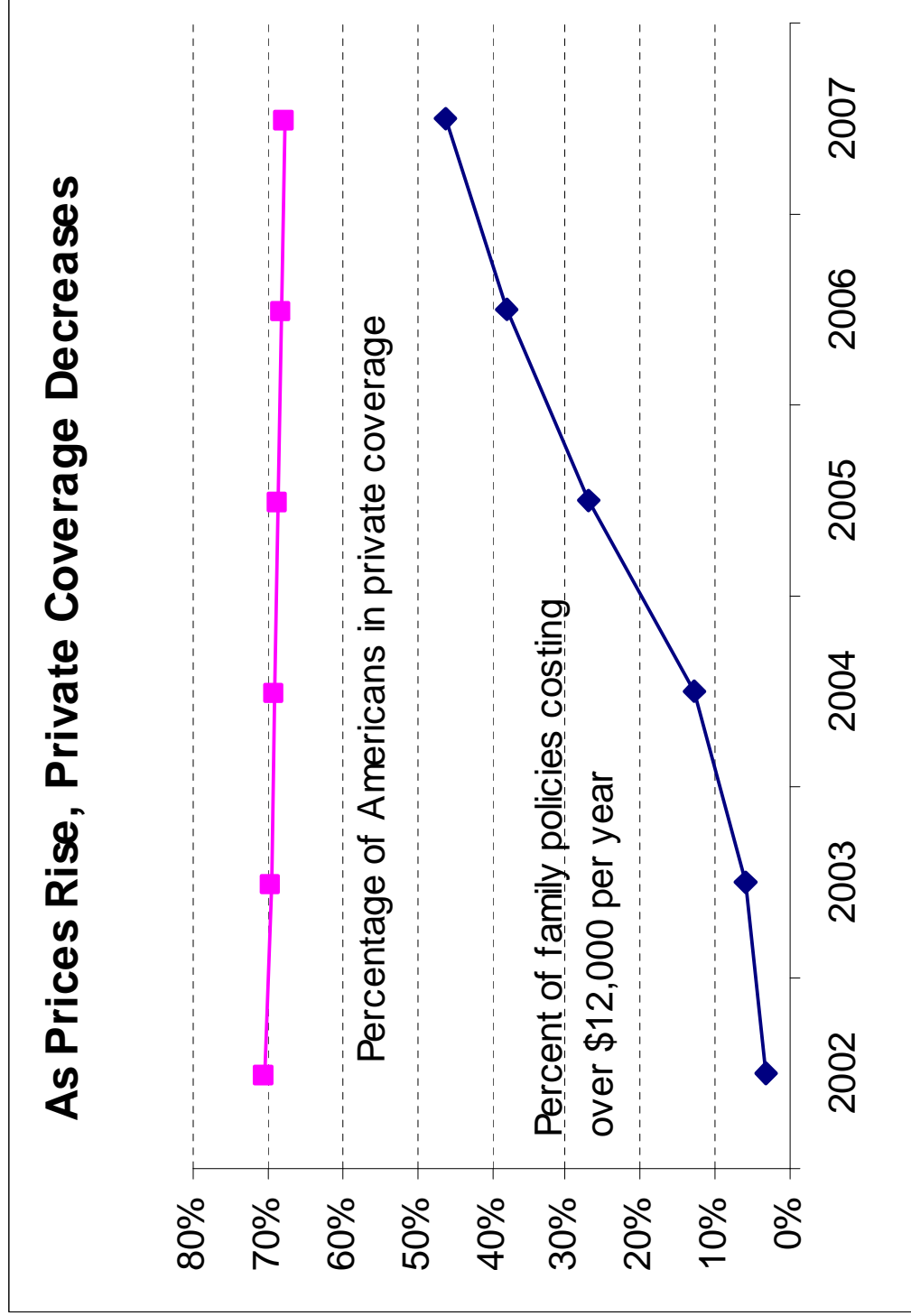
# Health care premiums – cost vs. administration

**Total health plan costs = 14%**



**Payment for health care to providers 86%**

# Treating the symptoms, not the disease



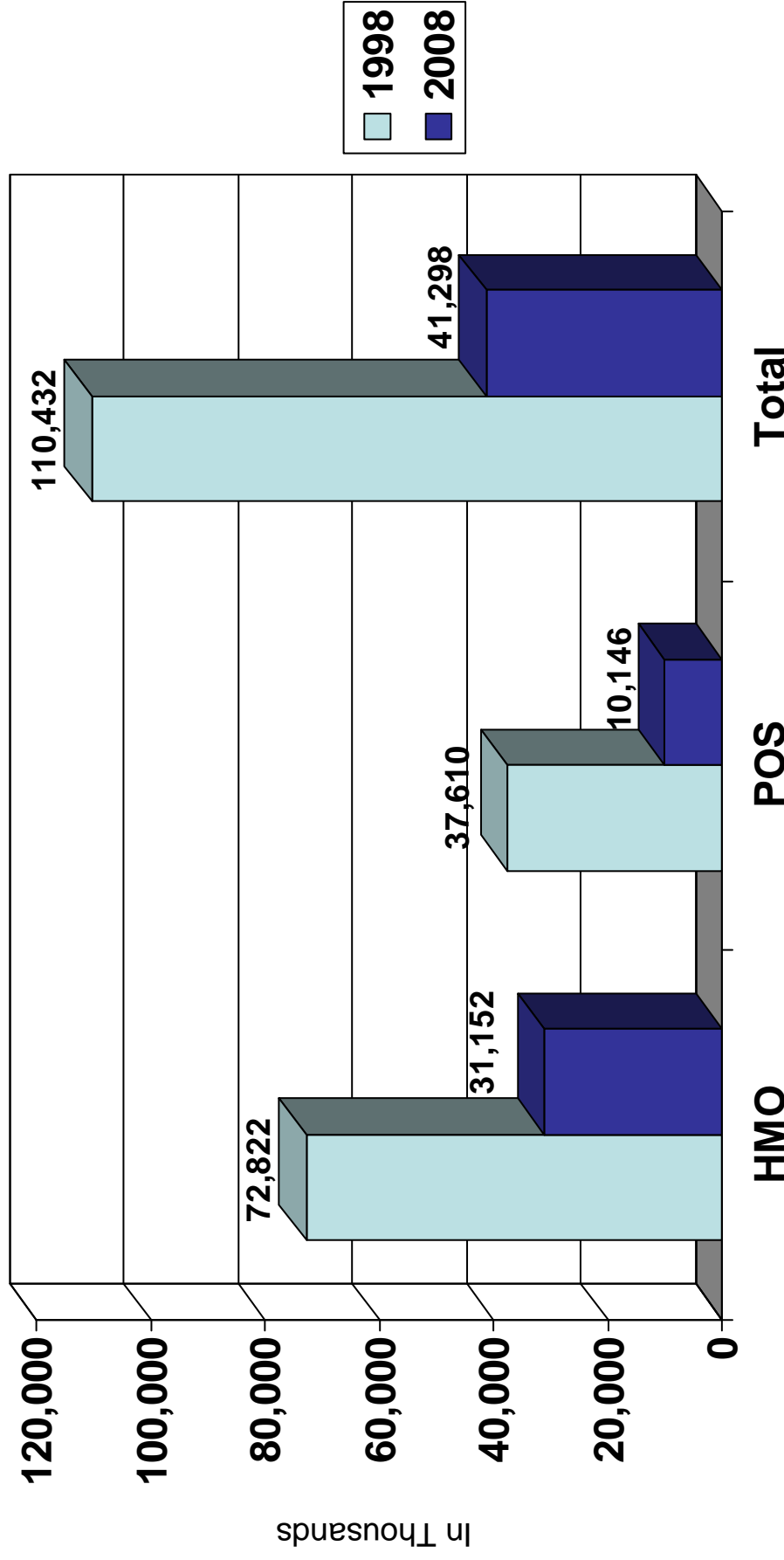
## What, me pay for *your* coverage?

- **Small group policies in New York are among the most expensive in U.S.**
- **50% of NY small businesses do not provide coverage**
- **54% of employed uninsured work for firms with less than 25 employees**

Source: HealthConnect, Q4 2008, Downstate Small Group Rates



# Individual Market: If you build it – wrong – they may leave



\*2008 membership through June 30



## Revising Public Policy

- **Enact reforms which reduce the cost of coverage for both individuals and small businesses**
  - Balance between private & government coverage
- **Create solutions for key uninsured**
  - Individuals
  - small businesses
  - working poor



# Let's expand coverage for the two most vulnerable markets

**Goal:** Reduce the cost of coverage by at least 20% and increase the choice of products & policies for consumers.

**Summary:** All reforms should be taken together to attain desired reductions in premiums.

- Merge the small group, individual & Healthy NY markets
- Community rate by product class with a fixed number of standard products
- Create stop loss subsidy (\$20,000)
- Reduce 8.95% discharge tax on this population (to 4.48%)
- Secure insurers commitment to reduce administrative expenses through an increase in the minimum medical loss ratio (80%)

# Estimated premium rate impact of proposals (state verification needed)

Change	Individual Direct Pay	Small Group
1. Merge Markets	-29%	+9%
2. Community rate by...(Net of 1 and 2)	0-10%	0% to +4%
3. Stop loss (Net of 1, 2 and 3)	-28%	-18%
4. Discount half of 8.95% tax	-30%	-20%
<b>Estimated Net Impact</b>	<b>-30%</b>	<b>-20%</b>

**These savings are likely to be on the low side because...**

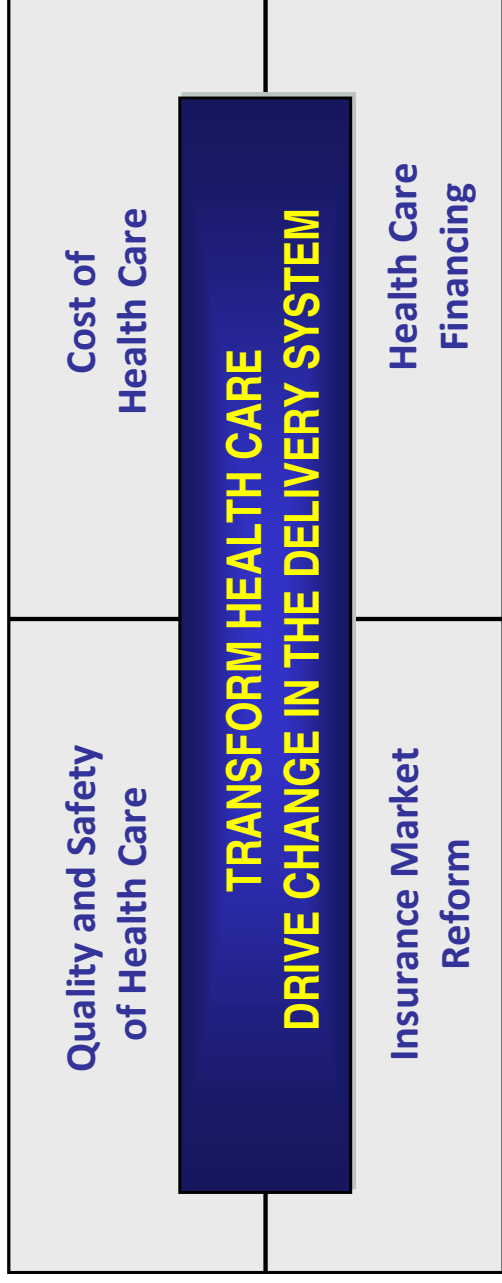


## What Next? Start with individual market

### • **With the State facing economic hardship, reform will need to come in stages**

- Allow affordable options in the individual market; fully fund DP stop loss
  - E.g., cigarette tax increase
- Permit unique products for target populations
  - e.g., young invincibles
  - near seniors
  - temporary coverage
- Target enrollment of the 1.1 million Medicaid eligible uninsured.
- Look at other sources of revenue before moving to small group reform.

# Changes that improve care, health and affordability



- Antiquated, paper-based systems lead to inefficient and unnecessary care and expose patients to undue risk.
- Reducing the cost of health care will make health insurance more affordable for those in the system and increase access for the uninsured.

## Reform: Focus on the delivery system

### •Need to address both cost and quality

- Promote evidence-based quality medicine
- Focus on prevention and manage chronic disease – pay primary care before it disappears
- Improve effective use of drug therapies to prevent and manage illness
- Reduce medical errors and adverse drug events
- Pay those who deliver what we want – best practices
- Provide information on variation – to all stakeholders
- Benefits to provide consumer engagement
- Expose fraud and abuse

## What is in the way of helpful reform?

- **Realism**
- **Accountability**
- **Expectance of share of change**
- **Will to act**
- **Articulation of complex problem**
- **Everyone in this room**

Thank you.

