
Health Care

Problem: We face an economic and humanitarian imperative to reform Utah's health system. Costs are escalating beyond individual, employer and taxpayer capacity. Too many people lack health insurance, incentives are misaligned, and the system is unfair. This broken system is unsustainable and will ultimately threaten our economic competitiveness as a state and nation. The nature of these challenges is that they cannot be addressed in isolation, or in partial fashion. Costs cannot be controlled unless incentives are properly structured for both individuals and market stakeholders. Incentives cannot be properly aligned unless everyone has basic coverage and markets are fair and transparent. Individuals cannot afford coverage and overall system costs cannot be sustained without sharing responsibility for insurance costs on the front end rather than on the more expensive and least effective back end.

Objective: To make health care more affordable (cost), improve health care outcomes (quality), and increase health coverage for the uninsured (access). We define success as passage of comprehensive health system reform legislation in 2008 that creates a multi-year framework to contain health care costs, ensure access and enhance quality.

Proposal: We recommend a conservative, business-minded approach to health system reform that relies primarily on the private market, encourages personal responsibility, and maximizes consumer choice while creating strong incentives for efficiency and quality.

1. Essential Benefit Package

Each health insurer licensed in the state and offering plans to individuals and small groups would be required to offer a minimum or essential benefit package structured as a continuum of services that becomes more expensive as treatments become more elective. The package would include financial incentives for healthy lifestyles and **disincentives for high risk choices**, and reduce or eliminate the cost of covering many services or treatments that are elective, or are not considered the lowest cost, generally-accepted alternative that meets the medical need. No deductibles are necessary because the co-payment/co-insurance structure provides appropriate incentives, and no out-of-pocket maximum is necessary because medically essential services are capped episodically and non-essential services are paid for out-of-pocket. A combination of co-payments (defined amount) and co-insurance (defined percentage) that are tiered based on income (% of the federal poverty level) should be applied. Actuarial estimates of such a benefit package suggest that the average cost of insurance premiums could be reduced by 25% if implemented along with the other elements of this proposal. Individuals remain free to purchase more comprehensive benefit plans if they so choose.

2. Health Benefits Commission

An independent health benefits commission comprised of individuals with both clinical expertise and fiscal accountability would be established to define the essential benefit package and provide coverage determination on an ongoing basis. The Commission will establish an appeals board to mediate disputes. This function will be structured like an administrative law judge. By law, there will be no additional recourse; neither providers nor insurers can be sued for denial of care outside of this venue. The commission balances and limits demands for expansion of covered services within the essential benefit package, and protects providers and insurers from liability related to covered services and/or denial of care. Additional tort reform that protects providers when evidence-based practices are used should also be considered.

3. Health Insurance Exchange

We recommend that the state charter a not-for-profit corporation called the Utah Health Insurance Exchange to facilitate the purchase of insurance in a way that makes maximum use of pre-tax dollars, creates portability for those insured, reduces costs by promoting transparency, quality and efficiency, and effectively administers public sector subsidies within the private sector. The exchange is NOT government-sponsored insurance and is NOT a regulator. Rather, it functions much like a stock exchange for insurance. Insurance brokers will continue to provide advice and counselling, enroll individuals and groups, and receive a commission for services rendered. By offering “commoditized” insurance plans with a modified community rate and appropriate risk adjustment mechanisms, the exchange creates a marketplace in which all individuals can purchase insurance, patients have access to quality data and easily comparable essential benefit plan products, reduces expense related to underwriting, new applications, customer retention and education, etc., and reduces employer expense of managing health benefits.

4. Individual and Shared Responsibility

In order for these proposals to have the desired effect on costs, the problem of cost-shifting due to inadequate reimbursement, lack of access to coverage, and “free riders” who choose not to purchase insurance must be addressed. The existing “mandate” to provide health care in an emergency (i.e. at the later and more costly stages of illness) regardless of insurance status must be replaced by a requirement for individuals to obtain insurance coverage on the front end (at a minimum – the essential benefit package). For this requirement to be feasible, it must build on the model of shared financing that works for most people today, in which both individuals and their employers share the cost of insurance, and the public sector provides subsidies for those without adequate income/revenue. We cannot make detailed financing recommendations until we have more concrete financial information on the type of health care coverage that would be required and the desired and affordable subsidy level. State government officials have secured the services of an actuary and are in the process of negotiating amendments to the state’s 1115 Medicaid Waiver and the new Affordable Choices Waiver. We expect to have more complete information in time for the 2008 legislative session. As a guide, we support the following public financing principles, which will need to be balanced in the final legislative proposal.

Public finance principles:

- ◇ Benefits principle – Those who benefit should pay.
- ◇ Ability to pay principle – Those who can shoulder a greater burden should.
- ◇ Subsidy and incentive principle – Society should subsidize behavior that it wants to encourage and tax behavior that it wants to discourage.
- ◇ Efficiency principle – Tax policies should broaden the base and lower the rate to minimize distortions within the private market.