SustiNet Health Partnership
Board of Directors

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State Comptroller

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Board of Directors Regular Meeting
July 14, 2010
Meeting Minutes

Board Attendees: *Nancy Wyman, Comptroller, Co-chair; Kevin Lembo, Healthcare Advocate, Co-chair; Ellen Andrews; Jeannette DeJesus; Doreen Del Bianco; Margaret Flinter; Bruce Gould; Paul Grady; Bonita Grubbs; Norma Gyle; Nancy Heaton; Jeffrey Kramer; Estela Lopez; Sal Luciano; Joseph McDonagh; Marie Spivey; Rob Zavoski; Cristine Vogel*

Office of the Healthcare Advocate: *Africka Hinds-Ayala; Vicki Veltri*

Office of the Comptroller: *David Krause*

SustiNet Advisors: *Stan Dorn; Jonathan Gruber*

SustiNet Consultants: *Linda Green; Katharine London; Anya Rader Wallack*

Absent: *Michael Critelli; David Henderson; Alex Hutchinson; Jamie Mooney; Lucy Nolan; Rafael Perez-Escamilla; Andy Salner; Marlene Schwartz; Marie Smith; Todd Staub; Thomas Sullivan; Tory Westbrook*

Kevin Lembo opened the meeting by welcoming all attendees and asking Board members and co-chairs to introduce themselves. Minutes from the June 9, 2010 meeting were approved with no changes. Doreen Del Bianco from the Department of Mental Health and Addiction Services was approved as an Ex-Officio Board member.

Stan Dorn, collaborating with Jon Gruber via conference call, gave a presentation on the baseline cost analysis for SustiNet. This provided a view of what the world will look like in the coming years under the Patient Protection and Affordable Care Act (PPACA) and how this will change under various approaches to the SustiNet plan. Stan said the presentation would put the modeling results into perspective, speak about the results themselves and address the next steps to be taken. Jon began by saying he had done a modeling exercise to understand the impact of PPACA on the state of CT. The results are from a micro stimulation model, which inputs policy parameters and analyzes how health insurance market changes affect individuals, firms and governments. The model has been calibrated at the national level to match where the Congressional Budget Office (CBO) is. Jon took the model to the state level of CT. Previously Jon had used the model for the Universal Healthcare Foundation of Connecticut in the development of SustiNet. The next step will be to examine the variety of options SustiNet has to choose from in implementing PPACA. Jon emphasized that this data provides estimates,

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Bruce Gould • Paul Grady • Bonita Grubbs • Norma Gyle • Jeffrey Kramer
Estela Lopez • Sal Luciano • Joseph McDonagh • Jamie Mooney

not hard facts, and there is some degree of uncertainty. He said it's important to understand where the uncertain points are and that some estimates may not prove to be true.

Jon said Massachusetts (MA) used this model as a basis for the development of Governor Romney's proposal, which subsequently led to legislation for the MA plan. The cost estimate proved to be accurate in MA, so it worked very well there. Jon said he could provide a document that goes through the model in great detail to anyone who's interested. Stan said the document will be posted on the SustiNet website along with a one-page summary of the model. Paul Grady asked what the source was for the model and how current the information was. Jon replied that the basis for the model was the Current Population Survey, which is a national survey used by the government for obtaining unemployment statistics among other data such as the number of uninsured. The last few available years of CT-specific data were used. For the specific estimates, Stan said DSS data on expenditures was used as well as data from DMHAS, HUSKY and the Comptroller's office. To access Stan and Jon's presentation, click here.

Kevin opened the discussion to questions on the presentation. Cristine Vogel praised the model and asked if it could look at the economic impact on large firms as it relates to Pharma and medical devices. Jon replied that these are not included in the modeling. He added that a lot of those entities' financing comes from reductions in Medicare hospital reimbursement and Medicare payments, and those things are not reflected either. He added that the net household impact is a partial impact, and doesn't include some of the financing sources that go into the bill that will affect CT.

Paul asked about the net effect on employer costs, and where the savings are coming from. Stan replied that the most important source of savings will come from the number of people receiving employer sponsored insurance from small firms which will go down by 11%, meaning employers don't have to pay premiums for those employees. Jon clarified that the cost per employee won't be reduced, but there will be less expense because the employer is providing less of the cost of the insurance. An unidentified speaker asked where folks will receive insurance when they no longer receive it through their employers. Jon said that some people will be buying insurance on their own, some will get tax credits, some will be on Medicaid and a small number will become uninsured. Jon added that with reform efforts of this magnitude, some people will be crowded out, but that number is very small compared to the number of people who will gain coverage.

Marie Spivey asked if the impact on the healthcare workforce had been factored into the model, as far as an increase or decrease in the workforce and education and training of the workforce and associated costs. Stan responded that was not part of this analysis. Bruce Gould added that workforce will be a huge issue and that it is necessary to be proactive in getting health professions schools to commit. Stan said that for those who shift to Medicaid or Husky, there will be much lower cost sharing. If these people enter the exchange, those with the lowest income levels will receive pretty generous coverage. The extent of the benefit will depend on what the legislature decides to do. Bruce said it is essential to keep in mind that for those who are on the lower end of the socioeconomic scale it takes very little co-pay to be a huge barrier to obtaining care or medication.

Joe McDonagh commented on penalties for firms of 100 employees or greater, saying greater penalties will be enforced on larger firms, and asked if these data could be broken down to firms of 50 employees or greater. Stan agreed to do this.

Paul asked about the amounts reflected in the analysis for State Administered General Assistance (SAGA) savings. When SAGA folks shift to Medicaid, the Governor predicts savings of at least $53 million. Under the status quo, the state pays 50% of Medicaid costs. In 2014-2016, the federal government will pay 100% of Medicaid costs. In 2017-2019, the percentage paid by the Feds will go down somewhat, but will still be above 90%. As of right now, 50% of SAGA funds are paid by the Feds but the per member per month cost in Medicaid is higher than it was in SAGA, so the state is picking up 50% of that increase. In the future, the state will be picking up zero to 10% of that increase. For this estimate, data from DSS and DMHAS was used, assuming half of hospital expenses were covered under DSH and the remainder was state funded; it may have been overestimated. Doreen Del Bianco noted that SAGA dollars in DMHAS are not all going towards the population; some of those dollars pay for services that are not Medicaid reimbursable. She suggested that some of the figures used in the model need to take that into consideration. Stan thanked her for that information and said he would like to discuss this with her so those estimates could be modified.

Kevin thanked Stan and Jon for their presentation. Kevin introduced Anya Rader Wallack who gave a presentation on SustiNet populations and the work plan for the Board for the next four months. To access Anya's presentation, click here.

Kevin said that Anya's presentation brought up many questions, and asked how to go about making decisions about the SustiNet population. Anya said that if she could get a general preference from the Board today, it would be helpful, with the expectation that details will be worked out later. Kevin asked why MA doesn't have an integrated purchasing arrangement, and asked Anya to explain their basic health program. Anya replied that when MA created the Commonwealth Care Program, there was a desire to have it look and operate more like a commercial insurance program. It was much more of a private sector model, yet because there were subsidies involved and an overlap of population with Medicaid, there were some things that needed to be kept in common with Medicaid.

Anya said that at the most general level of the basic health program, the state can take 95% of the money that is received for federal tax credits for people between 133 and 200% of the federal poverty level and spend it in a different way rather than going through the exchange as envisioned under the federal law. A uniform program of coverage can be provided with these funds. Stan said that in addition to this there is another group that could benefit from the basic health program option, newly arrived legal immigrants. PPACA doesn't change existing Medicaid law that denies federal subsidies to immigrants during their first five years of legalization. Those immigrants generally qualify for tax credits in the exchange. A state could cover them through the health program option. Stan said it is important to look at what the 95% figure amounts to as compared to HUSKY. This means the state could provide a more generous subsidy level for people without spending any state money.

Jeff Kramer asked Anya about offering SustiNet on the exchange, and when decisions regarding this would need to be made. Anya replied that long-term, offering SustiNet on the exchange will change the nature of SustiNet and its availability to broader populations. Shorter-term, important questions are whether people who have current coverage will be allowed to enroll or if coverage is being created for those who don't have coverage. Anya said these were two critical issues that needed to be resolved. Jeff asked Stan to comment about middle income people who opt not to purchase insurance, whether they will be required to purchase insurance and if SustiNet will be an option for them. Stan replied that the federal reform law carries an individual mandate to purchase coverage, and there are subsidies up to 400% of the federal poverty level, which will include many of those with moderate incomes. If these people choose not to purchase insurance, they will need to pay a penalty on their taxes.

Nancy Wyman asked if the pros and cons of offering SustiNet on the exchange could be listed. Anya agreed to do this, and said there will be a presentation on the implications of licensure in an upcoming meeting. Estela Lopez asked for a cost-benefit analysis along with the list. Stan said Jon is planning to look at the implications of offering SustiNet on the exchange and how it will impact costs for individuals and small firms.

Sal Luciano pointed out that in the state employee pool, which consists of about a quarter of a million people, family coverage costs approximately $15,000 - $16,000. Coverage in municipalities is usually higher, especially in smaller towns, usually $22,000 - $28,000 for plans that are often not as good. There would be a tremendous amount of savings, but it would be necessary to look at the risk pool. Municipalities and state governments both have employees in dangerous occupations. Sal said if the risk pools are the same, the employee pools could be combined. This would be a cost-saving measure for towns and cities and also for employees. Sal said he thought this could occur in 2012, with savings occurring immediately. This could absorb people who aren't as healthy because the pool would be so large. He added that in 2014, federal government will provide general help via grants.

Joe said that state employees are constrained as far as benefit changes until 2017 and asked if that would prevent them from participating in SustiNet. Nancy said there are many talks occurring now about many different aspects of insurance coverage so there may be changes made before 2017.

Paul said SustiNet will need to determine how competitive its product would be. He mentioned the Rand study which showed how difficult it is to control costs. When the CBO was scoring the impact of a public option, it showed that while there would be some lower administrative costs there would be a higher risk pool, so there would be no savings with a public option. Paul said this pointed out the need for an analysis of the financial impact that a SustiNet product would have. Anya said this would be incorporated in the next round of analyses by Stan and Jon. Bonita Grubbs suggested that nonprofit employers be included in the analysis. Bruce said the Board needs to look at how to do as much good as possible, including using the exchange, with whatever resources are available. Paul said that looking at this realistically, the reason premiums for nonprofits are increasing at 15% per year is that the amounts being paid to doctors and hospitals are increasing at that rate as a result of medical conditions that people have. Paul added that while the work that has been done by SustiNet Committees and Task Forces has been great and important, it's necessary to have realistic expectations.

Speaking from an insurance broker's viewpoint, Joe said that in today's world a 15% rate increase would be welcomed, rather than 20% or higher, which is typical. He also commented that all coverage is unaffordable and much of it is inadequate. Joe said that in MA, those with employee sponsored insurance (ESI) were not permitted to participate in the public health plan. Stan replied that was also true under federal reform law, that these are firewalls. Stan said that there will be less than 3% reduction in the total number of people receiving ESI, whereas this reduction would have been much larger if people had been given a choice. He added that under federal law, those who are offered ESI may not qualify for tax credits in the exchange, although there will be some exceptions. Katharine London said the goal in Massachusetts had been to share the responsibility for insuring people among government, individuals and employers, without changing the balance that existed before, so that new enrollees would be covered by those three sectors. The number of people with ESI has increased dramatically since health reform.

Paul said the way state government purchases healthcare today is fragmented. He asked if there was an integrative purchasing group, and what kind of expertise it would incorporate. He added that data is needed for benefit levels, care delivery standards, reimbursement, and the number of people currently involved in purchasing and managing healthcare for the state. It would be interesting to compare these things with other states that have an integrated healthcare approach.

Cristine said federal law requires the development of an exchange, so CT will need to create at least one exchange. SustiNet needs to decide if it will be offered within an exchange. She added that the cabinet she chairs for Governor Rell will hold its first meeting next week regarding the exchange, and encouraged those interested to attend. She also said the state needs more data in order to measure outcomes of healthcare reform, and the data is needed now. She said there is claims-based data in CT, rather than having an all payors database. Nancy said there is claims-based data for state employees. Sal said he has used state employee data often, and it has helped in keeping costs down. Rob Zavoski said that DSS has a data warehouse containing Medicaid data. There was a discussion about data needs, and Anya agreed to scan Committee and Task Force reports to compile a detailed data needs list. Anya also said that anyone with questions about the MA – CT comparison could contact her.

Kevin said he hoped to have a breakout of the SustiNet consulting grants budget before the next Board meeting and would be e-mailing it to members. Paul asked Kevin to comment about soliciting a public relations firm. Kevin said he felt it was time to have a communications plan to articulate SustiNet's progress. Kevin added that the plan needs to synthesize the information gathered in Board meetings and make it available to those outside, and to help in planning community engagement sessions and get feedback. Kevin said it's not unusual for state agencies to employ communications firms. He said that the amount that can be spent will be determined on the budget breakout. Kevin also said this has been put out to bid and has had many responses. He said there would be meetings scheduled, and asked if there were one or two Board members who would be willing to assist with interviewing applicants. Norma and Joe agreed to participate.

Kevin thanked the Advisory Committees and Task Forces for all the amazing work they've done and the entire Board applauded. He also thanked the consultants.

Meeting was adjourned.

Next meeting will be 8/11/10 from 9: 00 – 11:00 am.

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