



Anthem Blue Cross and Blue Shield Uninsured Action Plan for Colorado

Anthem Blue Cross Blue Shield of Colorado

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Name of Proposal:

Anthem Blue Cross and Blue Shield Uninsured Action Plan for Colorado

Proposer:

Anthem Blue Cross Blue Shield

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Signatures of those authorizing the submission of the proposal:

A handwritten signature in black ink, appearing to read "John W. Martie". The signature is written in a cursive style with a large initial "J" and "M".

a) Comprehensiveness

(1) What problem does your proposal address?

According to the United States Census Bureau, approximately 788,000 Coloradans were without health insurance in 2005.¹ While the overall percentage of state residents without health insurance has remained relatively constant over time, the number of uninsured is growing along with the state's population². The Anthem Blue Cross Blue Shield ("Anthem BCBS") Uninsured Action Plan seeks to improve access to health care and improve the health of the state's communities by increasing the number of Coloradans with health insurance.

Many people who are uninsured cannot afford private coverage. Of those who are uninsured, 55 percent do not qualify for public programs and cannot afford private coverage, 25 percent are eligible for public programs but not enrolled, and 20 percent are voluntarily uninsured despite being able to afford coverage.³ This proposal addresses all three populations.

Because most Coloradans have coverage, this proposal builds on the current system, including existing public programs and capitalizes on employer-sponsored insurance offered in the private market. At the same time, recognizing that the uninsured encompass a population with a wide variety of needs and preferences, the plan fosters an environment that will promote the availability of a broad array of insurance products that will make coverage more attractive to the various groups of uninsured.

(2) What are the objectives of the proposal?

a) *All Coloradans should have access to health coverage.* This goal can be achieved by allowing both public programs and the private, choice-based system to play a role in ensuring access to care. The Anthem BCBS Uninsured Action Plan is a blend of public and private initiatives aimed at ensuring access for children, improving and expanding

public programs for the most needy and providing a bridge to self-sufficiency for the working uninsured (those who don't qualify for public programs but can't afford to purchase individual coverage or contribute to employer-based coverage.) More than two-thirds of Colorado's uninsured children are eligible for Medicaid or Child Health Plan Plus (CHP+), Colorado's State Children's Health Insurance Program (SCHIP), while many uninsured adults are simply not eligible for public programs and unable to afford private health insurance.⁴ The Anthem BCBS Uninsured Action Plan would extend the reach of the health care system by providing new and more attractive options for those in need of coverage. This entails improving and expanding existing public programs, and enacting premium subsidy program to improve affordability in the employer-sponsored coverage market, the individual market, and the state high risk pool.

b) *Maximize the efficiency and reach of Medicaid and SCHIP.* Medicaid and SCHIP are a logical starting point for a state strategy to cover the low-income uninsured, as the joint funding structure enables states to leverage additional federal funds through innovative coverage mechanisms. Current federal waiver programs allow states to use federal Medicaid and SCHIP dollars in ways that do not conform to existing federal standards, enabling states to make broad changes in eligibility, benefits or cost-sharing or to initiate programs that provide premium assistance to help people purchase private coverage. Additional flexibility granted under the Deficit Reduction Act of 2006 (DRA) allows states to tailor benefit packages to discrete, non-mandatory populations or provide benefits through benchmark or benchmark-equivalent plans. In Colorado, a variety of opportunities exist to improve the efficiency of Medicaid and SCHIP, including expanding the use of managed care and streamlining the enrollment process.

c) *Preserve individual choice in the health care system.* A premium assistance program would use federal and state funds to subsidize the purchase of private insurance, in the individual or group market, and expand access to individuals and families who otherwise would not be able to afford private coverage. While the state's health care system could be improved in places, any state coverage initiative should nevertheless build on the current health care system and recognize that the state cannot afford to lose employers as

a crucial source of coverage. The state should allow all comprehensive health insurance products currently available in the Colorado health insurance marketplace to qualify for the premium subsidy so that individuals and families are not penalized with limited consumer choice simply because they need financial assistance to purchase coverage. An individual's coverage choices would not be limited due to the utilization of a premium subsidy.

b) General

(1) Please describe your proposal in detail.

The plan combines public programs and private coverage to achieve universal coverage for children and to improve and expand coverage and access for uninsured adults.

Specifically, the plan would:

Medicaid and the Child Health Plan Plus (CHP+)

- ✓ Expand CHP+ to children in families with incomes up to 300 percent of the federal poverty level (\$61,950 for a family of four in 2007).
- ✓ Expand CHP+ to include parents with incomes up to 200 percent of the federal poverty level. While a parent expansion could take place in the Medicaid program, providing coverage to parents through CHP+, where appropriate, has the advantage of serving entire families under the same program.
- ✓ Expand Medicaid to include childless adults earning up to 100 percent of the federal poverty level (\$10,210 in 2007).
- ✓ Improve outreach and the enrollment process to enroll children and adults who are eligible for Medicaid and CHP+ but not enrolled in these programs.
- ✓ In urban areas, expand Medicaid managed care to TANF beneficiaries (families with children) on a mandatory basis, which will improve care and help control program costs. The proposal also moves towards phasing in Medicaid managed care for the Aged, Blind and Disabled (ABD) population.

- ✓ In rural areas, we propose a Rural Plan Option waiver to provide managed care opportunities in rural communities.
- ✓ Increase Medicaid fee-for-service rates to be closer to rates paid by Medicare. While the proposal emphasizes Medicaid managed care, fee-for-service rates should be increased to improve beneficiary access and reduce cost shifting.
- ✓ Modernize Medicaid and CHP+ to allow for benefit flexibility and healthy rewards programs. Enhanced Medicaid benefits would provide additional funds in return for the completion of certain activities such as smoking cessation programs and well-child visits. Additional funds could be used to purchase additional benefits from a managed care plan such as enhanced dental or vision coverage.
- ✓ Allow for telemedicine to improve access to care, particularly to specialists, in rural communities.

New Premium Assistance Programs

- ✓ Establish a sliding-scale premium assistance program for uninsured families and individuals with incomes up to 300 percent of the federal poverty level who are not eligible for the expanded public programs and who have access to employer-sponsored insurance but cannot afford their share of the premium.
- ✓ Establish a sliding-scale premium assistance program to be made available to all individual market purchasers with incomes up to 300 percent of the federal poverty level who are not eligible for public programs and do not have access to employer-sponsored coverage. To ensure affordability for those uninsurable in the individual market, the premium subsidies could also be used in Colorado's high risk pool, CoverColorado.
- ✓ To maintain the current choice-based system, allow premium subsidies to be used on all comprehensive products that are currently approved by regulators. This ensures that the premium assistance program minimizes administrative costs by improving affordability through channels that already currently exist.

Private Market Flexibility and Efficiency

- ✓ Improve affordability by establishing a regulatory environment that encourages health insurance carriers to offer innovative products that appeal to small businesses and those who, in the past, have rejected the notion of purchasing health insurance.
- ✓ Improve affordability by eliminating two state laws noted below that discourage providers from contracting with managed care plans and force plans to pay billed charges.

These elements are described in greater detail in the sections below.

(2) Who will benefit from this proposal? Who will be negatively affected by this proposal?

Children and lower income adults will primarily benefit from the increased access to health care services that insurance coverage will bring. Lower income Coloradans are appropriately targeted by this proposal as they represent a disproportionate share of the uninsured in the state. While representing only 27 percent of the state's overall population, families with incomes below 200 percent of the federal poverty level represent roughly 55 percent of the state's uninsured population⁵. The combination of the public program expansion and premium assistance program will provide maximum flexibility to low-income individuals and families while utilizing the efficiency of existing programs and private channels.

Higher rates of coverage will also benefit safety net providers by reducing uncompensated care costs. While some safety net providers currently receive compensation through the Colorado Indigent Care Program (CICP) for a portion of costs incurred while treating eligible individuals, such funding has been relatively flat since 2002. As a result, safety net providers must serve their primarily low-income underserved communities with reimbursement that rarely meets cost, if reimbursed at all, placing these crucial providers under precarious circumstances. By increasing rates of

coverage among Colorado's indigent population, therefore, the providers that primarily serve them will also reap the benefits of increased funding security, creating a stronger safety net.⁶

There is also a societal benefit of reduced cost shifting. According to a 2005 study, premium costs for family and individual health insurance coverage provided by private employers included an extra \$922 and \$341 in premiums, respectively, due to the cost of care for the uninsured.⁷ If allowed to continue, this cost, added to already increasing health insurance premiums, is likely to cause more employers to stop offering coverage, leaving even more people without insurance. By greatly expanding the number of Coloradans with health insurance coverage, the Anthem BCBS Uninsured Action Plan will help reduce this "hidden tax", while improving their overall health and well-being.

(3) How will your proposal impact distinct populations (e.g. low-income, rural, immigrant, ethnic minority, disabled)?

The combined public program expansion and premium subsidy programs directly address the issues that represent significant barriers to care across Colorado, including availability, affordability and provider participation. Improving outreach to children already eligible for Medicaid and CHP+ and expanding such coverage to parents will benefit low-income families across the state by enabling them to enroll in public programs with limited cost-sharing. The broad-based expansion of public programs will also increase the likelihood that all family members will be eligible, which will in turn improve the take-up rates. The premium subsidy programs will help working families who do not qualify for the expanded public programs but struggle to afford coverage in the private market.

The premium subsidy program will be especially helpful for rural families. Limited health insurance options in rural areas lead to higher insurance premiums, which reduce affordability and increase the number of rural Coloradans without health insurance. The

premium subsidy will help rural families to purchase private coverage through the individual market or through their employer plan.

Hispanic Coloradans will further benefit from the coverage expansion. Hispanics accounted for 40 percent of the state's uninsured population in 2005, although only 20 percent of the state's total population identified themselves as Hispanic.⁸ Through the Plan's targeted outreach efforts to underrepresented sub-populations, such as Hispanic residents, Hispanics stand to benefit significantly from the public program expansions and premium subsidy programs.

One example of managed care enrollment efforts specifically targeted to Hispanics is NuestroBien ("Our Well Being"), which was recently rolled out in California by Anthem BCBS' parent company, WellPoint, to help promote health and wellness in the state's Hispanic community. NuestroBien is a website designed to provide educational content for the Hispanic community and focuses on prevention, nutrition and early detection of health issues with material available in both English and Spanish. It contains facts about the leading health care problems for Hispanics, tips on improving health, and links to the Blue Cross of California website, where those interested can apply for health coverage. A "Kids Center" contains games and animated clips on how the human body works. Over 600 health related articles for parents, teens and kids are available in both languages.

The Anthem BCBS Uninsured Action Plan would also continue marketing efforts targeted to Hispanic communities and expanding strategies aimed at rural, African-American, and other underrepresented sub-populations to increase program knowledge and eliminate misconceptions that discourage enrollment.

The Anthem BCBS Uninsured Action Plan would also make available telemedicine to public program beneficiaries. Telemedicine has achieved wide acceptance as a health care delivery method providing rural patients with increased access to care, including specialists who may be hundreds of miles away. It also enables patients to be seen

sooner, allowing for earlier diagnosis and treatment which would lead to healthier Coloradans and cost savings.

Managed care plans are able to properly coordinate care for all members, assuring access to timely and appropriate care. Plans also provide culturally and linguistically appropriate care and materials/information for each member in their requested language and in Braille.

(4) Please provide any evidence regarding the success or failure of your approach. Please attach.

Having health insurance promotes access to care for both parents and children and improves financial security for families. Uninsured, low-income families are more likely than their insured counterparts to have postponed or not sought care due to cost, and to have had their families' finances affected by medical costs. Research also finds that covering parents in Medicaid and SCHIP increases enrollment of children, and that, when parents are insured, their children gain better access to care.⁹

Many states have successfully enacted broad-based eligibility expansions in public programs, and studies consistently show that enrolling individuals in public programs significantly improves access to care.¹⁰

While state premium subsidy programs are relatively new, particularly those targeted toward individuals who are not eligible for Medicaid, there is a precedent for states enacting such programs. Idaho, for example, recently enacted two premium subsidy pilot projects targeted towards individuals not eligible for public programs that help make private coverage more affordable: the Children's Access Card and Access to Health Insurance (AHI). AHI is a premium subsidy program similar to that proposed by the Anthem BCBS Uninsured Action Plan in that the premium subsidy program works through existing channels and the subsidy can be applied towards any product that is offered by an employer.

(5) How will the program(s) included in the proposal be governed and administered?

The public program eligibility expansions, expansions of Medicaid managed care, and improved outreach efforts would be administered by the state, in keeping with current practices.

The state would also administer two sliding-scale premium subsidy programs for low-income individuals who are not eligible for the expanded public programs. State and federal funds would finance these premium subsidy programs. The first program is aimed at those who have access to employer-sponsored coverage. This subsidy program starts with existing public program application channels. If an individual is not eligible for the expanded public programs, but the individual has access to employer-sponsored coverage, the state provides premium assistance for that individual to enroll in their employer plan. The amount of the subsidy is determined on a sliding scale based on income, but would be sufficient to ensure the individual does not spend more than the targeted five percent of family income on employer-sponsored coverage. The state then directs the employer to reduce the employee's premium contribution by the subsidy amount, and the state sends the subsidy to the insurer. Alternatively, the state can directly reimburse the individual for a portion of his or her pre-tax contribution. Both of these processes will improve affordability without significantly impacting administration for offering businesses, insurers, or the state. Any employer plans that meet current regulatory criteria would be eligible for the program in order to give employers the flexibility to maintain their current range of coverage options and encourage them to continue offering affordable health plans to their employees.

The second sliding-scale premium subsidy program is designed for low-income individuals and families who are not eligible for existing public programs or employer-sponsored coverage and is intended to guarantee access to affordable coverage in the individual market. Individuals and families who are not eligible for expanded public

programs and do not have access to employer-sponsored coverage will receive a premium subsidy coupon from the state. The premium subsidy coupon can be used to offset the cost of purchasing in the individual market or Colorado's high risk pool, CoverColorado, if the individual is medically uninsurable.

(6) To the best of your knowledge, will any federal or state laws or regulations need to be changed to implement this proposal (e.g. federal Medicaid waiver, worker's compensation, auto insurance, ERISA)? If known, what changes will be necessary?

A Medicaid Section 1115 waiver will be required to cover childless adults and to initiate a premium assistance program. A waiver may also be used for the expansion to children up to 300 percent of poverty and parents, however expanded coverage for these populations can also be achieved through the use of income disregards under a state plan amendment. While Section 1115 waivers must be budget neutral to meet federal requirements (meaning that the waiver program cannot cost the federal government more than the current Medicaid program), a Section 1115 waiver does give states greater flexibility with respect to benefits and cost-sharing and does not constitute an expansion of the Medicaid entitlement.

(7) How will your program be implemented? How will your proposal transition from the current system to the proposal program? Over what time period?

Because a large part of the program builds upon existing public programs and existing private coverage channels, the state could implement the Anthem BCBS Uninsured Action Plan in a relatively short amount of time. To begin the process, the state would be required to submit and negotiate the approval of a Medicaid waiver with the federal Centers for Medicare and Medicaid Services (CMS), which could take several months. Expanded outreach efforts would also be implemented, as described below in "d(2)". At the same time, the state would begin the implementation of the two premium subsidy

programs described above for low-income individuals who are not eligible for the expanded public programs.

c) Access

(1) Does this proposal expand access? If so, please explain.

Having health insurance improves both access to care and overall health care experiences. Health insurance increases the likelihood that a person will have a regular source of medical care or “medical home”, which improves access to both primary and specialty care and also to coordinate and manage care more appropriately. This coverage proposal guarantees Coloradans will have access to affordable coverage. By utilizing both public and private insurance models, the Anthem BCBS Uninsured Action Plan opens a broad array of options to uninsured Coloradans. Premium assistance programs represent a new opportunity to increase the usage of individual and employer-based coverage to many individuals and families who otherwise would have little access to affordable health care coverage. These programs can also serve as a means of retaining coverage for families whose changing life circumstances can increase income beyond public program eligibility standard, ensuring that families get covered and remain covered.

This proposal will further increase access to care by establishing adequate physician reimbursement to encourage participation and ensure cost-effective care. For example, Arizona pays among the highest physician rates in the country but achieves low overall program costs due to better access and delivery system utilization. Using actuarially-sound health plan capitation rates that reflect true health care costs and trends will also help to improve access.

Medicaid managed care programs provide members with increased access to culturally-competent primary and specialty health care tailored to each member. This result is assured through health management programs which focus on improving members’

health outcomes through multi-faceted interventions that encourage and assist members in obtaining primary and preventive care.

(2) How will the program affect safety net providers?

Given their often precarious financial footing, safety net providers are least able to cost shift to spread some of the burden of serving a large portion of the uninsured population. Since the coverage expansion is largely targeted to the low-income uninsured populations who frequently receive care through safety net providers, such providers will benefit because of the increased reimbursement that will result from serving many patients who will have insurance. Uncompensated care costs will be reduced, relieving the financial strain faced by many safety net providers.

d) Coverage

(1) Does your proposal “expand health care coverage?” (Senate Bill 06-208)
How?

The proposal expands public programs such as Medicaid and CHP+, while improving access to private, employer-sponsored and individual insurance through premium assistance. The proposal aims to provide universal coverage to children by offering access to public programs and/or premium assistance for children in families up to 300 percent of poverty. Coverage options for parents and childless adults who currently have limited access to affordable coverage would include an expansion of Medicaid for childless adults up to the poverty level and CHP+ for parents up to 200 percent of poverty. The premium assistance program will provide further incentive for the purchase of health insurance.

The combined approach offered under this proposal guarantees Coloradans affordable access to coverage.

(2) How will outreach and enrollment be conducted?

Outreach and enrollment efforts will maximize potential enrollment by streamlining the enrollment process, reducing barriers to enrollment and retaining as many children and families in the program as possible. Streamlining the enrollment process will involve a number of steps, including:

- ✓ Continuing the joint application and simultaneous screening process for the Medicaid and CHP+ programs to increase the likelihood that applicants will initiate and follow-through on applications.
- ✓ Encouraging the enrollment of working families by allowing applications without requiring a face-to-face interview.
- ✓ Supporting streamlined and less burdensome income verification processes by using internal state data matching to verify an applicant's income and/or allowing self-declaration of income at renewal (with random audits for quality control purposes) to prevent unnecessary delays that discourage timely health care access.
- ✓ Using internal state data-matching such as matching applicants with existing birth records to reduce enrollment complications for applicants while conforming to the federal Deficit Reduction Act's citizenship and identity verification requirements.
- ✓ Encouraging non-traditional methods of outreach such as placing kiosks in community health centers and other health care sites that treat high volumes of low-income patients.
- ✓ Establishing online enrollment capabilities to increase application options and further simplify the enrollment process.
- ✓ Increasing the number and usage of certified application assistors by recruiting school officials, faith-based workers, health providers, and others with routine contact with targeted populations to expand enrollment outlets.

Reducing barriers to initial enrollment will be accomplished in the following ways:

- ✓ Continuing marketing efforts targeted to Hispanic communities and expanding strategies aimed at rural, African-American, and other underserved sub-populations to increase program knowledge and eliminate misconceptions that discourage enrollment.
- ✓ Increasing the number of community-based organizations that can serve as satellite outreach and application sites for potential members.
- ✓ Eliminate the current annual enrollment fees of up to \$25 for one child and \$35 for two or more children.

Retaining children and families once they have enrolled will be a key measure of the success of the program expansion. Approaches to maintaining coverage include:

- ✓ Allowing one-year of continuous eligibility for both Medicaid and SCHIP members to improve continuity of care and decrease the unnecessary churning of members.
- ✓ Continuing to send timely renewal notices to provide members with sufficient time to receive and return re-determination information without breaks in health care coverage that threaten continuity of care.

(3) If applicable, how does your proposal define “resident”?

N/A

e) Affordability

(1) If applicable, what will enrollee and/or employer premium-sharing requirements be?

Because high premiums discourage families from taking up coverage, expected levels of enrollee contributions must be carefully evaluated to ensure that they do not discourage families from enrolling. At the same time, premiums must be high enough to minimize

state costs and ensure that program participants are invested in the management of their own health.

Existing Medicaid, CHP+ and employer-sponsored coverage plans will guide cost-sharing requirements. Premium assistance payments for employer-sponsored plans and individual coverage will ensure that participants who take up that option are not subject to cost-sharing greater than five percent of their family income.

(2) How will co-payments and other cost-sharing be structured?

Medicaid enrollees will be subject to the nominal cost-sharing permitted under Medicaid law, while CHP+ enrollees will pay cost-sharing amounts modeled on the existing program's requirements. The Plan calls for eliminating the current annual enrollment fees of up to \$25 for one child and \$35 for two or more children. There will be no co-payments for preventive care, including check-ups, immunizations, teeth cleanings and dental x-rays, and co-payments for office visits and emergency care will be based on a sliding scale.

In the premium subsidy programs, the state would enact a sliding-scale program that provides individuals with the financial assistance likely necessary to ensure an individual or family is not subject to payments greater than five percent of their family income.

f) Portability

(1) Please describe any provisions for assuring that individuals maintain access to coverage even as life circumstances (e.g. employment, public program eligibility) and health status change.

An advantage of the public program expansion in this proposal is that coverage can be retained despite changes in an enrollee's life circumstances that currently would leave such an individual or family uncovered. As long as an enrollee continues to meet the

income eligibility threshold, he or she can maintain coverage. The premium subsidy portion of the program adds further assurances that coverage can be maintained by enabling a public program enrollee whose income increases beyond the established limits of the program to afford employer-sponsored or individual coverage.

g) Benefits

(1) Please describe how and why you believe the benefits under your proposal are adequate, have appropriate limitations and address distinct populations.

The Anthem BCBS Uninsured Action Plan promotes a range of coverage options. To help control costs, childless adults with incomes below the poverty level would be offered a more limited Medicaid benefits package with a focus on preventive services, while parents at higher income levels would have access to either CHP+ benefits or similar benefits that are available in the private marketplace. Children are assured of receiving a broad array of benefits through CHP+, their parents' employer-sponsored plan, or family coverage purchased in the individual market.

Use of comprehensive managed care plans will provide coordinated preventive, primary, specialty, and inpatient care. Rural communities can benefit from potential managed care savings through the development of a Rural Plan Option waiver, while population-wide managed care in urban communities can maximize the cost-savings generated by coordinated care. Increased efficiencies created by managed care plans that provide comprehensive, coordinated services will be maintained by offering services such as behavioral health and pharmacy within a plan's primary care services. Through integrating services, such as behavioral health and primary care, better care coordination and a more holistic approach to health care will be achieved, leading to better overall health outcomes.

(2) Please identify an existing Colorado benefit package that is similar to the one(s) you are proposing (e.g. Small Group Standard Plan, Medicaid, etc.) and

describe any differences between the existing benefit package and your benefit package.

Medicaid benefits would be provided to currently eligible but unenrolled children. CHP+ benefits would be provided to parents and children above Medicaid eligibility levels but below 200 and 300 percent of poverty, respectively. Childless adults would receive a more limited Medicaid benefits with an emphasis on preventive care. Plans available in the private marketplace that have already met state regulatory requirements would be eligible for the premium subsidy program.

h) Quality

(1) How will quality be defined, measured and improved?

The Anthem BCBS Uninsured Action Plan builds upon the current managed care system that promotes initiatives to improve quality. Plans in the private marketplace and plans serving beneficiaries in Medicaid and CHP+ are dedicated to developing innovations that help improve member health outcomes and enhance delivery system quality, equating to healthier members and lower costs. Plans have proven, effective programs that define, measure and improve quality. For example:

- Pay-for-performance mechanisms that provide incentives for quality, and allow providers and health plans to share in the savings brought by increased quality.
- Investments in health information technology that facilitate information sharing and promote evidence-based medicine.
- Cost and quality transparency initiatives that help consumers make informed health care decisions.
- Comprehensive disease management and other wellness programs that identify opportunities for improving health outcomes and initiate strategies to improve the outcomes.

(2) How, if at all, will quality of care be improved (e.g. using methods such as applying evidence to medicine, using information technology, improving provider training, aligning provider payment with outcomes and improving cultural competency including ethnicity, sexual orientation, gender identity, education and rural areas, etc.?)

As noted above, the Anthem BCBS Uninsured Action Plan builds upon the existing public and private managed care system, where strong incentives exist to improve quality and control costs. Private health plans in Colorado are continuously implementing strategies to improve quality, including:

- Pay-for-performance mechanisms that provide incentives for quality, and allow providers and health plans to share in the savings brought by increased quality.
- Investments in health information technology that help facilitate information sharing and promote evidence-based medicine.
- Cost and quality transparency initiatives that help consumers make informed health care decisions.
- Comprehensive disease management and other wellness programs that identify opportunities for improving health outcomes and initiate strategies to improve health.

Managed care programs provide enhanced services to members through health management education, increased preventive care, comprehensive coordination of care, tailored care management, and increased access to health care. Through effective care management, managed care has improved beneficiary health outcomes and decreased federal and state costs by shifting utilization of care from episodic to primary and preventive care. These health management programs focus on improving members' health outcomes through multi-faceted interventions that encourage and assist members in obtaining primary and preventive care.

Additionally, the Plan calls for the ability to use telemedicine as a tool to improve access to care and quality for beneficiaries in rural areas.

i) Efficiency

(1) Does your proposal decrease or contain health care costs? How?

Yes, by focusing on a managed care delivery system, all enrollees captured by the Anthem BCBS Uninsured Action Plan will be covered by managed care plans that have a strong incentive to control costs with innovative initiatives. As stated above, these initiatives include pay-for-performance, use of health information technology, cost and quality transparency and comprehensive disease management and wellness programs.

A variety of studies conclude that Medicaid managed care provides states with significant cost savings as compared to the fee-for-service delivery system. A study of 14 states by the Lewin Group concluded that states experienced managed care cost savings ranging between 2 and 19 percent.¹¹ Additionally, studies find that Medicaid managed care leads to increased quality that lowers costs. In California, the rate of hospitalizations considered unnecessary or preventable were lower in managed care than in fee-for-service by 38% for women and children and 25% for Aged, Blind, and Disabled (ABD) beneficiaries resulting in \$66 million in state savings.¹²

The ABD and long-term care populations represent approximately 24% of Medicaid enrollment, but account for 67% of spending. Since the majority of these populations remain in fee-for-service, ensuring every beneficiary has a medical home holds real potential for reducing states' Medicaid cost trends, while improving beneficiary health outcomes.

Additionally, by aggressively expanding access to coverage, the plan would reduce provider cost-shifting to private payers for uncompensated or under compensated care costs. This is often referred to as a reduction of the “hidden tax.”

(2) To what extent does your proposal use incentives for providers, consumers, plans or others to reward behavior that minimizes costs and maximizes access and quality in the health care services? Please explain.

In addition to the incentives described above, consumers will be empowered to adopt healthy behaviors and take personal accountability for their health care through the creation of innovative incentives such as the use of debit cards for services not otherwise covered, health-related purchases, and basic life needs (i.e., food and rent) as a reward for healthy behaviors such as taking prescribed medication, receiving appropriate immunizations and working toward weight reduction.

The proposal would also use the benefit flexibility provisions available through the Deficit Reduction Act to provide benefits tailored to the needs of specific Medicaid populations. Enhanced Medicaid benefits, such as those provided by Florida, would provide additional funds in return for the completion of certain activities such as smoking cessation programs and well-child visits. Additional funds could be used to purchase additional benefits from a managed care plan such as enhanced vision coverage.

(3) Does this proposal address transparency of costs and quality? If so, please explain.

Yes, a growing trend in the public and private managed care systems, upon which this proposal builds, is transparency of cost and quality information to empower consumers to make informed healthcare decisions. Plans in Colorado are aggressively implementing these strategies.

(4) How would your proposal impact administrative costs?

Every element of the Anthem BCBS Uninsured Action Plan minimizes administrative costs by building on the existing public and private systems and using existing channels to expand coverage.

j) Consumer choice and empowerment

(1) Does your proposal address consumer choice? If so, how?

The Anthem BCBS Uninsured Action Plan takes full advantage of the choice-based system by maximizing consumer choice. The premium subsidies applied in the employer-sponsored coverage and individual markets can be used on any comprehensive product approved for sale by the regulator, reflecting the various needs of the uninsured population.

(2) How, if at all, would your proposal help consumers to be more informed about and better equipped to engage in health care decisions?

As stated above, a key advantage of building upon the managed care system in Colorado is that strong efforts are already underway to provide consumers with a great deal of information on the cost and quality of services, which helps consumers make informed healthcare decisions.

The Anthem BCBS Uninsured Action Plan, by calling for expanded outreach and improved enrollment processes, would also help consumers enroll and be educated about their coverage options.

k) Wellness and prevention

(1) How does your proposal address wellness and prevention?

Managed care plans have a strong incentive to improve the wellness of their members. Plans in Colorado have implemented a wide variety of strategies to help improve health outcomes and control costs in the areas of wellness and prevention. Managed care incentives in public programs and private coverage include incentives for making healthy choices, and wellness initiatives such as disease management for individuals with chronic conditions that address the full continuum of care.

Managed care programs provide enhanced services to members through health management education, increased preventive care, comprehensive coordination of care, tailored care management, and increased access to health care. Through effective care management, managed care has improved beneficiary health outcomes and decreased federal and state costs by shifting utilization of care from episodic to primary and preventive care. These health management programs focus on improving members' health outcomes through multi-faceted interventions that encourage and assist members in obtaining primary and preventive care.

l) Sustainability

(1) How is your proposal sustainable over the long-term?

The program can be sustained over the long-term in a number of ways. An increase in tobacco taxes and/or new broad-based, equitable funding strategies would have the potential to supply a steady stream of funding, while the savings that would be achieved through the wider implementation of managed care could be used to fund coverage expansions. Flexibility granted through the Deficit Reduction Act could be utilized to increase income eligibility guidelines and expand benefits for currently eligible Medicaid populations.

(2) (Optional) How much do you estimate this proposal will cost? How much do you estimate this proposal will save? Please explain.

Importantly, any cost estimate of a proposal to expand health insurance coverage must also take into account the potential savings achieved. Savings resulting from a coverage expansion proposal can be examined in light of a major national study of the consequences of the lack of health insurance. The Institute of Medicine (IOM) documented the costs that the uninsured incur above and beyond the health care that they consume. Both the uninsured themselves and society as a whole bear costs associated with the fact that the uninsured suffer from poorer health. Their diminished health status affects their productivity, their morbidity, and their ability to lead satisfying and enjoyable lives. The IOM estimates that 18,000 uninsured adults age 25-64 die each year of illnesses that they would have survived if they had insurance coverage and received essential care. This loss also imposes economic costs as well as a tragic human toll on families.

The IOM has attached a dollar value to the losses attributable to being uninsured. This dollar value includes the value of reduced quality of life. The IOM estimated the average discounted value of lost health over time due to being uninsured to be in the range of \$1,645 to \$3,280 per uninsured person in 2001. This range is based on differing assumptions about the economic weight to assign increased mortality and morbidity. Updating this range of estimates by five years, using the medical component of the CPI yields a range of \$1,948 to \$3,885 for 2006. This is the more current value of lost health attributable to uninsurance in the U.S.

If we assume that this plan to cover the uninsured would cover roughly 575,000 people without health coverage, the indirect savings to Colorado would be the product of the per capita savings and the number of people newly covered. This would be a range of savings from \$1.1 billion to \$2.2 billion. It is important to consider such benefits along with the more direct savings associated with covering the uninsured. These direct savings might include a lesser need for government assistance to safety net health care providers.

In terms of new direct costs to the state and federal government, it is difficult to estimate the cost of a broad health insurance coverage proposal such as this because a number of

factors remain uncertain. Much of the cost will be determined by the take-up rate for public program expansions and premium subsidies. Thus, costs related to Medicaid, SCHIP and premium subsidies will largely depend on the success of outreach efforts, with employment status and the availability of employer-sponsored insurance also playing a role.

A rough estimate of participation rates and per member per month costs can provide some insight into the approximate cost of the program. Using both a low and high estimate of per member per month costs and varying take up rates, estimated annual coverage costs could range from \$492 million on the low end to \$1.2 billion at the highest per member per month cost and highest level of participation. This cost would be shared by the state and federal government.

Estimated Cost of Health Care Expansion by Take-up Rate						
Low Estimate w/o Administrative Costs						
Eligibility Category	Estimated # of Eligibles	Low Est. PMPM				
			35%	45%	55%	65%
Children < 300% FPL	124,205	\$120.00	\$62,599,320	\$80,484,840	\$98,370,360	\$116,255,880
Parents / Childless Adults	454,834	\$225.00	\$429,818,130	\$552,623,310	\$675,428,490	\$798,233,670
Total Cost			\$492,417,450	\$633,108,150	\$773,798,850	\$914,489,550
	State Share	50%	\$246,208,725	\$316,554,075	\$386,899,425	\$457,244,775
	Federal share	50%	\$246,208,725	\$316,554,075	\$386,899,425	\$457,244,775

Estimated Cost of Health Care Expansion by Take-up Rate						
High Estimate w/o Administrative Costs						
Eligibility Category	Estimated # of Eligibles	Low Est. PMPM				
			35%	45%	55%	65%
Children < 300% FPL	124,205	\$160.00	\$83,465,760	\$107,313,120	\$131,160,480	\$155,007,840
Parents / Childless Adults	454,834	\$295.00	\$563,539,326	\$724,550,562	\$885,561,798	\$1,046,573,034
Total Cost			\$647,005,086	\$831,863,682	\$1,016,722,278	\$1,201,580,874
	State Share	50%	\$246,208,725	\$316,554,075	\$386,899,425	\$457,244,775
	Federal share	50%	\$246,208,725	\$316,554,075	\$386,899,425	\$457,244,775

These estimates do not include the cost of increasing Medicaid fee-for-service provider payment rates. Those costs would be in addition to these estimates and would depend upon to what extent the state increases rates.

(3) Who will pay for any new costs under your proposal?

A combination of some of the following options could fund the coverage expansion:

- **Increase Tobacco Taxes.** An increase in a state tobacco tax to fund an insurance coverage expansion improves health outcomes and reduces costs by both increasing access to preventive care and discouraging unhealthy behavior.
- **New Broad-Based Funding Sources.** Similar to how Nevada was recently able to raise significant new funding in a broad, equitable way from various sectors, Colorado could similarly enact a broad-based funding strategy.
- **Maximize the Efficiency and Reach of Medicaid Programs.** In addition to the use of Medicaid/SCHIP waivers, the federal government has recently provided states with additional flexibility to maximize efficiency and scope of state Medicaid programs through the DRA. By utilizing the flexibility granted by a waiver or the DRA, states can extend coverage to new populations, deploy incentives for healthy behavior and encourage the use of preventive care.
- **Leverage Current Federal Funding.** In recent years, the federal government has allowed states to leverage current federal Medicaid and SCHIP dollars through innovative coverage mechanisms.
- **Utilize Savings from the Newly Insured.** The uninsured currently receive healthcare services through uncompensated care funding that exists in a variety of forms. The cost of a coverage expansion would be offset by a reduction in cost shifting and by avoiding indirect costs associated with being uninsured to a certain extent.

(4) How will distribution of costs for individuals, employees, employers, government, or others be affected by this proposal? Will each experience increased or decreased costs? Please explain.

Government costs will increase to expand coverage, with some offsetting savings as described above. Cost to individuals and employees will decrease if they meet eligibility

criteria for the new or expanded public programs. The cost to employers would remain unchanged.

(5) Are there new mandates that put specific requirements on payers in your proposal? Are any existing mandates on payers eliminated under your proposal? Please explain.

Current mandates that add unnecessary cost and hinder patients' access to network providers would be eliminated:

1. Current law guarantees health care providers who do not contract with a health plan a payment of any amount they choose to bill if they deliver care in a health care facility that does not contract with a health plan.
2. Current law guarantees providers who do not contract with health plans to receive payment directly from the health plan with whom they do not have a business agreement.

These two laws in concert with each other restrict patients' access to network providers, raising patient expenses and decreasing the benefits they receive. The Anthem BCBS Uninsured Action Plan would advise elimination of these two laws.

(6) (Optional) How will your proposal impact cost-shifting? Please explain.

By aggressively expanding access to health insurance coverage, the plan would reduce provider cost-shifting to private payers for uncompensated or under-compensated care costs. This is often referred to as a reduction of the "hidden tax."

(7) Are new public funds required for your proposal?

New public funds are not necessarily required to implement components of the Anthem BCBS Uninsured Action Plan. A cost-neutral federal Medicaid waiver encompassing a Medicaid managed care expansion combined with using the tools included in the DRA to maximize the efficiency of the existing Medicaid program could free up funding to be

used to fund a significant portion of the coverage expansion. However, fully implementing the coverage expansion called for in the Anthem BCBS Uninsured Action Plan would likely require new state and federal funding.

- (8) (Optional) If your proposal requires new public funds, what will be the source of these new funds?

As stated above, new state funding from a tobacco tax increase and/or a new broad-based, equitable funding source could be used to draw down federal funding to pay for the proposal.

A single page describing how your proposal is either comprehensive or would fit into a comprehensive proposal.

The Anthem BCBS Uninsured Action Plan is comprehensive because it guarantees access to coverage for Coloradans. Uninsured individuals or families with incomes under 300 percent of poverty would be eligible either for expanded public programs or premium subsidies in the employer-sponsored or individual markets or the state high risk pool. Additionally, with a regulatory framework that allows health plans to design innovative products that meet a variety of needs, uninsured individuals with incomes above 300 percent of poverty will have access to a wide variety of products.

(Optional) A single page describing how your proposal was developed.

Anthem Blue Cross Blue Shield's parent company, WellPoint, is the largest health benefits company in the U.S. Thus, in developing this proposal, we drew upon our extensive experience in Colorado and other states to put together a comprehensive plan that is based upon ideas that work and fit the specific needs of Colorado. Participants who helped craft this proposal include individuals who have extensive hands-on experience in the administration of public programs, medical management, and health care public policy experts. Our experience entails partnering with providers, members and the government, and we are actively engaged in policy development both locally and nationally.

¹ *Current Population Survey, March Supplement*. United States Bureau of the Census. March 2006
http://pubdb3.census.gov/macro/032006/health/h06_000.htm

² Colorado Health Institute, "Profile of the Uninsured in Colorado, An Update for 2005," *Issue Brief*, November 2006, page 1.

³ Lisa Dubai, John Holahan, and Allison Cook. *The Uninsured and the Affordability of Health Insurance Coverage*. *Health Affairs*. November 10, 2006

⁴ <http://www.childrenshospitals.net/AM/Template.cfm?Section=Home&TEMPLATE=/CM/ContentDisplay.cfm&CONTENTID=24953>

⁵ Colorado Health Institute, page 3.

⁶ While the CICP is not an insurance plan and available medical services vary by facility, more than 175,000 individuals annually receive care funded under the program (Colorado Indigent Care Program Fact Sheet, July 2005.)

⁷ "Paying a Premium: The Added Cost of Care for the Uninsured," Families USA, Publication 05-101, June 2005, p. 4. http://www.familiesusa.org/assets/pdfs/Paying_a_Premium_rev_July_13731e.pdf

⁸ Colorado Health Institute, page 3.

⁹ "Health Coverage for Low-Income Parents," *Key Facts*, Kaiser Commission on Medicaid and the Uninsured, February 2007.

¹⁰ "Health Coverage for Low-Income Americans: An Evidence-Based Approach," Kaiser Commission on Medicaid and the Uninsured, January 2007. (<http://www.kff.org/uninsured/upload/7476.pdf>)

¹¹ The Lewin Group, "Medicaid Managed Care Cost Savings – A Synthesis of Fourteen Studies," July 2004

¹² California Health Care Foundation, "Preventing Unnecessary Hospitalizations in Medi-Cal: Comparing Fee-For-Service (FFS) with Managed Care," February 2004