

The Pathway Plan

A New Day In Wisconsin: Setting a Course Toward Universal Health Care

ABC for Health, Inc.
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About ABC for Health

ABC for Health is a Wisconsin-based nonprofit public interest law firm dedicated to linking children and families, particularly those with special health care needs, to health care benefits and services.

Our Mission

ABC for Health's mission is provide information, advocacy tools, legal services, and expert support needed to obtain, maintain, and finance health care coverage and services.

Our Vision

ABC for Health, Inc., a nonprofit, public interest law firm, will develop a nationally recognized, integrated model of Health Benefits Counseling, legal services, and policy advocacy that promotes a universal system of health care coverage and access for all people. We will develop multi-purpose education strategies to inform customers, providers, and the broader community of health care coverage options while also advocating directly for individuals disenfranchised from health care coverage and services. ABC for Health will also serve as a catalyst in the development of local HealthWatch Coalitions as well as other partnerships and strategic alliances to influence public policy and opinion while also working to maximize all available health care coverage options for all people.

The Pathway Plan: Setting the Course Toward Universal Health Care

Introduction

In 2007, approximately 9% of Wisconsin's 5.6 million residents had no health insurance. This left nearly 470,000 people without access to affordable medical treatment or service. As the current economy worsens, the number of Wisconsinites living without the care and coverage they need will only continue to rise. Although the numbers seem staggering, and may cause those fortunate enough to have quality insurance to pause for a few minutes, it is often difficult to picture the real faces of the uninsured. In Wisconsin, the uninsured are not just the unemployed. In fact, approximately 67% of uninsured families have at least one employed family member. The main contributor to the increase in the number of uninsured people is the declining number of employers who offer insurance. Currently, only 54% of employers in Wisconsin offer an employer-sponsored plan. This leaves 25% of employed people with no access to affordable health care. Many more individuals statewide are under-insured. A 2008 report by the Center for Studying Health System Change showed that across the U.S., 11% of those with health insurance still received a significant delay in medical care, up 4.7% from 2003. Unless policies and practices change, these numbers will only continue to increase.

The uninsured in Wisconsin comprise a broad spectrum of hard-working people: small business owners who cannot afford a health plan for their employees, farm families who cannot afford individual policies, people working at large retail center or big-box stores that may not offer an employer-sponsored plan, or families who are unaware that they are eligible for a public health coverage program or simply don't know how to apply. Most people *with* insurance also do not realize how the large number of uninsured affects them. Wisconsin spends over \$2 billion a year of public money on health coverage. That figure is even greater when long-term care costs are included. Wisconsin hospitals provide over \$800 million in uncompensated care annually, and 20% of every medical bill subsidizes those unpaid bills. These costs directly translate into an increase in everyone's taxes and insurance premiums.

Wisconsin can step *forward* and lead the nation toward an equitable, efficient, and quality health care system. By some current estimates, the privately financed health care system spends thirty cents for every dollar on administrative costs, creating a completely inefficient system. ABC for Health's **Pathway Plan** emerged from our real-world experience and our daily interactions working with clients and families that we help to identify, enroll, and obtain appropriate health coverage.

Rather than starting from scratch, the Pathway Plan builds on and emphasizes the positive aspects of the existing system, including the basic infrastructure of BadgerCare Plus. Our plan emphasizes risk pooling and purchasing leverage by reshaping and combining private insurance, state and local government plans, and BadgerCare Plus into combined risk pools. While building from a solid foundation, our Pathway Plan will fundamentally:

- Reshape health care coverage,
- Reduce costs significantly, and

- Reform the delivery of coverage in a way that will ensure that all Wisconsinites have access to both coverage and medical services.

In addition, the Pathway Plan includes the vital components of outreach, education, and advocacy. The Plan will create the Office of Health Care Advocacy and Outreach, allowing people to contact Health Benefits Counselors and Health Care Navigators to better understand their options for health coverage and care. People with complex health care needs will get help navigating complicated health care programs and securing services. (This will be accomplished in a manner similar to the network currently available to seniors over age 60 through the statewide Senior Benefits Specialist network.)

The Pathway Plan

The Pathway Plan for health care reform is premised on the following six basic principles:

1. Spread the risk. The current system silos risk into tens of thousands of small employer pools, or “puddles.” This results in high administrative costs, since each employer pool has a different and complicated benefit structure. While larger employers have reduced premiums because costs are spread out across larger risk pools, small employers generally are not able to provide affordable health insurance—their risk puddles are simply too small. Moreover, individuals often cannot afford comprehensive and affordable health coverage on their own without resorting to sky-high deductibles, premiums, and co-pays. Others disadvantaged under this system are hard-working farm families and the chronically ill, who are usually denied any type of coverage because of their large capacity for individual risk.

Creating pools out of the many existing puddles will expand group purchasing power and allow the state to streamline and unify systems of administration and negotiate more favorable rates. The Pathway Plan will save both consumer and taxpayer money by increasing individuals’ purchasing powers through the use of larger, more efficient risk pools. An example of this purchasing power lies in the BadgerCare Plus program. According to the WI Department of Health Services, by December of 2008 a pool of over 458,025 residents was enrolled in the BadgerCare Plus Managed Care program.¹ Because of the large group size, state payments per member per month averaged just \$183 for the Standard Plan, and \$138 for the Benchmark Plan. Individuals in the Benchmark Plan earn over 200% of the Federal Poverty Level (FPL) and contribute to costs by paying premiums based on income. According to industry standards, family coverage costs an average of 250% more than individual coverage. The cost per month of insuring a BadgerCare Plus family would be roughly \$457.50 for the Standard Plan and \$345 for the Benchmark Plan.

Creating large risk pools of state and county workers in addition to BadgerCare Plus enrollees would generate a pool of over one million members and would translate into big

¹ WI ForwardHealth. “Health Care Enrollment by Managed Care Organization.” Retrieved from www.forwardhealth.wi.gov.

savings for state and local taxpayers. Moreover, some cost savings could increase the currently low Medicaid reimbursements for essential providers.

2. Promote a private-public partnership. Most health care reform proposals lie at the extremes of the reform spectrum; they propose either a single-payer government takeover, or a completely privatized system. The solution to the health care crisis must involve all the key stakeholders. The Pathway Plan proposes a private-public partnership. BadgerCare Plus is a model of a private-public partnership in which over 70% of enrollees are enrolled in managed care plans. This partnership permits health insurance companies to bid for business with the state; however, the state retains the contract and thus has ultimate bargaining leverage, as well as the ability to require quality care.

A private-public partnership would help reduce the resistance to health care reform, especially the type that involved phases of implementation. Managed care organizations would be a vital component of the plan from the start. Plan enrollment would likely increase, which would foster an opportunity to gain new members and greater capitated payments. Employers would not be forced to buy in to the program; rather, they would eventually have the opportunity to buy in, or could decide to retain their current benefit structure. Wisconsin would gradually extend the buy-in option to all private employers, self-employed people, and individuals.

The result would be that small employers and individuals would finally have an opportunity to gain access to affordable health care.

3. Use the BadgerCare Plus Standard Plan coverage benefits. The BadgerCare Plus Standard Plan provides some of the most comprehensive Medicaid benefits coverage available. In addition to providing standard physician services and prescription drug coverage, the plan also includes dental care, mental health parity, and chiropractic services. By developing a private-public partnership that matches BadgerCare Plus' Standard Plan services in providing a set of comprehensive benefits, the program would streamline administration and improve efficiency in providing both coverage and care. The resultant increase in member enrollment would give the program the financial leverage to increase the Medicaid reimbursement rate and thus the participation of key health care providers.

The Pathway Plan eliminates the enormous front-end costs and political battles associated with the creation of new administrative and billing structures. Enrollment rules, along with the immense size of the initial pool, reduce adverse selection concerns. Instead of "reinventing the wheel" with new reinsurance or single-payer systems, the Pathway Plan uses a system that is largely already in place and can be easily mirrored and modified to accommodate more participants.

4. Provide Outreach Services. The Pathway Plan will promote consumer confidence by insisting on quality, fairness, and accountability of all stakeholders. A well-designed outreach and education program, to be called the Office of Health Care Advocacy and Outreach, will ensure that people receive the services and support they need. Simply

expanding and simplifying a program does not mean that the people of Wisconsin will receive the coverage and care they deserve. We must eliminate the “if-we-build-it-they-will-come” mentality typical of program reform. To promote consumer confidence in a new health care system we must instead build an infrastructure of information, advocacy, and assistance. The Pathway Plan includes this element of outreach and advocacy to help all people obtain and maintain a connection to both health care coverage and services.

Comprehensive Outreach must be a component of any successful health care reform effort.. This point became clear with the implementation of BadgerCare Plus in February 2008, when the State discovered that 85% of the new enrollees were eligible for the previous BadgerCare program. These eligible individuals simply were not aware they could have been receiving coverage all along. Why? Sadly, the lack of informed and effective outreach linked to individualized advocacy left many people without knowledge that the program existed, what the eligibility requirements were, or how to obtain coverage. This left many people without coverage they qualified for and, in many cases, the coverage they desperately needed. Peer-to-peer contact and individual advocacy for enrollees is a fundamental part of the Pathway Plan. Conducting comprehensive reform without direct client advocacy and counseling will likely continue to result in a large number of people’s exclusion from services.

ABC for Health has developed a comprehensive program of Health Benefits Counseling to close the advocacy and information gap and help families secure medical benefits. Our counselors have comprehensive and detailed knowledge of how health care systems actually work, while attorneys provide a legal infrastructure of tools and leverage. This outreach-based model promises significant increases in enrollment, thus increasing the size of the risk pool while also serving an advocacy and ombudsman function. The Pathway Plan would replicate the Health Benefits Counseling program to help achieve a significant increase in enrollment, as well as increase enrollees’ access to actual medical services by breaking down their barriers to care.

ABC for Health knows that individual advocacy works because Wisconsin already has a nationally recognized network of senior benefits specialists that operates in every county. These advocates successfully connect individuals over age sixty to benefits and services. In fact, Wisconsin DHS officials have attributed the success of the SeniorCare program to these benefits specialists. *However*, Wisconsin lacks a parallel statewide network of advocates working for individuals and families *under* the age of sixty. Therefore, any effort to reform health care must include corresponding funds to provide local and individual advocacy for people under age sixty. Although programs like Medicaid and BadgerCare Plus strive for simplification, they are very complicated programs when it comes to enrolling, using, and maintaining coverage. People encounter access barriers, hoops, hurdles, and red tape. Thus, many eligible individuals go without the care they need or receive only some of the benefits or reimbursement they should.

To ensure that people get the services they need and deserve, a new system of health care must include strong quality assurance and comprehensive advocacy with an enforcement component. We propose data collection from managed care organizations to help determine quality-of-care measures and to shape recommendations for improving rates of

preventive care and overall quality of care. Managed health plan enrollees would receive annual reports publicizing the findings, thus enabling consumer choice of health insurance coverage; this would motivate managed care organizations to provide innovative and effective preventive health programs.

5. *Promote prevention, wellness, and the management of disease.* The Pathway Plan will increase preventive care coverage. Proactive policies of prevention and wellness will reduce costs because people will stay healthy; in addition, the high cost of emergency room visits and other high-cost procedures resulting from a lack of primary care will be reduced. This will decrease the exorbitant rates of uncompensated care. As discussed previously, Health Benefits Counselors will help individuals in preventing the risks of illness and disease and increase overall wellness by providing outreach and advocacy to people in Wisconsin. However, people with barriers to care, people with special health care needs, and those with complex and chronic conditions will require additional assistance.

Health care systems and services are complex, especially for ailing individuals or family members. Some people enrolled in the Pathway Plan may need extra assistance to navigate complex systems of care. Health Care Navigators will be located throughout the state to support those experiencing more complex challenges in accessing appropriate health care services due to language, culture, lack-of-transportation, distance, insurance-denials, or childcare issues. Navigators can locate transportation or child care for other children, as well as help navigate the managed care network, cut through the red tape and other delays in getting an appointment, and conduct disease management for patients with chronic conditions. Health Benefits Counselors can pro-actively identify challenges through the enrollment process and refer patients, especially those with the most acute health challenges, to the Health Care Navigators to conduct disease management and promote wellness strategies for enrollees with serious health care issues.

The use of Health Benefits Counselors and Health Care Navigators will result in savings to the system of health care. As more uninsured people are informed of eligibility and assisted with enrollment, the risk pools will be enlarged and enrollees will be more likely to utilize preventive care. This will reduce the current rates of uncompensated care. Moreover, people who may have coverage but lack access to care will have a powerful resource to help them overcome the barriers that prevent them from accessing appropriate care. Health Care Navigators will also be able to assist those who have more complex issues to ensure they will be able to access the care they need.

6. *Integrate electronic coverage records with electronic medical record technology.* Electronic medical records are an important tool in streamlining the health care industry, improving efficiency, and lowering overall health care costs. ABC for Health has been instrumental in developing new and innovative software programs to help individuals and families connect with the Wisconsin health care and coverage services they need. We have developed *My Coverage Plan*, an electronic medical record that helps families *identify* needed health care coverage and *create* a personal health care planning document. The software generates an electronic ***net*** record that organizes the public or

private benefits coverage a family has had in the past and outlines coverage opportunities for the future. The record is especially helpful for families with special needs, life transitions, and coordinated coverage scenarios. We believe this tool is extremely important in creating a better way to administer the various health care coverage programs for families. In fact, our work with a facsimile of this tool at St. Mary's Hospital in Madison, Wisconsin, has generated increased patient understanding and satisfaction, improved staff-patient interaction, and increased third-party reimbursements to the hospital. Not only can we help families maximize their coverage opportunities, we can also work to hold insurance companies accountable for the care and coverage they rightfully should be providing.

Eligibility and Funding for the Pathway Plan

Eligibility

Wisconsinites below 300% of the FPL will be presumptively eligible for the program. Adult enrollees (age 19 and older) who fall below 300% of the FPL will receive premium subsidies but will participate in some cost sharing.

Individuals above 300% of the FPL will have the option of buying in to the program by paying for the entire premium amount. Premiums will be affordable for employers, families, and individuals due to the large risk pool. Pre-existing conditions will not bar eligibility; this is possible also due to the increased size of the risk pools.

Residents over 300% of the FPL who are already enrolled in BadgerCare Plus with lower or no premiums due to pregnancy or other factors will retain their enrollment status. All benefits, however, will revert to the BadgerCare Plus Standard Plan model.

Non-citizens will also be eligible for program coverage. At incomes under 300% of the FPL, the plan offers state-subsidized coverage for children, pregnant women, and individuals with emergencies only. All non-citizens, regardless of income or immigration status, will be able to buy in to the program by paying the full premium rate.

Health insurers will likely worry about "crowd-out" situations, in which people may drop expensive private coverage to become eligible to enroll in the public benefits program. To prevent crowd-out, a waiting period of three months will be instituted for consumers who drop private coverage at their choice. In addition, the waiting period will discourage those with increased medical costs and higher risk from dropping more expensive private insurance to enroll in the plan.

To ensure that the Pathway Plan is implemented effectively and with near-universal coverage in three years, program eligibility will occur in phases:

START: Those most in need of coverage will be enrolled first, such as children and adults below 300% of the FPL. To establish the large risk pools, state, county, and some large municipality employees will also be able to enroll immediately.

PHASE 1: Individual buy-ins for the uninsured, the self-employed, farmers, and small

business will be offered. Certain large employers will be invited to buy in. These employers will pay the premiums for their employees, with the ability to charge their employees a certain percentage of the premium. This process will expand the risk pool and establish subsidies.

PHASE 2: As the Pathway Plan becomes more established, other state-funded groups, such as public educators, will be invited to buy in to the system, and buy-in opportunities will be extended to all employers in the state.

FINALLY: All remaining Wisconsinites will be invited to buy in.

Financing

The Pathway Plan will be subsidized. The subsidies will support low-income participants, Health Benefits Counselors, Health Care Navigators, and outreach and education functions. Federal matching funds, state tax dollars, consumer cost sharing, fees collected from non-compliant managed care organizations, and buy-in funds will provide the subsidies.

Matching funds from the federal government, like those currently used in BadgerCare Plus, will provide the majority of funding for enrollees under 300% of the FPL. The state would provide the remaining funds for all beneficiaries below 300% of the FPL through state tax dollars.

The Pathway Plan will include consumer cost sharing to help promote responsible use of the health care system. This cost sharing would be income-dependent:

- Children below 300% of the FPL would have no cost sharing.
- Adults under 150% of the FPL would pay nominal co-pays.
- Adults and families between 150% and 300% of the FPL, respectively, would pay premiums of 3-5% of their monthly income, and nominal co-pays.
- People over 300% of the FPL would buy in to the plan, paying either the individual or family premium.

Each individual managed care organization would determine the amount for co-payments or deductibles. Purchasers over 300% of the FPL would also help subsidize low-income enrollees and outreach efforts, with each participant paying a nominal capitation fee (such as \$1-\$2/month for an individual, or \$5/month for a family).

Non-compliant health plans will be subject to fines and forfeitures to support the functions of the Health Benefits Counselors and Health Care Navigators.

The Pathway Plan will require an initial spending by the state to subsidize coverage for those under 300% of the FPL and to finance Health Benefits Counselors and Health Care Navigators. However, the plan will eventually result in savings to the system. There will be significant administrative savings because providers and health plans will interact with only one entity, and there will be minimal variation in plan benefits and cost-sharing provisions. Rather than spending approximately 30% of premiums on administrative

costs, as insurance companies currently do, the decreased variation in plans and simplified administration through the state government will enable Wisconsin to achieve the 3-5% administrative costs of Medicaid. Health insurance companies will need to compete for members, creating an incentive for plans to offer more comprehensive benefits or even special rewards and perks, such as discounts on smoking cessation and healthy eating classes or discounted gym memberships. With greater access to preventative care, hospitals will see a decrease in costs for emergency room patients and uncompensated care programs.

Current Proposals

There are currently several major health care reform proposals in Wisconsin that are seeking to improve the health care of the state's citizens.

BadgerCare Plus: While Governor Doyle's proposal to extend coverage to children, the disabled, and those with severe illnesses was a step in the right direction, more can be done to help expand affordable coverage and save public money. A major problem with the plan is the lack of coverage for single and childless adults. DHS has proposed an expansion of the program to this population for July 2009, but the plan provides inferior coverage with a \$60-\$75 application fee regardless of acceptance. In addition, the BadgerCare Plus Benchmark Plan provides inferior levels of coverage at reduced but considerable costs to families. Governor Doyle also plans to develop a completely new reinsurance program, hoping to reduce health insurance costs for businesses and individuals. However, that program will not provide the comprehensive coverage that is available to families in the BadgerCare Plus Standard Plan. In addition, the plan would have to start from scratch—set up a board to make recommendations, create a whole new statewide reinsurance program, etc.

Healthy Wisconsin: This plan calls for a drastic overhaul of the current Wisconsin health care system. It would create better pooling of risk and cover all Wisconsin residents. Although laudable, Healthy Wisconsin is unlikely to get the critical mass of support necessary to become law. Politically powerful health insurers and some business groups will fight to keep this plan from ever becoming a reality. In addition, the plan would start from scratch and create a whole new benefit structure and expensive bureaucracy.

Badger Choice: This DHS-sponsored program would allow small businesses to buy in to health care plans with insurance companies to provide lower-cost coverage options to their employees. However, the plan would cost nearly \$100 million to underwrite and implement, and still does not offer a comprehensive level of coverage across large risk pools.

Conclusion

The need for health care reform is clear. However, the proposed plans require a complete overhaul of the current system, do not expand coverage to everyone, do little to decrease health costs, or institute a system of high deductibles that discourages preventive care. The Pathway Plan offers the promise of a universal system of coverage built upon an established private-public partnership. Instead of continuing with a system of thousands

of small risk puddles, the Pathway Plan will create large pools of people to effectively spread the risk and increase negotiating leverage through group purchasing power. In addition, the Pathway Plan has the unique yet essential components of Health Benefits Counselors and Health Care Navigators, who will ensure not only that people connect to vital health care coverage and understand their benefits but also that they have access to the care they need by providing help in overcoming the myriad barriers to obtaining necessary medical care.

The Pathway Plan provides for a simple yet comprehensive health care coverage program for all people in Wisconsin. Employers and individuals will have access to these benefits at a significantly lower cost than what is currently available. The Pathway Plan builds on an existing and highly effective BadgerCare Plus/Medicaid system and is ready for implementation. In addition, the Pathway Plan avoids the enormous front-end costs and political battles associated with the creation of new administrative and billing structures. Maintaining a private-public partnership and involving all key stakeholders adds to the likelihood of the success of the Pathway Plan. Moreover, the streamlined administrative efficiency and increased amount of preventive care will result in savings to Wisconsin and move our state *forward* on the course to health care for all.