



The Pathway Plan

Setting the Course Toward
Universal Health Care
In Wisconsin

ABC for Health, Inc.

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The 2006 Pathway Plan

The 2006 Pathway Plan was developed by Bobby Peterson, Public Interest Attorney at ABC for Health. Legal Intern and Wisconsin Public Interest Law Foundation Fellow, Laura DomBourian, MPH, assisted with the design and research for the 2006 Pathway Plan. As always, our policy work at ABC for Health is informed by the direct services we provide to clients.

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 Health-Watch 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.

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The Pathway Plan: Setting the Course Toward Universal Health Care

Introduction

In Wisconsin, approximately 11% of the population has no health insurance. This means that almost 600,000 people have no access to affordable health care. Many more people are underinsured. Furthermore, without a change to the status quo, these numbers will continue to increase. Although the numbers seem staggering and may cause those with insurance to pause for a few minutes, it is often difficult to see the real faces of the uninsured. The uninsured are not just the unemployed; in fact, approximately 80% of uninsured families have at least one working family member. A major reason for the rise in the uninsured is that the number of employers who offer insurance is decreasing. Now, only about 65% of employers in Wisconsin offer an employer-sponsored plan, meaning that 35% of employed people have no access to affordable health care.

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 part time at large corporations who may not be offered an employer-sponsored plan, families who do not know that they are eligible for a public health coverage program or don't know how to apply – the list goes on and on. Most people with insurance also do not realize how the large number of uninsured people affects them. Wisconsin spends over \$2 billion a year of public money on health coverage, and more when long term care costs are included. Wisconsin hospitals provide nearly \$500 million in uncompensated care annually, and 20% of every paid medical bill subsidizes unpaid bills. These costs raise taxes and insurance premiums for everyone.

Wisconsin needs a plan of action that will guide us toward health care for all. With the Pathway Plan, Wisconsin can lead the nation toward an equitable, efficient, and quality health care system. Currently, the health care system spends thirty cents for every dollar on administrative costs, and the system is completely inefficient. The Pathway Plan is not a policy wonk-inspired abstraction but rather is based on ABC's real-world experience in helping clients obtain and maintain health care coverage.

Rather than starting from scratch, the Pathway Plan capitalizes on the positive aspects of the existing system, including the basic infrastructure of BadgerCare. Our plan emphasizes risk pooling and purchasing leverage by reshaping Wisconsin's current system into several large purchasing pools at both the federal and state levels. Private insurance, including state and local government plans, and Medicaid are merged into combined risk pools. While building from a solid foundation, our Pathway Plan will fundamentally reshape health care coverage, significantly lower costs, and restructure the delivery of coverage in this country in a way that would 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. Through the use of health benefits counselors and health care navigators, people will be informed of their health care options and assisted with the enrollment process, and those with complex health care needs will have help navigating through the complicated health care system.

The Pathway Plan Principles

The Pathway Plan for health care reform is premised on five basic principles:

Spread out the risk. The current system silos risk into tens of thousands of employer pools; perhaps "puddles" is a more apt description. This system increases administrative costs because each employer pool has a different benefit structure. In addition, while larger employers have reduced premiums because of their greater risk pool, small employers generally are not able to provide affordable health insurance because their risk puddles are too small. Moreover, individuals by and large cannot afford comprehensive and affordable health care on their own without resorting to sky-high deductibles, co-insurance, premiums, and co-pays. Other people who are disadvantaged under this system are hard-working farm families, as well as the chronically ill, who are usually denied any type of coverage because of heightened individual risk.

By pooling all these groups together, the purchasing power of many Wisconsinites will be put into large and efficient risk pools that would save both consumer and taxpayer money. Group purchasing power allows the state to streamline and unify systems of administration and negotiate favorable rates. An example of this purchas-

ing power lies in the BadgerCare/Family Medicaid (BC/MA) programs. For 2005, in one large pool of over 500,000 participants, premiums for BC/MA were, on average, about \$159 per month, per person. Based on industry standards, family coverage is approximately 2.5 times the cost of individual coverage, meaning rates for a BadgerCare family are about \$397 per month. Making large risk pools of state and county workers will create a growing pool of over one million enrollees, which would save state and local taxpayers a great deal of money. In addition, with higher enrollment, low Medicaid reimbursement for essential providers could be increased and money would still be saved.

Promote a private-public partnership. The problem with most health care reform proposals is that they lie at extreme ends of the spectrum. They propose either a single-payer government takeover or a completely privatized system. The solution to the health care crisis must involve all key stakeholders, which is why the Pathway Plan proposes a private-public partnership. BadgerCare already models this type of partnership in that over 70% of BadgerCare enrollees receives public assistance and is enrolled in a managed care organization for coordination of care. This model of a private-public partnership permits health insurance companies to bid for business with the state; however, the state retains the contract and so has ultimate bargaining leverage, as well as the ability to require quality care.

This partnership will resolve much of the resistance to health care reform. The managed care organizations will be a vital component of the plan; in addition, enrollment will likely increase, which would lead to an opportunity for increased efficiency. Employers will not be forced to buy in to the program; rather, they can elect to buy in, or they can 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 will be that small employers and individuals would finally have an opportunity to gain access to affordable health care.

Use BadgerCare coverage benefits. BadgerCare provides some of the most comprehensive coverage available. In addition to providing standard physician services, the plan also covers dental care, mental health, and chiropractic services. An expanded private-public partnership that matches BadgerCare in providing a set of comprehensive benefits will result in streamlined administration and improve efficiency in delivering coverage and care. Because of increased enrollment, the program would

have the financial leverage to increase the participation of key providers, as well as to increase the Medicaid reimbursement rate for key providers.

The Pathway Plan eliminates the enormous front-end costs and political battles associated with the creation of new administrative and billing structures. Instead of reinventing the wheel by creating an entirely new reinsurance or single-payer system, the Pathway Plan uses a system that is already largely in place and can be easily mirrored and modified to accommodate more people.

Promote consumer confidence by providing outreach and insisting on quality, fairness, and accountability. Merely creating an expanded program, even if it is simplified, does not mean that the people of Wisconsin will receive the coverage and care they need and deserve. If we build this program, we must also create an infrastructure of information, advocacy, and assistance. The Pathway Plan includes this infrastructure, which will aid everyone in obtaining and maintaining a connection to both health care coverage and health care services.

Outreach is a vital component of the success of health care reform. Even if individuals and employers are eligible for the program, and thus have access to coverage, they will not necessarily have access to care. Peer-to-peer contact and advocacy on behalf of enrollees to help them connect to the program are fundamental components of the Pathway Plan. Conducting a comprehensive reform without direct client advocacy and counseling could result in a large number of people being effectively excluded from participation. Likewise, without advocacy and counseling, people could gain access to coverage but still lack access to care because of systemic, cultural, or individual barriers.

ABC for Health has developed a comprehensive program of health benefits counseling to help families secure medical benefits. Counselors have comprehensive and detailed knowledge of how health care systems actually work, while attorneys provide legal tools and leverage. This outreach activity promises significant increases in enrollment, thus increasing the risk pool while also serving advocacy and ombudsman functions. The Pathway Plan will replicate the health counseling program to help achieve a significant increase in enrollment, as well as increase enrollees' access to care by breaking down barriers to care.

In addition, the new system must include strong quality assurance and comprehensive advocacy with an enforcement component to ensure that people get the services they need and deserve. Information from managed care organizations will be collected to determine the quality of care being provided, and recommendations will be made to improve rates of preventive care and overall quality of care. Annual reports publicizing the findings will be issued, enabling consumer choice of health insurance coverage; this would motivate managed care organizations to provide innovative and effective preventive health programs.

Promote prevention, wellness, and the management of disease. The Pathway Plan will increase preventive care and decrease uncompensated care. Proactive policies of prevention and wellness would reduce costs because people would stay healthy; in addition, the high cost of emergency room visits and other high-cost procedures resulting from a lack of primary care would be reduced. As discussed previously, health benefits counselors will help prevent 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 more help.

Health care systems and services are complex, especially if you or a loved one is sick. Some people enrolled in the Pathway Plan might need extra assistance in navigating complex systems of care. Health care navigators should be located throughout the state to support those experiencing more complex challenges to accessing appropriate health care services due to language, culture, lack of transportation, distance, insurance denials, or childcare issues. Navigators will be able to help with finding transportation or child care for other children, navigating the managed care network, overcoming long delays in getting an appointment, and conducting disease management for those with chronic conditions. Health care navigators should be targeted toward the most acute situations in which health benefits counselors will identify challenges through the enrollment process. By becoming involved in more complex cases, health benefits counselors will have the ability to conduct disease management for enrollees with serious health care issues and thus would help to ensure that enrollees and providers are managing conditions appropriately and that enrollees are utilizing preventive care.

The use of health benefits counselors and health care navigators would result in sav-

ings to the system of health care. Because more uninsured people will be informed of eligibility and assisted with enrollment, the risk pools would be enlarged and enrollees would be more likely to utilize preventive care; in addition, there would be less uncompensated care. Moreover, people who might 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 that they will be able to access the care they need.

Eligibility and Financing for the Pathway Plan

Eligibility

There will be presumptive eligibility for all Wisconsin residents below 300% of the Federal Poverty Level (FPL).

Managed care organizations will likely worry about “crowd out,” in which people drop more expensive private coverage to be able to enroll in the public program. To prevent this, a waiting period of 3 months will be instituted for consumers who drop private coverage at their choice. The waiting period would aid in discouraging those with increased medical costs and higher risk from dropping more expensive private insurance to enroll in the plan.

Adverse selection issues, which would cause increased costs, will be mitigated by the immense size of the initial pool.

For those under 300% of the FPL, costs will be subsidized by the state, with adult enrollees below 300% of the FPL participating in some cost-sharing. People above 300% of the FPL will be able to buy in to the program by paying for the entire premium. Because of the large risk pools that will be created, the premiums should be affordable for employers, families, and individuals. Pre-existing conditions will not bar eligibility; this will be possible because of the increased size of the risk pools.

Non-qualified immigrants will also be eligible to buy in to the program. Under 300% of the FPL, there will be state-subsidized coverage for emergencies and pregnant women only; however, undocumented immigrants at or below 300% of the FPL will

be able to buy in at the full premium rate. All non-qualified immigrants will be able to buy in to the program regardless of immigration status.

To ensure that the Pathway Plan is effectively implemented, not everyone will be eligible for the program at first. Those who are most in need of coverage, such as children and adults below 300% FPL, will be enrolled first. To establish the large risk pools, state, county, and some large municipality employees will also immediately enroll. Individual buy-ins for the uninsured, the self-employed, farmers, and small business will be offered. Finally, some large employers will initially be allowed to buy in, which will increase the risk pool and establish subsidies. As the Pathway Plan becomes more established, buy-in opportunities will be opened up to all employers.

Financing

The Pathway Plan will be funded by all stakeholders. Purchasers above 300% of the FPL will support low-income participants, but these costs would still be below current rates. Federal matching funds, state tax dollars, consumer cost-sharing, fees collected from non-compliant managed care organizations, and buy-in revenues will fund the programs.

Matching funds from the federal government, like those currently used in Badger-Care, will provide the majority of funding for enrollees under 300% FPL. To receive these federal funds, it will be required that a HIFA demonstration waiver be granted. The state will provide the remaining funds for enrollees below 300% FPL through state tax dollars.

The Pathway Plan will also be funded through consumer cost-sharing, which will promote responsible use of the health care system. This cost sharing will be income-dependent. Children below 300% FPL will have no cost-sharing. Adults under 100% FPL will pay nominal co-pays. Adults and families between 100% and 300% of the FPL will pay premiums of 3-5% of their monthly income and nominal co-pays.

People over 300% FPL will buy in to the plan by paying either the individual or the family premium. Each individual managed care organization will determine the amount for co-payments and deductibles. Purchasers over 300% FPL will also help subsidize low-income enrollees and outreach efforts, with each participant paying a

nominal capitation fee, such as \$1-2 per month for an individual or \$5 per month for a family.

Non-compliant health plans will be subject to fines and forfeitures in order to support the functions of the health benefits counselors and health care navigators.

The Pathway Plan requires an initial spending by the state to support coverage for those under 300% 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 state government would enable Wisconsin to achieve the 5% administrative cost of Medicaid. Because there will be fewer uninsured, there will be more preventive care and a corresponding decrease in uncompensated and emergency care. The need to compete for members would create an incentive for health plans to offer benefits to enrollees to prevent serious illness, such as health club memberships, discounts on smoking cessation and healthy eating classes, and rewards for receiving recommended preventive care. Increases in the number of prevention programs would result in a decrease in health care costs.

A Look at Current Proposals

There are currently several major health care reform proposals in Wisconsin that seek to improve access to health coverage for people in the state (see “Appendix A: Wisconsin Health Care Reform Proposal Comparison”). In Addition, the Doyle administration has proposed reforms to extend health care coverage to more people.

Wisconsin Health Security Act: This plan has been proposed by the Coalition for Wisconsin Health and is backed by Senator Mark Miller and Representative Chuck Benedict. This plan calls for a drastic overhaul of the current Wisconsin health care system. It would eliminate insurance companies and convert the health care system into a single-payer health care plan like Medicare, and it would cover all Wisconsin residents. Unfortunately, the Wisconsin Health Security Act is unlikely to get the critical mass of support necessary to pass through the state legislature. Health insur-

ers of all shapes and forms have a great deal of power and dollars to contribute to campaigns and would fight to keep this plan from ever becoming a reality. In addition, the plan would entail starting from scratch with a whole new benefit structure and bureaucracy.

The Wisconsin Health Plan: The Wisconsin Health Project is proposing this plan, which is backed by Representatives Curt Gielow and Jon Richards. This plan would use a system of high deductibles and co-payments to provide health care to most Wisconsin residents under age 65. Most enrollees would have high-deductible policies and health savings accounts. Although this might be a way to obtain affordable coverage for more people, high-deductible health plans (HDHPs) are an emerging problem in the field of health care because they do not emphasize quality or comprehensive care. In HDHPs, enrollees are more likely to spend more money out of pocket, resulting in participant tendency to delay, skip, or avoid care, as well as fail to fill prescriptions. In addition, enrollees are significantly less satisfied with their health care and have less choice in health plans.

Wisconsin Health Care Partnership Plan: The Wisconsin State AFL-CIO has proposed this reform plan, which would cover all Wisconsin employees and their families. While this would be a step toward covering more people, it would still leave many without coverage, including the unemployed, the self-employed, and retired persons. The plan would allow these people to buy in at cost, but the coverage would likely be too expensive for many to afford.

Government Initiatives

BadgerCare Plus: While the current administration's proposal to extend coverage to all children and develop a reinsurance pool is 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 failure to provide access to coverage for more of the currently uninsured in Wisconsin. Some parents and childless adults are not eligible for coverage. A Commonwealth Fund study has found that insuring parents is vital to insuring children. Low-income children with insured parents are nearly twice as likely to have health coverage, and thus access to preventive health care, as children with uninsured parents.

Healthy Wisconsin: Healthy Wisconsin is a plan to develop a completely new reinsurance program, with the hope of reducing health insurance costs for businesses and individuals. However, catastrophic care programs fail to emphasize prevention and wellness in the way that comprehensive coverage provided by BadgerCare does. 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.

Conclusion

The need for health care reform in Wisconsin is clear; however, the each of the currently proposed plans does one of three things: requires a complete overhaul of the existing system, fails to expand coverage to everyone, or institutes 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 thousands of small risk puddles, large pools of people would effectively spread the risk and increase negotiating leverage through group purchasing power. In addition, the Pathway Plan includes the unique yet vital components of health benefits counselors and health care navigators, who, by providing help in navigating the myriad barriers that prevent obtainment of necessary medical care, would ensure that people not only connect to vital health care coverage and understand their benefits, but also have access to the care they need and deserve.

The Pathway Plan provides for a simple yet comprehensive health care coverage program for all people in Wisconsin. Employers and individuals previously unable to afford health care coverage will have the opportunity to have access to these benefits at a significantly lower cost. By building on an existing and highly-effective system, the Pathway Plan will be more easily implemented. In addition, enormous front-end costs and political battles associated with the creation of new administrative and billing structures will be avoided. Maintaining a private-public partnership and involving all key stakeholders will ensure the success of the Pathway Plan. Moreover, streamlined administrative efficiency and increased preventive care would result in savings for the state and set Wisconsin squarely on the course toward health care for all.

Endnotes

Commonwealth Fund, The. "Health Insurance is a Family Affair: Insuring Parents is the Key to Insuring Children." Fronstin, P. and Collins, S.R. "Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings from the EBRI/Commonwealth Fund Consumerism in Health Care Survey." EBRI Issue Brief No. 288. December 2005.
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Appendix A: Wisconsin Health Care Reform Proposal Comparison

Pathway Plan

	Wisconsin Health Security Act <i>Proposed by Coalition for Wisconsin Health</i>	The Wisconsin Health Plan <i>Proposed by The Wisconsin Health Project</i>	Wisconsin Health Care Partnership Plan <i>Proposed by Wisconsin State AFL-CIO</i>	The Pathway Plan <i>Proposed by ABC for Health</i>
Summary	Most extensive reform Provides comprehensive benefit plan (including long term care) to all residents of WI (including elderly) Consolidates financing from all public and private health care plans Does not use insurance companies Similar to single-payer health care plans like Medicare Part A and B	Provides health care to most WI residents under age 65 High deductibles and co-payments combined with Health Savings Accounts System of price competition among insurance companies	Covers all WI employees and their families Baseline uniform and comprehensive coverage (but employers can purchase additional coverage) All employers must pay towards cost of plan, and employees must contribute also Other state residents can buy into a separate pool at cost and get same coverage	Provides subsidized coverage to some and affordable buy-in options for employers and individuals Expands existing private-public partnership of BadgerCare to provide comprehensive coverage Private insurance, including state and local government, and Medicaid are merged into large risk pools to cut premium and administrative costs Outreach, education, and advocacy component
Who is covered?	All WI residents regardless of age, health, or employment status, including those on Medicare, BadgerCare, SeniorCare, and Medicaid	Most WI residents under age 65 (with BadgerCare and Medicaid phased in at a future date) and a 6-month waiting period for new residents	All employees and their dependents; the unemployed, self-employed, and retirees up to age 65 can purchase same coverage at cost through a separate large pool	Subsidized coverage for people under 300% FPL; state and local governments and other employers buy in; buy-in options for WI residents over 300% FPL
What is covered?				
<i>Necessary medical care</i>	Yes	Yes	Yes	Yes
<i>Preventive care</i>	Yes	Yes	Yes	Yes
<i>Prescription drugs</i>	Yes	Yes	Yes	Yes
<i>Dental care</i>	Yes, comprehensive	Child prevention only	Yes, as medically necessary	Yes, comprehensive
<i>Vision care</i>	Yes, comprehensive	No	Yes, as medically necessary	Yes
<i>Mental health treatment</i>	Yes, comprehensive	Yes, state-mandated	Yes, parity with physical health	Yes, comprehensive
<i>Alcohol/Drug treatment</i>	Yes	Yes	Yes	Yes
<i>Long-term care services</i>	Yes	No	No	Yes
Coverage for pre-existing conditions?	Yes	Yes	Yes	Yes
Choice of doctor?	Yes	Yes, but at possibility of additional premiums	Yes	Yes
Individual Cost	All residents would pay health care tax; no premiums, deductibles, or co-pays would be charged	Each employee would pay a portion of their wage; patients would pay high deductibles and co-payments	Employers would pay annual deductible; co-pays for services and prescriptions; non-employed would pay equivalent premiums	Those under 300% FPL would pay sliding scale premiums and co-pays; employers would pay premium w/ ability for employees to cost share; individuals over 300% FPL would pay premium
Employer Cost	Employer would pay a health care tax	Employer would pay an amount equal to a percentage of wages paid	Employer would pay a monthly per-employee assessment (about \$300 per employee, per month)	Employers would pay monthly per-employee premium (perhaps up to \$200 per employee, per month b/c of large risk pools)
Who decides on coverage?	State and regional boards of citizens	Private, non-profit Health Insurance Purchasing Corporation	Labor-Management Commission	Same comprehensive coverage package as Medicaid/BadgerCare
What if the employer already provides a better policy?	Existing plan would be replaced by the single-payer plan; residents or employers could buy extra insurance	Employers could choose to keep the old plan, but would have strong economic incentive to adopt new plan; employer could provide additional benefits	Employers could choose to keep the old plan, but would have a strong economic incentive to adopt new plan; employer could provide additional benefits	Employers could choose to keep their old plan, but might have the ability to buy in to the new plan
Level of Law	State law	State law	State law	State law

