



**BlueCross BlueShield  
Association**

An Association of Independent  
Blue Cross and Blue Shield Plans

**A Blue Cross and Blue Shield Association Presentation**

# Issues in Healthcare Reform

**CSG Spring Conference  
Health Policy Task Force**

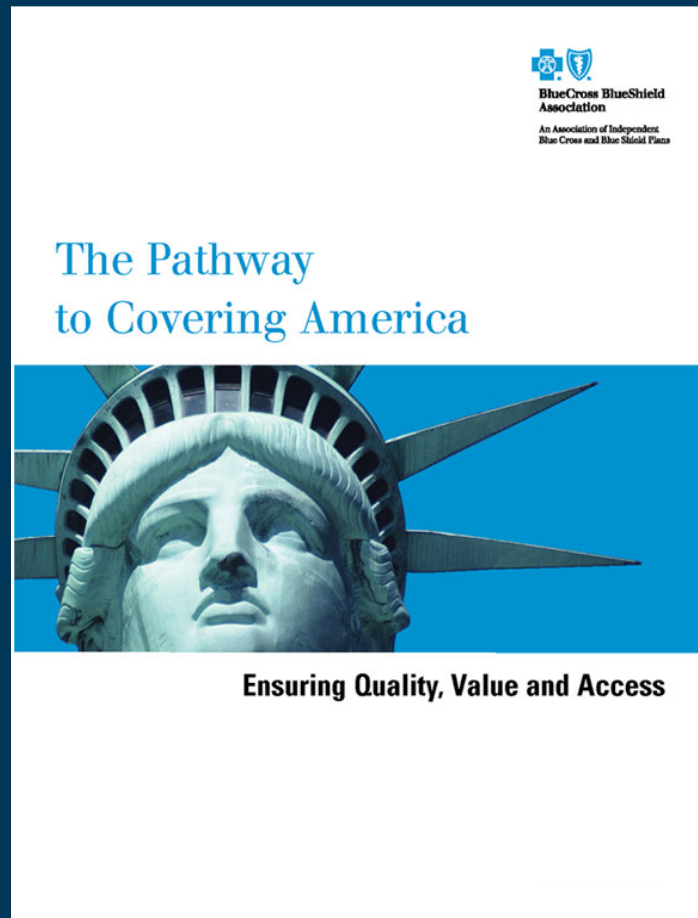
Joan Gardner  
Executive Director, State Services  
May 17, 2009



# Healthcare Reform: What's Likely in 2009-2010?

- **Major push for comprehensive reform this year**
  - Substantial desire for reform
  - Effort more organized than past attempts, stakeholder input
  - However, comprehensive healthcare reform is complicated and expensive
- **State policymakers are key stakeholders – can play major role**
  - Important to weigh-in with concerns
  - New federal funds can be best leveraged for state innovations in public-private programs and new marketing initiatives

# Pathway to Covering America



**Encourage Research  
on What Works**

**Change Incentives to Promote  
Better Care**

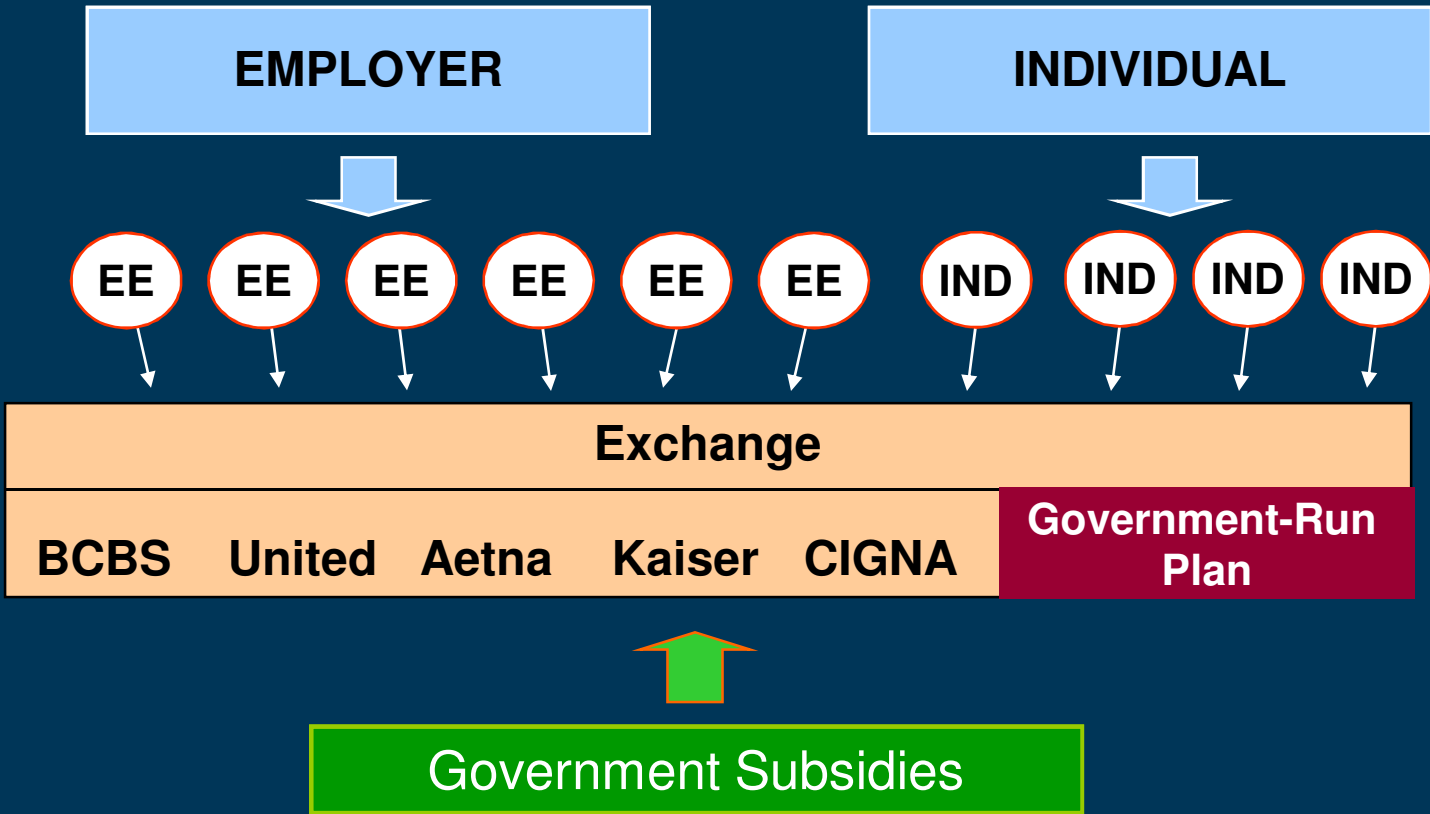
**Empower Consumers  
and Providers**

**Promote Health  
and Wellness**

**Foster Public-Private  
Coverage Solutions**

# Exchanges: What Are They?

Employers enroll in exchange and individual employees select plan from among government-approved options



## Some Policymakers Believe a National Exchange is Necessary to Accomplish Reform Goals

<b>Goals</b>	<b>BCBSA Response</b>
Reduce Costs	Exchanges will increase costs by turning the group market into an individual market and duplicating administrative functions.
Pool Small Groups/Individuals	Exchanges do not “pool” risk – pooling occurs at the health plan level
Increase Choice	Past experience demonstrates that exchanges limit plan choice to HMOs
Simplify Shopping/Competitive Pricing	BCBSA proposes a “State Insurance Mart” as a competitive alternative
Facilitate Subsidies	SIMs can help enrollment in subsidies. Alternatives for direct payment of subsidies exist (e.g., Insure Oklahoma).

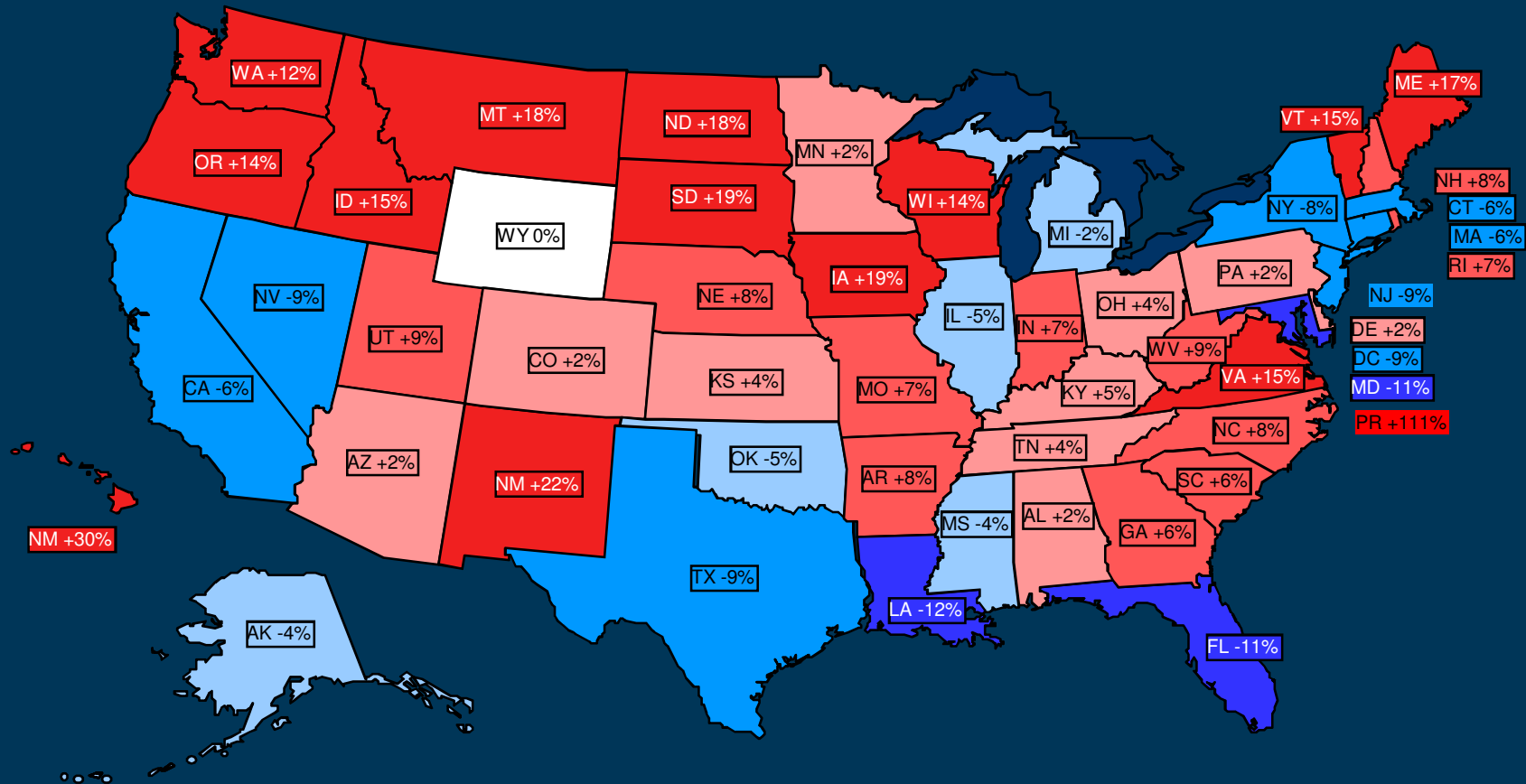
# Exchanges Actually Duplicate Administrative Functions

Function	Current Responsibilities			Exchange
	State	Insurers	Brokers	
Approval of Benefits	X			X
Approval of Premiums	X			X
Advertising/Sales		X	X	X
Enrollment		X	X	X
Education	X	X	X	X
Billing		X	X	X
Claims Processing		X		
Complaints/Appeals	X	X	X	X

# Exchanges Could Reduce Choice, Protections

- **Factors likely to limit plan choice within a national or regional exchange:**
  - A federal government agency – rather than the market – will specify the products and health plans offered
  - Health plans will not offer as many choices when individuals can select plans annually based on their perceived health status
    - Adverse selection issues
- **Two sets of rules – federal and state – could mean regulatory, consumer confusion**
  - Loss of effective market oversight
  - Threat to consumer protections

# Medicare Data Demonstrates that National, Regional Risk Pooling Would Lead to Major Cross-subsidies Among States



While some cross-subsidies may be a good deal for a high-cost state, low-cost states would pay higher health insurance premiums

# BCBSA Alternative: State Insurance Marts (SIMs)

## State Insurance Mart: Key Functions

State Internet Portal	Lists <u>all</u> individual/small group insurers
Standard Benefit Comparisons	Each state to develop consensus templates
Standard Application	Each state to develop consensus individual/small group application
Tax/Subsidy Calculator	Help for estimating available subsidies
Links	Links to broker listings, public programs, and enrollment for small employer tax credit

# Structure of Government-Run Plan

## Most proposals describe new plan as “Medicare-like”

### Baucus proposal:

- “Exchange would include a new government plan option, similar to Medicare”
- “Same rules as private insurance plans participating in the Exchange (e.g., same levels of benefits and set the premiums the same way)”
- “Rates paid to health care providers would be determined by balancing the goals of increasing competition and ensuring access for patients”
- “A number of options could be considered to determine who runs the plan, who is eligible for it, and how to ensure that the public-private insurance competition lowers costs and improves quality”

Source: Baucus Call to Action: Health Reform 2009

# Policy Arguments For Government-Run Plan

## Proponents say a new government-run plan is needed to:

- Increase competition and counter health plan consolidation;
- Reduce provider costs through “bargaining power” of government plan;
- Lower administrative costs: 2% in Medicare vs. 30%+ for individual and small employer coverage ; and
- Place downward pressure on insurance company profits, corporate excess



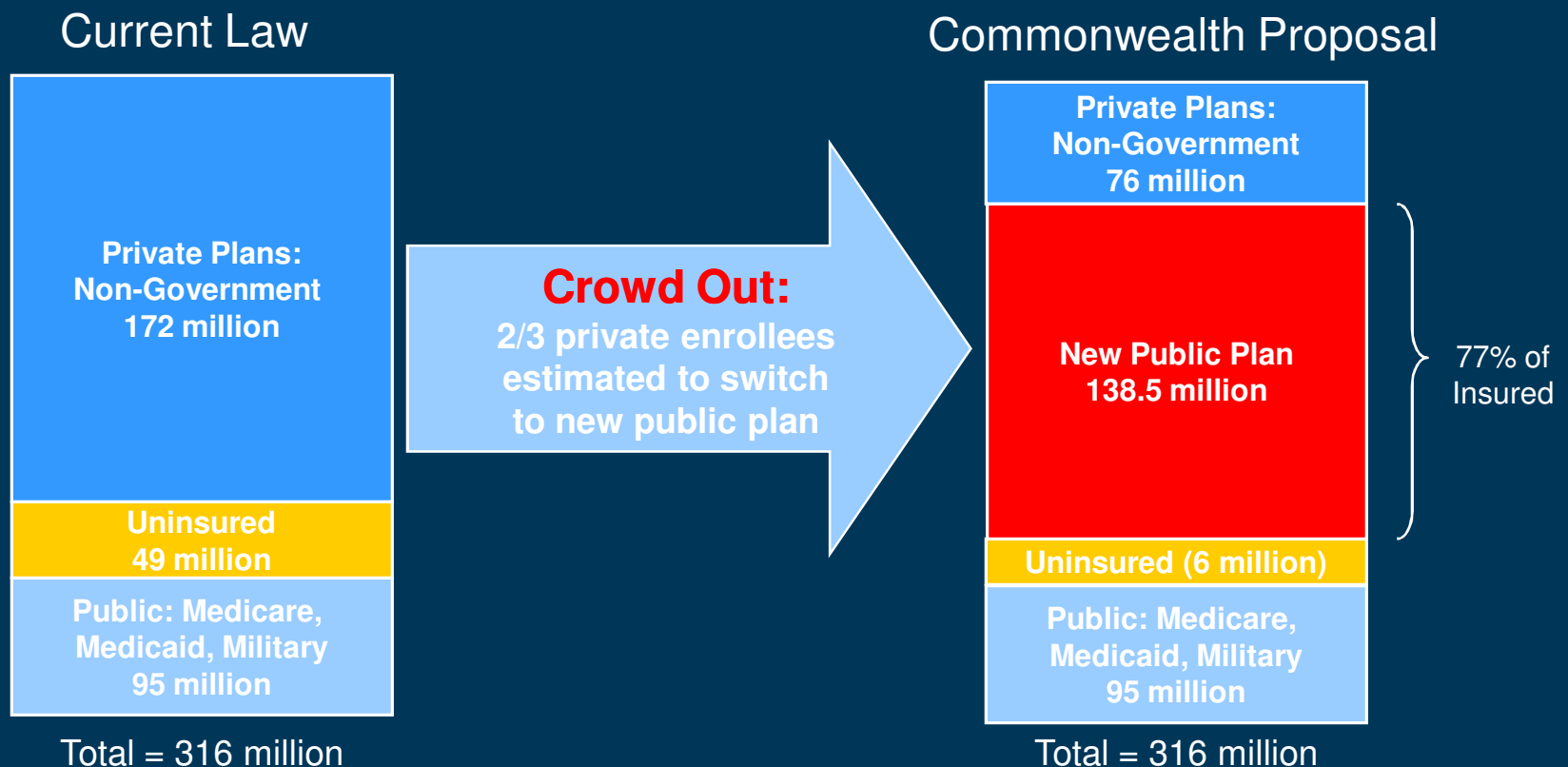
# Policy Arguments Against Government-Run Plan

## Opponents say government plan would:

- Result in unfair competition because government would use price-setting to pay inadequate rates to providers;
- Increase premiums by exacerbating cost-shift to private sector, leading to loss of employer coverage;
- Unnecessary under comprehensive healthcare reform where everyone can obtain private coverage;
- Stepping stone to single-payer, “one-size-fits-all” healthcare, not more choice; and
- Government cannot afford new entitlement programs: adverse selection issues, Medicare already on brink of insolvency.

# Government-Run Plan: Choice?

**77% of insured individuals would have government-run healthcare under Commonwealth Fund plan\***



# Government-Run Plan: Necessary?

- **Can implement comprehensive healthcare reform through existing state structures**
  - Leverage state expertise, flexibility and innovation in new programs
  - Maintain consumer protections, provide sound financial oversight
- **Government-run plan cannot innovate like modern health plans**
  - Can't pick winners and losers, such as excluding poor quality providers
  - Private sector leads on quality, product design, adopting new cost-control strategies, wellness and prevention strategies
- **Unlevel playing field**
  - Government would likely subsidize the program – Medicare not adequately funded while insurers have to maintain reserves/surplus
- **The government will never negotiate rates with providers**
  - Government plan cannot pay providers more for beneficiaries < 65 years than programs for the poor, aged, blind, and disabled

# BCBSA: Pathway to Covering America

**Objective:** Demonstrate leadership on reining in costs, improving quality, and extending coverage to all Americans

## **Pathway Initiatives:**

- 1) Encourage research on what works
- 2) Change incentives to promote better care
- 3) Empower consumers and providers
- 4) Promote health and wellness
- 5) Foster public-private coverage solutions

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