

SustiNet: Health Care We Can Count On

Connecticut's health care system is on life support. The need to address our state's health care crisis has never been more urgent. The economic downturn serves to make health care reform an even greater challenge for Connecticut. Our success as a state depends on the health of our residents and the ability of our businesses to compete in the national and global marketplace. Improving our health care system and ensuring the health care security of state residents is vital to Connecticut's future.

Overhauling our health care system to cover everyone and reduce cost is an economic imperative for our state. High health care costs put Connecticut businesses at a disadvantage to their foreign competitors and leads to lower wages and fewer jobs. Our system also threatens families' health and financial security.

Universal Health Care Foundation of Connecticut believes Connecticut's families and businesses not only deserve, but also need a health care system we can count on. That means a system in which costs are controlled, quality is improved, and access is available to all.

The foundation has been working with a team of America's leading health economists and policy experts, headed by The Urban Institute, to present to the people of Connecticut a public policy proposal for quality, affordable health care for all.

From 2006 to the present, the foundation listened to input from residents from all walks of life across the state, physicians and other health care providers, health policy experts, policymakers, consumer advocates, small and large business, organized labor, and faith leaders.

We are grateful to the Connecticut State Medical Society, the Interfaith Fellowship for Universal Health Care, the Business Advisory Council, Small Business for Health Care Reform, Labor for Universal Health Care, our partner organizations in the healthcare4every1 Campaign, and the many individuals and organizations who contributed their ideas and feedback. Their voices and concerns have shaped this proposal. The result is a forward-looking strategy for how, working together, we in Connecticut can achieve the following goals:

- Guarantee all Connecticut residents access to their choice of high quality health coverage and health care;
- Control costs so that health care is affordable and sustainable for individuals, families, businesses, and taxpayers;
- End residents' worries about losing access to care when they change jobs, finish school, start a business, experience other life-changing events or have pre-existing conditions;
- Prevent illness and disease where possible and improve health;
- Eliminate racial and ethnic disparities in health care and health outcomes.

The proposal's name, "SustiNet," is Latin for *sustains* and reflects the policy proposal's inherent commitment to health and economic sustainability. The name is adopted from the Connecticut state motto.

At heart, Sustinet is a far broader strategy than just health insurance coverage. This public policy proposal addresses the root causes of our health care system – spiraling cost growth, disturbing health trends, uneven quality and inadequate access to care.

Economic downturns cause elected and appointed officials to adopt more conservative spending policies. The possibility of federal health care reform in 2009 may lead some to the conclusion that Connecticut should postpone reform efforts. However, investments in state reform over the next few years promise to lower costs, reduce the percentage of health care spending in the state budget and improve health outcomes. Health care reform is an opportunity for Connecticut to bring costs under control, stimulate the economy and serve as a model for the country.

Universal Health Care Foundation of Connecticut respectfully presents Sustinet to the Connecticut General Assembly, Governor M. Jodi Rell, and members of the Connecticut congressional delegation as a blueprint for enacting health care reform in 2009 and implementing it in the years to come.

Rebuilding Health Care Delivery in Connecticut

To expand access to health care, improve the quality of care and reduce costs, Sustinet emphasizes and invests in disease prevention and chronic disease management. To meet these objectives, three initial measures are necessary:

- Establishment of patient-centered medical homes;
- Adherence to quality standards and a system of measuring health outcomes; and
- Widespread use of electronic medical records.

➤ **Medical Homes for Everyone**

Under Sustinet, every patient has a medical home. A medical home is a regular source of care. An emphasis on primary preventive care is a strong underpinning of this approach. Early screenings and detection, and other preventive measures are more likely when patients have a steady source of care.

Physicians, nurses, physician assistants, health educators, and other providers in a medical home use a coordinated team approach to care for their patients. Medical homes ensure that patients have timely and appropriate access to care and the tools and knowledge to manage their own health. They are highly effective and efficient, particularly in managing the care of chronically ill patients.

Medical home services fall broadly into three categories:

- **Care coordination.** Providers routinely exchange patient information and pursue integrated care for patients, including those with complex conditions. The medical home serves as the communication hub. Care coordination professionals make nonmedical referrals to services such as nutrition, domestic violence, and other programs. Active monitoring ensures that patients

receive all recommended primary and preventive care services, such as immunizations, screenings, and diagnostic tests.

To ensure their effectiveness in reducing health disparities, medical homes demonstrate cultural competency in communication skills with patients from different ethnic and racial backgrounds.

- **Patient empowerment.** Patients, including those with chronic illnesses, learn how to monitor and manage their conditions and accomplish health-related goals, such as improved nutrition and smoking cessation.

Changes in the state's public health system are necessary to meet the goals of improving health, eliminating health disparities, and reducing health care costs. In the long run, investments in public health prevention and health promotion programs reduce the cost of caring for people with chronic disease. Effective public health programs will benefit all state residents, far beyond just participants in SustiNet.

- **Timely access to care.** To reduce unnecessary and costly emergency room visits, same-day, next-day, evening, and weekend appointments are available. Patients have telephone and secure e-mail access to health care providers. In-person medical visits following hospital emergency room discharges help reduce costly rehospitalizations.

Medical practices participating in SustiNet have the option of directly providing all medical home services or contracting for some with care management/care coordination providers. In the SustiNet medical home model, providers are reimbursed not only for diagnosis and treatment but also for ongoing care coordination, care management, and patient education.

➤ **Commitment to Quality Standards and A System of Measuring Outcomes**

Best practices for the care of many diseases and for ensuring patient safety and reduction of medical errors have been well documented. Yet, how care is delivered varies greatly. To ensure high-quality, efficient, and effective health care delivery, SustiNet health provider advisory groups agree on guidelines for clinicians and hospitals. SustiNet providers develop quality standards and goals for health improvement.

Providers that meet or exceed quality of care standards for particular medical conditions receive public recognition through SustiNet. Health care providers also receive confidential performance reports, comparing them with their peers. Providers have access to continuing education programs for honing and continuously improving their clinical skills.

To remove barriers that can discourage physicians from adhering to care guidelines, a no-fault compensation system is established to compensate patients who are harmed even if an approved guideline was followed.

➤ **Electronic Medical Records**

Effectively designed, electronic medical records systems allow clinicians to access the medical information they need to make good clinical decisions, to avoid medical errors, and to prevent costly testing duplication. To improve health care delivery under Sustinet, widespread adoption of electronic health records systems is essential. They allow Sustinet access to necessary data to track progress in meeting health goals and quality standards and to measure, monitor, and report on the extent to which care guidelines are followed.

Sustinet requires participating providers to upgrade to an electronic medical records system. A group of technology experts, in conjunction with physicians, hospitals and other providers, is appointed to determine which systems Sustinet providers use.

Cost can be a barrier to provider adoption of electronic medical records. A potential funding mechanism for the new electronic infrastructure is issuance by the state of a tax-exempt bond to finance the acquisition of software and hardware. Participating providers would pay back their proportionate share of the bond. They would be entitled to free or reduced-cost training, technical support and conversion of paper records into electronic form.

Sustinet's systems would be linked with existing state efforts to develop a health information exchange that allows communication across different electronic health record systems, including lab and radiology information.

Providing a New Health Coverage Option

Sustinet offers an innovative coverage choice that builds on existing risk pools already funded by Connecticut taxpayers. Initial members are state employees and retirees, and HUSKY and SAGA participants¹. Like health coverage plans offered by most large employers, the coverage component of Sustinet is a self-insured plan², essential to the hands-on, data-driven management necessary to improve the delivery of health care and reduce costs.

Families and businesses satisfied with their existing health care plans may keep their coverage. Three additional groups can choose to purchase coverage through Sustinet, if they wish:

- People without access to employer sponsored insurance, including sole proprietors and other self employed individuals;
- People offered employer sponsored insurance that does not provide affordable access to essential care; and

¹ HUSKY, Healthcare for Uninsured Kids and Youth, is the portion of the Medicaid program that provides health insurance for children and their parents. Currently, HUSKY A serves lower-income families: those below 185 percent of poverty. HUSKY B covers children in families between 185 percent and 300 percent of poverty. SAGA is the state's general assistance program for low-income adults. Adults currently enrolled in the Medicaid program that covers the elderly, blind, and disabled will remain in that program and would not be covered by Sustinet.

² Companies such as Pratt and Whitney and Pitney Bowes are self-insured; that is, they pay their employees' health claims directly, negotiate rates with health care providers and implement health enhancement and cost-control initiatives of their choice. Insurance companies may serve as the third-party administrators of these benefits, but they do not assume risk in covering these employees. The state will convert its employees' and retirees' coverage program to a self-insured plan and will contract with an insurer or other third-party administrator to manage claims processing and provider and customer relations.

- Employers, starting with small businesses, nonprofits and municipalities, but ultimately including any employer in the state.

➤ **Membership Groups and Coverage Assumptions**

People Not Offered Health Coverage by Their Employers

People not offered insurance by their employers may now purchase health coverage. All applicants are accepted, regardless of pre-existing conditions. Premiums do not increase for people with health problems as long as they enroll promptly when coverage through Sustinet becomes available and retain continuous coverage.

Premiums are subsidized on a sliding scale for residents whose incomes fall between 300 percent and 400 percent of federal poverty levels. Those whose income is below 300 percent are eligible to receive HUSKY coverage through Sustinet.

Today, a Connecticut family of four with an annual, pre-tax income of \$85,000 (too high for subsidies) can pay \$1,550 for comprehensive health insurance with \$500 individual deductibles, 20 percent coinsurance, and 3 tiers of prescription drug co-pays. When Sustinet is fully implemented, such a family would pay approximately \$1,010 (in today’s dollars) for more comprehensive benefits that include preventive and dental care.

Sustinet coverage plans offer comprehensive benefits that include medical home services, inpatient and outpatient hospital care, and dental and mental health care. Programs to prevent and treat obesity and tobacco are also covered.

Other benefits include:

- office visits
- immunizations, screenings, checkups, and well-child visits
- generic and name-brand prescription drugs
- home health care
- vision care
- family planning
- identification and treatment of developmental delays from birth to three
- emergency transportation
- lab and radiology services
- durable medical equipment
- short-term rehabilitation
- speech, physical, and occupational therapy
- hospice
- prosthetics
- chiropractic and naturopathic care

Co-pays of \$15 per office visit, a tiered prescription drug benefit that charges lower co-pays for generic drugs and an annual \$400 deductible are anticipated. Cost sharing is designed to promote patient compliance with needed treatment. For example, certain chronic disease medications needed to maintain health and life, such as diabetes medications, may have little or no cost

sharing. In these and other ways, the benefits package design complements the overall goal of keeping people healthy.

People Without Affordable Access to Essential Health Care

People with inadequate coverage, even though they may have access to employer-sponsored insurance, can join Sustinet. Coverage is considered inadequate if the level of benefits is (a) less than 80 percent of the average for employer-sponsored insurance purchased by large employers in Connecticut or (b) the employees' share of premiums is excessive in proportion to income.

Coverage is also deemed inadequate, regardless of income, if out-of-pocket health care costs are at least 7.5 percent of adjusted gross income. This ensures that seriously ill residents are not denied access to decent, comprehensive health care coverage.

If any transfers from employer-sponsored insurance to the self-insured plan occur because of inadequate coverage, the employer pays the amount the employer would have paid if the employee stayed in the employer's health plan. Such payments are capped to prevent them from increasing the percentage of workers for whom employers assume financial responsibility.

Employers

Sustinet's self-insured plan is not designed to replace private coverage options, but to stimulate competition. With hundreds of thousands of covered lives and cost effectiveness measures, it leverages Connecticut's purchasing power to offer the highest quality benefits to all Connecticut residents.

As Sustinet reduces costs through delivery system improvements, it can be purchased by small businesses, nonprofits, and municipalities. Eventually it will become available to all, with multi-year contracts to increase the predictability of health care costs. Sustinet offers employers new options designed from the start to reduce costs, improve health care quality and deliver savings to members.

At the same time, an independent information clearinghouse requires all insurers, public and private, to provide comprehensive anonymous information showing quality of care, services rendered, outcomes and customer satisfaction. This helps the health insurance market function more efficiently. Combined with affordable options available through the Sustinet self-insured plan, this approach lowers business costs while helping businesses attract and keep good employees and gain a competitive edge in the local, regional and global economy.

Employers offering coverage are encouraged to continue to do so by two factors. First, even if federal health care reform is enacted, powerful federal tax incentives are likely to remain in place favoring employer payment of health insurance premiums. Second, medium-sized and large employers that do not cover their workers are required by Sustinet to make modest "shared responsibility" payments to help cover the cost of their employees' health care. This is expected to lessen the extent to which firms shed costs by dropping coverage.

To compete effectively, Sustinet markets to employers through existing channels, including brokers, agents and purchasing pools.

State Employees and Retirees

State employees and retirees retain the covered services and limits on out-of-pocket cost sharing that they now have. Existing collective bargaining agreements are honored.

Lower Income State Residents

Husky A and HUSKY B recipients retain all currently covered services. Limits on premiums and out-of-pocket cost sharing remain the same. However, low income residents all receive care through the reformed health delivery system that is the foundation of SustiNet.

Under SustiNet, all adults, regardless of whether they have children, are eligible for HUSKY A if their incomes fall below 185 percent of poverty (currently \$19,400 for an individual and \$39,220 for a family of four). Adults with incomes between 185 percent and 300 percent of poverty join children in qualifying for HUSKY B for which they are charged modest amounts for premiums and co-pays.

SustiNet provider payment rates for all HUSKY beneficiaries gradually increase to the same levels as fees paid by insurance offered by large employers. Fair payment to health care providers increases the number of physicians who can afford to care for HUSKY participants. Lower income people also achieve greater access to physician care.

Regardless of income or employment status, all SustiNet enrollees present the same insurance card to health care providers.

➤ **Automatic Enrollment**

SustiNet relies on automatic enrollment mechanisms, adequate subsidies to make insurance affordable and informed consent to achieve universal coverage. People lacking insurance will be automatically enrolled in coverage according to their ability to pay, when they:

- begin or end employment
- request unemployment coverage
- children begin school
- file state income tax forms
- seek health care

Individuals can opt out of health insurance coverage but must do so by affirmatively indicating they do not want to remain in SustiNet.

Extensive media marketing and targeted community based outreach is employed to reach state residents not offered employer-sponsored insurance. Automatic enrollment mechanisms are implemented in various settings and through diverse channels listed above.

SustiNet Boosts the Connecticut Economy

Universal Health Care Foundation of Connecticut engaged the services of Dr. Jonathan Gruber of the Massachusetts Institute of Technology, one of the country's leading health economists, to develop cost and coverage estimates for Sustinet. The model employed uses Connecticut-specific population and cost data to predict the response of households, employers and government to policy assumptions underlying Sustinet.

The figures in this report are based on modeling completed in early December 2008 and may change as the foundation's researchers continue to refine the economic model and update the data and assumptions on which it is based. This information, however, provides a useful starting point for understanding the potential costs and benefits of implementing the proposal.

➤ **Coverage Improvements**

In Fiscal Year (FY) 2010, planning and infrastructure development lays the groundwork for Sustinet implementation, which begins in FY 2011 and is phased in over 5 years. Coverage expansion begins January 2011. By FY 2013, with automatic enrollment well underway but not fully implemented, the number of uninsured in the state is predicted to drop from more than 350,000 in the middle of the current decade to 100,000 people. By FY 2014, only 2 percent of the population, approximately 50,000 people, are uninsured, largely consisting of those who opt out of coverage with incomes too high to qualify for HUSKY.

➤ **Economic Costs and Benefits**

Connecticut Reduces Health Care Spending

At the current rate, in the absence of Sustinet, total health care spending by all stakeholders on all Connecticut residents is expected to rise to \$20.2 billion in 2012, reaching \$26.48 billion by 2016. With Sustinet, total health care spending in Connecticut is expected to fall below projected levels, with the drop ranging from 0.2 percent to 3.2 percent, depending on the year.

Beginning in 2012, the cost of insuring each resident in Connecticut is reduced by an average of \$730, a decline of 9.2 percent over current trends. By 2014, with costs further under control, Connecticut residents save an average of \$875 on premiums and out of pocket costs.

Employers Save Money

Employers who currently provide health insurance see savings for several reasons:

- With cost-effective health care delivery measures and the leverage and efficiencies that are possible with hundreds of thousands of covered lives, Sustinet offers more affordable premiums.
- Fewer uninsured people and higher payment rates for HUSKY mean less cost shifting from hospitals to private insurers, which in turn is reflected in lower premiums charged to employers.

- Public health investments in combating obesity and tobacco use, together with transparency measures to disclose and ultimately prevent problematic actions by clinicians and prescription drug companies, slow cost growth for all payors, including employers.

As a result, employers who currently offer coverage save \$1.35 billion in total health care costs by FY 2014. At the same time, some medium-sized and larger employers that do not provide insurance today are asked to contribute toward the cost of their workers' coverage. These payments total \$90 million by FY 2014.

Households Save Money

Households save money under SustiNet. With lower spending for premiums and out-of-pocket costs, total personal health care costs decline by \$540 million in FY 2014, compared to what they would be in the absence of policy change.

The model predicts that Connecticut households will see their after-tax income rise above projected levels by \$930 million in FY 2014. Between lower health care costs and higher post-tax wages, state residents have \$1.47 billion of net increases in income to spend on expenses other than health care.

➤ **How Connecticut Can Pay for SustiNet**

The discussion to this point shows that SustiNet saves \$1.7 billion for Connecticut's households and employers as of 2014. At the same time, state spending increases by \$950 million, for two reasons: the previously insured receive subsidies that help them afford coverage; and Medicaid and HUSKY provider payments rise to market rates.

Premiums and revenues collected to finance coverage are paid into a separately established fund to ensure that revenues are used for their intended purpose, and that they are not counted against the state spending cap.

Role of Federal and State Governments

Through SustiNet, federal funding increases by \$800 million as of FY2014. This results from (1) automatic enrollment bringing into coverage increased numbers of state residents who qualify for HUSKY and premium subsidies, which the federal government helps pay; and (2) the cost of increasing provider payment rates is shared by the federal government.

Household Payments

When individuals choose to enroll in SustiNet, they are charged premiums on a sliding scale, based on their ability to pay. By FY2014, individual premium payments are projected to total \$570 million, with the state collecting an additional \$50 million in income taxes attributable to rising Connecticut incomes.

Employer Sources

Medium sized and larger employers that do not provide coverage contribute to help offset costs to the state of adding their uncovered employees to Sustinet. The proposed contribution is 4 percent of any payroll costs that exceed the average for a Connecticut company with 10 employees (\$318,000 in 2008 dollars). The 4 percent payment constitutes 3 percent from the employer and 1 percent from the employees. Companies with smaller annual payrolls below \$318,000 in 2008 dollars are exempt from this requirement. In FY 2014, shared responsibility payments are estimated to generate \$80 million in revenue.

If employees join Sustinet because their current employer-provided health insurance is inadequate, the employer pays the same amount the employer would have spent on the employees' health coverage. Such payments are expected to total \$240 million by FY 2014.

Finally, employers that do not currently cover their employees and decide to purchase Sustinet pay premiums to cover the resulting costs, as they would to any health insurer.

Managed by a Public-Private Partnership

➤ *Roles and Responsibilities*

A public-private governance board outside of current state government, but accountable to the Connecticut General Assembly, is established to oversee Sustinet.³ Its major responsibilities are to:

- establish policy goals and monitor progress toward meeting them;
- spearhead required reforms to the health care delivery system;
- identify health care workforce challenges and ensure they are addressed;
- select and monitor the Sustinet administrator, and
- report quality and cost outcomes to the public.

The Sustinet board conducts regular surveys to assess health status, health coverage, and health care delivery in Connecticut. It makes adjustments to policy based on these findings and other new information. Major reallocation of state resources and large changes in policy require legislative approval. The board submits annual reports to the Connecticut General Assembly and to the governor on Sustinet's impact on cost, quality, and access.

➤ *Board Expertise and Appointment Process*

Members of the Sustinet governance board have expertise in health care delivery, public health, health care policy, and insurance. Physician, nursing, and hospital representation is essential. Membership includes consumers, both small and large employers, and state of Connecticut

³ Connecticut has a precedent for establishment of a public-private entity in the Connecticut Housing and Educational Financing Authority (CHEFA).

employees and management. Racial and ethnic diversity as well as geographic diversity is ensured.

Board appointments are made through a combination of

- appointments to the board by elected leaders, including the governor, the speaker of the house, the president pro tempore of the senate, and the minority leaders of the house and senate; and
- a confirmation process, similar to how Connecticut currently appoints members to state university boards or appoints judges.

As appropriate to each agency's charge, existing state agencies are required to work with the board.

Under the Sustinet umbrella, existing oversight structures of the Health Care Cost Containment Committee and the Medicaid Managed Care Council continue to carry out their responsibilities for the state employee health care plans and the Medicaid/HUSKY programs.

Sustinet is run according to the highest ethical standards. Board meetings are open to the public and rotate around the state. A portion of every meeting is reserved for public comment.

Health Care We Can Count On

The Sustinet policy proposal presented here applies the country's best thinking about prevention and patient care, moving towards a rational health care system focused on positive health outcomes. Sustinet's reforms are designed to change the way we pay for medical care to make the health of Connecticut's residents the driving force behind key public and private decisions.

Building on existing health coverage that Connecticut taxpayers are already funding, Sustinet streamlines an out-of-control and costly health care system. The new policy uses a focus on patient well-being, fair payments to health care providers, risk control, and innovative technologies for claims filing. It builds on best practices from other states and other innovative health plans. It drives down costs and saves the employers and households of Connecticut money.

Sustinet is compatible with national reform plans, and its strategies dovetail with health care reform proposals coming from Washington. As Connecticut stands at the forefront of states addressing their health care crises, we are confronted with a rare historic opportunity to be a leader in America's health reform movement.

We already have some of the building blocks in place: a program piloting a model of medical homes in the HUSKY program, Primary Care Case Management; a regional electronic health records collaborative, eHealthConnecticut, that has examined Connecticut's health information needs; and a groundswell of public support for change.

Connecticut needs health care we can count on. Sustinet was developed with the input of the people to show the way.