

DELAWARE HEALTH CARE COMMISSION
MARCH 3, 2005
DELAWARE TECHNICAL & COMMUNITY COLLEGE
TERRY CONFERENCE CENTER, ROOM 400A
DOVER

Action Item

MINUTES

Commission Members Present: John C. Carney, Jr., Chair; Richard S. Cordrey, Secretary of Finance; Jacquelyne W. Gorum, DSW; Dennis Rochford. A. Herbert Nehrling, Jr.; and Lois Studte, RN.

Members Absent: Carol Ann DeSantis, Secretary, Delaware Department of Services for Children, Youth and Their Families; Matt Denn, Insurance Commissioner; Joseph A. Lieberman, III, MD, MPH; Vincent Meconi, Secretary of Health and Social Services; and Robert F. Miller.

Speakers: Alice Burton, Director of the State Health Policy Group, AcademyHealth; Anne Gauthier, Vice President, AcademyHealth; Tim Constantine, President, Blue Cross/Blue Shield of Delaware; Betsy Wheeler, Management Concepts, Inc., and Project Manager, CHAP; and Gina Perez, Advances In Management, and DHIN Project Manager.

Staff Attending: Paula K. Roy, Executive Director; Judith A. Chaconas, Director of Planning & Policy; and Jo Ann Baker, Administrative Specialist III.

CALL TO ORDER

John C. Carney, Jr., Chairman, called the meeting to order at 9:10 a.m.

APPROVAL OF FEBRUARY 17, 2005 MINUTES

A. Herbert Nehrling made a motion to accept the February 17, 2005 minutes with an amendment to the Nursing Implementation Update. Jacquelyne Gorum seconded the motion. There was a voice vote. The motion passed.

UNINSURED ACTION PLAN: COST, COST DRIVERS AND HEALTH SAVINGS ACCOUNTS

Alice Burton, Director, State Health Policy Group, AcademyHealth and Director of the Robert Wood Johnson's State Coverage Initiative presented an overview on health care cost trends, cost drivers, their impact on access to health care, and possible solutions.

The presentation attached to these minutes and the Commission's website, www.state.de.us/dhcc.

Action:

There was a motion to accept the February 17, 2005. There was a voice vote and motion carried.

Alice Burton gave a presentation on a broad overview of cost drivers.

Key Points

- About 15 percent of the Gross Domestic Product is spent on health care in the United States.
- The U.S. spends more than other industrialized nations, which average 9 to 10 percent GDP.
- Although the U.S. spends more, Americans receive less services than those in other countries. U.S. adults receive about 50 percent of recommended services.
- Hospital utilization was fairly low in 1998, peaked in 2003 and has begun falling. Hospital price growth (growth in wages and the price per unit of service, for example) is driving some of the cost growth.
- Long-term Cost Drivers
 - Advances in medical technology
 - Increased resources in medical care – more technology, specialists
 - Lifestyle changes – personal healthcare costs (heart disease, obesity, etc)
 - “Oversold” drivers: population aging, professional liability, mandates insurance benefits
- Delaware Health Statistics (compiled data from Centers for Disease Control, state health profiles, Health United States and the United Health Foundation)
 - Health Spending per capita 6th
 - Infant mortality 45th
 - Premature Death 39th
 - Obesity 33rd
 - Physicians per capita 16th
 - Hospital beds per capita 33rd
 - United Health Foundation overall ranking 32nd
- Take up rates among low income population is falling: wages are growing about two percent overall while premiums grow at about 11 percent and cost is growing at 8 percent.

Anne Gauthier, Vice President for AcademyHealth; Program Director of the Robert Wood Johnson’s Changes in HealthCare Financing and Organization; and Senior Consultant for Robert Wood Johnson’s State Coverage Initiatives, gave a presentation on Consumer Driven Health Plans (CDHPs).

Ms. Gauthier outlined the different types of CDHPs, their benefits and drawbacks; employer and insurer interest; the profile of early enrollees; early consumer experiences; utilization and cost effects; and the implications. The presentation is attached to these minutes and is also available on the Commission’s website, www.state.de.us/dhcc.

Anne Gauthier gave a presentation on Consumer Driven Health Plans.

Key Points

While definitions vary, the most common characteristics:

- High deductible insurance plan
- Personal account funded in various ways to pay for care
- Gaps between the amount in the account and the deductible
- Internet-based decision support for the consumer.

Different types of CDHPs

- Health Savings Accounts (HSAs) - portable accounts owned by individuals, that require a high deductible health plan
- Health Reimbursement Arrangement (HRAs) - employer funded accounts that stay with the employer (are not owned by the individual); the high deductible health plan is not required (they can be offered with any kind of health plan)
- Medical Savings Accounts (MSAs) - essentially being replaced by HSAs. They are portable, only small firms and self employed can purchase them, and require a high deductible health plan
- Flexible Spending Accounts (FSAs) - employee funded with pre-tax dollars (employer sets account up with employee dollars); use it or lose it at year's end

Solving the Problem of the Uninsured?

- Results from initial take-up
 - 1/3 of individual purchasers previously uninsured
 - 16% of small firms previously did not offer
- Industry reports indicate not only wealthy and young, but more national data is needed

Potential Benefits of CDHPs

- Enhanced consumer involvement
- Greater cost control/potential for savings
- Quality of care promoted

Potential Drawbacks of CDHPs

- Only for the healthy and wealthy
- Market risk segmentation
- Unintended consequences in health care delivery and other segments of the market

Outlook for the Future

- CDHPs are a new market approach
- Selection bias is real but can be managed
- Time will tell

Concluding Thoughts

- CDHPs are neither a panacea nor a poison,
- Unknown whether CDHPs can help in solving uninsured problem
- Current public policy strongly promoting CDHP products and the market is responding
- Challenge will be to incorporate evidence-based medicine into CDHP structure
- More research is needed to inform policy
- The jury is still out

Tim Constantine, President, Blue Cross/Blue Shield of Delaware gave a presentation on BlueAdvantage®, a consumer directed health care plan product offered by BlueCross BlueShield of Delaware. A copy of his presentation is attached to these minutes at are on the Commission's website, www.state.de.us/dhcc.

- Health care costs are projected to increase 14 percent annually; employers will absorb 9 percent and pass the rest on to their employees
- Employee contributions will triple unless affirmative steps are taken to curb these increases
- With CDHP, the need to educate the consumer about quality and cost is critical
- Most of the savings realized by these plans is a direct result of the change in plan design. It does not reflect change in the patient health or the overall risk mix of the group
- BlueAdvantage® Plans:
 - based on popular PPO (preferred provider organization), EPO (exclusive provider organization with essentially no out of network benefit) and prescription drug plans
 - offered with either a health savings account (HSA) or a health reimbursement account (HRA)
 - freedom to choose in-network doctors without a referral
 - product designs include preventive health benefits such as routine physicals, gynecological exams, mammograms, well-child care, vision and hearing exams
- Allows members access to the national network of providers through BlueCard® with over 6,100 hospitals, 600,000 providers, and out-of-country coverage in 200 countries.
- Allows subscribers Options Discount program with discounts on health-related products and services such as acupuncture, chiropractic care, fitness centers and laser

Tim Constantine, President, Blue Cross/Blue Shield of Delaware gave a presentation on Delaware-specific Consumer Directed Health Care

- vision correction.
- H.S.A. Basics :
 - health care account is solely-owned by the employee
 - unused balances roll over to following years
 - accounts are portable – always belong to the member
 - tax shelter for qualified medical expenses
 - contributions are tax-free, growth is tax-deferred and qualified distributions are tax-free
 - needs to conform to IRS guidelines for a “qualified high deductible health plan”
 - cannot generally be combined with a flexible spending account (FSA)
 - instills employee accountability
 - plan design governed by IRS guidelines and regulations
 - no application or setup fees
 - low monthly administration fees – free for first three months
 - competitive interest rates paid from day one
 - free, no fee AdvantageHSA debit card
 - free initial order of checks
 - online account access through bcbsde.com or my AdvantageHSA.com
 - powered by The Bancorp Bank
 - 24/7 customer service
 - ability to invest balances above \$2,500
 - The initial benefit is cost shifting. The employee is going bear a greater burden. The question is: Will the employees with greater financial responsibility and better educational tools become better consumers?
 - 438,000 HSAs established nationwide as of September 2004
 - Small businesses that previously did not offer health-care coverage purchased 16 percent of the HSAs in small group market
 - Overall, 30 percent of HSA purchasers previously did not have health insurance
 - BCBSD CDHP use
 - began selling products January 1, 2005
 - to date, 97 HSA accounts (330 members) and 11 HRA accounts (89 members) have been sold
 - most common HSA product is EPO 100 Plan (exclusive provider organization that has \$600/\$1200 deductible) – 63 plans sold
 - HSA products have been sold to medical practices, attorneys and other small businesses ranging from 1-42 employees
 - 41 of the 108 accounts represent new business

ACTION: LOAN REPAYMENT PROGRAM

Judy Chaconas forwarded recommendations from the Board of Directors of the Delaware Institute of Medical Education and Research (DIMER) and the Delaware Institute of Dental Education and Research (DIDER) for structural changes to the program. The recommendations are intended to increase the number of program participants, enabling the program to help providers in underserved areas of the state meet their retention and recruitment needs and maximize the use of available federal matching funds. An issue brief covering the issues, including the current structure and rationale for change, was provided to Commissioners beforehand. Recommendations:

- Focus on retention of providers, in addition to recruitment
- Expand the eligible specialties list to include all those allowed under federal rules
- Identify sites eligible for placement under federal guideline; target them for marketing
- Reduce the minimum services requirement from three years to two ears (the federal minimum
- Increase allowable award thresholds to the maximum allowed under federal rules
- Engage an intern to focus exclusively on administering these program changes, budget permitting
- Consider alternative “economic incentives,” i.e. loan assistance for capital expenditures to establish a practice in a high-need area

The chairman expressed concern about decreasing the minimum service commitment and increasing the allowable award threshold.

The Commission had lost its quorum prior to the presentation

Commission staff will meet with the chairman to discuss the program before the Commission’s April meeting, at which time the recommendations will again be brought before the Commission for a vote.

UPDATES
CHAP

Betsy Wheeler updated the Commission on CHAP activities. As of January 31, 2005 there were 2570 enrollees in CHAP.

Judy Chaconas presented a set of recommendations from DIMER and DIDER to improve the program. A vote will be taken in April.

Betsy Wheeler gave an update on CHAP activities.

During the past month efforts were focused on recruitment of sub-specialty providers wherein their specialty has been indicated as a specific need at the county-level (dermatology, OB/GYN, podiatry, orthopedic surgery, and psychiatry).

Targeting has included work with the Medical Society of Delaware. Recently, one psychiatrist, two podiatrists, and two OB/GYNs have been recruited. A visit with a dental practice in Sussex County has been scheduled.

Research has begun on other national community-based programs that employ case-management and disease-management programs. The information will inform the efforts that will take place using the Federal Fiscal Relief funds allocated to the Commission for CHAP and with particular regard to disease management activities.

Information and Technology – DHIN

Project Management

On Friday, February 18, 16 DHIN representatives interviewed three respondents to the RFP to support the technical requirements and project scope definition phase of the utility project. The group unanimously selected one finalist and contract negotiations are underway. The contractor will complete the following deliverables:

- Prepare a functional requirements document for the system
- Conduct a feasibility study and cost-benefit analysis
- Develop an system implementation advance planning document
- Draft an RFP for technical design, development and implementation
- Facilitate the evaluation and selection process resulting from the technical RFP

Funding

Initial documentation for 2006 Federal earmark funding has been submitted to Senator Carper and Congressman Castle's offices at their request. The funds will be used to support the technical development of the system. The request is for \$5,953,375 and is based on the cost estimates provided to DHIN through its RFI process completed in September 2004.

A small conference grant application was submitted to the Agency for Healthcare Research Quality to support a statewide Delaware Health Information Technology Symposium. The event, slated for August 2005, will serve as the final step in the planning phase as well as a mechanism to kick-off the development phase of the project. The purpose of the

Gina Perez gave an update on DHIN activities.

Symposium is to bring together all stakeholder groups to learn about the benefits and plans for the utility and to obtain feedback and input from the stakeholders.

Board of Directors

The Commission appointed Cathy Bonuccelli, MD to the DHIN Board of Directors as a representative from the employer community. Dr. Bonuccelli is vice president of external scientific affairs at AstraZeneca and is familiar with the DHIN project. The last appointment will be from the Delaware State Chamber of Commerce.

PUBLIC COMMENT

Gavin Braithwaite, Delaware Small Business Health Care Coalition, asked Mr. Constantine if the Internal Revenue Service required health accounts established as part of a CDHP to cover preventive care services. Mr. Constantine said that it is the practice of his firm to do so, but was unsure as to whether this was a federal requirement.

Representative Pamela Maier expressed interest in whether the BlueCross BlueShield consumer information website was available to the general public or only to subscribers, and whether or not it provided information that could help patients compare hospitals. In response to Representative Maier's comments, Mr. Constantine said that 99 percent of the website is available to BlueCross BlueShield Delaware insured customers. There is only one segment that is available to the HSA/HRA customers. State of Delaware employees have access to virtually all the tools that were described, including hospital comparison.

Representative Maier expressed interest in knowing to what extent employers shop for the best quality and cost effective health care. One possible reason offered that they sometimes do not is that, particularly for small businesses, they have very limited staff/resources to do so. Representative Maier noted, however, that it appears that even large employers are not pursuing efforts to control cost/assure best value to the extent possible. She noted that the Delaware Health Information Network will be helpful in this aspect.

Chairman Carney observed that large employers, including state government, attempt to obtain the best price when negotiating with insurers, but this practice does not mitigate the underlying cost drivers. As a result, one organization pays more and others pay less for the same set of services; which, in effect, is a cost shift. Put another way, the organizations with limited bargaining power pay retail prices while those with the greater bargaining power pay wholesale prices.

Dr. Robert Frelick, Medical Society of Delaware, noted that expenses associated with marketing services and products and resulting increases in the utilization of services and products further increases cost. Malpractice insurance and defensive medicine also contributes to cost. He also expressed interest in learning if there was a federal or state regulation that prevented preferable payment arrangements for the uninsured, similar as to what is allowed for large purchasers.

Chairman Carney and Mr. Constantine indicated that it was their understanding that hospitals and other service providers charge uninsured patients more than what they are able to negotiate with large employers and insurers. Ms. Burton noted that many hospitals have a charity program that covers the uninsured.

NEXT MEETING

The next meeting of the Delaware Health Care Commission will be held at 9:00 a.m. on **THURSDAY, APRIL 7, 2005** at the Delaware Technical and Community College, Conference Center, Room 400B Terry Campus, Dover.

ADJOURN

The meeting adjourned at 11:42 a.m.

The next meeting of the Delaware Health Care Commission will be 9:00 a.m. on **THURSDAY, April 7, 2005** at the Delaware Technical and Community College, Conference Center, Room 400B, Terry Campus, Dover.

GUESTS ATTENDING

Jack Akester, Consumer Advocate
Paula Bodner, Bayhealth Medical Center
Anthony Brazen, III, MD, Division of Social Services, Medicaid
Gavin Braithwaite, Delaware Small Business Health Care Coalition
Donald Cohn, AcademyHealth
Tom Cook, Department of Finance
Barbara DeBastiani, Division of Public Health
Robert Frelick, MD, Medical Society of Delaware
Helene Gladney, City/Health
Edward Goaté, Central and Southern Delaware Health Partnership
Doug Gramiak, Office of the Lt. Governor
Pat Hawkins, Chamber of Commerce Healthcare Committee
Nicole Hermanns, Westside Health
Kae Johnson, Division of Public Health
Janet Kramer, League of Women Voters
Pamela Maier, State Representative
Gregory McClure, Division of Public Health
Linda Nemes, Department of Insurance
Brian Olson, LaRed Health Center
Brian Posey, AARP
Tom Prices, American Heart Association of Pennsylvania/Delaware
Suzanne Raab-Long, Delaware Healthcare Association
Rosa Rivera-Prado, Henrietta Johnson Medical Center
Mark B. Thompson, St. Francis Hospital
Jose Tieso, EDS
Kim Wells, State of Delaware Budget Office
Calvin Young, UAW Community Health Care Initiatives
Joseph C. Zingaro, PhD, Delaware Psychiatric Association