

SCI Team – DRAFT Recommendations

(May 23, 2008)

A. Vision for a Healthy Ohio

Ohioans are achieving and maintaining optimal health through personal wellness management and a health care delivery system that focuses on the promotion of health and the prevention of disease. At each stage of life, every Ohioan has access to timely, patient-centered, and efficient physical and behavioral health care choices. All Ohioans have access to primary and preventive services as well as education and opportunities for healthy lifestyles, and the incidence of preventable diseases are at the lowest levels in the nation across all population groups. Services and care are coordinated through widespread use of health information technology, thereby improving health outcomes and delivering effective, efficient and culturally competent health care.

B. Goals

1. Provide access to quality, affordable health insurance for every Ohio child and reduce the total number of uninsured Ohioans by 500,000 by 2011.
2. Increase the number of small employers that are able to offer coverage to their workers.

C. Principles

Consistent with Governor Strickland's goals for covering the uninsured and the Vision for a Healthy Ohio, the SCI Team adopted the following principles as a guide for the recommendations contained in this report.

- All Ohioans, including people with lower incomes and serious health conditions, must have access to affordable health insurance.
- Everyone in Ohio must help to make health care affordable.
- We all must take personal responsibility for reducing health care costs, which includes taking action to keep ourselves healthy.
- Many Ohioans cannot achieve good health without the help of government, business and Ohio's healthcare community, which must equip people with the tools and services they need to stay healthy. This commitment includes a responsibility to provide everyone with the right care at the right place at the right time.
- The task of the SCI Team – to improve access to health insurance coverage– cannot be considered alone. It is equally important to focus on the cost and quality of Ohio's health care system, and improving the health of Ohioans through population health strategies.
- Healthcare coverage for Ohio's uninsured residents must be aligned with prevention, primary care, continuity of care, positive outcomes and quality.

- Reforms must be financially viable, sustainable and have measurable impacts.
- In developing strategies to cover Ohio's uninsured residents, Ohio should try to leverage funds currently available in the existing system, including federal and employer contributions to health care benefits.

D. Proposed reforms

To fully realize our vision for a healthy Ohio and comprehensively address the problems that uninsured Ohioans and small businesses face in obtaining coverage, bold action is needed. The SCI Team has not shied away from this challenge and is proposing a range of initiatives that involve numerous public and private partners. We are recommending insurance market reforms that include pairing a requirement for guaranteed issuance of a basic benefit plan to each and every Ohioan that applies— including those currently excluded from coverage because of pre-existing conditions – with a mandate that every Ohioan who is able to purchase affordable coverage be required to do so. Recognizing that coverage could remain unaffordable for some small businesses, families, and individuals without additional market reforms, we are also recommending:

- a major new reinsurance initiative;
- sliding scale subsidies for Ohioans between 100% and 300% of the federal poverty level;
- phasing in a compression in the rate variance; and
- requiring the collection and disclosure of metrics that will allow meaningful comparisons of coverage options and plan performance.

Because the coverage offered by these new programs must be readily accessible to Ohioans, we also recommend building a one-stop “connector” where Ohioans can obtain information on coverage options, enrollment procedures, plan performance, and eligibility for subsidies or other programs.

In making these recommendations, we also considered the fiscal challenges currently facing our State. While fiscal challenges should not be the only consideration in meeting the Governor's objectives of covering an additional 500,000 Ohioans by 2011 and helping make coverage more affordable for small businesses and their employees, cost is a factor in the timing of reform initiatives as well as program sustainability.

Accordingly, the recommendations below are organized to reflect the potential for sequential or partial implementation. We realize that some recommendations may be more readily agreed to and achieved in the context of limited resources. Other recommendations may be more challenging in terms of the cost and impact. Therefore, implementation of reforms should take into account available resources and the need to mitigate the potential for market disruptions. As we work toward a comprehensive approach to assure affordable health insurance coverage for all Ohioans, the SCI team also recommends

the ongoing assessment of implemented reforms, the changing health care environment, and available resources. Additionally, the recommendations below identify if a particular strategy can be implemented independently or can only be successfully adopted in conjunction with others.

In making these recommendations, The SCI Team has proceeded as much as possible by consensus, but as with any diverse stakeholder group, not every member of our Team agrees on every strategy or on the precise timing or order with which they should be implemented. Nonetheless, we have worked diligently and in good faith to identify what we collectively believe are the best short and long-term strategies for meeting the Governor's goals of extending affordable coverage to all Ohioans.

The recommendations of the SCI Team are as follows.

1. Recommendations Focused on Employer Sponsored Coverage

These recommendations are designed to help employers, employees and their dependents obtain affordable health insurance coverage.

1.1. Require Ohio employers to adopt Section 125 premium only plans to allow employees at employers not currently offering coverage to purchase coverage using pre-tax dollars.

According to the 2004 Ohio Family Health Survey, about 303,000 uninsured Ohioans are employed at firms that do not offer health coverage or are not eligible for coverage that is offered. To the extent these workers are not eligible for public programs (such as Medicaid), they must purchase coverage in Ohio's individual health insurance market. As a result, these people purchase health coverage using after-tax dollars. In contrast, if coverage is provided through an employer plan, pre-tax dollars can be spent – meaning, the employee is not taxed on amounts spent toward health insurance.

Ohio employers, by simply establishing Section 125 premium only plans, can provide employees with a mechanism to purchase individual health coverage using pre-tax dollars. A Section 125 plan, also known as a "cafeteria plan", is a health benefit plan that complies with Section 125 of the Internal Revenue Code. With the help of the State of Ohio, these plans can be created by employers at little or no cost. Once established, employers can deduct amounts from a worker's paycheck and then remit those funds to an insurer in payment of the worker's individually purchased health insurance coverage. By doing so, the worker's income devoted to health insurance is not subject to State or Federal taxation.

For workers at moderate income levels, the establishment of a Section 125 plan can mean a savings of between 21% and 34% off the cost of health insurance coverage, depending on income level. For higher income workers, the savings can exceed 40%.

The SCI Team estimates that by implementing Section 125 premium only plans for workers at firms that don't offer coverage or for workers that are not eligible for coverage that is offered, an additional 26,000 Ohio workers will take up coverage at a cost to the State of Ohio in lost tax revenue of \$4 million.

1.2. Ohio should adopt a reinsurance program to fund coverage for uninsured individuals and uninsured workers at small businesses.

Ohio should adopt a State sponsored reinsurance program, similar to the Healthy NY program, that provides affordable coverage to uninsured small businesses, sole proprietors, workers and individuals. The idea behind a State sponsored reinsurance program is that private insurers would develop comprehensive, yet streamlined benefit packages to sell to uninsured small businesses, sole proprietors, workers and individuals. The State would then support these plans by providing reinsurance to cover high cost claims. The Healthy NY program, for example, covers 90% of claims paid by an insurer between \$5,000 and \$75,000 on behalf of a member during a calendar year. By providing this reinsurance protection against high cost claims, the State partners with insurance carriers to offer more affordable coverage to uninsured businesses and their workers, and individuals. An added benefit is that reinsurance stabilizes premium rates, making the cost of coverage more predictable from year to year.

The Healthy NY program is geared toward small businesses and their workers who are uninsured. The reinsurance program the SCI Team is considering would also extend coverage to all uninsured individuals. To prevent people from dropping current coverage and switching to state reinsured coverage, the SCI Team recommends that only people uninsured for six months or more be eligible for the reinsured coverage. If Ohio were to adopt such a reinsurance program, the cost of coverage would be reduced by about 25% for eligible businesses and individuals. As a result, 181,000 more Ohioans would become insured, at a cost to the State of about \$157 million.

The SCI Team also considered a broader reinsurance program that would provide reinsurance coverage to all health plans sold to small businesses. This type of program would reduce rates for all small businesses, thus stabilizing the small group market. Based on the best available information, the cost of a reinsurance program designed to reduce rates in the small group market could approach \$1 billion. Although such a program would help uninsured small businesses purchase coverage, it will also bring down rates for small businesses that currently have coverage, and thus, it is not a program targeted only on the uninsured. While recognizing that the cost of this reform may be prohibitive in the short term, we believe this option should be considered to help achieve the second goal of helping small businesses provide insurance to their employees.

1.3. Extend coverage in group health insurance policies to dependents up to the age of 29.

Young adults (age 19 to 29) are one of the largest and fastest-growing segments of the U.S. population without health insurance. Even though young adults represent 24.3% of the non-elderly population, they represent 37.3% of the non-elderly uninsured. 23.2% of young adults are uninsured. This equals 371,000 Ohioans between the ages of 19 and 29 without coverage.

Young adults often lose health insurance coverage under their parents' policy when they turn 19 or they graduate from high school or college. During their transition from school to work, they often go uninsured. Jobs available to young adults are often low paying or temporary, and many times don't come with health insurance benefits. This places young adults at risk.

A simple, cost effective way to get young adults covered by health insurance is to add them to their parents' health insurance policies. Under current law, a child is generally considered a dependent, and is thus eligible to be covered under a parent's policy, if the child's principal residence is with the parent for at least half of the year and the child falls into one of the following categories:

- the child is under 19;
- the child is under 24 and a full time student;
- the child is totally and permanently disabled.

Extending dependent coverage to Ohio children up to the age of 29 whether or not they live at home, is an easy, cost effective way to get younger adults insured. The cost of coverage for many young adults is less expensive than the cost of coverage for older adults and consequently, many children can be added to their parent's plan at a cost lower than coverage available in the individual market.

We estimate that 371,000 adults between the age of 19 and 29 are uninsured. To determine how many of these children could be added to a parent's plan, it is important to look at the situation of the parents. Some of the parents are uninsured and others are on Medicaid or in self-insured employer plans that will not be affected by this reform. We therefore estimate that about 130,000 adult children have parents with employer sponsored coverage that would allow the parent to add the child if the dependent age limit were raised to 29. If 10% of these parents decided to add their adult child to their health insurance plan, about 13,000 adult children would be covered.

1.4 Provide subsidies to workers to help them take up employer-sponsored coverage.

Approximately 120,000 uninsured Ohioans are eligible for health insurance at work. While some uninsured workers make a voluntary choice not to take up coverage, other uninsured workers do not have a choice. They simply cannot afford to pay the cost sharing requirements needed to take up coverage. This is true for workers at very low income levels. Currently in Ohio, there are about 29,000 uninsured workers offered coverage who earn less than 100% FPL and an additional 70,000 uninsured workers offered coverage who earn between 101 and 300% FPL. By providing these low income workers with sliding scale subsidies up to 300% FPL to help them take up coverage, an estimated 67,000 more Ohioans could be insured at a cost to the State of \$148 million.

Encouraging workers to take up coverage offered by their employer is a cost effective approach because employers typically contribute more than 50% to the cost of health coverage for their workers.

2. Recommendations Focused on Covering Lower Income Ohioans

2.1 Enroll more uninsured Medicaid eligible Ohioans into Medicaid

Currently, approximately 250,000 Ohioans are eligible for Medicaid but not enrolled. The SCI Team recommends that Ohio streamline its Medicaid enrollment requirements and conduct additional outreach to enroll more people. Specifically, the SCI Team recommends that the Governor and General Assembly consider the following Medicaid enrollment simplification reforms:

- Increase the role of Medicaid managed care companies in re-enrollment of Medicaid eligible individuals;
- Increase re-certification periods for adults from 6 to 12 months, and synchronize re-certifications with food stamp renewal;
- Increase reliance on the Ohio Benefit Bank as an entry-point for enrollment and re-enrollment;
- Adopt pre-populated re-enrollment forms;
- Utilize self declaration/administrative re-verification of income at renewal;
- Utilize presumptive eligibility for children.

If Ohio adopted these reforms and had the same success as other states that have worked to simplify Medicaid enrollment, it is estimated that enrollment will grow by about 3%, which equals about 75,000 more Ohioans with Medicaid coverage. By enrolling more people in Medicaid, the State of Ohio can draw down Federal funds equal to 62% of the cost of coverage.

The following chart shows the estimated take up rates, per member per month costs, and the State and Federal share for enrolling 3% more people in Medicaid if reforms were implemented in 2010.

*Enroll People Currently Eligible for Medicaid into Medicaid
Cost Estimates*

Year	Average enrollment per month	Estimated cost per enrollee per month	Estimated cost
Fiscal Year 2010	31,500	\$263	State: \$38 million Federal: \$61 million Total: \$99 million
Fiscal Year 2011	75,000	\$280	State: \$96 million Federal: \$156 million Total: \$252 million

2.2 Expand Ohio's Medicaid eligibility up to 200%FPL for parents of Medicaid eligible children.

In Ohio, the Medicaid eligibility income limit for parents of Medicaid eligible children is 90% FPL. Expanding Medicaid eligibility for parents up to 200% FPL could be done without having to obtain a waiver from the Federal government. Expanding Medicaid for these parents would ensure that Ohio could draw down federal funding equal to 62% of the cost of coverage.

The SCI Team considered two options in terms of expanding the income limits for parents: (1) expanding eligibility up to 150% FPL or (2) expanding eligibility up to 200% FPL. In terms of benefit levels, newly covered parents between 90% and 100% FPL must receive full Medicaid benefits under federal law. For newly covered parents above 100% FPL, the SCI Team recommends scaled down benefits as permitted by the Deficit Reduction Act of 2005 (DRA). Under the DRA, parents above 100% FPL can be subjected to cost sharing requirements not to exceed 10% of the cost of the service and 5% percent of family income.

An expansion up to 200% FPL would result in an estimated 135,000 uninsured Ohioans taking up coverage by 2011. As an alternative, an expansion up to 150%FPL would result in an estimated 83,000 uninsured Ohioans taking up coverage.

One of the issues highlighted by the projected impacts of a Medicaid expansion is that a significant number of insured Ohioans would switch to Medicaid, which is a phenomenon known as “crowd out”. In order to prevent crowd out from occurring, a waiver may be required from the federal government. The SCI Team recommends that Ohio Medicaid consider what steps can be taken to prevent crowd out from occurring. If crowd out can be prevented, the cost of a Medicaid expansion would be significantly reduced.

In terms of the estimates, the following chart shows the impacts of raising Medicaid eligibility for parents up to 150%FPL or 200%FPL, respectively.

Expand Medicaid for Parents Up to 150% FPL
(DRA Cost Sharing from 101 to 150% FPL)

Year	Insurance Status Prior to Expansion	Estimated Number of Eligibles	Average Enrollment Per Month	Estimated Cost per Enrollee per Month (State and Federal)	Estimated Annual Cost (State and Federal)	Estimated State Share
Fiscal Year 2010	Total	244,000	87,000	\$271.25	\$282 million	\$105 million
	Insured	142,000	32,000		\$106 million	\$39 million
	Uninsured	102,000	54,000		\$176 million	\$66 million
Fiscal Year 2011	Total	244,000	133,000	\$283.08	\$451 million	\$168 million
	Insured	142,000	49,000		\$164 million	\$61 million

	Uninsured	102,000	83,000		\$287 million	\$107 million
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Expand Medicaid Up to 200%FPL
(DRA Cost Sharing from 101 to 200% FPL)

Year	Insurance Status Prior to Expansion	Estimated Number of Eligibles	Average Enrollment Per Month	Estimated Cost per Enrollee per Month (State and Federal)	Estimated Annual Cost (State and Federal)	Estimated State Share
Fiscal Year 2010	Total	519,000	162,000	\$266.19	\$519 million	\$193 million
	Insured	352,000	77,000		\$245 million	\$91 million
	Uninsured	167,000	86,000		\$274 million	\$102 million
Fiscal Year 2011	Total	519,000	257,000	\$278.45	\$858 million	\$319 million
	Insured	352,000	121,000		\$406 million	\$151 million
	Uninsured	167,000	135,000		\$452 million	\$168 million

2.3 For non-Medicaid eligible adults below 100% FPL, allow them to obtain coverage, with state subsidies, through Medicaid managed care organizations.

Enrolling more people in Medicaid and expanding coverage to parents up to 200% FPL are steps in the right direction, but there still remains a significant number of very low income Ohioans who do not have access to Medicaid or any other affordable health insurance coverage. Childless adults who are not aged, blind or disabled are not eligible for Medicaid at any income level. Currently, there are about 182,000 uninsured Ohioans living below 100% FPL who are uninsured and not eligible for Medicaid.

The SCI Team believes that insuring low income Ohioans is a priority and that people below 100% FPL cannot afford to pay for the cost of coverage on their own. An effective solution to getting these Ohioans covered is enrolling them in plans offered by Medicaid managed care organizations. By providing these adults with coverage through managed care organizations and their networks, comprehensive coverage can be provided in an appropriate and cost effective way.

One of the challenges of providing coverage through Ohio’s Medicaid managed care system is that provider reimbursement rates for Medicaid patients are very low and create problems with access to services in certain areas of the state. As a result, the SCI Team recommends that with respect to non-Medicaid eligible adults offered coverage through the Medicaid managed care system, provider

reimbursement rates must be higher than Medicaid rates. The SCI Team would recommend, reimbursement rates that are on average higher than Medicaid reimbursements rates. Reimbursement rates would not be raised across the board, but would be larger than average for services which are currently underpaid, such as preventive and primary care services, and for geographic areas with access problems. The SCI Team believes that these higher reimbursement rates will help to ensure that coverage provided to non-Medicaid eligible adults will provide appropriate access to care and fairly compensate providers for their services.

In addition, the SCI Team recommends that only uninsured Ohioans below 100% FPL be eligible for subsidized coverage under this program. There are a significant number of Ohioans below 100%FPL that have coverage from other sources, and “crowd out” protections should be adopted to prevent people from dropping current coverage and switching to State sponsored coverage. One possible eligibility requirement would be that a participant must be uninsured for at least six months in order to be eligible for this public program.

Pricing out this recommendation using Medicaid benefits and reimbursement rates as a guide, the following chart shows the estimated take up rates, per member per month costs, and the State cost for this coverage expansion.

Estimated Caseload and Expenditures
for a State-Sponsored Health Insurance Program
for Non-Parents in Families up to 100% FPL
Based on a Medicaid Plan and Reimbursement

Year	Insurance Status Before Expansion	Estimated Number of Eligibles	Average Enrollment Per Month	Estimated Cost per Enrollee per Month (State Funds Only)	Estimated Annual Cost (State Funds Only)
Fiscal Year 2010	Uninsured	182,000	91,000	\$394.50	\$431,000,000
Fiscal Year 2011	Uninsured	182,000	149,000	\$419.75	\$749,000,000

3. Reforms Focused on Providing All Ohioans, including those who are older and unhealthy, with Access to Affordable Health Coverage

The SCI Team recognizes that the reforms discussed thus far do not fix all the problems with Ohio’s individual health insurance market. Currently, people who are not eligible for employer sponsored

coverage or public programs must buy coverage in the individual market. People who are older and have health conditions can be denied coverage, issued policies with riders that exclude coverage for existing ailments, or issued coverage at extremely high premium rates. Older and less healthy people are currently locked out of the individual market and have nowhere else to go. The problems with the individual market cannot be ignored. They must be fixed.

Another goal established by the Governor not yet addressed relates to people between 100% and 300%FPL who don't have access to employer sponsored coverage or public programs. These people need sliding scale subsidies to help them purchase coverage, and the SCI Team recommends that these subsidies be phased in at the same time the individual market is reformed.

The SCI Team believes that the other recommendations contained in this report are not a substitute for reforms needed to fix Ohio's individual market. In fact, reforms to Ohio's individual market help to implement some of the other recommendations. For example, establishing Section 125 Plans will allow employees to purchase health insurance in Ohio's individual market cost effectively. It is therefore important that the individual market serve workers regardless of health status, instead of turning them away or offering them only unaffordable rates.

Although the SCI Team recommends reforming Ohio's individual market, it recommends that such reforms be phased in over a number of years so as to soften market disruptions, account for fiscal challenges, and allow an analysis of incremental reforms to determine if they are having intended effects. One of the impacts of market reforms is that for some people, premium rates will be raised substantially, particularly for people who are young and healthy. Although young and healthy people will experience initial rate increases, it is important to understand that their investment in the system through higher premium rates today will be returned to them in full with more affordable rates as they grow older and experience health problems. The SCI Team appreciates that market reforms will have a near term effect of raising premium rates for some people and therefore recommends that the individual market reforms be phased in over time so people can adjust to the new market cost structure.

Under current market rules, insurance companies are allowed to underwrite, meaning they can deny people coverage if they have health conditions, with limited exceptions. If a person passes underwriting and is offered a policy, insurance companies are allowed to attach riders to the policy permanently excluding coverage for ailments the consumer has, with limited exceptions. If a policy is offered to an individual, insurance companies are allowed to charge more to people who are older and have health problems. Most Ohioans who are in fair to poor health cannot afford the premium rates in Ohio's individual market.

To address these fundamental problems, the SCI Team recommends the following comprehensive solution. The recommendations work in concert with one another to provide access to affordable coverage to all Ohioans regardless of income level or health status.

3.1. Insurance companies in Ohio's individual market must offer a meaningful, defined benefit plan to all individuals and families that apply.

Ohio needs to move to a system of guaranteed issuance of coverage to individuals and families. The current system of open enrollment, where carriers hold open enrollment at certain times of the year, does not work. Ohio's insurance companies should be required to offer a basic and standard plan to each and every individual and family that applies. The basic plan would have higher cost sharing requirements than the standard plan, giving uninsured people an option with respect to coverage. This will bring fairness and equity to a system that is currently unfair and harshly discriminates against people in poor health. It would transform a market currently intent on avoiding higher risks to a market where all Ohioans can get coverage regardless of health status. It would allow insurance companies to offer a variety of products to consumers, while ensuring that all Ohioans' have access to defined, meaningful benefit plans. The minimum level of benefits contained in the basic and standard plans would be set by the board described in recommendations below.

3.2. Premium rates charged in Ohio's individual market should be subject to a maximum rating variance of 5 to 1 for all products sold.

Guaranteed issuance of coverage means very little if insurance companies can charge rates that no one but the rich can afford. Currently, carriers in the individual market commonly charge rates that exceed \$5,000 per month for individual coverage. The actuarial work done by Lewis & Ellis showed that rates in Ohio's individual market can be as low as \$40 for a young and healthy person to \$5,000 for an older less healthy person. This means that rates can vary by more than 100 to 1.

The 100 to 1 rating variance in the individual market is unacceptable. It is the result of competition among carriers in a market that is governed by rules that allow this variance to occur. In the current market, insurance companies compete by charging the lowest possible rate to people who are good risks. Enrolling people who are good risks is important to insurance companies because they want a diverse risk pool with healthy individuals participating to the fullest extent possible. As a result, carriers charge young and healthy people very low rates to entice them to buy coverage. While young people benefit from market based rates, older people do not. Rates charged to older and less healthy people are high because they must cover the high cost claims. The risks of older and less healthy people are not being spread effectively across the market because young and health people pay very little for coverage. These market forces have caused the problems we currently see in Ohio's individual market.

The SCI Team recommends that rates in the individual market be limited to a maximum 5 to 1 rating variance, meaning the highest rates charged in the market could be no more than 5 times the lowest rate charged for a similar product. Applying this rating restriction across the board will put insurers on the same footing in terms of competing for consumers. It will make coverage affordable for high risk

people, but also allow insurance companies to charge below average rates to people who are young and healthy. Ohioans are all likely to reap the benefits of this change over their lifetime because rates will be affordable not just when they are young, but when they are older and less healthy too.

The SCI Team does not recommend that the rating rules in the individual market move from the current rules to a 5 to 1 maximum rating variance overnight. Rather, the SCI Team recommends a phased in approach which would involve Ohio's rating rules moving through a number of interim steps over a period of several years eventually leading to a 5 to 1 rating variance. For example, the market rules could first be moved to Ohio's small group rating rules, then to a 10 to 1 rating variance, and then on to a 5 to 1 rating variance over several years. The SCI Team also recommends the identification of metrics and the disclosure and analysis of data to determine whether the interim steps are having their intended effect of improving affordability and access to coverage and promoting a healthy and inclusive individual market.

3.3. Ohioans who are able to purchase affordable coverage should be required to purchase a basic benefit plan.

The SCI Team recommends an individual mandate to compliment guaranteed issuance of coverage and increased rating restrictions in the individual market. An individual mandate should be implemented only with the other market reforms because they will work together to create affordable coverage in a market that will have a good mix of young and old, healthy and unhealthy Ohioans.

An individual mandate improves the mix of people in the insurance market, increases the number of people with coverage, and makes coverage more affordable. An individual mandate is an effective deterrent against "adverse selection", which is the well established principle that in a guaranteed issuance market a significant number of people will tend not to purchase coverage until it becomes economically advantageous for them to do so. That is, if people can choose to wait to buy insurance in a market where insurers must sell insurance to everyone who applies, a significant number of people will wait to buy insurance until they are sick or will soon incur medical expenses. In addition, some people will drop coverage if they are healthy and pick it up again when they think they need it.

Over the course of the last year, the SCI Team has heard from experts from around the country on health system change. All the experts agree that an individual mandate is needed to make an individual health insurance market with guaranteed issuance of coverage and rating restrictions work over the long term. The individual mandate brings into the insurance pools health risks that would otherwise choose to voluntarily remain uninsured, and thereby makes coverage for everyone more affordable by spreading risks across a broader population. Everyone in Ohio will need health care at times in their life, and someone will have to pay for it one way or another. An individual mandate for those who are able to buy affordable coverage recognizes that everyone will need healthcare services, and having continuous coverage throughout one's life is the best way to pay for it.

One key component of the SCI Team’s recommendation about an individual mandate is that it must only apply to people who have access to affordable coverage. It is therefore critical that any mandate for lower income Ohioans be accompanied by (1) low income subsidies to help people afford coverage and (2) an affordability standard that allows people who cannot find affordable coverage to be exempted from the mandate. It is unfair and unacceptable to require people to buy coverage if affordable coverage is not available. For this reason, it does not make sense to adopt an individual mandate without also significantly reforming Ohio’s individual market. Only in a market that guarantees the issuance of coverage to everyone who applies, and limits the rates charged to people who are older and in poor health, can an individual mandate be tolerated.

To make sure an individual mandate works as intended, the SCI Team also recommends that the individual mandate be accompanied by a penalty sufficient to ensure compliance.

3.4. The State of Ohio should provide low income subsidies to people between 100% and 300%FPL to help them afford coverage.

The recommendations already outlined in this report have not addressed all Ohioans between 100% and 300%FPL who need access to affordable coverage. The recommendations thus far have largely focused on employer coverage and the following groups.

Everyone below 100%FPL;
Parents between 100 and 200%FPL; and
People offered employer sponsored coverage between 200% and 300%FPL.

Even with these coverage expansions, about a significant number of Ohioans between 100% and 300% FPL are still in need of affordable coverage. In order for the individual market to work for these people, even after reform, they need to have sliding scale subsidies to afford coverage. The amount of the subsidy to be provided must depend on what they can afford to pay. The amount of subsidies can be determined by the board described in more detail below.

Given the adoption of the other reforms outlined in this report, if these four market reforms are adopted together – guaranteed issuance, rating restrictions, an individual mandate and sliding scale subsidies to lower income Ohioans – an estimated 200,000 more Ohioans would have insurance coverage at a cost to the State of Ohio of about \$930 million in 2011.

3.5. The State of Ohio should also adopt a number of other market reforms to make sure the market is running smoothly and people are not being denied coverage or charged rates outside the bounds permitted by law.

In addition to the market reforms mentioned above, the SCI Team also recommends:

- a. Coverage sold through the individual market should be available to both employed and unemployed Ohioans and must be portable.
- b. Insurers should be prohibited from excluding coverage for specific health conditions permanently on a person by person basis via a rider or other addendum to the policy.
- c. Insurers should not be permitted to impose pre-existing condition exclusions on Ohioans that take up coverage on a timely basis following implementation of reforms. If, however, certain people continue to refuse to purchase affordable coverage after a period of time following implementation, pre-existing condition exclusions may be imposed consistent with Ohio and Federal law.
- d. All Ohioans should be required to report their insurance status on their Ohio tax return.
- e. Employers should be required to report the insurance status of their workers periodically.
- f. Insurance companies should be required to file their individual and small group rating manuals, and any amendments thereto, with the Ohio Department of Insurance.
- g. Continuation coverage under Ohio law should be extended from 6 months to 12 months, and such coverage should be available to all employees losing their job, not just those eligible for employment compensation.
- h. Metrics should be established and data should be collected and analyzed to make sure reforms are working as intended.

4. Recommendations Related to Implementation of Coverage Reforms

4.1 The state should create a quasi-public/private organization – a connector -- controlled by a board that would help to implement coverage expansion programs and assist Ohioans to enroll in available health plans.

A board appointed by the Governor and General Assembly should be authorized by law to make critical decisions regarding implementation of coverage expansion programs. The board would oversee programs to reach out to uninsured Ohioans and direct them to available coverage.

The board could be authorized by law to do the following:

- Create a basic and standard plan that would be offered to uninsured Ohioans through the various programs established to cover the uninsured;
- Develop affordability standards based on income level that would be used determine sliding scale subsidies for low income Ohioans and any exemptions from an individual mandate;
- Determine or negotiate reimbursement rates with providers offering care in connection with coverage expansion programs;

- Oversee programs to reach out to uninsured Ohioans and direct them to available coverage;
- Coordinate the purchase of pharmaceuticals, medical services and supplies with other state based programs;
- Establish data reporting requirements for carriers and public entities participating in coverage programs, and review and analyze such data to determine program effectiveness. Data elements to be reported could include loss ratios, administrative expenses, marketing expenses, profits, and cost and utilization data.

The organization – a connector -- could do the following;

- Conduct marketing and outreach to Ohio's uninsured populations;
- Provide information to Ohioans about available health insurance plans and prices;
- Reduce administrative obstacles for consumers, employers and workers seeking coverage;
- Determine eligibility for low-income subsidies;
- Direct people to appropriate coverage, whether it is Medicaid coverage, Medicare coverage, or private insurance plans;
- Oversee a system in which premium contributions from consumers, employers and the state are remitted to insurers in a coordinated and timely fashion.
- Work with other state and local organizations, like the Ohio Benefits Bank and county job and family service sites, to find uninsured Ohioans, connect with them, screen people for available programs, provide information, and enroll them in appropriate coverage.

4.2 Benefit plans offered to uninsured Ohioans through coverage expansion programs should be affordable and must focus on prevention, primary care and chronic care management.

Benefit plans offered to uninsured Ohioans should be defined by the connector board using the following principles:

- Benefit plans should provide consumers the means to maintain their health by providing reasonable access to care for the prevention and treatment of illness.
- Benefits should be designed in light of available funding.
- Plans should be targeted to the populations they are intended to serve. Plans covering lower income Ohioans should have cost sharing appropriate to income.
- Plans should require that consumers use health care wisely and work to improve their own health.

- Incentives should be included to encourage preventive care, healthy lifestyles, compliance with care management recommendations, and the provision of care in the proper setting.
- Benefits should be affordable. Affordability should be based on total spending (premium sharing plus point of service expense) compared to personal income.
- Benefit plans should focus on care that has proven value and is evidence based.
- Plans should include health management components, including:
 - Health risk assessments
 - Case management
 - Chronic disease management
 - Health coaching
 - Lifestyle behavior change programs
- Coverage should encourage the establishment of a medical home, and better support primary care.
- Coverage should be portable.
- Insurers should not be able to deny claims solely because of alcohol or drug use.

5. Funding Recommendations

The SCI Team recognizes that these are tight fiscal times for the State of Ohio and its citizens. Nonetheless, it cannot be denied that in order to provide health insurance coverage to Ohio's uninsured residents, State funding will be required. Over 80% of Ohio's uninsured adults earn less than 300% FPL, and therefore, to get these Ohioans covered, subsidies to help them pay for coverage are needed. Thus, the SCI Team makes the following recommendation related to program funding.

5.1 Programs to cover Ohio's uninsured residents must be as cost effective as possible, so as to reduce the need for funding.

The SCI Team has made every effort to recommend health coverage reforms that are the most cost effective options available to provide affordable coverage to Ohio's uninsured residents. At the outset of the work done by the SCI Team, a number of comprehensive reform proposals were identified for modeling. These proposals were designed to ensure that middle and lower income Ohioans and people with health conditions could have access to affordable health insurance. The SCI Team and Advisory Group learned early on in the process that over 80% of Ohio's uninsured adults live at or below 300%FPL, which made it clear that any program to cover Ohio's uninsured residents would need to rely on subsidies to make coverage affordable.

Based on the results of modeling proposed reforms, the SCI Team learned that comprehensive reforms to Ohio's health insurance markets, coupled with sliding scale subsidies for lower income Ohioans, would likely cost in excess of \$1.5 to 2.0 billion in annual state funding. Even with State subsidies, there were also significant market impacts as a result of the proposed reforms, including substantial rate increases for small employers. As a result, the SCI team modeled new scenarios trying to offset the

adverse impacts, only to learn from the modeling that these new scenarios were more costly, some exceeding \$2.5 billion in annual state funding. As a consequence, the SCI Team changed course a bit and developed the recommendations contained in this report, which is a collective effort to provide meaningful coverage to uninsured Ohioans more cost effectively. Thus, in developing the reforms contained in this report, the SCI Team worked to make the reforms as cost effective as possible.

5.2. In developing strategies to cover Ohio's uninsured residents, Ohio should try to leverage existing funding wherever possible, including federal funding and employer contributions to health care.

As the SCI Team considered various approaches to covering Ohio's uninsured residents, it recognized that it was important to leverage existing funding for health care reform wherever possible.

As a result, the recommendations contained in this report rely on Medicaid expansions to cover lower income Ohioans. It makes little sense to provide subsidies to lower income Ohioans using only state dollars when federal dollars are available to cover the same population. For this reason, two of the SCI Team's recommendations rely on Medicaid: (1) enrolling more people in Medicaid and (2) expanding Medicaid for parents up to 200% FPL. Under these two proposals, the federal government will pay 62% of the cost of coverage while the State will pay only 38%.

In addition, two other recommendations also rely on federal funding: (1) adoption of Section 125 plans by employers and (2) providing subsidies to help uninsured Ohioans take up employer provided coverage. In both cases, the fact that the coverage is provided through an employer means that in most cases the employer and the employee receive federal tax deductions. The cost of coverage is cheaper, sometimes by more than 40%, simply because the strategy involves providing coverage through an employer sponsored plan.

Again, it makes little sense to provide subsidies to lower income Ohioans using only State dollars when federal dollars are available to pay for part of the coverage. The recommendations of the SCI Team attempt to leverage available dollars wherever possible.

5.3. The State should look within its existing budget to pay for health coverage reforms.

The strongest possible effort should be made to fund any new reform strategies from reallocation of existing revenues as well as efforts to obtain cost savings within existing programs. While some members of the SCI Team are already working on strategies to streamline healthcare programs like Medicaid, identifying existing state funds that could be repurposed is outside the specific scope and expertise of the SCI Team. Moreover, the order and timing of our recommendations – and the extent to which they will be pursued by policy leaders – may become the subject of further discussion and debate between and among the Administration and the General Assembly. As this discussion and debate proceeds, we recommend that the SCI Team be permitted to continue its work – supplemented by the time and talents of experts within the Office of Budget and Management, the legislature's finance staff,

and other financial policy advisors in and outside government – to identify the revenues and expense savings needed to finance these reforms.

5.4. If additional revenue is required, health coverage reform proposals should be paid for with broad based funding from those involved in the health coverage system.

If sufficient revenues to fund the SCI Team’s proposals cannot be secured by re-prioritizing allocations within the current state budget, or by implementing recommendations of such groups as the recent Medicaid Reform Commission and the Medicaid Administrative Study Committee not yet implemented, the SCI Team believes policy leaders should take a shared responsibility approach to funding. This shared responsibility principle is based on the recognition that all stakeholders in this process – insurers, providers, employers, individual citizens, and government – will benefit from adoption of the Team’s proposals.

For example, by adding hundreds of thousands to the ranks of Ohio’s insured, insurance companies will generate new revenue. Similarly, health care providers such as hospitals, which provide uncompensated and undercompensated care each year, will receive payment for some of that care. In addition, because more patients will have complete health care coverage, they will be able to access more appropriate forms of care in more appropriate settings, thereby reducing hospitals’ unreimbursed ER costs and unnecessary admissions. Physicians will provide care to newly insured patients, whether in traditional doctors’ offices or in clinic settings, thereby generating new revenues. Employers will derive greater productivity and higher morale, coupled with less absenteeism and presenteeism and lower turnover from employees with coverage. Employees will benefit in achieving improved health at affordable costs. Ohio’s consumers and citizens also stand to benefit from greater efficiency in healthcare financing and greater access to coverage.

Although we have reviewed the funding approaches in other states, including stakeholder assessments, “sin” taxes (alcohol, tobacco, etc.), Medicaid maximization, Medicaid waivers, use tobacco settlement funds, re-direction of safety net funds, and savings from improved quality, prevention and disease management, identifying the best and most equitable funding methods requires additional consultation with budget and financial experts within OBM, the Department of Taxation, LSC, and possibly other experts within and outside government. Here again, we recommend retaining the SCI Team – supplemented with finance experts from some of the above constituencies – to work on identifying sustainable revenue sources.

6. Other Recommendations

SCI Team has focused on developing reforms to meet the Governor’s goals of extending affordable coverage to Ohio’s uninsured residents. However, in order for such programs to be effective, affordable and sustainable, reforms to other aspects of Ohio’s health care system are also required. Improvements to health care cost, quality, and access are closely tied and need to work together to bring health insurance costs under control. As a result, the SCI Team recommends that the following reforms also be

considered by Governor Strickland and the General Assembly to ensure that programs expanding coverage are sustainable into the future.

6.1 The Healthcare Coverage Advisory Group should continue to meet and work on health care system reforms and population health proposals.

The Advisory Committee has proved to be an excellent forum to discuss and develop health care reform proposals with the input and insight of interested parties. The SCI Team therefore recommends that the Advisory Committee continue to meet and work on reforms that go beyond providing coverage to Ohio's uninsured residents. As the Advisory Group takes on new issues, members should be added who bring expertise to the issues and represent important stakeholders involved in the issues. The Advisory Committee should spend its time going forward focusing on health care cost, quality and efficiency, and population health proposals.

The SCI Team specifically recommends that the Advisory Committee work with Governor Strickland, the General Assembly and interested parties on quality initiatives intended to improve the health of Ohioans. The State of Ohio recently was accepted into the Robert Wood Johnson Foundation "State Quality Initiative" (SQI) Program. An SQI Team was recently appointed and, like the SCI Team, the SQI Team will need the input and feedback from the Advisory Committee in order to develop effective strategies to improve the health of Ohioans. The SQI Team has focused its effort on improving Ohio's performance in two areas: (1) increasing the percentage of Ohioans age 50 and over who received recommended screenings and preventive care and (2) increasing the percentage of adults with diabetes receiving recommended preventive care. The SQI would greatly benefit from the continuing help of the Advisory Committee as it develops strategies to meet these goals.

6.2. Ohio should support development of provider networks in underserved areas of Ohio and, as part of that effort, increase support for Community Health Centers.

Throughout Ohio, there are areas that do not have enough doctors to treat patients. As a result, the State should develop and implement strategies to attract and retain physicians in these medically underserved areas. The Advisory Committee would be a good forum to discuss and develop solutions to this problem.

During its work on coverage reforms, the SCI Team came to recognize that Community Health Centers are an excellent way to provide preventive and primary care to insured and uninsured Ohioans in medically underserved areas around the State. Community Health Centers are expanding into new areas and regions that are in need of health care providers. Community Health Centers receive significant funding from the federal government, and therefore, new or additional funding provided by the state can be used to leverage additional federal funding. One key take-away from the Advisory Committee meetings is that providing coverage to Ohio's uninsured residents is not enough if there are no doctors or hospitals to treat patients. An increased commitment to Community Health Centers would help to alleviate access problems in medically underserved areas. As a consequence, the SCI

Team recommends increased funding and support for Community Health Centers as an effective and responsible way to deliver preventive and primary care to Ohio residents.

6.3. Ohio should support local programs that promote medical homes and provider networks focused on the coordination of preventive and primary care.

The SCI Team supports the notion that local communities are often better able to address the needs of local populations. Therefore, the SCI Team supports the establishment of community based collaboratives that can serve as pilot or demonstration projects to serve as medical homes to provide primary care, health promotion and care coordination for patients. Community collaboratives have been found to effectively deliver preventive, primary and chronic care services in states that have adopted the concept. Incentives should be built into the health care system to require that participants take a health risk assessment, provide a history, take a physical and agree to work with care givers to develop and comply with care and treatment recommendations. The State could support local collaboratives with grants and work to change Ohio law to reduce barriers to the development of such programs. While the SCI Team did not spend time working out the details of a community collaborative proposal, the SCI Team recognizes that community collaboratives are a good idea, and the Advisory Committee should move forward to work out the details of such programs.

6.4. Ohio should continue to work toward the adoption of health information technology.

One important element of transforming Ohio's health care system is the development and adoption of health information technology to facilitate the exchange of health information between providers, participants and payers. The SCI Team supports the creation of a statewide health information technology infrastructure and the development of policies and programs that address health information technology issues, paving the way for the widespread adoption of health information technology by providers, payer and government. The SCI Team also recommends that the Advisory Committee in its continued operation coordinate with the Health Information Partnership Advisory Board wherever possible.