



WISCONSIN LEGISLATIVE COUNCIL STAFF MEMORANDUM

Memo No. 3

TO: MEMBERS OF THE SPECIAL COMMITTEE ON HEALTH CARE REFORM
IMPLEMENTATION

FROM: Laura Rose, Deputy Director, and Lael Grigg, Intern

RE: Guiding Principles for Committee Discussion

DATE: October 15, 2010

This Memo presents options for guiding principles for consideration by the Legislative Council Special Committee on Health Care Reform Implementation. These options are based on feedback submitted by committee members after the September 21, 2010 meeting.

The purpose of this Memo is to assist the committee in determining which principles it believes are appropriate to guide the work of the Special Committee on Health Care Reform Implementation.

The nine guiding principles that emerged from recurrent themes in committee feedback are:

1. Improve health care quality.
2. Retain consumer choice of providers.
3. Increase affordability.
4. Increase cost-effectiveness.
5. Avoid adverse selection.
6. Ensure marketplace competition.
7. Increase access.
8. Simplify enrollment and eligibility.
9. Emphasize transparency.

Principle #1 – Improve Health Care Quality

The primary recurring theme in the committee feedback relates to preserving Wisconsin's standards for health care quality and improving that quality through the exchange. Suggestions for principles to guide improving quality include:

- Set high standards for health plan participation in the exchange and evaluation of plans.
 - Plans could be evaluated by using standards such as those established by “eValue8,” a purchaser-developed health plan assessment tool that has been used for over a decade to assess plans and raise the bar for performance. (Public Member Cheryl DeMars)
- Gather information to support efforts to improve health care quality. (Public Members Barbara Zabawa, Cheryl DeMars, and Jeff Huebner)
- Ensure that information related to quality is equitable and measurable. (Sen. Darling and Rep. Strachota)
 - Require health plans to contribute their data to the Wisconsin Health Information Organization (WHIO). Mandatory participation in WHIO will go a long way toward making physician-level performance measurement more robust and meaningful to both consumers and providers. (Public Member Cheryl DeMars)
 - Ask patients about their experience with care, and publicly report this information. (Public Members Jeff Huebner and Cheryl DeMars)
 - Use systems-specific outcome measures as reported by the Wisconsin Collaborative for Healthcare Quality to lead to measurable improvement in the quality of care provided. (Public Member Robert Phillips)
- Coordinate with existing health care reform efforts to avoid duplication of efforts to improve quality. (Wisconsin Office of Health Care Reform)
- Base payments on overall performance and not on quantity of services. (Public Members Barbara Zabawa, Ed Harding, and William Petasnick)
 - Offer incentive payments to insurers that improve people's health by hitting benchmarks for quality in the ambulatory care setting, hospital setting, and in transitions of care (such as from a hospital to a nursing home). (Public Member Jeff Huebner)
 - Develop quality improvement criteria that qualified health plans offered in the exchange must meet. Quality criteria should encourage and reward provider value. (Wisconsin Hospital Association (WHA))
 - Reward providers for wellness programs and lifestyle changes which promote good health. (Public Member Joe Leean)

- Encourage value-based purchasing of health care for Medicaid and Medicare patients, moving away from paying for each unit of service to paying for episodes of care based on quality outcomes. (Public Member Robert Phillips)
- Encourage all insurers to make the “Patient-Centered Medical Home” (defined at www.wafp.org/pcmh/index.html) a centerpiece of how they provide care to their members. (Public Members Jeff Huebner and Robert Phillips)
- Insist on provider coordination of care and administrative uniformity and efficiency. (Public Member Joe Leean)
- Recruit a robust and diverse primary care workforce of generalist primary care physicians, mid-level providers, and nurses in Wisconsin. (Public Member Jeff Huebner)
 - Emphasize evidence-based medicine that rewards quality and value. (Sen. Darling and Rep. Strachota)
- The exchange should foster consumerism by using quality measures that are nationally recognized and consistently applied, providing consumers with uniform, comparable information to support rational decision-making. (Public Members Ed Harding and William Petasnick)
- Require consumer-oriented public reporting and decision support. The exchange should be a publicly accessible venue for consumer-friendly cost and quality information across all levels of health care delivery (plans, hospitals and clinicians). (Public Member Cheryl DeMars)
 - Health plan performance measures in Healthcare Effectiveness Data and Information Set (HEDIS) and Consumer Assessment of Healthcare Providers and Systems (CAHPS) (measure sets in use by ETF and Medicaid) are good starting points to assess plans. Include physician and hospital information comparing cost and quality, along with additional measures as they become available. All consumers deserve access to this information to support consumer decision-making and it is well documented that public reporting drives provider improvement. (Public Member Cheryl DeMars)

Comment on Quality

Below is a summary of a series of comments submitted by a committee member related to the topic of improving health care quality:

Should the committee consider the exchange’s relationship with Medicaid? (The federal law addresses some, but not all of the exchange/Medicaid questions.) To what extent does Wisconsin wish to make the exchange a vehicle for making BadgerCare better--and possibly reducing general purpose revenue (GPR) funding for the program? And to what extent does Wisconsin wish to use the exchange as a vehicle for improving the extent and quality while lowering GPR costs for the treatment of addiction and mental illness? (Public Member David Riemer)

Principle #2 – Retain Consumer Choice of Providers

- Ensure choice of providers to insureds. (Public Members Joe Lekan, Ed Harding, and William Petasnick)
- Provide the widest array possible of easily understood health insurance options. (Public Member Tim Bartholow)
- If Wisconsin creates an exchange, keep the exchange within the state's borders unless it is determined that Wisconsin's citizens are better-served with an interstate or regional exchange. As Wisconsin's health care system already provides nearly every potential service a patient would need, a state-only exchange can still provide ample access with appropriate cost/quality analysis. To maximize choice, do not break the state into subregions/sub-exchanges unless it is determined that Wisconsin's citizens are better-served with such an arrangement. (Public Member Tim Bartholow)

Principle #3 – Increase Affordability

- Implementation of health care reform in Wisconsin should make affordable health insurance available to everyone and reduce rates of growth in health care costs. (Public Member Joe Lekan; and Dennis Conta and Amie Goldman, Health Insurance Risk-Sharing Plan (HIRSP) Authority)
- An exchange should operate as an active purchaser to assure higher quality plans that are efficiently run. Use market mechanisms and tools such as payment system reform to promote health care delivery system reforms and innovations. The exchange should use all the leverage it has to certify and decertify plans to achieve these goals. (Public Member Robert Kraig)
- In addition to cost containment measures like insurance premium pricing, subsidies, competitive bidding, and global payment strategies, equity in Medicare payments to Wisconsin is essential for health care reform to move forward on more equal footing with other states, given that Wisconsin has been underpaid by Medicare by approximately \$1 billion dollars annually. (Public Member Robert Phillips)
- The exchange should bring about real change, expanding coverage, lowering prices, and changing the way health care is paid for in Wisconsin. (Wisconsin Office of Health Care Reform)

Comment on Affordability

Below is a summary of a series of comments submitted by a committee member related to the topic of increasing affordability:

As in Massachusetts, the federal law has designed the exchange as a kind of sophisticated electronic Yellow Pages through which consumers of health insurance will be able to quickly, conveniently, and efficiently shop around and make their choices. The Department of Employee Trust

Funds' (ETF) experience with creating an exchange for state employees in Dane County, Wisconsin, indicates that exchanges can lower health care costs while improving quality. Does Wisconsin want to go beyond the Massachusetts prototype and the federal minimum standards and create an exchange that lowers health care costs everywhere in the state? (Public Member David Riemer)

Principle #4 – Increase Cost Effectiveness

- Improve the quality of care at lower costs. Control costs, minimize radical rate swings, and foster and spread cost-effective innovation in health care delivery. (Rep. Richards; and Public Members Jeff Huebner and Cheryl DeMars)
- Public-private working groups should target expensive but actionable cost drivers such as readmissions, hospital acquired infections, overuse of care, inappropriate use of high-cost medications, poor management of chronic illnesses, inappropriate use of emergency rooms and ineffective and unwanted end of life care. Incorporate timelines and goals into these initiatives to ensure progress is made. The ThedaCare Center for Healthcare Value can be a model for this work. (Public Member Cheryl DeMars)
- Coordinate a health care delivery system that addresses cost in terms of appropriate utilization, more effective chronic disease management, and increased emphasis on prevention. (Sen. Darling and Rep. Strachota)
- Utilize the model efficiency measures that are being developed at the national level through the Agency for Health Care Research and Quality (AHRQ) for both insurers and health care providers. Wisconsin should pay close attention to this effort and incorporate these measures as they become available rather than attempting to develop its own metrics. (Public Member Cheryl DeMars)
- Align financial incentives with high-value care and allow steerage to high-value providers. (Public Member Cheryl DeMars)
 - Encourage adoption of new payment and delivery design models once their positive impact on quality and cost are proven. Support and track pilot projects like those through the Wisconsin Payment Reform Initiative (a multi-stakeholder, statewide initiative under the sponsorship of WHIO) so that successful innovations can be adopted quickly. (Public Member Cheryl DeMars)
- The exchange should be prohibited from using rate setting or price controls as a cost containment tool. Price controls are artificial mechanisms that serve a political rather than effective policy purpose. Price controls mask the underlying drivers of health care costs, allow policymakers to avoid difficult choices and ultimately reduce access to services. (Public Members Ed Harding and William Petasnick; and WHA)
- Encourage consumers to be good stewards of their health and their health care spending; create incentives for consumers related to appropriate utilization. (Sen. Darling, Rep. Strachota; Public Member Cheryl DeMars; and WHA)

- Offer incentive payments or credits to individuals who select exchange plans and complete federal Center for Disease Control (CDC)-recommended targets for preventive health services and screenings and do not smoke tobacco. (Public Member Jeff Huebner)
- Develop user-friendly tools and support systems with the involvement of the provider community to help involve consumers in healthcare decision-making (i.e., decision aids). (Public Member Cheryl DeMars)
- Perform health risk assessments on all participants, building on the work of Wisconsin's BadgerCare expansion. (Public Member Cheryl DeMars)
- Champion incentives for employees, employers, and all participants to improve and maintain good health and encourage the more efficient use of health care services. (Public Members Ed Harding and William Petasnick)
- The exchange should allow consumers to estimate both the total cost of care and their out-of-pocket costs. (Public Member Cheryl DeMars)

Principle #5 – Avoid Adverse Selection

Exchange should include as many individuals and groups as legally allowed to create market share and avoid adverse selection. (Public Member Joe Leean) The exchange will contain costs if it maximizes competition, choice and participation, minimizes administrative costs and adverse selection, and makes prudent use of health care services a top priority. (WHA)

- Guarding against adverse selection should be at the center of the legislative charter for the exchange.
 - Regulate the insurance market identically inside and outside the exchange.
 - Require insurers to offer the same plans inside and outside the exchange.
 - Develop risk adjustment mechanisms to balance that risk inside and outside the exchange.
 - Regulate insurance brokers and agents to prevent them from aiding and abetting adverse selection by steering different groups to different plans.
 - Regulate health insurance industry marketing which may tend to segment the market and steer healthier individuals to certain plans.
 - Prohibit insurance plan designs that tend to attract healthy people and discourage the enrollment of sick people.
 - Have as large an exchange as possible as quickly as possible. (Public Member Robert Kraig)

- Promote responsible consumer behavior through open enrollment period rules that encourage consumers not to delay coverage until the point they incur high health care costs and then cease coverage soon thereafter, but instead to obtain and maintain continuous coverage. (Public Member Wendy D. Arnone)
- To increase competition and consumer choice, consider allowing multiple competing private-market exchanges, along with any public exchange and ensure that requirements for exchange-participating health plans mirror state laws for plan options being marketed outside of the exchange; otherwise, adverse selection will be rampant. (Dan Schwartzter, Wisconsin Association of Health Underwriters (WAHU))

Principle #6 – Ensure Marketplace Competition

The exchange should commit to strengthening Wisconsin's pluralistic private-sector-based coverage options. The exchange should have as its primary focus an insurance marketplace that maximizes choice for all participants, is accessible and attractive to private insurers, ensures fair competition among insurers, prevents dominance by a single or small number of payers, and preserves and strengthens Wisconsin's tradition of employer-provided health insurance. The exchange should coordinate with Medicaid and BadgerCare in a manner that preserves both programs as a safety net, not as a low-cost competitor. (Public Members Ed Harding and William Petasnick)

- Foster competition and protect against monopolization. (Rep. Richards and WHA)
- The small group market pool and individual market pool must remain separate and each line of business should be self-supporting. (Public Member Robert Palmer)
- Allow for the continued existence of an outside market. (Sen. Darling and Rep. Strachota) Exchanges should supplement, but not replace, the existing small group and individual markets. (Public Member Wendy D. Arnone)
- Allowing a marketplace to exist outside the exchange will help maximize consumer choice and innovation. (Public Member Robert Palmer)
- Explicitly prohibit states from establishing "exclusive" or "mandatory" exchanges that eliminate private insurance markets operating outside of exchanges and automatically displace employees' existing employer-sponsored coverage. (Wisconsin Education Association Council (WEAC))
- A vibrant and competitive private marketplace should be retained outside the exchange, to ensure every citizen has the ability to keep the health care coverage they have if they want to. (Dan Schwartzter, WAHU)
- Exchanges must keep the private sector diversity of health care providers, as modeled by ETF for state employees. (Public Member Joe Leean)
- The exchange should be voluntary and should take care not to inadvertently undermine employer willingness to offer health benefits. A well-performing exchange will win market

share on its merits without eliminating other options for employers. (Public Member Cheryl DeMars)

- The primary function of the exchange should be to provide an internal portal that utilizes technology to present objective information to facilitate consumer comparison and selection of health plans. (Public Member Robert Palmer)
- The exchange should offer a range of insurance options for Wisconsin residents, including at least one plan with a not-for-profit incorporation in each region. (Public Member Jeff Huebner)
- Employee-sponsored Voluntary Employee Beneficiary Association (VEBA) insurers should be permitted to participate in exchanges while limiting their membership to those applicants with whom they have an employment-based affinity. (WEAC)
- To save costs, increase efficiency and preserve the long-term health of the state's private insurance markets, states should create one public exchange where both individuals and small-business owners can access coverage options, but with separate underlying infrastructures and risk pools. (Dan Schwartz, WAHU). The small group market and individual market should remain separate and each line of business should be self-supporting. (Public Member Robert Palmer)
- All qualified health plans should be permitted to participate in an exchange. (Public Member Wendy D. Arnone)
- Allow a wide range of plans to qualify, including hospital- and physician-based integrated health systems. (WHA)
- Unnecessary and excessive new burdens on health plans inside or outside the exchange should be avoided. (Public Member Wendy D. Arnone)
- Wisconsin has strong regional hospitals and insurance providers and the exchange should maintain this regional strength and these regional marketplaces. (Wisconsin Office of Health Care Reform)

Principle #7 – Increase Access

The exchange should foster broad access to a choice of providers able to provide true continuity of care. (Public Members Ed Harding and William Petasnick)

- Include as many Wisconsinites as possible in the exchange. (Public Member Jeff Huebner)
- Implement a robust enrollment/outreach program to maximize participation in the exchange by all eligible individuals. (Public Member Robert Kraig)
- Guarantee access to insurance regardless of an individual's health status. (Dennis Conta and Amie Goldman, HIRSP Authority)

- Develop rules to improve portability and continuity of coverage (Public Member Wendy D. Arnone; and Dennis Conta and Amie Goldman, HIRSP Authority), and to expand coverage. (Wisconsin Office of Health Care Reform)

Principle #8: Simplify Enrollment and Eligibility

Exchanges should make it easier for consumers to navigate the broad array of coverage options, make informed decisions, and obtain coverage. Provide coverage and information in an easy to understand, concise, user-friendly manner for everyone, with special attention to linguistically and culturally appropriate information for vulnerable populations. A seamless “one front door” approach to eligibility and enrollment that is clear to all consumers and other stakeholders is critically important. (Rep. Richards; Public Members Wendy D. Arnone, Jeff Huebner, Robert Kraig, and Barbara Zabawa; and Wisconsin Office of Health Care Reform)

- Facilitate eligibility determination through effective coordination with state-based Medicaid and BadgerCare programs. (Public Member Wendy D. Arnone)
- Ensure the most consistently accurate array of understandable apples-to-apples comparisons of health insurance options. (Public Member Tim Bartholow)
- Focus on customer service. There should be one single website that is easy to understand and use, and community partners and insurance brokers should be utilized to help employers and families make informed decisions, especially in the early years. (Wisconsin Office of Health Care Reform)
- Ensure that the people providing advice and counsel to citizens about the purchase of coverage, either inside or outside the exchange are licensed, regulated, trained, and professional insurance agents. (Sen. Darling and Rep. Strachota; and Dan Schwartz, WAHU)
- Standardize information to simplify insurance purchasing. (Dennis Conta and Amie Goldman, HIRSP Authority)
- Use the expertise and data processing protocols within the Department of Health Services (DHS) for Medicaid eligible individuals. (Public Member Joe Leean)

Principle #9 – Emphasize Transparency

The exchange should be as transparent as possible in its governance and practices (Rep. Richards; and Public Member Jeff Huebner), and should increase market transparency to improve competition and allow for choice based on price and quality. (Dennis Conta and Amie Goldman, HIRSP Authority)

- Avoid duplication of existing state regulatory functions and rely, to the extent possible, on standards established by national accreditation agencies for use in the health plan certification process. (Public Member Wendy D. Arnone)

- Apply clear rules predictably, fairly, and consistently to all carriers. (Public Member Wendy D. Arnone)
- Use the expertise of ETF for rating insurers and providers, promoting the selection of low cost and high value providers by individuals and groups and the risk adjustment protocols developed by ETF. (Public Member Joe Leean)
- Facilitate prescription drug choices that are made by both health care professionals and patients without undue influence by pharmaceutical marketing and bias (for example, through restrictions on provisions of free samples, by prohibiting data-mining, and requiring gift disclosures). (Public Member Jeff Huebner)
- The governance should be insulated from political influence while at the same time being publicly accountable. Open records rules and other public accountability standards should apply. (Rep. Richards; and Public Members Ed Harding, William Petasnick, and Robert Kraig)
- The governance should be through an independent, transparent, and non-politicized entity with a board consisting of broad constituent representation. (Public Member Wendy D. Arnone)
- In order to assure that the exchange serves the interests of enrollees, consumer stakeholder involvement should be built into the long-term operation of the exchange through positions on the governing board and other leadership and watchdog roles. Industry representation on the governing board and in leadership should be only to get essential expertise, and should be governed by strong conflict of interest rules. (Public Member Robert Kraig)
- The governance should be apolitical and should avoid “camps” that can occur as a result of appointment by profession. (Public Member Cheryl DeMars)

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