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# Kathleen O'Connor

*Founder & CEO*

CodeBlueNow!

Dear Governor:

You have a wonderful opportunity to make bold, high impact and truly cost-effective changes in health care. Why? Because research shows that Washingtonians have reached some solid conclusions on key health care elements. This consensus cuts across party lines.

CodeBlueNow! is a national, nonpartisan nonprofit organization, which I founded and now lead. During the last three years, we have been conducting research and working with other nonpartisan nonprofits here in Washington and nationally. Our data show that more consensus exists on core elements of health care reform

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than the political parties, the media pundits or advocacy groups indicate. This consensus makes it politically feasible for you to take bold action, because you would have the support of the majority of the people for such action.

Our findings show the majority of Washingtonians believe:

- Everyone should be covered. Not only is it the right thing to do; it will eliminate cost shift, which is a major contribution to health care cost escalation.
- There should be a standard benefit package for everyone.
- Everyone should have their choice of health care professional. If the health professionals are licensed by their profession and the state they should be part of a basic benefit package.
- Health care should remain a shared responsibility of employers, employee and the government. The majority would support neither a single payer, government run health care system nor an exclusively personal responsibility, health savings account approach. If individuals and employers want to have more than the standard benefits, they may buy it.
- Health promotion and prevention should be the bedrock of the health care system. People would

support that approach over high tech cures. Yet they support research for medical advancement.

- Patients should have more information on diagnostic and treatment options, costs, benefits and trade-offs; care decisions and treatments should be based on research and professional standards.
- There should be greater transparency in health care billing and management. They want to know where the funds are coming from, how they are spent and why.
- The public should have a larger role in managing health care decisions.
- There is enough money from waste and unnecessary administrative costs in the system to cover our care needs, if funds were used more efficiently and effectively.

These goals are actually achievable. How so? Because our Federal Employees Health Benefits Plan administration actually already does most of this.

### **A Simple, Common Sense Path**

All federal employees have comparable benefits, whether they work in Washington DC, or St. Paul, Minnesota. Contracts with insurance companies to offer those benefits, however, are managed at the regional level in ten different federal regions. Washington could apply for a

federal waiver for an experimental, pilot project that would offer private insurance to individuals and small businesses that do not self-insure, using the Federal Employee Health Benefit Plan (FEHBP) model.

This pilot project would define a basic benefit package for individuals and companies that do not self-fund their employee benefits. Those groups may add to that coverage if they wish. While this would exempt large employers, it would serve the cost and access needs of individuals and small businesses. The benefit package could be comparable to state employee benefits; basic health plan; or some other designated program. One claim form would be selected and used. If the FEHBP model were used, their administrative cost designation and profit analysis factors could be applied as well. These would provide insurers with incentives to be more efficient and eliminate waste and costly administrative practices.

Rates for services could be set by an existing agency, such as the Health Care Authority, in conjunction with the Office of the Insurance Commissioner. This would eliminate all the separate and conflicting agencies currently determining rates: Medicaid; Premera; Regence; Group Health; Basic Health Plan; Health Care Authority; Medicare; Veterans Administration, et.al.

Another bold step would be to include in the pilot project how Germany handles the low income and unemployed,

which offers the hope of reducing state and federal costs without compromising care. Germany's health system is similar to ours. Doctors have private practices. Hospitals are public and private. Everyone pays. While there is a core set of benefits, benefits are managed in a regional, decentralized manner, much like the Federal Employees Health Benefit Plan, using private insurance companies.

What caught my eye, however, is how Germany deals with low income and unemployed individuals. The government simply pays their insurance premiums rather than create a separate public system for their care. This avoids the stigmas associated with Medicaid and the need for a separate rate structure for providers. This means Medicaid patients would have private insurance. Their provider would receive the same rates as they receive from private commercial clients, and little to no stigma would exist for Medicaid patients.

Medicaid is the fastest growing part of the state budget. By covering their insurance premiums and co-payments, a massive state agency could be significantly reduced. This would not apply to long-term care or the severely disabled, because their care needs are more complex. Case management safe guards would need to be included to coordinate care for the transition from Medicaid to the private system.

Think about what this could save in tax dollars, how it could improve access, add to patient self-respect, and possibly reduce costs for the system as a whole by simplifying administration and standardizing benefits, rates and access.

### **Let's Take A Closer Look**

The FEHBP is managed by the Office of Personnel Management (OPM). It sends out request for bids to insurance companies in the 10 federal regions. While Congress sets the benefits, the Office of Personnel Management contracts with private insurers to manage the benefits at the regional level. In contracting with the insurance companies, the company in its first bid is required to give OPM an estimate of their administrative costs as a percentage of the total bid. After that time, their administrative cost increases are limited by a formula based on the Consumer Price Index and their enrollment size. They have a comparable formula for determining profit. This way, OPM has more predictable and controllable cost increases vs. the unpredictable and uncontrollable cost increases individuals and employers face every year.

FEHBP's profit analysis factors are based on contractor performance; federal socioeconomic programs; capital investments; cost controls and independent development. This assures a focus on quality and offers incentives for

efficiency, such as an electronic medical record, and it rewards innovation. OPM monitors the plans and has periodic audits to assure compliance.

Even with these provisions, has the federal government had a problem attracting insurers to bid on their business? No.

### **Some Simple Steps You Could Take**

Here are a few key steps that you, as governor, can undertake to move us forward. First, with the Citizen Health Care Task Force coming up in 2009, you could add to their research an analysis of what the savings would be if we had one benefit package and one claim form, as well as the savings that would come from simply covering health insurance premiums for low income, or doing sliding fee scale like the Basic Health Plan. This pilot would exempt those who need long-term care and the disabled.

If these approaches could be analyzed prior to the Citizen Health Care Task Force hearings, it would offer a truly new dimension to their discussions. If you were to apply for a federal waiver for such a pilot, the Blue Ribbon Commission could be re-activated as an advisory panel to assure broad bipartisan support.

However, even with the proper scope of work, the Citizen Health Care Task Force hearings, as currently structured, are unsatisfactory. There is no guarantee of 'representative' participation at the meetings, nor true bipartisan attendance. Because there was not bipartisan support for the Citizen Health Care Task Force, it will be perceived as an essentially partisan Democratic effort, unless some clear steps are taken to clearly establish it as a bipartisan Task Force.

If the state is to invest tax dollars in this citizen process, a process must be prescribed so that it is *perceived* to be equitable and fair by the most important constituent, the Washington public. In order to assure an equitable process, *you* must prescribe who should be at the meetings, or assure other meetings with existing groups like the chambers of commerce; Puget Sound Health Alliance; provider groups. Provide incentives for all sides to participate, and then use groups like the Dispute Resolution Centers, if necessary, to craft consensus. It exists. It just needs the right approach for to surface.

Without representation and broad civic engagement, the findings from the Task Force will not have diverse and bipartisan support. Without that multi-faceted support, our CodeBlueNow! research data show partisan health care reform solutions will fail.

So I would suggest that your appointment of the Citizen Health Care Task Force include representatives of the business community, as well as the labor, advocacy and provider communities, as well as nonaligned individuals from nonpartisan nonprofit organizations.

Our data show that even when there are not areas of complete agreement, Washingtonians were simply more undecided or neutral than they were in disagreement. This means it is possible to have a civil, civic dialog.

From such a dialog, we may hear clearly the will of the public. The majority of Washingtonians want to assure everyone is covered. Consensus exists. Finding it requires the right language and the right bully pulpit. You are now standing at that pulpit. Please use it.

Sincerely,

Kathleen O'Connor