

Virginia State Planning Grant
SPG Leadership Team
Richmond, Virginia
August 24, 2005

Rene Cabrals-Daniels convened the meeting of the Leadership Group to review and discuss the recommended SPG model option. A summary of the meeting follows.

The final meeting of the Virginia Planning Grant Leadership Team (SPG LT) was held on August 24, 2005 in Richmond Va. Members of the SPG LT and a number of interested individuals and stakeholder organizations were present. Dr. Maddox and members of the Model Development Workgroup (MDWG) presented a summary of the process, rationale and recommendation for expanding insurance coverage among Virginia's working uninsured. A copy of the MDWG Report to the SPG LT and PowerPoint presentation may be found on the project website:

www.insuremorevirginians.org

Meeting Summary

After lively discussion about the MDWG's recommendation (including rationale and process), the leadership team positively acknowledged the work contributions of the SPG project and MDWG. The amount and detail in data about the condition of Virginia's uninsured and business trends was identified as unprecedented and useful to Virginia moving forward with its initiative to increase the number of working uninsured. SPG LT members also commented on the care taken to develop and document their decisions and to understand the differences between the State Coverage Initiatives (SCI) Project effort and the State Planning grant that were initially underway simultaneously. Since the Robert Wood Johnson (RWJ) funded SCI Project targeted public solution options, the SPG was asked to concentrate on private sector of public-private partnership options.

Informed by data from a variety of sources (especially the SPG funded SHADAC Household Survey of Virginians and AHRQ funded MEPS-IC survey of Virginia Businesses), the Model Development work group established principles for model selection, identified the model option target and explored lessons learned from other states in expanding health insurance coverage. The MDWG section of the SPG project website includes copies of all workgroup minutes, meeting materials, briefing and technical papers, as well as presentations.

After consideration of more than twelve types of options (see SPG Options Briefing Paper for more information), the Model development workgroup recommends support to introduce and a new 'small group' insurance product that is affordable to low income individuals. The priority population targeted for purposes of the insurance expansion

option is uninsured working Virginia adults, ages 19-64 with a focus on those employed in small businesses. A summary of the need and rationale for the model option recommended and an overview of the new small group product features follows.

Need/Current Conditions in Virginia:

- Eroding Employer Sponsored Coverage
- Small Employers have lowest offer rates and are hardest hit with rising costs of insurance
- Low wage workers more likely to be uninsured
- Geographic differences in rates of uninsurance vary; Northern Virginia has the highest rates of coverage, Richmond/Central region the lowest
- 2003 annual per capita personal income was \$33,730
- The median employee wage in Virginia was \$28,586, with individuals working in smaller firms receiving lower wages on average; among very small firms (fewer than 10 employees) the median wage was just \$19,125; there is wide geographic variation in median wage rates
- Only 29 percent of enrollees with single coverage and 24 percent of enrollees in family health coverage plans were employees with average annual incomes of \leq \$29,855 working in small businesses
- Take-up rate for health insurance in 2003 for those who made less than the median wage of \$28,586 was 26 percent, compared to 67 percent for those that made more than \$28,586
- Health insurance premiums in Virginia have increased at a rate 2.4 times the average rise in earnings.

In Small Businesses in Virginia:

- Over half (51.7%) of all workers aged 19-34 years and eighty percent of all workers 35 to 64 years employed in Virginia businesses with 50 or fewer employees are uninsured
- Just under a third of very small employers (those with less than 11 employees) in Virginia offer health insurance to their workers
- Individuals working in companies with less than 50 employees are twice as likely to be uninsured as individuals working in companies with more than 50 employees.

The recommended model option conforms to the following principles viewed as important by the Model Development workgroup:

- Costs of coverage shared by employees and employers as well as state government
- As much as possible, be budget-neutral to Commonwealth of Virginia (or produce a return on investment that is cost effective)
- Reduce employer costs associated with lack of health care coverage
- Be easily understood
- Economically attractive and politically feasible

At the request of members of the leadership group, there was discussion about the array of model options explored by the MDWG, but not selected. They are as follows:

Subsidizing or Reducing the Cost of Private Coverage

- Create state-funded premium assistance / private insurance buy-in programs.
- Make state-funded reinsurance available (reduce price of private insurance for low-income uninsured and small employers by having state cover portion of health insurers' high-cost or catastrophic claims).

Compelling Employers to Provide Coverage for Certain Groups:

- Enact employer mandate to offer health insurance to some/all employees.
- Other: Require college students to be insured; require provision of health insurance as condition of state contracts.

Expanding Public Coverage: (SCI Initiative)

Eliminating Barriers to Getting Insurance:

- Enact individual health insurance market reforms.
- Establish/broaden state continuation-of-coverage (COBRA-like) laws.
- Allow other groups to join state employee health benefit plans.
- Expand definition of 'dependent' in health insurance policies (e.g., raise eligible age).

In selecting the recommended model option and designing a prototype product to address unmet need, the following affordability and benefit features were considered:

Affordability

- Low income individuals have low price threshold tolerances (as low as 1-3% of take home pay);
- Designed with \$100 monthly premium in mind, with premium cost to be shared by employer and employee.

Benefits

- First-dollar coverage on the front end (for preventative and primary care)
 - Pharmaceutical benefit;
 - Individual/family cost-sharing on other benefits;
- Annual maximum for out-of-pocket payments;
- Defined caps on catastrophic protection.

Because the private (individual and group) insurance market is dependent upon intermediaries (especially brokers and employers), the MDWG noted the value, if not importance of using incentives to ensure product distribution, marketing etc:

Possible incentives for employers and insurance brokers

- Tax Credits for employers;
- Commission benefits for volume sales of product by insurance brokers.

During the meeting, some members of the Leadership Team members (especially those from safety net service entities) expressed their view that public funds to incent private insurance should not be used, until more public funding for Medicaid/FAMIS programs and or their expansion was undertaken. It was discussed and agreed that the recommendation moving forward would be modified to separate incentives from the model option recommended. This will allow policy makers the option of determining the value of pursuing the new product without supporting distribution and take-up with business tax credits.

Summary of Model Option Features

The proposed (Prototype) insurance product would be for Virginia's small group health insurance market. Specifically, the product would be made available to small employers (2-50 employees) who have not offered insurance within the last 12 months. If a tax credit or rebate would be considered we would recommend one that covers between 50-80% of the employer's contribution to the premium. Additionally, the MDWG recommends the Commonwealth pursue extensive marketing, education and outreach.

Feedback on the prototype model option under consideration has been obtained from stakeholders in the business community via the Business Workgroup and Community Work Group (Denise Daly reporting). The results (mostly enthusiastic, positive) were included in the Leadership Report and are available (updated periodically) on the website.

Discussion during the meeting indicated concurrence about the importance of education and outreach to both individuals and businesses via a variety of approaches/sources. Many commented on the importance of the broker community in insurance take-up and coverage decisions. Among the benefit design discussion that ensued, many also commented on the current and growing important of coverage for prescriptions. Particularly to ensure families can take advantage of care received.

Next Steps:

A final report and recommendation on health insurance coverage expansion from SPG initiatives will be prepared for the Governor. It will include results and updated projections re: impact and distribution based upon a report from the SPG's consulting actuary. The project website will continue to update information.

Participants asked that further information on the overall impact of insurance coverage and trends in financing healthcare, as well as Medicaid be reflected in future reports. It was agreed that the report to the SPG Leadership would be revised to include such information.

The meeting was adjourned by Renee Cabrals-Daniels who thanked members for their participation.

