Prescription for Pennsylvania

Questions and Answers

1. What is the difference between Prescription for Pennsylvania and Cover All Pennsylvanians (CAP)?

Prescription for Pennsylvania is a set of integrated practical strategies for improving the health care of all Pennsylvanians, making the health care system safer and containing its cost.

Cover All Pennsylvanians (CAP) is the part of Prescription for Pennsylvania that provides health insurance for the uninsured. CAP will replace adultBasic and will provide affordable health insurance for Pennsylvania’s uninsured, including:

- Small low-wage businesses (2-50 employees) who do not offer coverage to their employees, and
- Uninsured self-employed and other uninsured individuals.

2. How will Prescription for Pennsylvania reduce the cost of providing coverage?

Prescription for Pennsylvania will reduce the cost of providing coverage by:

- Working with hospitals to prevent hospital-acquired infections (HAIs), which will avoid the billions of dollars in avoidable hospital charges for additional care due to these infections.

- Significantly reducing the amount of uncompensated care costs that are passed on through higher premiums by providing assistance to buy into CAP for those with incomes under 300% of the Federal Poverty Level, allowing others to buy it at cost, and phasing in an individual mandate for coverage.

- Changing how chronic care is delivered in Pennsylvania by providing incentives for the use of the nationally recognized Chronic Care Model, which will significantly reduce the number of avoidable hospitalizations for those with chronic diseases.

- Increasing competition among insurance products through the requirement of standard benefit packages for small group and individual policies.

- Providing consumers and health care payers more real-time information on cost and quality of health care so they can make informed choices.
• Giving the Department of Insurance the power to change how rates for small group insurance products are set and, when rates are filed, scrutinizing them to ensure that savings from the reduction of HAIs, reduced hospitalizations for chronic conditions, and decreasing uncompensated care are reflected in lower premiums.

• Ensuring that expensive new health care capital expenditures increase quality and access, reduce cost, improve safety and are not an economic burden to health care purchasers.

• Making integrated treatment available to those who need both mental health and substance abuse treatment.

3. How will Prescription for Pennsylvania improve health care?

Prescription for Pennsylvania will improve health care in our Commonwealth by:

• Requiring specific system changes by hospitals to prevent avoidable HAIs and medical errors and ensuring public reporting by hospitals on their progress.

• Requiring electronic medical records, quality management systems and computerized prescribing in Pennsylvania hospitals by a date certain, in order to significantly improve care and reduce costs due to medical errors.

• Establishing payment systems that encourage the effective prevention and treatment of chronic diseases using the nationally recognized Chronic Care Model.

• Promoting a payment system that rewards wellness and efficient quality care and does not pay for unnecessary, ineffective, or harmful care.

• Promoting wellness in our schools and businesses and making all Pennsylvania workplaces, restaurants and bars smoke-free.

• Providing more long term living services in the community and filling the gaps in the continuum by licensing assisted living residences so consumers do not have to move to other facilities as their long term living needs change.

• Embedding palliative care and pain management specialists throughout the health care system and expanding the use of hospice services for those in the end stage of life.
4. How many people are uninsured in PA?

An extensive survey conducted in 2004 by the Insurance Department determined that Pennsylvania had 900,000 uninsured – 767,000 adults and 133,000 children. The Current Population Survey conducted by the U.S. Census Bureau lists Pennsylvania as having 1,358,330 uninsured, including 281,080 children. The Census Survey contacted far fewer Pennsylvania households than the Insurance Department’s survey did. The other states like Pennsylvania that have done more in-depth surveys have consistently found their uninsured numbers to be lower than the data provided by the U.S. Census.

5. How are you paying for CAP?

Employers and employees will pay a monthly premium for coverage. On top of these payments, the Commonwealth will redirect funds currently spent for adultBasic and Community Health Reinvestment funds. Federal funds will be tapped to cover the costs of CAP that are already eligible for federal reimbursement. Finally, a “Fair Share Assessment” will be charged to employers who do not offer health insurance to their employees. The Fair Share Assessment will be phased-in – permitting employers to exempt 50 employees the first year, 40 employees the second year, and so on.

6. What is the Fair Share Assessment and will it specifically benefit the employees that work for the business that is being assessed?

Once CAP is available, employers who do not provide health insurance to their employees will be assessed 3% of payroll, which will be used to pay part of the state costs for CAP. In the first year of the assessment, employers will not have to pay the assessment for 50 of their employees. The assessment will benefit those employees who individually enroll in CAP, either through direct premium assistance or by subsidizing the cost of administering the program for all participants.

7. What are the benefits under CAP?

CAP will provide a basic benefit package similar to adultBasic, but with the addition of prescription drugs and some mental health and substance abuse treatment coverage.

Limitations will be placed on the number of outpatient visits per year. In order to promote wellness and prevention, these limits will not apply to appointments with an individual’s primary care provider or to chronic care management programs.
8. How will payments to CAP work and what is the role of the Commonwealth?

CAP offers small low-wage employers who cannot currently afford to offer health insurance an affordable product because the cost of providing health insurance to their employees will be shared among the small employer, the employee and the Commonwealth. For employees with household incomes at 300% of the Federal Poverty Level or below, the cost is also shared with the federal government.

Under CAP, the cost for the employer will be approximately $130/month per employee. To participate, an employer must provide health insurance via CAP for 75% of the firm’s employees who work 30 hours or more a week. Families must obtain coverage for spouses and children separately, which they can do through CAP (for a spouse) or Cover All Kids (for children).

Employees who have a family income under 300% of the Federal Poverty Level will receive a premium discount based on their household income:

<table>
<thead>
<tr>
<th>Federal Poverty Level</th>
<th>Single Person Maximum Gross Income</th>
<th>Family of 4 Maximum Gross Income</th>
<th>Monthly Premium per Adult</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100%</td>
<td>$9,800</td>
<td>$20,000</td>
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<tr>
<td>Over 300%</td>
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<td>$280</td>
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9. Why is this plan good for small employers?

There are several reasons why Prescription for Pennsylvania is good for small employers:

- Right now employers who are providing coverage for their employees also bear the cost of paying for the uninsured through higher insurance premiums. CAP will bring down the cost of health care for all of us by helping additional small employers to provide coverage for their employees.

- Ensuring standard benefits for small group plans will make comparative shopping for affordable health insurance much easier for small businesses.

- The plan contains reforms that will reduce health care expenditures and premiums by billions of dollars.
• The plan requires adjusted community rating (rating that uses only age, location and family size as rating factors) for all small group insurance products, with the most expensive premium being no more than twice the cost of the lowest premium. It also increases the powers of the Department of Insurance to review rates, and it requires that at least 85% of premiums are used to pay health care costs.

• The patient safety reforms will result in less expensive and better health care, with less risk of complications for consumers.

• CAP will provide an affordable option for small low-wage employers to offer health insurance to their employees, which will make them healthier and will make the employer more attractive, helping employee retention and recruitment.

10. How does the cost of CAP compare to the cost of insurance in the private market?

For employers, the average cost of health insurance is $295 a month per employee in the private market. Under CAP, that cost will be $130 per month per employee.

For individuals, the average cost of health insurance through the Blues is $500 a month. Under CAP, that cost will range from $10 to $280 per month based on family income.

11. How does an employee get a discounted premium under CAP?

Employees will be given information telling them that they may apply to CAP to get a discounted premium if their household income is at or below 300% of the Federal Poverty Level. Employees will fill out applications and provide proof of their income.

Small low-wage employers will deduct the full employee premium from the employee's paychecks. If the employee has been approved for a discounted premium, they will be given an electronic benefit card so they can receive a premium rebate on the same day the full premium is deducted from their paychecks.

12. Is CAP an entitlement?

No, the maximum CAP enrollment will be determined by the amount of funding appropriated by the General Assembly.
13. When can I sign up for CAP?

Employers and employees will be able to enroll in CAP when the General Assembly passes the needed legislation and when the federal government gives Pennsylvania approval. If the Legislature adopts the Governor’s proposal by the June 30 Constitutional deadline for enacting the budget, there will be sufficient time for federal approval and enrollment can begin in January 2008.

14. Why does Prescription for Pennsylvania only require the Blues and not all insurers to bid to provide CAP?

At a minimum, the Blues are required to bid to provide CAP insurance. However, other insurers may also bid to offer this product. The requirement on the Blues ensures that every Pennsylvanian will have access to CAP, even in the most rural communities in the Commonwealth. Participating in programs such as CHIP and adultBasic/CAP is one of the ways the Blues meet the social mission they were created to fulfill.

15. Will employers who currently offer health insurance drop their current coverage so they can get the discounted product through CAP?

In order to discourage employers from dropping coverage to take advantage of the affordability of CAP, employers would need to drop their coverage for employees for at least six months. Other states, including New York, have undertaken similar programs with similar “go bare” periods and have not had a problem with employers dropping insurance.

16. Can an individual drop their insurance and sign up for CAP?

New enrollees in CAP must prove that they did not have insurance before enrollment. The purpose of the “go bare” period is to dissuade employees from dropping their existing health care coverage to enroll in CAP. The federal government, as a condition of federal funding, may also require a “go bare” period. Under CAP:

- For individuals with family income under 200% of the Federal Poverty Level, the minimum “go bare” period is 90 days. This is the same requirement currently imposed as a condition of enrollment in adultBasic.
- For those with incomes above 200% of the Federal Poverty Level, there is a 6 month “go bare” period.
- There is no “go bare” period for persons who have lost their health insurance because their plant closed or they have been laid off and are eligible for unemployment compensation.
17. Why is CAP targeted at employers with less than 50 low-wage employees?

Small employers with low-wage workers are the most likely group of businesses to not offer insurance because premiums are high, and their employees have the most difficulty paying an employee share of the premium.

18. How will you be getting the word out about this new plan and what will be the process to apply?

The state will use efforts similar to those employed for Cover All Kids – including TV, radio and newspaper announcements; asking hospitals, social service agencies, business organizations and others to help sign people up; and use of the Compass Internet application.

19. Who will be in charge of CAP?

The Department of Insurance will be in charge of enrollment and outreach. The Department of Public Welfare will assist the Department of Insurance with some administrative functions.

20. Will offering CAP have an impact on other health care insurance?

New York State offers a similar product to CAP through private sector insurance, and many see this plan as having enhanced competition and strengthened the insurance industry in the Empire State. CAP, while funded in part by the government, will be provided via private insurers and will include an employer cost.

21. Have the feds approved the waiver for Cover All Kids yet?

The Commonwealth expects federal approval for Cover All Kids in February.

22. When will the legislation for CAP be introduced?

The legislation will be introduced shortly after the Governor’s Budget address.

23. When do you anticipate the Legislature passing CAP?

The Governor hopes that the Legislature will enact CAP by June 30, 2007. If the legislature does so, there will be sufficient time for federal approval and enrollment can begin in January 2008.

24. Will Pennsylvania be mandating that everyone have health insurance?

As part of the Prescription for Pennsylvania, the Administration will seek a phased-
in mandate for individuals to have health insurance.

25. How will the individual mandate work and doesn’t it put the entire burden on individuals when most of us get our health care from either government or our employers?

Prescription for Pennsylvania seeks to make health insurance affordable for all Pennsylvanians. The only way that health care can be affordable is if everyone is in the insurance pool. When people are uninsured, the public ends up paying the bill through higher health insurance premiums and increased taxes. A phased-in individual mandate must be put in place that is fair for the individual, fair to all other health care payers, and that is fairly enforced. The Administration will work with the General Assembly, business and consumer groups to craft such a mandate.

26. Why isn’t the Governor proposing a single-payer program?

92% of the Commonwealth’s population already has health insurance. 17% of our population is covered by Medicare, 2% through military benefits, and most of the rest of us through our employers. This plan builds on the model that is currently in place.

38% of the working uninsured are offered employer-based health insurance but can’t afford the required premiums. This plan will help those employees pay their employee premiums and, if employed by a small business, obtain coverage through their employer. The plan will also offer affordable health insurance through CAP for those who do not have an employer-based option.

While there are significant merits to a single-payer model, the Administration believes that its goals of insuring all Pennsylvanians can be achieved without collapsing the private insurance market.

27. How will Prescription for Pennsylvania accelerate the use of electronic records?

The Governor will issue an Executive Order to establish a Health Technology Commission that will:

- establish standards and specifications for electronic medical records that ensure necessary interoperability (in other words, that the systems can communicate with each other),
- define components and terminology, and
- determine the finances and/or financing that health care providers will need to have to implement interoperable electronic medical records and personal health records.
The Commission’s work will be completed by December 31, 2007. By July 1, 2008, all acute care facilities must have a plan approved by the Department of Health for installation of an electronic medical record system that meets the requirements established by the Commission, and the system must be in operation by December 31, 2008.

28. What will Prescription for Pennsylvania do to lower the cost of prescription drugs?

The Administration will seek legislation requiring retail pharmacies to provide the Pennsylvania Health Care Cost Containment Council (PHC4) with their monthly prices for the 150 most commonly prescribed drugs so that consumers can go on the PHC4 web site and see which pharmacy near them has the lowest price for their prescription needs. Pennsylvania is also working with physicians to help them understand the importance of using generic medications when appropriate in order to help keep prescriptions affordable for their patients. Pennsylvania will also use its purchasing power as the largest health care payer in the Commonwealth to leverage lower prescription costs for state-funded programs.

29. Prescription for Pennsylvania refers to MRSA infections. What are they?

Methicillin-resistant Staphylococcus aureus (MRSA) is a type of hospital-acquired infection (an infection contracted in the hospital, known as an HAI). MRSA is more serious than other HAIs because it is resistant to commonly used antibiotics. Most often this type of infection is spread from one patient to another via the hands or clothing of health care workers and/or equipment shared among patients such as stethoscopes and blood pressure cuffs.

MRSA lives on the skin and in the nose of healthy people, who have no symptoms from the bacteria. Some patients can become extremely ill from the infection and can die from it. A number of countries have virtually eliminated MRSA – proving that it is possible for Pennsylvania to do the same.

30. Will small employers who offer health insurance see their rates go up because of the standardized benefit package for small groups that the Prescription for Pennsylvania requires?

No. Because standardized benefits will allow small employers to compare plans offered by different insurance companies to determine which plan has the best price, it should increase competition and reduce the cost of coverage for small employers. In addition, requiring adjusted community rating and rate review by the Insurance Department should eliminate spikes in health care costs.
31. Does Prescription for Pennsylvania include a tax credit for businesses that offer health insurance?

Such a tax credit would require more than $2 billion in new state revenues. As a result, a health care tax credit is not included in the Prescription for Pennsylvania. However, given that Prescription for Pennsylvania has the potential to lower health care costs by nearly $8 billion, all employers will see a positive impact on their bottom line once all the elements of the plan are enacted.

32. What is the role of Health Savings Accounts (HSAs) in the Prescription for Pennsylvania?

Pennsylvania already has good HSA laws on the books that exempt contributions to these plans from state taxes. Since HSAs are tied to high deductible plans, many consumers choose not to rely on HSAs for their health insurance. CAP is specifically targeted for lower-income uninsured Pennsylvanians who do not have the ability to pay high deductibles for their health care. CAP will also have co-payments in place to deter unnecessary utilization of health care. The Prescription for Pennsylvania includes legislation to require health care pricing to be available to consumers, which will help those employees who have HSAs to make more informed health care utilization decisions.

33. How will Prescription for Pennsylvania control health care capital and equipment expenditures?

To ensure rational investments, Prescription for Pennsylvania requires that data be collected to determine real regional needs for present and future health care capital investment. This information will be gathered into a regional plan that will guide any and all investments in new capital or equipment requests by health care systems.

34. If the health care system is so broken, why does the Governor think the government can solve the problem?

Over the last three years, the Commonwealth has experienced no increase in the health care costs provided for 55,000 state employees. In addition, while other states have had to cut hundreds of thousands of their residents from state-supported health care programs, Pennsylvania has expanded enrollment by 370,000 and kept costs down through tough management and strong wellness programs.

As a result of the Commonwealth’s track record, businesses, unions, voters and others have all been asking the Governor to take the lead to institute statutory reforms and pay-for-performance purchasing to reduce the cost of health insurance, improve patient safety and cover the uninsured. Prescription for Pennsylvania is the response.
35. Does Prescription for Pennsylvania punish smokers and tell people how to live their lives?

All Pennsylvanians need to take responsibility for lifestyle issues that impact their health, quality of life and cost of health care. Certain health-damaging behaviors, such as smoking, cause health consequences and the need for treatment that can drive up the cost of health care for everyone. Tobacco causes heart disease, stroke, cancer, chronic lung disease, contributes to death from pneumonia and influenza and increases risks associated with diabetes. The Administration's proposal is to offer assistance to overcome those behaviors while at the same time providing a financial incentive, in the form of premium reductions, if people successfully address them.

36. Why does Prescription for Pennsylvania encourage treatment by non-physicians?

The plan encourages treatment and care by the most appropriate health care providers to improve access to care, which may or may not include direct care by a physician. The plan also promotes treatment by a health care provider team with the patient at the center of that care.

37. If nurse practitioners are going to be providing more care under Prescription for Pennsylvania, shouldn't they be covered under medical malpractice policies?

No, the medical malpractice verdicts and settlements for nurse practitioners in Pennsylvania and in other states do not justify it.

38. What do we say to the good employer that has been providing benefits to its employees and wants to participate in CAP but is excluded?

Reducing the number of uninsured by providing affordable health insurance through CAP is part of the strategy to reduce health care costs for the employers who are already covering their employees. The costs of uncompensated care are passed on to these employers, increasing premiums by at least 6.5%.