

SustiNet Health Partnership Board of Directors

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State Comptroller

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State Healthcare Advocate



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Board of Directors Regular Meeting October 13, 2010 Meeting Minutes

Board Attendees: Nancy Wyman, Comptroller, Co-chair; Kevin Lembo, State Healthcare Advocate, Co-chair; Ellen Andrews; Margaret Flinter; Bruce Gould; Paul Grady; Bonita Grubbs; Norma Gyle; Alex Hutchinson; Jeffrey Kramer; Estela Lopez; Sal Luciano; Marie Spivey

Office of the Healthcare Advocate: Africka Hinds-Ayala; Vicki Veltri

Office of the Comptroller: David Krause

SustiNet Advisor: Stan Dorn

SustiNet Consultants: Linda Green (via phone); Katharine London; Anya Rader Wallack

Absent: Michael Critelli; Jeannette DeJesus; Doreen Del Bianco; Nancy Heaton; David Henderson; Joseph McDonagh; Jamie Mooney; Lucy Nolan; Rafael Perez-Escamilla; Andy Salner; Marlene Schwartz; Marie Smith; Michael Starkowski; Todd Staub; Thomas Sullivan; Cristine Vogel; Tory Westbrook

Guest Speakers: Kathy Belfi, CT Department of Insurance; Maura Welch, CT Department of Insurance; Howard Kahn, LA Care Health Plan

Kevin Lembo opened the meeting by welcoming all attendees and asking Board members to introduce themselves.

Stan Dorn, Anya Rader Wallack, and Katharine London gave the presentation *SustiNet – Governance and Administration*. To access the presentation, [click here](#).

Ellen Andrews asked what the liability would be for the SustiNet Board if some Medicaid administration was assumed from DSS. Stan said that Option A is the most straightforward of the three, showing DSS and the Comptroller's Office (CO) continuing as they are, with the function of SustiNet limited to operating a health plan, trying to implement delivery system reforms that have been discussed here, and contracting with DSS which would remain as the single state agency. Option B, which has DSS under the overall jurisdiction of a different agency, poses a question regarding meeting the single state agency requirement for purposes of federal law. Option C calls for a new agency that would presumably become the single state agency. Options B and C would need a lot more analysis regarding what the legal structure would be, whereas this would not be so with Option A.

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Bruce Gould • Paul Grady • Bonita Grubbs • Norma Gyle • Jeffrey Kramer
Estela Lopez • Sal Luciano • Joseph McDonagh • Jamie Mooney

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Margaret Flinter pointed out that cost will be a factor in choosing between the options. She added that a policy board appears to be the least expensive option, leaving things in place and eliminating the need to build from the ground up, in particular a complete new information technology system. Margaret also spoke about the separation of Medicaid from DSS, asking if this will also separate recipients from the other benefits they are often entitled to. She said it would be interesting to hear from other states that have transformed Medicaid to learn how they have proceeded. Margaret also wondered if delivery system redesign and transformations proposed under SustiNet will happen whether or not SustiNet is driving them, particularly reimbursement for electronic health records and the drive for Patient Centered Medical Homes (PCMHs). Stan said that Options B and C both include Option A. All the options entail SustiNet being offered as a plan, and include delivery system reforms and HIT related to service delivery. In addition to being a plan, option B would provide for SustiNet to be an overseer board. Option C would be a plan that would also put SustiNet in the role of an omnibus agency. Stan added that in terms of cost, the first option would be low, but the second one wouldn't be much higher, yet the third option would entail a substantial redesign of government. In terms of access to other benefits, Stan said he felt these were functions of local social service offices. He said he didn't know if these would be done by DSS or another agency, but he didn't think it would matter to the individuals. Katharine said that benefit coordination is an ongoing struggle, adding that Massachusetts uses a single benefit request form which is entered into the system and is then split among the various relevant agencies, so that all benefits are applied for at the same time.

Paul Grady suggested the Board make a broad recommendation for a competitive option to be offered on the exchange, to be determined after the exchanges are better defined. An unidentified speaker asked if there have been projections made regarding what type of membership levels are needed in order for this health plan to sustain itself, and whether the projections would differ for various options presented. Stan replied that all options would include Medicaid beneficiaries, HUSKY recipients and state employees, so it shouldn't matter which option is chosen.

Maura Welch from CT Department of Insurance (DOI) gave a presentation on licensing procedures. To access the presentation, [click here](#). Kevin thanked Maura, Kathy Belfi and Debra Korta for their efforts in pulling this together. Kathy said that DOI's role is to protect consumers and taxpayers. She briefly described the Municipal Interlocal Risk Management Agency (MIRMA) as an association that was formed for municipalities that were having difficulty obtaining workers compensation and personal liability, so two separate pools were set up. These pools were not formed under traditional insurance statutes, so they weren't subject to many of the state regulatory statutes. MIRMA ran into problems because claims ran higher than expected, and the towns involved with MIRMA now face a huge deficit which must be absorbed by taxpayers.

Stan said if SustiNet chooses to offer a product on the exchange it would need to be licensed or a statutory exception could be crafted. Ellen asked how much capital reserve is required from large insurers. Kathy replied that it was individualized based on history, product, the size of the company and the amount of premium that is written. She said the minimum capital requirement is \$1 million to start. Bonita Grubbs asked Stan about the statutory exception. Stan replied that federal law requires state licensure in order for a product to be offered in the exchange. Requirements for licensure are defined by each state, so there are a range of options in approaching this. SustiNet can be treated like every other insurance plan, SustiNet can be declared a state licensed insurance company without regard to any DOI requirements, or it could be somewhere between these two extremes. Stan said that ultimately the state legislature will decide what to do about state licensure, but from the federal perspective, there

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are many requirements that apply. Stan said there will be a need for capital reserves, stop loss coverage, and reinsurance in order to deal with unforeseen risk. Katharine said that in MA, there were many Medicaid managed care organizations that were not MA licensed health plans. They were required to be offered to the Connector, but they were given three years to become licensed plans, so there were adjustments made to the plans and also to the licensure requirements. Bonita asked if licensure would be affected by whichever option was chosen. Stan said it wouldn't matter which option was chosen, but if SustiNet is offered on the exchange and/or offered before 2014 to small firms and individuals, it will require state licensure or a special statutory arrangement.

Paul asked whether information about capital reserves held by managed Medicaid plans was public information. Kathy said this information is available and agreed to provide it to Board members. Ellen said that a large proportion of potential SustiNet enrollees are backed by CT's general fund. She suggested crafting legislation to ensure that people who are in self-funded plans now continue with the same protections they have had historically, and for new enrollees there would be the same types of requirements as Community Health Network and AmeriChoice had. Nancy Wyman said there should be reserves, and the Comptroller's Office has always pushed for that, but because of the way the budget was crafted this year, there was no reserve. Kathy said that the Connecticut Insurance Department (CID) doesn't regulate self-funded plans and she doesn't think they can be comingled with other plans. She gave the opinion that enacting special legislation for SustiNet would weaken a strong regulatory process. She added that two separate entities would have to be created, one for existing Medicaid safety net programs and state employees, and another for this competitive offering.

Kevin introduced Howard Kahn, CEO of LA Care Health Plan. In the 1980s, Howard served as founding CEO of one of the country's first publicly administered health plans in San Mateo County. He also spent many years in a leadership role at Aetna in CT. He has been with LA Care since 2001. He has vast knowledge and experience in the operation of publicly administered health plans, and gave a presentation on the LA plan entitled Governance and Start-Up in a Public Plan. Howard said he felt it was essential to determine exactly what SustiNet needs to accomplish. He said the health care delivery financing management system has too many layers right now with too little effective control over the system, from both a quality and a cost standpoint. Healthcare reform addresses the access issue, but quality and cost are still challenges. He also recommended keeping what's working. Howard mentioned that \$16.9 million is the tangible net equity required for reserves for the LA plan, which is basically the risk based calculation; however, they don't bear risks for all the patients because of subcontracting. Howard also said that LA Care is not part of state or local government but is a separate public agency. To access Howard's presentation, [click here](#).

Howard spoke about plan partners. He said when LA Care was established, it was expected to have a million members by the end of the first year. A decision was made to subcontract to existing health plans. Initially LA Care acted as a broker and a regulator, rather than a competitor. Eventually Howard convinced the LA Care Board that they should become a plan also.

Kevin opened the floor to questions. Margaret said one of the strong elements of SustiNet is that it attempts to eliminate the stigma, the divisions, and the disparities between the types of health care available to people of low income versus what's available to those with higher incomes by including state employees in the plan. She asked Howard if LA Care had ever considered adding state employees or a commercial line or whether they had chosen to be specialists for the segment of the population they serve. Howard said that disparities in access to care exist primarily because of the amount federal and state governments are willing to

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spend on care for Medicaid folks. He added that in combining state employees with Medicaid recipients, SustiNet will need to dramatically raise the amount spent on Medicaid in order to provide the same network for both groups. Howard said LA Care has not looked into going into the general commercial population.

Paul commented that the CT legislature requires Medicaid plans to become self-insured, and asked Howard for his thoughts about this. Howard replied that in CA there are a lot of organized medical groups who take on a lot of the risk for physician services and other non-hospital services. LA Care passes on some of their risk, and SustiNet will get to that point eventually. Historically this has been a conservative medical marketplace. Howard said that health plans need to take on some of the risk, but should strive toward aligning risks the plans take with risks the providers take.

Alex Hutchinson asked if there had been political battles when LA Care made the decision to be a direct to market product. Howard replied that there was some opposition from plan partners, who thought LA Care would be a regulator and a competitor, but Howard explained to them that they would be LA Care's subcontractors. A committee was created for the purpose of giving providers a forum for voicing concerns and an outside party was brought in to oversee member services operations. Howard said that there have not been any significant complaints from plan partners in almost four years of operation. Bruce Gould asked Howard if he saw any barriers to a similar effort in CT. Howard emphasized that locally run public plans can work, particularly if they can be distanced from the political process. He added that there are many options available, and it's important to choose carefully.

Paul asked Howard if LA Care had been able to influence the health care delivery system. Howard replied they had definitely influenced the Medicaid part of the marketplace, but had not significantly influenced the commercial part of the marketplace. He expressed hope that there could be long term impacts seen for things such as aligning incentives.

Kevin thanked Howard for his presentation. Minutes from the September 22, 2010 meeting were approved with no changes. Katharine asked for comments from Board members on issues presented today and encouraged members to call or e-mail consultants with any ideas they had. Bonita suggested contacting Board members who didn't attend today's meeting to get their viewpoints. Sal Luciano commented that he has seen municipalities moving toward things in service delivery that are counter to what SustiNet believes are best practices. He added that even in a large city such as New Haven, family coverage costs much more than what the state pays for its employee family coverage. Having these kinds of savings in addition to a better healthcare delivery system would go a long way in providing relief to taxpayers, providing better outcomes for members and providing additional resources to assist those in need. For these reasons, Sal said he would like to see municipalities becoming part of SustiNet.

Paul said SustiNet will need to determine how to underwrite a risk pool. He suggested the Board have a presentation from someone who has managed a risk pool. Ellen said that whatever plan is set up should be friendly to multipayor collaborations. Kevin said he is struggling with how to protect the design and administration of SustiNet from politics, while at the same time holding it accountable. He added that he didn't think the traditional way of appointing boards would necessarily have that line of accountability for something as important as healthcare. Bruce stated that the goal is a functional health care system that allows everyone to access care at a healthful level. He said that SustiNet needs help in determining what is accomplishable and what may be phased in, adding that this needs to be reasonable, logical, and evidence-based.

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Katharine said it would be helpful for the consultants to contact Board members individually to get feedback on priorities and then bring proposals back to the Board. Stan said it sounds like Board members want clarity and simplicity in the ultimate design. He said there have been many options proposed for the Board, and that perhaps it would be better to focus on fewer options. Bonita said the individual conversations would be valuable in determining the issues Board members agree on.

Anya said the November 18th meeting will focus on cost and financing with Stan sharing additional analysis from Jon Gruber. She added that there will be two December Board meetings, the 2nd and the 15th. She also pointed out that the last part of the PowerPoint presentation given by the consultants today contains information regarding health information technology, data and evaluation needs in addition to information that had been requested on potential SustiNet populations. Kevin said there has been a suggestion for another Board retreat and members agreed. Jeff Kramer offered a meeting space and Kevin agreed to work with him and get back to the Board regarding time and place.

Meeting was adjourned.

Next meeting will be Thursday, November 18, 2010 at 9:00 a.m. in LOB-Room 1B.