SustiNet Health Partnership
Board of Directors

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State Comptroller

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Board of Directors Regular Meeting
November 18, 2010
Meeting Minutes

Board Attendees: *Nancy Wyman, Comptroller, Co-chair; Kevin Lembo, State Healthcare Advocate, Co-chair; Ellen Andrews; Jeannette DeJesus; Margaret Flinter; Bruce Gould; Paul Grady; Norma Gyle; Jeffrey Kramer; Paul Lombardo; Estela Lopez; Sal Luciano; Joseph McDonagh; Marie Smith; Cristine Vogel; Robert Zavoski*

Office of the Healthcare Advocate: *Africka Hinds-Ayala*

Office of the Comptroller: *David Krause*

SustiNet Consultants: *Linda Green; Katharine London; Anya Rader Wallack; Stan Dorn; Jon Gruber (via phone)*

Absent: *Michael Critelli; Doreen Del Bianco; Bonita Grubbs; Nancy Heaton; David Henderson; Alex Hutchinson; Jamie Mooney; Lucy Nolan; Rafael Perez-Escamilla; Andy Salner; Marlene Schwartz; Marie Spivey; Todd Staub; Tory Westbrook*

Kevin Lembo opened the meeting by welcoming all attendees and asking Board members to introduce themselves. Minutes from the October 13, 2010 meeting were approved with no changes.

Stan Dorn presented an analysis done in conjunction with Jon Gruber entitled ***SustiNet - Costs and Coverage Estimates for Various Policy Options***. To access this presentation, please click here.

Kevin opened the floor to questions. Marie Smith noted that dual eligibles are not included in the proposed plan, and asked if including them would change things. Stan replied that some dual eligibles are included in these figures. PPACA gives states new ability to combine Medicare and Medicaid dollars into a single financing stream and delivery system for dual eligibles. There are examples of states that have realized savings of up to five per cent by combining Medicare and Medicaid dollars and offering a single unified system of care. Potentially, Connecticut could realize significant savings by doing this.

Ellen Andrews said that Connecticut didn't get the Medicare application approved, but it is going to be done anyway. She said no matter what happens, delivery reform needs to occur and spending must be reduced. She requested a chart with the number of new uninsured for each option vs. the difference in state spending currently reflected. Stan said the number of uninsured wouldn't change very much. Ellen also mentioned that some small businesses are reducing their employer-sponsored coverage now, and this needs to be taken into consideration. Stan said this was taken into account in the baseline. Jon said that there is uncertainty about the number of small firms who will be offering health insurance. Although the model is based on past evidence, this is probably the part of the model that has the most uncertainty. Stan added that there is new survey data from employers suggesting that large firms will continue to offer coverage, whereas some small firms may consider not offering coverage. Ellen asked if the model took into account increasing provider participation or increasing provider rates. Stan replied that neither of these things was taken into account. Stan said they didn't assume any increased savings effect from raising reimbursement rates or lowering private rates. It was felt that it would be better to err on the conservative side, even though these combined savings could be significant.

Margaret Flinter said the Federal Categorical Grants are designed explicitly to double the number of people using Community Health Centers (CHCs). The exchanges are mandated to contract with a CHC if there is one in the neighborhood. The rates are set at the perspective payment rates established with Medicaid so the whole payment change system doesn't impact that whole delivery system. She asked Stan to what degree this was factored into the model. Stan said the expansion of HUSKY and Medicaid was taken into account. Stan added that if more care is provided by CHCs and less care provided from other delivery systems, savings will be achieved. Stan said the only savings that are being assumed with respect to delivery system reforms are encompassed in that one percentage point reduction in growth rate. He said Margaret was making a very important point that the federal grant stream coming toward CHCs is expanding significantly. Anyone getting coverage through the exchange will have guaranteed access to available CHCs. The CHCs will have guaranteed access to the relatively favorable reimbursement rates provided from Medicaid, so when CHCs think about expanding and going to the bond market, they can take into account whatever increased revenue flows to them.

Paul Grady thanked Stan and the consulting team for all the work done in pulling the presentation together. Paul asked how the small firm enrollment number was developed. Jon said it was assumed that there would be a base level of enrollment of 10% that will be taken because of this new option. It was assumed that enrollment would rise in the option as it becomes cheaper and therefore more attractive to small firms. It was also assumed that the sicker the enrollees are, the less likely they would be to enroll in SustiNet, as they might be wary of trying a new plan; thus it's assumed that SustiNet will attract a healthier than average population. This is accounted for in the risk adjustment that's done across SustiNet and other insurers. Paul said there's an opportunity for the state to be more aggressive in encouraging the healthcare system to reform, and this presents the opportunity for SustiNet to control costs. He said there are two roles encompassed by SustiNet, one as overseer of the state's investments in healthcare and health, and the other being the competitive option. He said SustiNet could help the state in understanding where those investments should be and also measuring and evaluating the effectiveness of the recommended changes.

Robert Zavoski said that Ellen is correct that SustiNet needs to be more aggressive regarding savings. He questioned increasing HUSKY rates. He said that conversations between DSS and CMS indicate that if spending increases, savings will have to increase. While PPACA will bring an increase in federal dollars to the state, there is concern that existing programs won't be able to cover shortfalls. Robert also asked if rates paid to Medicaid providers would be lowered. Stan said that CT could get an 1115 waiver by entering into an agreement with the feds regarding budget neutrality. If as part of this waiver CT wants to raise reimbursement rates, CT would need to find a nickel of savings for every nickel of increased federal costs. On the other hand, if this is done by state plan amendment, the feds may not want to spend more money but they don't have the legal authority to refuse. Stan pointed out that there are a number of states that spend considerably more on a per capita basis than CT. Stan said the model uses a percentage increase in per member per month costs that would be sufficiently greater so that by 2019 those per member per month costs would equal those in the commercial market.

Joe McDonagh commented on small group and large group markets. Small groups only have two choices to make regarding insurance, cost and whether their doctors participate. If SustiNet is in the market in 2012, it will be part of a market that's gender biased, geographically biased, size of group biased, and has a great variation of ages. Adverse selection will be a higher likelihood for SustiNet particularly in 2012. On the other hand, a year ago, there were six major players in the small group market in CT and now there are four. Joe added that he hopes there's another player in 2012. Stan said that SustiNet should be offered on the exchange, but Board members will have to think about the time frame as there are many logistical details to work out. Stan said the private insurance marketplace is becoming increasingly concentrated and there are fewer players. Even if SustiNet didn't do any delivery system reform at all, the fact that it would provide increased competition in the market would be a benefit.

Kevin asked if it there was any other business to be discussed. Paul mentioned licensing, saying it will need to be addressed but awaits more definition. He also said the Board will need to review underwriting and managing a pool, and suggested a presentation for this in an upcoming meeting.

Meeting was adjourned.

The next meeting will be an executive session meeting on 12/2/10 in the large conference room on the seventh floor of the Insurance Department from 9:00 am until noon.