

**MINUTES OF THE
HEALTH SYSTEM REFORM TASK FORCE**

Thursday, November 1, 2012 – 9:00 a.m. – Room 30 House Building

Members Present:

Sen. Wayne L. Niederhauser, Senate Chair
Rep. James A. Dunnigan, House Chair
Sen. Allen M. Christensen
Sen. Gene Davis
Sen. Peter C. Knudson
Rep. Rebecca Chavez-Houck
Rep. Brian Doughty
Rep. Francis D. Gibson
Rep. Merlynn T. Newbold
Rep. Dean Sanpei

Members Absent:

Rep. Rebecca P. Edwards

Staff Present:

Mr. Mark D. Andrews, Policy Analyst
Ms. Catherine J. Dupont, Associate General Counsel
Ms. RuthAnne Frost, Associate General Counsel
Ms. Lori Rammell, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Task Force Business

Chair Niederhauser called the meeting to order at 9:17 a.m.

MOTION: It was duly moved that the minutes of the October 9, 2012, meeting be approved. The motion passed unanimously. Rep. Gibson was absent for the vote.

2. Statutory Reports

Sen. J. Stuart Adams distributed "Health Care Compact Workgroup Recommendations, November 1, 2012" and reported on behalf of the Utah Health Care Compact Workgroup. He said the Utah Health Care Compact has two years to implement its ideas. Rep. Chavez-Houck said that follow-up on this issue will be important and suggested that periodic reports to the task force should continue.

Rep. Dunnigan explained that the task force is required by statute to report on its work to the Health and Human Services and Business and Labor Interim Committees before November 30, 2012. He said the task force would make the report by the statutory deadline, but the work of the task force will continue.

3. November 16 Blueprint Deadline

Dr. Norman Thurston, Health Reform Implementation Coordinator, Utah Office of the Governor, confirmed that the governor's office will have a blueprint for implementing a state-based or state-partnership health insurance exchange by the November 16, 2012, federal Affordable Care Act deadline. At issue, he said, are three components of the exchange: 1) an access point for people to get access to premium tax credits and cost-sharing deductions, 2) an individual shopping tool, and 3) a more robust consumer assistance program. He said it must be decided whether the state wants to build those three components or let the federal government do it. The issue, he said, is that those three items are being bundled and would impact several other programs, including Medicaid, insurance markets, consumer assistance, and state budgets, and possibly defined contribution and Avenue H as well. He said there is federal money to build the exchange in either case, but if Utah wants to build it, it must first find out more about the federal funding and its effect on various state programs.

Rep. Dunnigan asked if it is possible for the state to have a Medicaid program up and running by October 1, 2013. Mr. Thurston said it would depend on how strict the federal government is in accepting what the state comes up with. Mr. Thurston said that it is possible to build the exchange without using federal money, and that would allow the state more flexibility, but it would be imperfect. He indicated that he thought the high-end cost for state development of an exchange would be \$30 million, that for \$20 million the state could develop an exchange which would not be perfect but would be good enough, and that for \$8-10 million the state could develop an exchange that would be functional, "but not necessarily pretty." Mr. Thurston said that other states, such as Rhode Island, are asking for as much as \$75 million in federal funds to build an exchange, but Utah could build an exchange for significantly less.

Rep. Kiser asked about the ongoing costs of an exchange. Mr. Thurston indicated that user fees are expected to cover ongoing costs. He said that he thought user fees would be higher using a federal exchange model than they would be using a state model.

Ms. Judi Hilman, Executive Director, Utah Health Policy Project, said Utah Health Policy Project leans toward favoring a state-based exchange because the work at Avenue H, especially in such a short period of time, has been remarkable. She did, however, acknowledge that there are many unknowns. She said the core ideas of the federal Affordable Care Act were designed to stabilize the private market, and as a result the private market will be stronger and more responsive to the needs of individuals. Rep. Chavez-Houck asked what Ms. Hilman thought would be an optimal amount of involvement from the federal government. Ms. Hilman said that, ideally, Utah would be allowed to further develop the components of its existing Avenue H exchange that are already successful. Ms. Hilman added that she thought Utah should request a \$20-\$30 million grant.

3. Stop-loss Coverage as a Response to ACA Requirements

Ms. Tanji Northrup, Assistant Commissioner, Utah Insurance Department, reviewed the use of stop-loss coverage by small employers as a cost reduction strategy in response to the federal Affordable Care Act. She said more stop-loss, or self-funded, plans are being marketed to groups as small as 10-15 employees. She stated that, while groups of primarily healthy individuals can get lower cost coverage through stop-loss policies, unhealthier groups will be left in the small group marketplace, resulting in higher losses in the small group marketplace. She said stop-loss plans are not regulated and tend to be high deductible plans. Sen. Davis asked if it would be possible to regulate the stop-loss market in Utah, and was told by Ms. Northrup how that could be done.

Mr. Andrews presented information on the regulation of stop-loss coverage by states.

Rep. Dunnigan reviewed a list of federal Affordable Care Act provisions that will not apply to small employers that choose to be self-insured and use stop-loss coverage. He said that he is sponsoring legislation to put stop-loss coverage under the regulatory purview of the Insurance Department.

Mr. Brian Allen, lobbyist, America's Health Insurance Plans, suggested the state consider what neighboring states are doing to regulate stop-loss coverage and use caution to not increase costs for small businesses, discourage economic development, or disadvantage local health plans.

4. Vision and Dental Plans in Exchanges

Ms. Patty Conner, Director, Office of Consumer Health Services and Avenue H, said Avenue H would appreciate the opportunity to add dental and vision plans to its offerings. She said its current technology

providers already have the capability to add these benefits, including with a defined contribution arrangement, so employers can decide whether to spend their money on vision or dental coverage alone, or both, and how much money to spend on each. She said there are several issues that need to be addressed:

- 1) How many carriers should be allowed to participate, and should those that have been with the exchange from the beginning get preference?
- 2) Should there be minimum benefits?
- 3) Would an employer group be required to enroll in medical coverage before it could have the option of dental and vision coverage?
- 4) Would a defined contribution be voluntary?
- 5) Would there be minimum employee participation requirements?

Ms. Conner indicated it would take four to six months to define rules for dental or vision coverage and set up the necessary technology, but that by July 1, 2013, coverage could be offered.

Rep. Dunnigan asked whether providing vision and dental coverage would create any additional administrative burden for Avenue H. Ms. Conner indicated that it would be hard to project without more information from the exchange's technology partners. She said there would be some costs associated with the initial setup of coverage, but that she was not sure whether the costs would be absorbed by the carriers, Avenue H, or insureds.

Ms. Conner said that she didn't know what percentage of employers offering health benefits also offer dental and vision coverage. She said that under the federal Affordable Care Act, if the state chooses to do a state-based exchange, dental and vision coverage would be optional, but under a federal exchange dental and vision coverage would not be offered.

Ms. Dupont clarified that the question of vision and dental coverage must be addressed at the Avenue H level and then at the Affordable Care Act level. If the state implements a state-based exchange, it gets some decision making authority. If it does not implement a state-based exchange, it does not get to make decisions about vision and dental coverage. Regarding essential health benefits, she said that pediatric dental and vision coverage must be offered, as well as stand-alone dental.

Ms. Northrup said the Insurance Department does not have minimum employee participation requirements for dental and vision coverage and has not yet seen a need for greater regulation of those products. She expressed concern that too much regulation of vision and dental plans could hamper participation in the plans. She said that she would like to have vision and dental plans offered on Avenue H.

Mr. Stephen Schubach, President and Chief Executive Officer, Opticare Utah, said that 93% of all vision plan participants are buying coverage from stand-alone vision plans. He questioned why the state would want to have major medical carriers offer vision plans when it is not something they want or are equipped to do.

Mr. Andrews distributed and discussed a letter from the National Association of Vision Care Plans.

Mr. Don Garlitz, bswift, one of the technology partners of Avenue H, discussed the range of funding strategies for vision and dental coverage being considered across the nation.

Mr. James Mullen, Manager of Public Affairs and Government Relations, Delta Dental, indicated that he supports the offering of stand-alone dental coverage in Avenue H.

Mr. Andrews asked Mr. Mullen whether he was suggesting that a major medical carrier should be required to offer a stand-alone dental plan in order to offer dental coverage in Avenue H. Mr. Mullen indicated that it would be acceptable for a carrier to offer dental coverage bundled with its major medical coverage as long as the carrier also offered the same plan without dental coverage.

Ms. Dupont asked Mr. Mullen whether he had any insight into the treatment of pediatric dental coverage outside the exchange as part of the essential health benefits package. He said that his company has asked the U.S. Department of Health and Human Services about this issue repeatedly but has not received any clarification.

MOTION: Rep. Dunnigan moved that the Insurance Market Issues Workgroup study the offering of vision and dental coverage in the exchange and come back to the task force in December with recommendations on some of the policy questions discussed at this meeting. The motion passed unanimously with Rep. Gibson absent for the vote.

5. Arches CO-OP

Mr. Sean Green, Founder and Chief Operating Officer, Arches Health Plan, presented an overview of Arches (see "Arches Health Plan") and said that it is the federal government's intention that there be at least one co-op plan in each state. He said that Arches' vision is payment reform and its mission is to align the incentives of both patient and provider, so the focus of the plan is on the best interests of the patient.

Dr. Douglas Roland Smith, Chief Medical Officer, Arches Health Plan, and formerly a family physician with Intermountain Healthcare, discussed primary care and said that a problem exists with the payment structure for health care, which has led to a decrease in the number of primary care providers nationwide. He said Utah has approximately 5.8 primary care providers per 10,000 persons due to the fee-for-service environment that has driven more physicians into specialty service practice. He indicated that the goal should be to increase the number of primary care physicians and decrease the number of patients each is required to see each day. He outlined the difference between an Arches medical home and a health maintenance organization. He responded to a question from Sen. Niederhauser regarding the recognition Utah health plans have received, saying that much of that success is due to lifestyle in the state and the young age of the population. He said that more could be done to improve care and costs.

Mr. Linn Baker, Chief Executive Officer, Arches Health Plan, and former Executive Director of Public Employees Health Program, said that inefficiencies drive up costs. The solution, he said, is to make consumers aware of costs before they purchase health care so that patients can make informed decisions and competition can be increased.

7. Next Meeting—Date and Topics

Chair Niederhauser stated that the next meeting of the task force would take place on December 4 at 9:00 a.m.

8. Adjourn

MOTION: Sen. Christensen moved to adjourn the meeting. The motion passed unanimously.

Chair Niederhauser adjourned the meeting at 11:30 a.m.