



Steve ErkenBrack
President and CEO
Rocky Mountain Health Plans

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An Open Letter to our Members and Stakeholders:

I would like to take this opportunity to provide some summary comments about the recently-passed federal health care reform bill. I do so not from a partisan or ideological view, but from the most important perspective we have at Rocky Mountain Health Plans (RMHP): *how will this legislation affect our Members?*

I note at the outset, health care reform is no surprise to us at Rocky Mountain Health Plans. We have worked with policy makers for years to encourage them to reform the system to address two pressing concerns: the spiraling costs of health care, and the need to cover the uninsured. These are related, and there has been far too little discussion regarding that interrelationship.

With that overview in mind, let me consider the legislation from five perspectives:

- 1) What is in the Bill that is good for our Members?
- 2) What is in the Bill that will be challenging for our Members?
- 3) What is not in the Bill (thank goodness)?
- 4) What is missing from the Bill that our Members still need?
- 5) What is coming next?

What is in the Bill that will be Good for our Members?

The Bill expands access to care, and that could reduce the costs for our Members.

A core commitment of RMHP is to provide access to health care for everyone in the community. As such, this key part of the Bill to expand coverage is essential. There has been far too little discussion about how expanding coverage can reduce costs. We know the more people who have health coverage, the more we can promote preventive care to improve the health of our Members, assist in managing chronic conditions, and lower costs for the communities we serve. In addition, the more people that have coverage, fewer expenses are shifted to the rest of us.

The core concept of the Bill for expanding access is the right one.

There were many discussions about government-based alternatives (expand Medicare; expand CHP+) but in the end, Congress chose to expand coverage based on the same principles as recommended by Colorado's Health Care Commission and by America's Health Insurance Plans (AHIP). There are four fundamental and related principles:

- Eliminate the denial of coverage based on pre-existing conditions;
- Require all individuals to have coverage;
- Provide subsidies to help lower income individuals to purchase coverage;
- Create an exchange in which people can compare plans with similar benefit packages.

The Bill is geared toward the Rocky Mountain Health Plans Model.

For more than 35 years, we have been committed to serving as a vehicle for all people to access the health care system, whether through their employer, a government plan, or through individual coverage. This Bill creates opportunities for all of those lines of business. Consider a few examples of the positive impact for our Members:

Medicare

The Bill provides a three year extension of our cost-contract and makes changes to the reimbursement rates of our Medicare Advantage competitors. This will help return the market to the more level playing field that existed before 2003 (when we were the fastest-growing Medicare plan in the state). The Bill also provides a \$250 rebate for Part D coverage in 2010, and seeks to close the coverage gap (known as the "donut hole") for seniors by 2020.

CHP+

The Bill establishes a 23 percent increase in the federal share of funding for CHP+ in 2013. As you may recall, we have recently expanded our CHP+ service areas to include underserved areas throughout the state. This will underscore the stability of that effort.

Small Group

The Bill provides certain employers with no more than 25 full-time employees with tax credits to assist them in providing health insurance for their employees. This obviously will help this segment of the market. At RMHP, we have seen robust growth since last summer in this market segment.

In addition, the Bill sets rating rules that are very consistent with our model. In some respects, such as geographic rating, the Bill adopts standards that are critical for us.

Pilot Programs

The Bill sets forth a number of pilot programs that have potential for us to participate in to improve quality, address payment reform, and to promote cost-effectiveness.

What is in the Bill that will be Challenging for our Members?

In addition to the significant "price tag" of the Bill, there are three broad areas of concern for our Members.

The Bill expands Medicaid eligibility but does not address inadequate provider reimbursement.

The Rocky Mountain Health Plans model is predicated on the concept that all segments of the community deserve access to the same tier of high quality care. Within our Medicaid service area, we ask all of the physicians in our network to participate in all lines of business. That means low-income Medicaid enrollees receive access to the very same network of providers available to all other RMHP Members – including specialists who treat complex conditions. Access to care within our community is not based on a person's income or status in the community, but on the basis of medical needs.

That model is compromised when Medicaid underpayments strain the system, and the expansion of the Medicaid population will make that strain even more evident.

Many of the proposed changes in rating will increase the costs of health care.

Over the next several years the Bill changes the rules for health plans and insurance companies, such as:

- eliminates lifetime caps on the amounts paid for care
- allows coverage for dependent children up to age 26
- creates new administrative requirements, including a federal rate review process
- requires coverage of applicants regardless of a pre-existing medical condition

Some of these requirements may not affect our Members, but many will. Some of these requirements will cause an increase in our rates. Even though that is not intended, some of these requirements will result in cost-shifting to the consumer. For example, there will be taxes on providers, health insurance companies, drug companies, etc., and it is reasonable to expect the impact of those will result in higher negotiated costs and ultimately higher rates.

Regulatory implementation.

This Bill is not the end of health care changes; it is the beginning. As with virtually all federal statutes, there will be a number of regulations that will be written to implement the legislation. Some of these may be problematic for our Members.

What is not in the Bill (Thank Goodness)

Just as we note what Congress decided to do that will help our Members, it is useful to consider the things they rejected, which would have disadvantaged our Members.

Rejection of a single payer, government-run delivery system.

Many people in the country believe we should transform our health care system along the model of Canada or England. Congress never seriously considered such a massive overhaul, but it did consider expanding existing government programs (Medicare to age 55 or a government-run system for children). And, of course, it strongly considered a government-run option (see below).

Creating an unlevel playing field.

The core principle in guaranteed issue coverage, regardless of preexisting conditions, requires the “playing field” be level. In other words, no entity has an unfair advantage over another. Congress rejected several efforts that would have created such an unlevel playing field, such as:

A government option, with Medicare rates

Forcing us to compete against a government entity that would not have to contract with a network of physicians, maintain reserves to pay claims, or be subject to regulatory audits would have created an adverse selection calamity for our Members. Rates (and service) in such a government plan would be cheaper, not because of efficiency but because it would not have to incur the expenses a private competitor would have to bear. The cheaper rates would have attracted the healthier people (who wouldn’t need better care), allowing the government plan to have even cheaper rates the following year. If those healthy Members got sick, they could simply switch to the better quality private plan such as RMHP because it would be guaranteed issued, without consideration of preexisting conditions. As a result, RMHP’s rates would increase to pay for the sick new Members.

Buying insurance across state lines

Many in Congress advocated this as a solution, noting that auto insurance and life insurance are sold across state lines, and they have not seen the increases that we have seen in health insurance. The problem with this theory

is that the existence of state lines has nothing to do with the increases in health care costs. More importantly, because different states require health plans to cover different things, allowing plans that do not have to pay for all the coverage that RMHP is required to provide would create another unlevel playing field.

A national exchange

We compete with national for-profit companies, but we do so in our service area of focus – the State of Colorado. To require community based plans to compete within a national exchange would have given our national competitors a huge advantage. By requiring them to compete with us in a Colorado-based exchange, we are able to take advantage of our strengths and our understanding of health care delivery system within our state. The Bill will allow cross-border exchanges, if approved by the affected states and by the Secretary of Health and Human Services.

What is Missing from the Bill that Our Members Still Need to Have?

RMHP has been an advocate for effective health care reform for years. In that regard, the Bill does not address – or only addresses in very broad and imprecise ways – some of the things that are critical to sustaining an improved system:

Cost Controls

Many of the main drivers of increasing health care costs cannot be addressed by an Act of Congress; they must be redressed at the community level by building a more efficient system. That said, there are provisions in the Bill that could encourage such efforts if implemented in the right way.

Best Practices

Just as with cost controls, it is essential that care is delivered in the most effective manner. We achieve this through our Care Management, Quality Improvement, and Medical Direction teams. Congress cannot pass any law that will attain this, but it is critical the implementation of the Bill recognize and support these on the ground efforts.

Tort Reform

The practice of defensive medicine (ordering tests and procedures not medically indicated but are done to protect the doctor from claims of malpractice) drives up the cost of health care. Although the Bill envisions pilot programs in this area, there are no specific initiatives outlined.

Primary Care Provider Shortage

The Bill proposes to expand coverage to millions of Americans who are uninsured. There is currently a shortage of primary care providers throughout the country. It presents an interesting challenge to increase the numbers of people who are technically “covered” without a corresponding plan to ensure access to a physician or provider.

Individual Responsibility

To make a guaranteed issue regardless of preexisting condition model work, individuals must participate in the system before they get sick. This requires a meaningful penalty for those who refuse to obey the law. The annual penalty for non-compliance begins at \$95 in 2014, and increases to \$695 over three years. That may not be enough of an incentive to encourage the required participation.

Just as importantly, there is little in the Bill to promote wellness. At the end of the day, it is incumbent on each of us to improve our health as we can. Seventy-four percent of health care costs are attributable to the treatment of four diseases: heart disease, cancer, diabetes, and obesity. Promotion of wellness is an area that must be addressed.

What is Coming Next?

External: The political environment will remain contentious, producing far more “heat” than “light”

Litigation has already been filed challenging the Bill. Health care reform will likely be a major campaign issue in this election year.

There will be thousands of pages of regulations that will be written in the years to come. As always, Rocky Mountain Health Plans will be weighing in as we deem the most appropriate way to influence the process, all with the goal of providing better care in the most cost-effective way for our Members.

At Rocky Mountain Health Plans

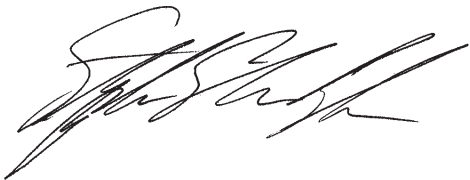
We have had a team evaluating federal health care proposals and bills throughout 2009. That team will continue this work, now that we have the final Bill, identifying critical and immediate issues. We'll be providing updates on a regular basis to staff, brokers, and other stakeholders on our website.

Conclusion

Lastly, let me note my optimism. This Bill will be a challenge to address — no doubt about that. But Rocky Mountain Health Plans has the right model with the right focus, and the right team at the right time. That is not just my opinion: it has been underscored by all the attention we have received over the course of this health reform debate. We have been consulted by Members of Congress and their staffs who wrote this Bill. Study after study has validated the effectiveness of our delivery model, and held us up as a model for other communities.

We have much work to do. But there is no health plan in the country in a better position to rise to the challenge with the talented and committed staff and a leadership team that is focused on our ongoing success and continued service to our Members.

Sincerely,



Steve ErkenBrack
President and CEO

We understand Colorado.
We understand you.

