

# *Oklahoma Strategic Plan*

*July 14, 2009  
Oklahoma State Coverage Initiative*

# DIRECTORY

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## **PREAMBLE**

### **Change?**

In the 1992 book, *Mandate for Change*, the Progressive Policy Institute defined the key to health care reform in the United States:

**“The proper role of government, on health care and elsewhere, is neither to let broken markets run amok, nor to replace the market with bureaucratic mechanisms that set prices and allocate resources. Rather, government's primary role should be to improve the market's ground rules in order to decentralize decision making, spur innovation, reward efficiency, and respect personal choice.**

PPI leadership recently wrote, “If the leaders of the current debate stick to the centrist path that PPI illuminated so many years ago, it may indeed succeed this time.”

### **Strategies**

The SCI Coverage Plan comprises the following five strategies to be executed over five years. Upon successful completion of these strategies, Oklahoma policymakers will then adapt future policies to the successes or failures of these.

Each strategy is intended to be an integrated piece of a Plan that will take at least five years to fully execute. The strategies contain internal “triggers” that allow each strategy to further evolve once a certain level of progress has been made.

This paper discusses those strategies and describes the specific actions required to implement them by the Oklahoma State Legislature, the Oklahoma Insurance Department, the Oklahoma Health Care Authority, Oklahoma Health Insurers, and others.

#### **1.0: Maximizing Current Opportunity**

#### **2.0: Creation of the Affordable (Basic) Health Benefits Plans**

#### **3.0: Generation and Application of Public Revenue**

#### **4.0: Enrollment Strategies**

#### **5.0: Partnerships, Support and Ongoing Development**

## **Executive Summary**

### **OKLAHOMA SCI STRATEGIC PLAN**

This discussion and its embedded recommendations are the product of almost two years of dedicated process in Oklahoma. It represents the concentrated thought and discussion of hundreds of involved Oklahomans. Work on the State Coverage Initiative project was supported in part by the Robert Wood Johnson Foundation through the State Coverage Initiatives program.

The Plan recognizes that significant numbers of Oklahomans have no realistic opportunity to acquire health insurance, while others prefer not to do so. The SCI recommendations address this reality and craft public policy interventions to reduce the numbers of uninsured as much as possible over the next several years.

#### **Strategy 1.0:**

##### **Expand Insure Oklahoma and SoonerCare**

The SCI Plan calls for an accelerated effort to implement programs that are already approved and authorized but are not yet at capacity. This includes both Insure Oklahoma and SoonerCare, programs that receive about two dollars in federal funds for every dollar Oklahoma spends. Full enrollment of all eligible Oklahomans for whom funding is currently available would reduce the number of uninsured by 80,000; another 370,000 could be covered if a new revenue source for the Oklahoma share is established.

#### **Strategy 2.0:**

##### **Create Affordable Commercial Health Plans**

This strategy is to examine the feasibility of “affordable” plans that may also trigger federal matching funds, may be offered with state funds to match private expenditures or simply may be available as lower cost yet comprehensive options. One option is to create “mandate free” plans that will be allowed by the Legislature by the suspension of state insurance mandates. The exploration of other options led to a conclusion that broadly affordable and attractive individual insurance plans likely cannot survive the marketplace without the adoption of a fair and equitable requirement for all individuals to purchase health insurance coverage.

#### **Strategy 3.0:**

##### **Generate Revenue Through a Dedicated Insurance Fee**

As public revenue is required, the SCI Plan proposes an innovative recirculation of what is known as the “embedded cost shift” in health expenditures. This approach assesses all third party payers of health care claims and directs those assessments into a dedicated fund to generate the public revenue required to support premium assistance purchases. The rate and frequency of assessment will be calibrated to actual need, and the application of the fee will only be activated as the numbers of uninsured are reduced. All payers - insurers, HMOs and third party administrators - will participate, as each is a potential beneficiary.

## **Executive Summary (continued)**

### **OKLAHOMA SCI STRATEGIC PLAN**

#### **Strategy 4.0:**

##### **Encourage Oklahomans to Obtain Insurance Coverage**

A variety of enrollment strategies will be employed to induce Oklahomans to acquire applicable private or public health insurance. The failure of these strategies will require policymakers to consider mandating that all individuals secure health insurance.

#### **Strategy 5.0:**

##### **Complementary Initiatives**

The issue of health insurance coverage for Oklahomans is as broad as it is deep. Nothing will be accomplished solely by a single group or even a single government. All of the proposed strategies are interdependent and requiring sequencing. This SCI proposal provides the suggested actions, benchmarks, and sequencing to significantly reduce the number of uninsured in Oklahoma, and recommends coordination with and support for complementary initiatives in the state.

##### **Endorsements**

A significant effort was made to reach the leading corporate leaders in the state and to blend their thoughts and recommendations. The State Coverage Initiative process included the interviewing of senior executives of 27 of Oklahoma's largest (by size of workforce) private sector employers. Each was interviewed in-person and separately. The purpose was to inform them of the economic impact of our uninsured population and to seek their opinions on developing strategies to create affordable coverage options and induce take-up. These recommendations contributed significantly to the development of the strategies developed by the SCI process. The consensus of large employer opinion is presented at Appendix 1.

##### **Commentary**

There is no guarantee that this plan will meet the dual challenges of satisfying the rigors of both the political and commercial marketplaces. There are cases to be made that contemporary Oklahoma public policy and economic conditions will not allow that co-existence.

But the SCI Team does believe that this Plan has a better chance of creating a supportive Oklahoma environment than any that has ever yet been produced in the state.

The SCI Plan has now been created; consideration and implementation awaits. The next steps are to place these strategies into the political and commercial marketplaces and assist in their survival and growth.

## **Strategy 1.0**

### **MAXIMIZING CURRENT OPPORTUNITY**

#### **Timeline**

Immediately.

#### **Introduction**

The first strategy is to exhaust the unused capacity of the state's premium assistance for health insurance program (Insure Oklahoma) and Medicaid program (SoonerCare). This will occur in two phases: (1) cover individuals who are currently eligible but not yet enrolled, and who require no new revenue sources; (2), phase-in a new public revenue stream to assist individuals who could be eligible but for whom state funding is not yet available.

#### **Phase One**

The first phase of maximizing existing programs requires an aggressive enrollment of all persons who are currently eligible for either Insure Oklahoma or SoonerCare and for whom funding sources are already available. Successful implementation of this phase would reduce the uninsured by an estimated 80,000 Oklahomans.

Insure Oklahoma reports that there are currently 23,532 persons covered by that program, 15,532 in private plans offered through employers and 8,259 in the individual plan run by the Oklahoma Health Care Authority (OHCA). Both plans are funded by state dollars matched approximately 2:1 by the federal government\* and by premiums paid by enrollees; the employer-sponsored plans also require a financial contribution by the employer.

The state share now comes entirely from revenues allocated to Insure Oklahoma from the tobacco tax. The amounts generated for Insure Oklahoma under the tobacco tax are sufficient to support premium assistance for about 11,500 more enrollees than have been signed up to date.

In addition, there are some 57,000 children eligible for SoonerCare who have not been enrolled. These are children in families with incomes at or below 185% of the federal poverty level.

*\* Per the federal stimulus bill (The American Recovery and Reinvestment Act) the federal matching rate (FMAP) will rise to 3:1 for a 27 month period.*

Aggressive enrollment strategies under the SCI Plan would include:

- **Establish a coordinating entity for Insure Oklahoma**  
This recommendation has been incorporated into 2009 House Bill 2026 that establishes a Healthcare for the Uninsured Board (HUB). The original SCI recommendation, drafted prior to the passage of HB2026, stated, “To exhaust current Insure Oklahoma capacity, enrollments would be stimulated through an accelerated and intense marketing effort to brokers and private employers. The Oklahoma Insurance Department (OID) in collaboration with the Oklahoma Health Care Authority (OHCA) shall establish an Oklahoma HUB. Small and moderate-sized businesses would go to the HUB and be assisted by a private-sector insurance agent who would have access to a wide range of plans. The HUB would build on the Agent Partners Program already in place and would work in conjunction with the OHCA’s Qualified Agents program. The Oklahoma HUB currently would focus on the employer-sponsored Insure Oklahoma (ESI) Plans, since the Individual Plan under Insure Oklahoma is operated directly by the Oklahoma Health Care Authority and is not a commercial plan handled by insurance agents.” Implementation of the HUB will facilitate business and/or individual access to available public and/or private insurance options.
- **Link OHCA’s “No Wrong Door” to the Oklahoma HUB**  
The Oklahoma Health Care Authority will deploy an electronic eligibility and enrollment process for SoonerCare in the fall of 2009 (“No Wrong Door”). This process will streamline enrollment and payment authorizations. It represents an aggressive effort by OHCA to enroll all eligible uninsured people through the Internet. The SCI Plan would build on the No Wrong Door initiative by establishing linkages between the enrollment processes in No Wrong Door and the Oklahoma HUB for individuals who are not eligible for SoonerCare but might be eligible for Insure Oklahoma.

## **Phase Two**

The second phase of building on the untapped reserve capacity of the Insure Oklahoma Program requires establishing an additional source of revenue beyond the tobacco tax and dedicating the funds to expanding the program. A dedicated fee proposal to provide this additional revenue is discussed in Strategy 3.0: Generation and Application of Public Revenue.

Insure Oklahoma was created and subsequently expanded by the Oklahoma State Legislature and is operated under a federal Medicaid waiver that authorizes federal funds to match state dollars spent on the program. Beyond the additional individuals who could be enrolled with funding already available from the tobacco tax, there are many people who could be included under the terms of the state law but for whom the funds to provide the state share are not available.

Potential enrollees fall into two groups.

The largest, nearly 324,000, are Oklahomans who meet the terms of the existing federal waiver. There are also some 90,000 additional persons who could be covered under the terms of state law but whose inclusion has not yet been approved by the federal Centers for Medicare and Medicaid Services (CMS) for federal matching; covering those persons would require additional federal approvals as well as a state revenue source.

The OHCA will be prepare and submit a revised waiver proposal to expand Insure Oklahoma to the maximum population permitted under state and federal law.

- **Use New Dedicated Fee to Generate State Share for Expanding Insure Oklahoma and Triggering 2:1 Federal Match (3:1 until December 31, 2010)**  
The SCI Plan calls for funding the expansion of the Insure Oklahoma program by raising sufficient new state revenue and triggering federal matching funds through a new dedicated fee. The dedicated fee would be implemented in phases over several years, with revenues only being collected as needed based on successfully meeting enrollment expansion goals.
- **Continue to Pursue Federal Waivers to Full Extent of State/Federal Law**  
The SCI Plan calls for supporting efforts by the OHCA to gain full approval from CMS for all groups that could be covered under the Insure Oklahoma program and SoonerCare. These include additional low-income children, College Students and Adults.



## **Strategy 2.0**

### **THE AFFORDABLE (BASIC) HEALTH BENEFITS PLANS**

#### **Timeline**

Immediately and ongoing.

#### **Introduction**

The SCI Team recognizes that successfully marketing and operating “affordable (basic) health benefits plans” require a more balanced and responsive marketplace than is present in Oklahoma, and that a functioning marketplace requires motivated buyers and sellers. This SCI analysis concludes (1) that many Oklahoma buyers are neither motivated nor acculturated to purchase health insurance in any form and (2) that Oklahoma insurers are not motivated to absorb the additional excessive risk required by the current marketplace.

The residual effect of those two dynamics is over 600,000 Oklahomans without the security of health insurance. The current array of health plans are likely as affordable as the current marketplace will allow without an intervention. Given that preamble, the following discussion represents the collective SCI Team perspective:

#### **Build Upon Insure Oklahoma**

Even though the Insure Oklahoma plans as configured under State Law could expand dramatically above current levels, they nevertheless are only available to certain groups.

- Working for businesses with 250 or fewer employees (and their spouses), with separate provisions for people who meet the definition of “unemployed,”
- Low-income college students ages 19 through 22, and
- Children above the Medicaid eligibility level.

There are Oklahomans who would not meet the requirements for participation in Insure Oklahoma – for example, those who do not work for small businesses or do not fall into the other categories – or for whom the Insure Oklahoma program’s health plans would still not be affordable even with the substantial premium subsidies it provides.

One group of the uninsured is of particular concern – individuals between 19 and 34 years of age who comprise nearly one-half of Oklahoma’s uninsured. People in that age group have relatively low health care expenses and may not appreciate the value of health insurance. Individuals in the 50-64 age group also find affordable insurance difficult to obtain. This population may be semi- or fully-retired without employer sponsored retiree health insurance. They are frequently self-employed. Pre-existing condition limitations and medical underwriting restrictions for this age group can cause coverage to be unaffordable and/or unavailable.

Another group is workers whose employers may be unwilling to offer the existing Insure Oklahoma plans if only a small proportion of their employees would qualify for a premium subsidy, since the employer would have to bear a larger share of the premium for all other employees.

### **SCI Process Consensus**

The HCR1010 Core Health Benefits Task Force, the SCI Insurance Marketplace and Core Health Benefits workgroups, citizen input during the two-year CHAT (Choosing Healthplans All Together) workshops, and comments presented at SCI monthly meeting all suggested the need for more affordable benefit plans.

The consensus of the CHAT and SCI Workgroups was that the current Insure Oklahoma plans should serve as the starting point for the creation of a modified core (affordable) health benefits plan. CHAT participants were generally willing to give up a degree of choice of hospitals or providers and enroll in managed care plans to achieve savings, but were not willing to sacrifice most benefits. In addition, the consensus was that high-deductible plans were not appropriate for the uninsured population, although moderate co-payments and co-insurance would be acceptable. Both statutory and regulatory relief of certain requirements will be necessary to enable private insurers to create plans responsive to these concessions for affordability.

To the extent feasible under state and federal law, Affordable Benefit Plans would be designed to meet the terms of a revised federal waiver to qualify for federal matching.

If federal matching is not available for certain groups or particular affordable plans, Oklahoma could choose to offer premium assistance with state dollars only. The coverage arrangements under the Affordable Benefits Plans would be specifically designed to recognize the recommendations from the Core Health Benefit Task Force and CHAT findings, and to meet the needs of different target groups such as the following:

- Employers who are concerned about the cost of current Insure Oklahoma plans and seek plans with lower financial liability for their share of premiums for employees who do not qualify for subsidies.
- Oklahomans who are not eligible for Insure Oklahoma and seek a low-cost private sector option.
- The uninsured in Oklahoma age 19-34.

Based upon these considerations, the SCI Plan calls for establishing “mandate free” health plans and accepting the fact that current Insure Oklahoma products are as affordable and as accessible as market forces will allow without an individual mandate to purchase coverage.

### **Authorization of “Mandate-Free” Plans**

This recommendation was included, in part, within 2009 HB 2026 (Steele/Crain).

This recommendation calls for affordable benefit plans developed in a modified commercial marketplace freed from state mandated benefit requirements. It is based upon the CHAT findings that Oklahomans were willing to consider forgoing certain choices and benefits in exchange for affordability.

States have created certain combinations of mandated health insurance policy coverage by health insurers. These mandates take the form of required coverage for certain conditions, providers and services. The combination of these mandates in Oklahoma is about at the national average. Some policy and political entities believe that these “mandates” significantly increase the costs of health insurance in Oklahoma and that the absence of these mandates will allow affordable products that will be very popular in the marketplace.

Based on significant discussion and analysis of this issue, the SCI Plan reflects the belief that the impacts of the Oklahoma benefit mandates are likely negligible in that many of the required benefits would naturally be included in any rational health plan. Nevertheless, because there is strong interest in how the market would operate free of mandates, the SCI Plan calls upon the Oklahoma legislature to create a no-mandate opportunity by legislation for a finite period, then to assess its effectiveness. The Oklahoma Insurance Department should regulate the products offered under this authority to preclude fraud and deception.

Additionally, regulatory mandates to enforce freedom of choice statutes may add significantly to the cost of many health plans. The CHAT process illuminated the willingness of many Oklahomans to sacrifice some choice (not quality) of medical provider in exchange for lower cost coverage. The Oklahoma Insurance Department shall determine the extent to which statutory and/or regulatory change is necessary to promote competitive pricing amongst providers to reduce health insurance costs.

## **Marketplace Reality**

Over 600,000 Oklahomans are without the security of health insurance. In order to create an environment where almost all Oklahomans are insured, such coverage may well require a mandate by state statute. There is no example in any nation, or in any other state, where near universal coverage percentages have been achieved voluntarily. These have simply proved to be mutually exclusive commercial forces. The SCI process has considered a number of strategies to develop low cost and affordable individual health insurance plans that can survive the marketplace. The best alternative created was a comprehensive plan with some co-payments that had a low annual limit, with a separately priced and funded catastrophic backstop. The catastrophic coverage component was deemed unattainable at this time. However Oklahoma will monitor pilot efforts in New York and Texas. In the end, it was concluded that the dynamics of adverse selection, lack of guaranteed issue, personal choices and other influences will conspire to defeat any such strategy.

Therefore this Plan recommends that the strategic direction emphasize optimizing enrollments with current programs – then a serious consideration of requiring the individual purchase of health insurance in a fair and equitable manner. An individual mandate should be accompanied by legislation requiring guaranteed issue of lower cost health plans. The rationale for this conclusion is the following:

- Health insurance requires a “guarantee issue” environment for policies to be widely available to those in need. If this condition does not exist, responsible insurers are required to underwrite products and exclude large percentages of a population (up to 20%) based upon their known risk. This leaves the Oklahoma High Risk Pool as the only available option to those denied coverage in the standard market. This immediately defeats the intent of “affordable” plans for the uninsured in both affordability and availability.
- “Guarantee issue” requires the protections and risk sharing offered by all individuals being required to purchase health insurance or otherwise be insured. This is “mandating individual health insurance coverage.”
- Reducing the hidden tax created by cost shifting from those who do not or cannot pay for the medical care they receive will significantly reduce the cost of health care and health insurance for everyone. This cannot occur unless almost everyone is covered by a health care plan.

When fully funded and operational, the Insure Oklahoma expansions and the Affordable Plans will provide all Oklahomans with the opportunity to enroll in a health plan at reasonable cost. The SCI Plan strongly supports these initiatives yet is doubtful that they will lead to coverage of nearly all Oklahomans on a voluntary basis. **Accordingly, the SCI Plan recommends that the Oklahoma Legislature should enact legislation that would require all individual Oklahomans to possess health insurance if specified enrollment targets are not met by certain dates in the future.**

## **Strategy 3.0**

### **GENERATION AND APPLICATION OF PUBLIC REVENUE**

#### **Timeline**

The SCI Plan recognizes that matching revenue for Insure Oklahoma is at risk. As of July 2009, enrollments are approaching 70% of capacity. The Oklahoma Health Care Authority projects that program capacity will be reached in January 2010. A full discussion is at Appendix 2. Immediate action is critical to ensure continuity of the program. Therefore the Plan recommends that the Governor and the Legislature consider the following strategy.

#### **Introduction**

The SCI Strategic Plan requires a dedicated revenue source to fund health coverage expansion. These funds would be applied to Insure Oklahoma expansion and the promotion of SCI/HCR1010 recommended Affordable Health Benefits Plans. Revenue assessments will be applied incrementally as funds are needed, based upon enrollment benchmarks being met.

The SCI Plan recommends the authorization and implementation of the public revenue generation process as described below:

#### **Strategy: Recapturing Cost Shift Through a Dedicated Fee**

It is widely recognized that significant dollars are being expended to cover the unpaid bills of those who are currently uninsured. The estimate in Oklahoma is that employers, insured individuals, and anyone paying for health care out of pocket now pay a “hidden tax” of \$954 million to cover otherwise uncompensated care. This cost shift now is the sum total of countless negotiations between insurers and providers. The SCI fee assessment will allow insurers and providers to reduce the cost shift together as a part of their ongoing rate payment negotiations.

This recommended strategy begins to affirmatively “recycle” those health care cost shift dollars and significantly leverage them with federal matching payments. In other words, this method energizes inert “cost shift” dollars and converts them into leveraged funds that purchase insurance to reduce the cost shift. Administration of the fee will be simple, and the assessment rate will be small. The amounts generated will be proportional to those who benefit. The fee will be applied only when necessary and it will spare those who are now excessively burdened with the costs of caring for the uninsured.

#### **Assessment Methodology**

The proposed assessment fee will be applied to all health insurers, HMOs and third party administrators paying claims for Oklahoma residents and/or those receiving treatment in Oklahoma. There are no exceptions. The assessment will be in the form of an administrative fee applied on the basis of total payments to health care providers and remitted monthly in a single transaction per insurer. New York precedent suggests this strategy is not in violation of ERISA law.

### **The Model**

Oklahoma insurers, HMOs and self-insured plans will pay estimated \$7.8 billion to providers in 2010. An assessment of 1% on those payments will yield \$78 million. Those funds can generate an additional \$144 million in federal matching dollars. That sum of \$222 million will provide the “premium assistance” portion of an Insure Oklahoma plan for an estimated 80,000 people (under the current 2:1 matching rate). Once 75% of those additional 80,000 Oklahomans are insured, an additional assessment would be levied. The fee assessments will only be increased when justified by the rate of enrollment take-up. This model is scalable to achieve desired objectives.

These funds are to be held in an entity that cannot be attached by the Legislature, or accessed by any other public or private entity for any other purpose than premium assistance applications as intended.

### **Hospital Fee Increases?**

Previous drafts of the SCI Strategic Plan applied a portion of a hospital-only fee assessment to fund Medicaid hospital rate increases. If hospital rate increases remain a priority, the mechanics of the assessment could easily accommodate a separate assessment only on hospitals for this purpose. The target amount needed to raise hospital rates to the maximum level permitted under state law was stated to be approximately \$107 million. An additional 1% fee on private insurance payments to hospitals would yield \$37 million, and that amount would be matched by another \$70 million of federal dollars to yield the required \$107 million for hospital rate increases.

### **Pricing Transparency and Fairness**

The integrity of most recommendations in this SCI Plan is dependent upon reasonably transparent and fair pricing practices by health care providers, and concomitant fiscal integrity by health payers. It has been observed by many experts and novices alike that simply providing more subsidized health insurance may exacerbate the limited affordability of services rather than remedy the problem. This is due to the current opaqueness of health care pricing schemes and methodology.

## **Clarifications**

### Who is subject to this assessment?

The proposed assessment fee will be applied to all health insurers, HMOs and third party administrators paying claims for Oklahoma residents and/or those receiving treatment in Oklahoma. There are no exceptions. The assessment will be in the form of an administrative fee applied on the basis of total payments to health care providers and remitted monthly in a single transaction per insurer.

### Does that include out of state providers?

Yes. All claims paid on behalf of an Oklahoma resident or services/treatment rendered in Oklahoma would be subject to the assessment.

### What is the applicable assessment base?

All insurance/group health plan claims paid to applicable Oklahoma providers are subject to this assessment, whether from fully insured arrangements or self-insured plans.

### Why can't certain safety net or "at risk" providers be exempt?

The overall strategy is that "everyone plays and everyone pays." This methodology equitably assesses all those who potentially benefit in proportion to the likelihood of benefit. It is self-regulating on several levels. For example, small hospitals, or physician practices will have significant Medicare, Medicaid and uninsured populations and thus a lesser reliance upon privately insured patients.

## **Consideration**

A credit will be applied against General Revenue premium tax receipts to all insurers, tied directly and proportionately to net overall growth in membership/covered unit lives. This credit is intended to partially offset the assessment fee as measured by a reduction in the number of uninsured.

## **Strategy 4.0**

### **ENROLLMENT STRATEGIES**

#### **Timeline**

Exploration of options should begin immediately; implementation of newly legislated limited suspensions of health insurance mandates as soon as practical; and the implementation of individual mandates to purchase insurance if and when other enrollment strategies have failed.

#### **Introduction**

Although many would hope that all businesses would voluntarily offer and all individuals would voluntarily take up affordable insurance coverage, studies and experience suggest otherwise. The SCI Plan reflects a pragmatic belief that mandatory enrollment is not politically feasible at this time. On the other hand, it is anticipated that the positive effects of voluntary enrollment will be limited and that some measures to encourage participation are necessary, and that an individual mandate to have health insurance coverage ultimately may be needed.

Therefore the SCI Plan calls for exploring a variety of measures to encourage enrollment, in addition to the enrollment initiatives specified above in Strategy 1.0.

- **Explore Establishing Health Insurance Requirements**  
Possible inducements include measures such as requiring individuals to demonstrate proof that health insurance has been in force for the six month period prior to a stipulated event. The types of events are suggested by many including the O-CHIP proposal by the Oklahoma Council for Public Affairs. Additional measures may be required to further encourage those most reluctant to purchase insurance. A series of progressively stringent requirements could be phased in over time, extending to some 5 or more years after passage, should voluntary enrollments not prove sufficient.
- **Explore Establishing and Enforcing Measures to Enhance Collections from Individuals Able to Pay Their Medical Debts.** Health care providers report increasing difficulty in collecting cost-sharing directly from enrollees. The SCI Plan calls for exploring enhanced collection measures for individuals with sufficient resources to meet their obligations.

As noted above, the SCI Plan recognizes that expanding private health coverage requires a more balanced and responsive Oklahoma marketplace than currently exists, and that a functioning marketplace requires both motivated buyers and sellers. Since many Oklahoma buyers are neither motivated nor acculturated to purchase health insurance in any form regardless of price it is necessary to consider measures to encourage Oklahomans to have health coverage. In addition, the current marketplace dynamics make it difficult for insurers to absorb the risk of selling low-cost plans to everyone who wishes to purchase them.



## **Strategy 5.0**

### **PARTNERSHIPS**

#### **Timeline**

Immediately and ongoing.

#### **Federal Government**

There are several important related initiatives that could directly and significantly assist in reducing the numbers of Oklahomans without health insurance. The SCI Plan calls for Oklahoma health policy leaders to organize and deploy a significant effort to create the energy and support to pursue the successful implementation of these initiatives. The following will require the focused and energetic efforts of the Oklahoma Congressional Delegation.

#### Medicaid Waiver Expansion

The Oklahoma 1115 Medicaid Waiver to expand coverage under Insure Oklahoma and SoonerCare languished at CMS for well over a year and only recently received a partial approval. The likelihood of substantially enhanced federal funding under the federal economic stimulus bill provides both an opportunity and a strong incentive to maximize enrollment of all individuals who could be covered under the terms of Insure Oklahoma and other programs established by the Oklahoma Legislature. The approval of a revised waiver to the full extent permitted under state and federal law is essential to the full deployment of SCI Plan.

#### Indian Health Funding

The Oklahoma City Area of the Indian Health Service Region is the most inadequately funded region in the United States. A significant number of Oklahoma's uninsured are American Indians. Achieving equity and parity in the funding of IHS and the tribal services will significantly help Oklahoma.

#### Medicaid Disproportionate Share Hospital (DSH) Funds.

There are two separate legislative efforts to provide Oklahoma a fairer share of these funds. One is the extension of a five-year window to reapportion funds to low-DSH states (like Oklahoma), and another is to aggressively redirect unused DSH funds to low DSH states for hospital and ambulatory network use. Both efforts have been supported by the OHCA and Congressman John Sullivan but have not yet been successful.

#### **State Government**

The SCI is not recommending the creation of a new health care system; the SCI Plan is limited in scope to decreasing the number of uninsured and increasing the health care security of more Oklahomans. Of the many additional actions the state could take to improved health and health care of Oklahomans, the following represent a starting point.

### Oklahoma Health Improvement Plan

The State Board of Health has initiated the development of a formal Health Improvement Plan per Oklahoma SJR 41. The majority of the states have such a plan. Oklahoma does not. The SCI Plan calls for all responsible efforts to create and implement a plan that would directly improve the health status of Oklahomans.

### Workforce Enhancement

The SCI Plan calls for widespread support for all appropriate expansions of the quantity and quality of health care professionals and workers, and support for all initiatives, such as the Patient Centered Medical Home, that allow this workforce to operate at “the top of their licenses” in order to maximize productivity.

### Primary Care Physicians

There is legitimate concern about the capacity of the Oklahoma physician workforce, particularly primary care physicians in non-metropolitan areas, to deliver services to meet new demand as the number of newly-insured grows. The SCI Leadership Team notes that Oklahoma sponsors the Oklahoma Physician Manpower Training Commission. PMTC was created to deal with this very issue in 1975 as the new demand for primary care (Medicare & Medicaid) caused a shortage of primary care physicians. The SCI Plan calls upon the legislature to seriously consider expanding the mission and scope of PMTC to create more of both primary care physicians and other types of required health care professionals to strengthen the state workforce.

### Safety Net Providers

In the absence of coverage for all Oklahomans, uninsured Oklahomans will receive a substantial array of health care services delivered by an array of providers and provisions. Those services typically will be delivered later in the course of illness than they should be and in a highly costly and inefficient manner. They will not include appropriate preventive services and will include a disproportionate number of avoidable hospitalizations.

Given the realities of the uninsured demographics in Oklahoma, it may be necessary to subsidize certain providers with additional public funds in exchange for the direct provision of care. Those who are voluntarily or incidentally uninsured may be encouraged and expected to seek their care at those venues.

## **NEXT STEPS AND IMPLEMENTATION RESPONSIBILITY**

### **Ongoing Research**

The SCI Plan is to be implemented over the course of several years. The Plan was developed with input from broad segments of the public, professional groups, health industry representatives, policy analysts and others. It reflects both the practical experiences of those individuals and groups and relevant findings from health services literature.

Nevertheless, it is clear that some issues of concern could benefit from further examination even as the Plan is being implemented. At least one research project will be conducted over the course of the coming year. That study will examine the specific reasons why so many individuals in the 19-34 year old age group are uninsured.

### **Communications**

Preliminary plans have been made to launch educational and information campaigns about the essential elements of the SCI Plan. Once those elements have been adopted, this plan will be implemented.

### **Office of the Governor**

- It is recommended that the Governor publicly support the establishment of a permanent revenue source for Insure Oklahoma and strongly encourage the Legislature to enact necessary legislation early in the 2010 session to ensure the continuation and growth of the program. This source would supplement the current Tobacco tax. That source is per the first bullet below:

### **Oklahoma State Legislature**

- Public Revenue  
Enact dedicated administrative assessment fee on all carriers, applicable to insured and self-insured payments alike, to be collected through carriers whether insured or serving as Administrative Services Only third-party administrators.
- Hearings/Consideration  
Conduct hearings on potential statutory inducements for individuals to have health insurance.

Consider legislation to trigger an individual mandate if Insure Oklahoma expansion and other initiatives fail to enroll nearly all Oklahomans on a voluntary basis.

Conduct hearings on potential statutory mechanisms to enhance collections of health care bills from persons with sufficient resources.

### **Oklahoma Insurance Department**

- Activate the Oklahoma HUB (with OHCA).
- Establish outreach enrollment process building upon No Wrong Door (with OHCA).
- Work with private insurers to establish Affordable Benefits Plans.

### **Oklahoma Health Care Authority**

- Activate the Oklahoma HUB (with OHCA).
- Establish outreach enrollment process building on No Wrong Door (with OID).
- Continue pursuit of CMS expansion waivers to full extent of law.
- Continue to implement No Wrong Door enrollment initiative.
- Continue to implement Medical Home transformation of SoonerCare.

### **Federal Delegation**

- Take immediate action to support waiver expansions.
- Actively support full funding for Indian Health Service.
- Actively support enhanced DSH funding.

### **Oklahoma Health Insurers**

- Develop transparent mechanism for collecting and reporting provider fee and quantifying savings as a result of increased enrollment.

## **Appendix 1**

### **RESPONSES OF OKLAHOMA EMPLOYERS**

The State Coverage Initiative process included the interviewing of senior executives of Oklahoma's largest (by size of workforce) private sector employers. The Oklahoma Insurance Commissioner interviewed each employer separately. The purpose was to inform them of the economic impact of our uninsured population and to seek their opinions on developing strategies to create affordable coverage options and induce take-up. A consensus of opinion was reached in response to the following questions. It is represented below:

#### **How are healthcare expenditures impacting your bottom line?**

Health insurance and health care represents a significant and increasing component of total compensation. Reductions in health care costs would free up dollars to increase employee take-home pay, improve capital investment, and/or expand operations.

#### **Do you agree that getting everyone insured is important to your company?**

Investing in a comprehensive employee health insurance program ensures we can recruit and retain the high quality workforce necessary to be productive and profitable. We understand that a significant part of our health insurance costs are attributed to inflated medical expenses that compensate for the uninsured and underinsured. This cost shift is placing an unreasonable and inequitable burden on employers who offer coverage. We believe that all Oklahomans should be required to obtain coverage with appropriate subsidization to ensure affordability.

#### **Understanding that Insure Oklahoma provides a mechanism by which we can reposition Oklahoma as first in the nation (from 47<sup>th</sup>) in terms of population insured, should we commit to a dedicated revenue stream to fully fund the program?**

Oklahoma's investment in Insure Oklahoma is matched 2-1 by the federal government. Fully funding Insure Oklahoma will infuse over \$870 Million dollars into our state each year. Insure Oklahoma stimulates other investment by requiring eligible employers and employees to contribute to the cost of their insurance as well. We believe it is the state's responsibility to fully leverage its investment in covering our citizens and support the creation of dedicated and new source of revenue to ensure full funding of the program.

## Other recommendations?

All new funding should be applied in a transparent fashion that ensures reductions in uncompensated medical care as a result of increases in insurance reimbursement ratios produces proportionately lower medical charges and insurance premiums.

Employer sponsored wellness programs promote individual awareness and responsibility for one's own good health. The state should promote and reward employer sponsored wellness programs.

We support nutrition, exercise and health education programs in our schools that instill in our children the benefits of healthy living and the health risks and consequences of poor choices.

The following companies participated in the in-person survey:

Devon Energy, OKC  
Crest Foods, Edmond  
Oklahoma Gas and Electric, OKC  
Quick Trip, Tulsa  
Advance Foods, Enid  
Chesapeake Energy, OKC  
Ditch Witch, Perry  
Norman Regional Hospital, Norman  
Grace Living Centers, OKC  
Country Style Health Centers, Wilburton  
Saint Francis Healthcare System, Tulsa  
Georgia Pacific, McAlester  
Mid-America Industrial Park, Pryor  
Comanche County Memorial Hospital, Lawton

BancFirst, OKC  
Mazzios, Tulsa  
Integrus Health System, OKC  
Health Innovations, OKC  
Nordam, Tulsa  
Ardent Health Systems, Tulsa  
St. Johns Health System, Tulsa  
Loves Country Stores, OKC  
Arrow Trucking, Tulsa  
Reasors, Tahlequah  
OneOK, Tulsa  
Braums, OKC  
Hobby Lobby, OKC

## **Appendix 2**

### **INSURE OKLAHOMA UPDATE AND PROJECTION – JULY 2009**

#### **Prepared by the Oklahoma Health Care Authority**

**Background** – Insure Oklahoma is the state’s premium assistance program helping businesses and their modest and low-income employees gain and keep health insurance coverage. Beginning enrollment in November 2005, the employer-sponsored insurance (ESI) part of the program pays for at least 60 percent of the premiums for private market health insurance policies using state and federal funds. The state’s tobacco tax approved by voters in 2004 is matched with federal Medicaid funds. A safety-net part of the program, Insure Oklahoma Individual Plan (IP) helps self-employed, unemployed individuals seeking work or employees working for small businesses that do not have access to group coverage.

The program is designed to grow until cost reaches the rate of the revenue that can adequately sustain participation, factoring in the prevailing federal match rate and cost of premiums. Since this program is not an entitlement, participation will be capped at the revenue limit and a waiting list must be instituted. **When the program reaches 35,000 people, it will trigger a stop in enrollment to stabilize the program.**

#### **Growing at a rapid pace**

As of July 2009, there are 23,532 people participating in Insure Oklahoma. There are 4,926 businesses representing all 77 counties participating. The average monthly growth in the program has been 9.83 percent since July 2006. The annual tobacco funding will support 35,000 enrollees. **Trending current enrollment forward using the average monthly growth, Insure Oklahoma is expected to reach funding capacity during the quarter beginning October 1, 2009.**

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#### **Who qualifies for Insure Oklahoma today?**

- Employees and their spouses who earn 200 percent or less of the federal poverty level based on family size
- Businesses with 99 or fewer employees
- Qualified full-time college students

**If enrollment is stopped due to capacity, what are the immediate impacts?**

- Insure Oklahoma – loss of credibility, confidence and momentum in the program
- All the small businesses and their employees and their spouses that are currently qualified but not enrolled
- Businesses with 100 to 250 employees – have federal and state approval; however, rapid trend line has stalled expansion
- “Insure Tulsa” enrollment pilot

**Other impacts include legislatively approved changes with federal approval pending:**

- Employees and their spouses who earn between 201 and 250 percent of the federal poverty level based on family size
- Children of employees in families that earn between 186 and 300 percent of the federal poverty level
- Qualified foster care parents
- Not-for-profit businesses (with 251 to 500 employees)

**Other Critical Considerations include:**

- Insurance carriers – Multiple carriers support the program by offering more than 450 approved health plans. Carriers include large insurers such as Aetna, Blue Cross Blue Shield, Community Care and PacifiCare.
- All employees of uninsured small businesses – According to a study by The Mellman Group commissioned by Blue Cross Blue Shield, it found when a business offered health insurance for the first time under the Insure Oklahoma for every five employees who qualify for premium assistance, there were seven additional employees who bought coverage without a subsidy.
- Health care providers – increases potential medical losses and uncompensated care.



## CY 2009 Insure Oklahoma Enrollments: Actual and Projected

Projections based upon enrollment growth trends experienced in Insure Oklahoma for the period July 2006 through July 2009. The monthly average growth factor of 9.83% was applied for each month. Projections may not reflect actual growth.

