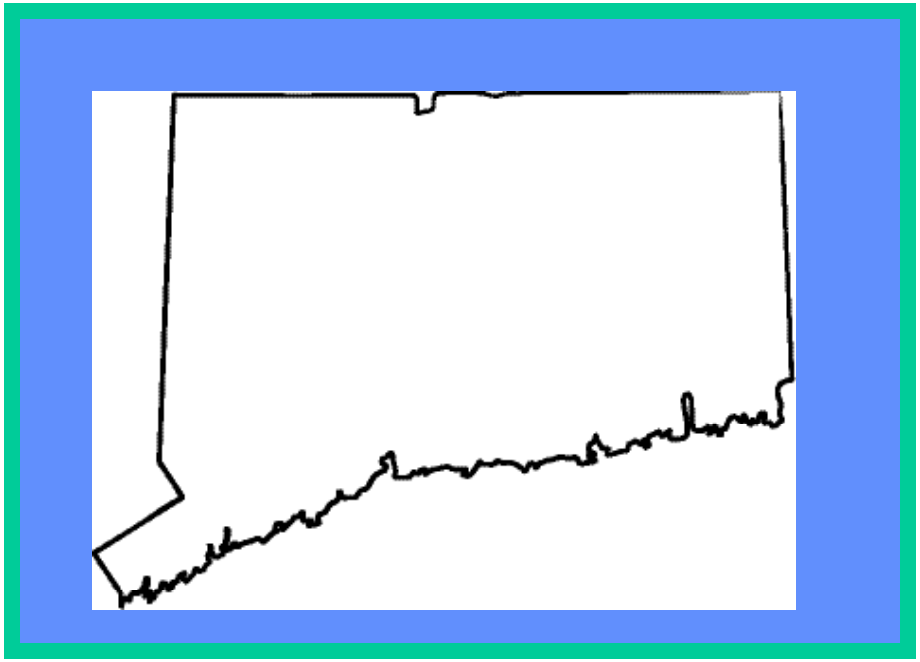
Presentation to
The Health First Commission
December 12, 2007



Report of The Connecticut Health Insurance Policy Council (January 2007)

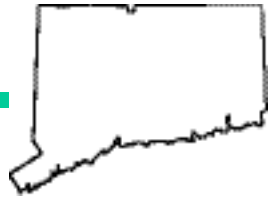
Robert E. Patricelli

Council Formed in July, 2006

Mickey Herbert (Co-Chair), *President & CEO*, ConnectiCare, Inc.
Robert Patricelli (Co-Chair), *Chairman, President & CEO,* Evolution Benefits & Women's Health USA
Mark Bertolini, *EVP & Head of Regional Business*, Aetna*
Christopher Bruhl, *President & CEO,* Business Council of Fairfield County
William Bucknall, *SVP, Human Res. & Organizations*, United Technologies Corporation
Stephen Farrell, *CEO,* UnitedHealthcare of New England
David Fusco, *President, Anthem Blue Cross and Blue Shield, CT***
Oz Griebel, *President & CEO,* MetroHartford Alliance
Patricia Nazemetz, *Vice President, Human Resources,* Xerox Corporation
Steven Nelson, *President & CEO,* Health Net of the Northeast, Inc.**
John Rathgeber, *President & CEO,* Connecticut Business & Industry Association
Meredith Reuben, *CEO,* Eastern Bag and Paper Group
Johnna Torsone, *SVP & Chief Human Resources Officer,* Pitney Bowes, Inc.
Dennis Wilson, *President,* Small Business Segment, CIGNA HealthCare
Susanne Lanza, *Executive Director*

* Aetna declined to support the Council's final report because it did not recommend a limited individual coverage mandate for the state.

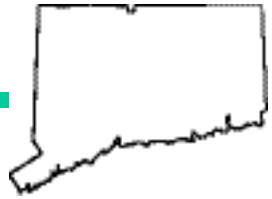
** As participating HUSKY plans, Anthem and HealthNet recused themselves from voting on Medicaid funding increase issues.



The Problem

The problem is how the public and private sectors together, including employers, health plans, providers, consumers, and the state, can achieve sustainable health care reform by:

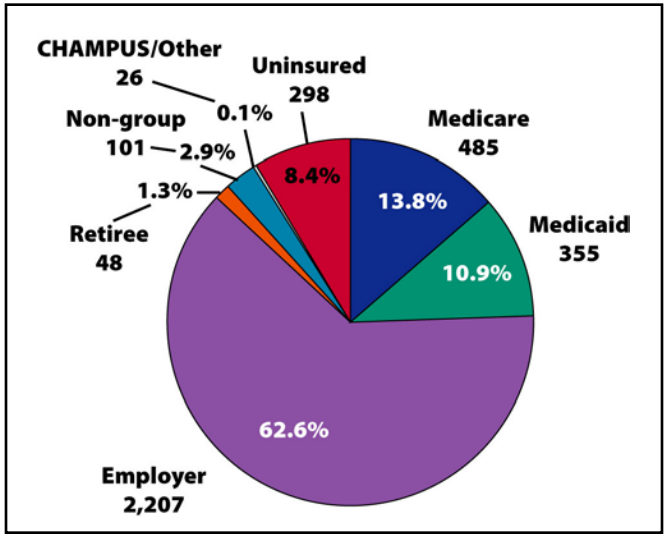
1. **Improving health status relating to life-style induced disease**
2. **Improving the cost-effectiveness and quality of health care**
3. **Securing access to health insurance for all residents of the state**



Background: The Insurance Market & The Uninsured

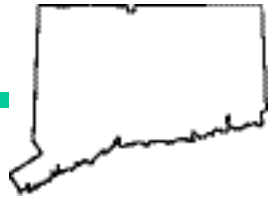
- Most people are insured (91.6%), but 8.4% are not*
  - **64% of the state's population has employer sponsored insurance (ESI)**
  - **25% are in public programs**
  - **Only 3% covered through individual programs**
  - **About 298,000 people are uninsured all year**

***Source: All estimates from the Lewin Group**



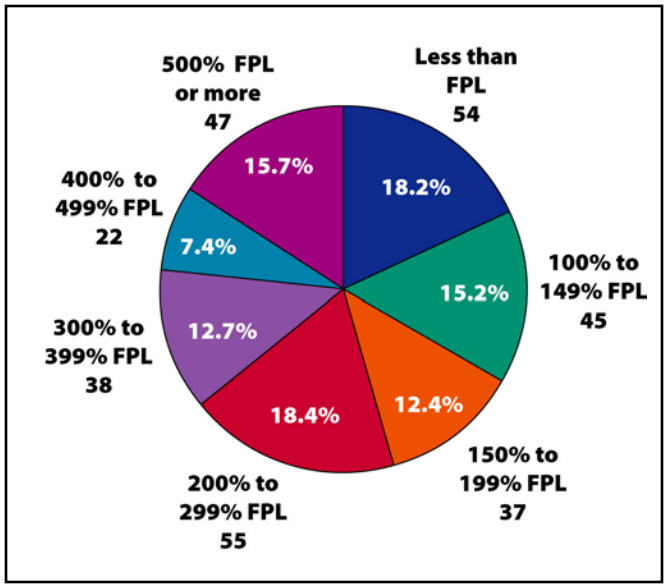
Connecticut Population By Primary Source of Health Insurance (in thousands)

Targeted solutions needed for different subgroups of the uninsured



Analysis By Family Income

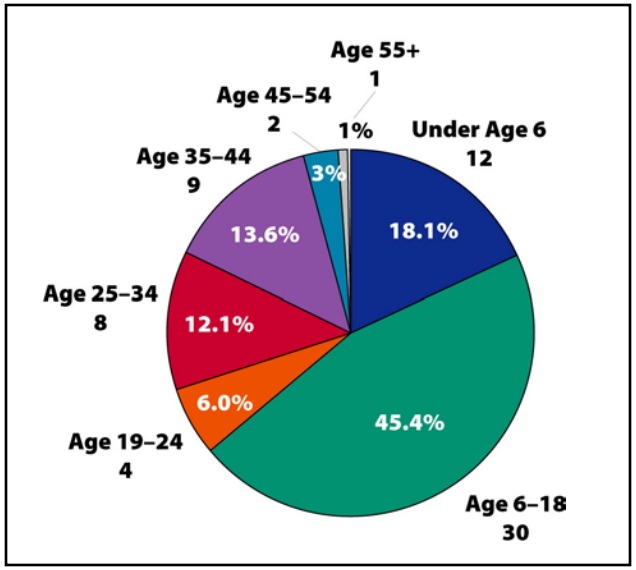
- 46% are “working poor” between 100–300% of FPL (FPL is about $10,000 for a single person and $20,000 for a family of 4)
- 18% are “poor” (below 100% of FPL), reflecting gaps in Medicaid for the most needy
- Almost 16% are upper income, above 500% of FPL – who choose to “go bare”



Uninsured in Connecticut By Income As A Percent Of The Federal Poverty Level (FPL) (in thousands)

Analysis By Medicaid (HUSKY) Eligibility

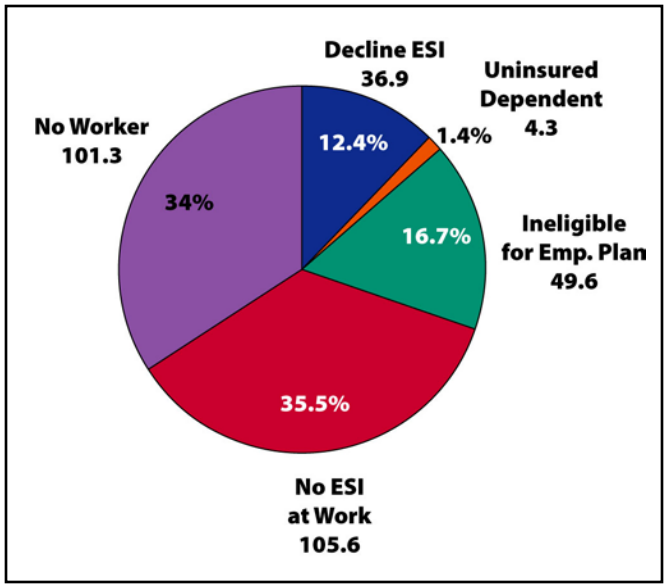
- Medicaid covers 355,000 people, but 66,000 (22% of uninsured) may be financially eligible but not enrolled
- Almost two-thirds are children under age 18 – reflects expanded income ceiling under HUSKY B (children up to 300% of FPL)



Average Monthly Uninsured By Medicaid Eligibility Status

Analysis By Connection To The Workforce

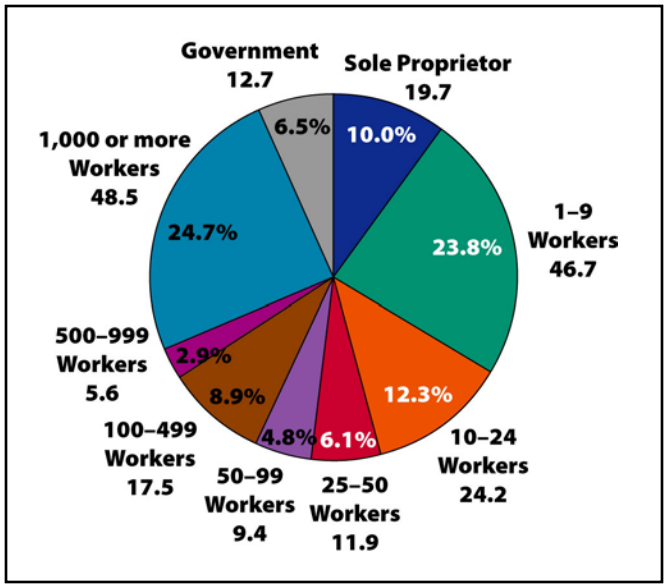
- 66% of uninsured have a working family member, but 54% of those have no access to ESI
- 50,000 people are part-time workers with no access to coverage
- 12% decline ESI – probably too expensive
- 34% have no connection to the workforce



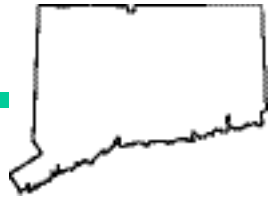
Uninsured In Connecticut By Connection To The Workforce *(in thousands)*

Analysis By Firm Size

- 52% of uninsured workers and dependents are in small firms <50 employees
- 25% are in large firms over 1,000 employees – largely part timers and dependents

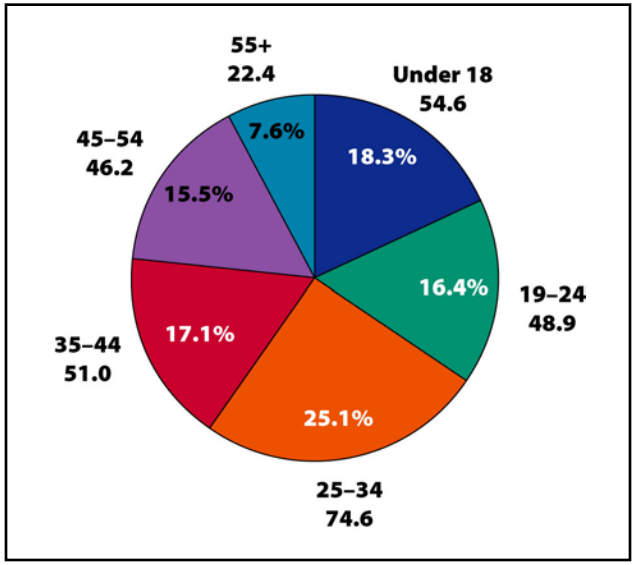


Uninsured Workers and Dependents In Connecticut By Employer Firm Size
(in thousands)



Analysis By Age and Race

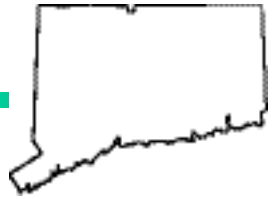
- A surprisingly large 42% of the uninsured are young adults, age 19–34
- Only 18% are children
- 34% are non-white, with Hispanics at 17% (OHCA estimates 55% and 35%, respectively)



Distribution of Uninsured In Connecticut By Age in 2006 *(in thousands)*

Policy Targets For Action On The Uninsured

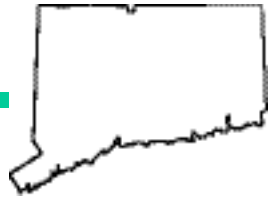
- The working poor at 100–300% of FPL
- HUSKY outreach to enroll eligible people, and coverage expansion below 100% of FPL
- Small businesses who need help to offer ESI
- Part-time workers
- Young adults



Issues On Health Care Costs

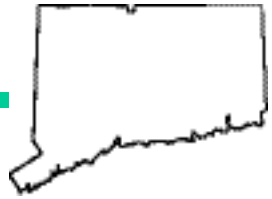
Connecticut is among most expensive states on health care costs, penalizing our economic development climate

- Insurance premiums are high – for example, Connecticut ranks 2nd for firms with 10 or fewer employees
  - Premiums **are driven by health care costs (86%), not administration**
- 3rd highest in mandated benefits, with 46
- 6th highest in average daily hospital costs
- 2nd highest in Medicaid costs, but 1st for elderly and 46th for non-elderly adults
- Highest in nursing home costs
- 3rd highest in average medical malpractice claims paid



Issues On Access and Quality

- Connecticut and the nation as a whole do not have systems to measure and manage health care quality and value
- Underfunding of HUSKY health plans and providers leads to participant inability to access doctors, overuse of ER, hospital financial instability, and heavy cost shifting to the private sector
  - One study found 75% of primary care doctors closed to new Medicaid patients

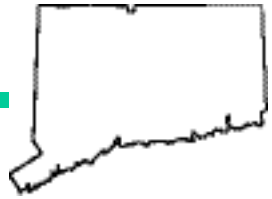


Issues On Health Status

Our state ranks fifth among states on health

status indicators, but it is far from satisfactory:

- Nationally, 75% of health care spending is on diseases caused by unhealthy lifestyles
- 16.5% of Connecticut adults smoke
- 20% are obese
- 9.7% of our adult population has asthma (47th out of 50 states)

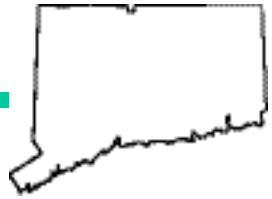


Goals For Health Care Reform

Generally, we must make Connecticut's health care and health insurance systems a competitive advantage for businesses and residents.

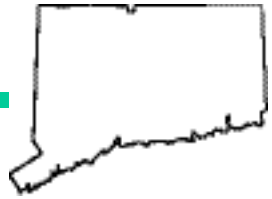
Specifically, we must

1. **Become the healthiest state by 2020; first in low rates of smoking and obesity in five years**
2. **Offer health care quality and affordability measured by below average increases in costs, and leadership in data and management systems**
3. **Cut percent of uninsured by half in 3 years, move toward virtual 100% coverage over time**



A Policy Framework

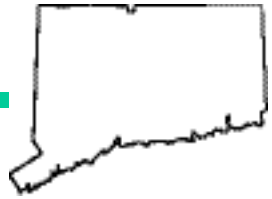
1. Improve the state's data and technology infrastructure
   to manage cost and quality
2. Build upon, don't replace, the employer- sponsored insurance system
3. Employers need to do more to help low wage and
   part time workers, and to implement reform goals
   through plan design and management action
4. Public and private plans should encourage more
   personal responsibility for cost management, healthy living
5. The state must facilitate provision of more affordable policies
   for targeted groups of uninsured



A Policy Framework (cont.)

6. The state should develop a premium subsidy and/or tax incentive program for lower income employees, individuals and small business
7. The state must re-examine key areas that drive up costs:

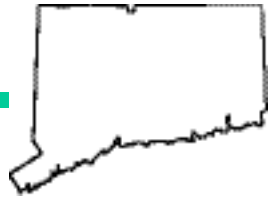
   e.g., medical malpractice, benefit mandates, nursing home costs
8. The state should expand Medicaid outreach, especially for HUSKY B children
9. The state must reform Medicaid structure and financing – cover childless adults under 100% of FPL, make benefits more consistent with private coverage, increase reimbursement for providers
10. Create a Commission on Healthy Lifestyles, with dedicated funding



A Program Example – Impacts on Cost & Coverage

	Reduction in Uninsured	State Cost ($ millions)
1. Cover 1/3 Medicaid eligibles not enrolled	22,000	$18.6
2. Cover singles/childless couples to 100% FPL	11,220	29.2
3. Reduce private premiums by 15%	27,600	–
4. 25% employer tax credit for previously uninsured small businesses	31,800	26.9
5. Premium subsidies for individuals between 100-300% FPL	27,750	72.3
6. Redesign Medicaid benefit, keep low cost share	–	(65.0)
7. Increase Medicaid reimbursements by 10%	–	101.2
8. Mandate people >500% FPL have coverage	49,000	(4.0)
Non-Overlapping Total	157,440	167.4
9. Estimate for added funding for data, IT, studies, promotion of healthy lifestyles		10.0
TOTAL		$177.4

Source: Lewin Group, using Health Benefits Simulation Model



Personal Suggestions For The Health First Commission

- Propose incremental steps, keep it simple – there are no quick fixes
- Tailor recommendations to the reality of likely major federal action in 2009-10, so avoid comprehensive insurance reform, major expansions of government programs (single payor) or major mandates (individual or employer) until shape of federal action is known
- Focus on what the State can do best:
  - Attack cost issues where Connecticut is out-of-line with other States
  - Address the intersection between Medicaid and private insurance for lower income people, work out buy-ins
  - Work on information and marketing of affordable insurance to the uninsured and low income – a connector?
  - Find means to strongly encourage provider participation in Medicaid
  - Work on the health status issues of most importance in our State