

Eye on Government



Fallon Community Health Plan

Vol. 3, No. 1 Summer 2009

Overview: Massachusetts continues its reform movement

This issue of Eye on Government focuses on activities related to health care in the Commonwealth, with a glimpse at national health care reform and other federal activities.

As health care reform becomes a national rallying cry, Massachusetts continues to fine-tune its reformed system and look for ways to pay for it. With the state's budget in dire straights, and expecting to spend 42% more on its health insurance programs this year than in 2006, it is looking for cost-cutting measures. A new report by the Massachusetts Division of Health Care Finance and Policy concludes that the state is increasingly subsidizing insurance for employees in larger companies—a basis, some say, for requiring more financial reimbursement from employers.

Components of last year's "Cost Control" bill are in the process of being implemented. A special state commission is expected to make recommendation in July for payment reform in the health care system. Meanwhile, health plans are being asked by state agencies to provide information about underwriting and plan reserves.

To promote consumer engagement, the Health Care Quality & Cost Council launched a Web site that compares cost and quality information about medical procedures performed at Massachusetts hospitals and outpatient facilities.

The 2009 federal Economic Stimulus Plan, effective March 1, 2009, requires employers to comply with a 65% federal subsidy of COBRA health insurance premiums to involuntarily terminated employees. The requirement also applies to the state's mini-COBRA law.

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Massachusetts health care update—

■ More employers using state programs to cover employees

The Massachusetts Division of Health Care Finance and Policy (within the Executive Office of Health and Human Services) annually produces [a report](#) identifying employers with 50 or more employees receiving health services through publicly subsidized programs. This year's report, released April 1, provides information on state fiscal year 2008 (July 1, 2007 to June 30, 2008). In FY 2008, there were 251 more employers with 50/more employees in the state than the previous year.

The report concludes that many employers, particularly large retailers, continue to rely on state subsidy programs to provide health benefits to their workers. The number of employees and their dependents covered by state programs increased 12% in 2008 over 2007—with their health care costs reaching \$793.7 million, an increase of 24.6%. Wal-Mart topped the list with 4,796 workers receiving public health coverage, followed closely by Stop & Shop, with 4,731.

The increased use of state programs may fuel an ongoing debate that employers should pay more to the state for their employees who are receiving subsidized care.

■ Council launches cost and quality Web site

In December 2008, Fallon Community Health Plan hosted the launch of the Health Care Quality & Cost Council Web site, called [MyHealthCareOptions](#). The site compares cost and quality information about medical procedures performed at Massachusetts hospitals and outpatient facilities.

■ Income tax forms will require proof of MCC

The Department of Revenue has begun developing **Health Care 1099 forms for tax year 2009** (to be issued in early 2010 for completion of 2009 tax returns). For 2009, tax filers will be required to meet specific minimum creditable coverage (MCC) requirements instead of only demonstrating that they had any type of health insurance offered, with no specific MCC mandated. All of FCHP's standard portfolio options meet minimum creditable coverage.

■ 2009 employee HIRD forms available online

The 2009 Employee Health Insurance Responsibility Disclosure (or HIRD) [form](#) is available from the Mass. Division of Health Care Finance and Policy. Employers of 11 or more full-time-equivalent employees must collect these forms when an employee declines health insurance, a Section 125 Plan, or both. The form will soon be available in Spanish and Portuguese.

■ Commonwealth plans renewing for 2009/2010

The Health Connector is currently in the midst of a **procurement for its Commonwealth Choice small group and individual plans** for January 1, 2010, renewals. All six original carriers (including FCHP) have bid to remain in the program. As of May 1, 2009, Commonwealth Choice membership was 22,048, with FCHP's share reported at 17%.

The Health Connector recently introduced a **pilot program to allow employers participating in Commonwealth Choice to make a contribution to the cost of their employees' coverage.** The Commonwealth Choice Contributory Plan is for Massachusetts employers with 50 or fewer full-time employees. During the current, pilot phase, it is only available through a pilot broker.

The Health Connector recently completed the procurement process for the July 1, 2009, **renewal of the Commonwealth Care subsidized plans with little or no premium increase.** All four original carriers, including Fallon Community Health Plan, will remain in the program. A new, fifth plan, CeltiCare, is a joint venture of the Caritas Hospital System. Commonwealth Care membership stands at 174,292 as of May 1, 2009. FCHP has a 6% share of program membership.

Stateside—

■ Beacon Hill deals with budget

The state legislature's current session began just after the first of the year with a new House Speaker, Robert DeLeo (D-Winthrop). Therese Murray (D-Plymouth) continues as Senate President. To date, the session was devoted primarily to organizational matters and only recently began to consider substantive legislation. The major focus of attention has been the challenging state budget for the upcoming fiscal year.

■ Cost-control bill implementation underway

Last summer, the state legislature passed a major piece of health care legislation in what is known as the "cost-control" bill (Chapter 305). A number of the law's components are now being implemented. Some items affecting health insurers include:

- The law created a special state commission on the health care payment system to identify ways to slow growing health care costs in Massachusetts. It is charged with **making recommendations to the legislature about changing how insurers pay doctors and hospitals**. The 10-member commission of administration officials, key legislators, and representatives of hospitals, physicians and insurers, convened in January and is expected to release its final report in July.

Currently, it appears the commission plans to recommend that the state move away from a fee-for-service payment system, which health policy analysts believe rewards quantity over quality in patient procedures and does not encourage coordination of care that's best for the patient. **The commission may recommend instead a system based on global payments.** A global payment system would set a total payment amount for each patient that covers all of that person's care for a given time period. The payment does not vary with the volume of services provided, although payments made to a provider may vary based on achievement of performance measures. This system has some similarities to traditional capitation. Any recommendations made by the commission would require legislative action to become law.

- The Division of Health Care Finance & Policy (DHCFP) was directed to **conduct annual public hearings on the rates charged by health insurers and health care providers**. The Attorney General's Office also can participate in the hearings.

As a result, both agencies recently sent requests to health plans for information—such as underwriting, claims and provider reimbursement data; provider contract negotiations; and internal review of cost trends—which will be used to prepare for the 2009 hearings reportedly planned for November. DHCFP is to issue a final report to the legislature by the end of the year.

- DHCFP also **must conduct a study on health plan and hospital reserves**, in conjunction with the Division of Insurance (DOI). This follows on the heels of a reserve assessment levied on health plans earlier this year (under separate legislation enacted in 2008), administered by the same two agencies. A summary report is to be issued by July 1.
- The DOI also was charged with implementing two other provisions of the bill. The first requires, as of January 1, 2009, health insurers to **recognize nurse practitioners as primary care providers**. The second provision **sets statewide standards for uniform coding and billing**; DOI implementation efforts around this requirement are ongoing.

■ DOI guidelines for mental health parity

The DOI also has been **implementing the revised mental health parity law** passed by the legislature last summer. An initial [DOI Bulletin](#) was released on this topic, and at least one additional bulletin is expected. The bill, which is effective on July 1, adds several types of services to the list that insurers are not allowed to cap, including autism and substance abuse. (This bill is not to be confused with a federal bill on the same topic, which goes into effect in October.)

■ Federal law impacts state's mini-COBRA premiums

Changes to COBRA were signed into law by President Obama in February. The changes apply to people who involuntarily lost employment from September 1, 2008, through December 31, 2009. Beginning on March 1, 2009, the changes provide:

- A temporary reduction in COBRA premiums for up to nine months.
- A second opportunity to enroll in COBRA coverage, if the person was qualified but did not enroll as of February 17, 2009.

The federal COBRA law applies to employers of 20 or more employees. **But, Massachusetts has its own "mini-COBRA" law, which applies to firms with 2-19 employees.** The new premium reductions will be available to employees of small firms who qualify for mini-COBRA benefits. The new enrollment opportunity *does not apply* to mini-COBRA laws unless individual states take legislative or regulatory action to apply it to their mini-COBRA laws. The Massachusetts legislature is reportedly considering such a measure but has yet to take action.

Information and forms are available in the employer and brokers sections of our Web site, fchp.org. The Massachusetts Office of Consumer Affairs & Business Regulation offers a fact sheet for consumers, called [Premium Assistance for Employees of Small Employers](#), which provides additional details.

The feds—

■ Massachusetts experience reflected in national reform

Massachusetts' reform model is in the spotlight as the Obama Administration and the U.S. Congress have set an aggressive agenda to pass national health care reform legislation in 2009. Currently, a great many ideas are being considered and a great many people have a stake in the outcome, so what the final draft will look like is anyone's guess. Here are a few of the top contenders making the short list for reform:

- All Americans will be guaranteed access to health insurance. Individuals, and perhaps employers, would be required to purchase it.
- All plans should offer an affordable basic benefit package that includes prevention and protection against catastrophic costs.
- Create a public/government insurance plan to compete with private insurers—one of the most contentious aspects of the debate.
- Set up an insurance marketplace, or "exchange," (like the Health Connector) where individuals and small employers could compare plans side by side and buy coverage.
- To pay for it, one proposal is to tax health benefits provided through employers, which currently aren't subject to taxation. (For additional funding, Pres. Obama proposes cutting an additional \$200 billion to \$300 billion from Medicare and Medicaid over the next decade.)

On June 1, America's Health Insurance Plans joined other stakeholder groups in sending a letter to President Obama outlining their collective proposals for achieving cost savings as part of the broader health care reform effort. These include far-reaching industry-wide efforts to promote administrative

simplification, advance health information technology, reward quality and value, and empower patients to more effectively engage in the health care system.

■ **New Secretary for health matters**

In April, the Senate confirmed President Obama's nomination of Kansas Gov. Kathleen Sebelius as Secretary of Health and Human Services. Sebelius is serving as the administration's top official on health care matters. The Centers for Medicare and Medicaid Services is among the agencies overseen by her office.

Sebelius served two terms as governor of Kansas, first being elected in 2002 and re-elected in 2006. Previously, she served as Kansas Insurance Commissioner from 1995-2003 and earlier as a state representative. She has a master's degree in public administration from the University of Kansas.

■ **Federal legislative activity**

CHIP law creates premium subsidy for certain low-income people with employer coverage

In early February, President Obama signed into law a bill re-authorizing and expanding the State Children's Health Insurance Program (SCHIP), now known simply as the Children's Health Insurance Program (CHIP). CHIP is a subsidized program for children that is administered as part of the MassHealth program in Massachusetts.

In addition to its provisions related directly to CHIP, the bill lays out the framework for states to create premium assistance subsidy programs for low-income individuals who obtain coverage through their employer. Subsidies will be available to individuals who are eligible for Medicaid, eligible for CHIP, or the parent of a child eligible for CHIP. These individuals will be able to use the subsidy to help pay the cost of qualified employer-sponsored coverage. The bill also created two new special enrollment rights for group health plans, one for individuals who have lost their eligibility for a Medicaid or CHIP coverage, and one for individuals who become eligible for a premium assistance subsidy program (once these programs are up and running).

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