

New York Health Plus:



Better Coverage for All of Us at Lower Cost

By Richard N. Gottfried, Chair, Assembly Committee on Health

Governor Eliot Spitzer's commitment to "develop a plan for affordable, universal health insurance for all New Yorkers" gives us an historic opportunity to make our health care system dramatically *better*, more *affordable*, and *fairer* for everyone. If we do this right, it will be one of the most important public policy achievements in New York's history, comparable in scope and importance to creating universal public education.

Employers and individuals spend \$63 billion a year in premiums, deductibles and co-payments.

We can get better coverage, get all of us covered, and save over \$4 billion a year by having *New York offer publicly-sponsored health coverage, like Medicare or Child Health Plus but for everyone*. And people who want to can keep the coverage they have.

96% of the people who voted in 2006 were people who *have* health coverage. Yet universal coverage is a front-burner issue, because even people who have coverage are fed up with the system. This issue is not only about people who are uninsured. *It is about all of us*:

- **People who have no coverage**, have too little coverage, or lose coverage face serious health and financial damage.

- **People with health coverage** selected by their employer find their health plan seems only interested in holding down costs and not meeting their needs – refusing to pay for care or paying as little as possible. People who buy coverage on their own find the cost exorbitant, and the fine print makes intelligent consumer choice almost impossible.

- **Employers** – especially small businesses, low-margin businesses, or start-up companies – find the cost of coverage a burden. More employers are dropping coverage or shifting more and more of the cost – especially with high deductibles and limits on coverage – to employees who cannot afford it.

- **Health care providers** face endless hassles in dealing with health plans, and are not rewarded for providing preventive care.

A universal coverage plan for New York needs to benefit people who *have* coverage, employers who *pay* for most coverage, health care providers who *live* with our coverage system, and taxpayers who *fund* most of the health care system. It should promote better health care, bring costs under control, and relieve the financial burden almost all of us share and do that fairly.

The New York State Constitution says:

"The protection and promotion of the health of the inhabitants of the state are matters of public concern and provision therefor shall be made by the state and by such of its subdivisions and in such manner, and by such means as the legislature shall from time to time determine." (Article XVII, Section 3.)

Relying on employer-sponsored health coverage to meet this constitutional responsibility is wrong. We would never think of funding education or fire protection that way.

Educating children is a parent's responsibility. But we expect our government to provide free quality education for every child. Shouldn't that also be true for health coverage for every New Yorker?

New York Health Plus is how to do it:

- 1. Build on what works:** Expand our well established and widely popular Family Health Plus and Child Health Plus programs and offer publicly-sponsored comprehensive health coverage, delivered through a variety of participating health plans. These programs consistently show higher patient satisfaction rates than private insurance plans.

- 2. Open it to everyone:** Remove income eligibility limits for this coverage. Every New Yorker would be eligible to enroll, with the state paying the premium.

- 3. Guarantee choice:** Individuals who choose to enroll would pick their own participating health plan in the program, and individuals or employers could opt out and pay for private coverage if they choose. There would also be a public plan option, like traditional Medicare.

4. Relief from high health care costs: No longer would any New York employer or individual have to pay premiums, deductibles or co-pays. By taking over the financing (but not the actual care), New York would be able to control costs, improve care, and pass on the savings to taxpayers.

A stronger economy

We can make New York dramatically more employer-friendly and job-friendly by eliminating the need for any employer to provide health coverage for its workers. This is especially important for start-up companies, small businesses, and low-margin businesses.

New York employers and individuals spend \$63 billion every year on premiums, deductibles, and co-payments. If everyone who now has private insurance or is uninsured enrolls in New York Health Plus, we would save over \$4 billion while offering better and more secure coverage to every New Yorker.

One group of employers – school districts and local governments – spends over \$8.5 billion a year on health insurance premiums. If their employees and retirees choose New York Health Plus, that would save billions for local property tax payers.

Better coverage; lower cost

New York Health Plus would more effectively control costs while also assuring better quality care and more preventive care.

Health plans today are accountable mainly to cost-conscious employers, so they are under extraordinary pressure to refuse to pay for care and to pay as little as possible. The pressure from employers is almost entirely “downward.” Under New York Health Plus, there would certainly be pressure from taxpayers and elected officials to control costs. And the state as purchaser would be able to do so.

But the key difference is that there would also be pressure on our elected government from millions of vocal voting customers to make sure that the state uses its power – as sponsor and purchaser of the coverage – to make sure that participating plans deliver quality care and deal fairly with patients and providers. So there would be a balancing of downward and upward pressure.

All patients who choose to join the plan – rich and poor – and health care providers would be in the same boat. That is the best guarantee that the Governor and the Legislature (not insurance companies) would make sure that the balancing of downward and upward pressure makes it the best possible boat. This is what has made Medicare such a successful and popular program.

Family Health Plus and Child Health Plus now provide comprehensive coverage at lower cost than anything employers or individuals can buy. New York sets the premium it pays. And *unlike* privately-sponsored coverage, Family Health Plus has kept its premiums virtually flat for the last several years.

Under publicly-sponsored coverage, we can provide standards and incentives to improve the quality of care. But under privately-sponsored coverage, health plans have little incentive to promote quality or preventive care, because an individual patient is likely to have moved on to another employer or another health plan by the time an savings are seen.

Fairness and equity

Today, we pay premiums and deductibles set by insurance companies, whether the person being covered is a receptionist, a manager, or the company president, and regardless of whether an employer is a huge prosperous company or a small business struggling to get by. And people who have gaps in their coverage, or buy their own coverage, or pay their medical bills without coverage face crippling burdens. By having the *public* as the sponsor and purchaser of the coverage, the cost would be apportioned more fairly.

There are a variety of ways we could raise the necessary revenue – ways much fairer than the regressive “tax” we pay to insurance companies. One option would be an assessment on payroll, similar to the FICA tax that pays for Social Security. Employers, employees and the self-employed would be assessed based on the employee’s income.

For employers or individuals who choose to keep buying private health coverage, New York Health Plus could also include some relief from whatever financing mechanism is used to fund the new publicly-sponsored coverage, so they do not “pay twice.”

Implementation

New York Health Plus does not require complex new programs or bureaucracies. It is built almost entirely from existing components. Family Health Plus and Child Health Plus have been up and running for years, providing quality care at lower cost.

While the programs now provide some mental health coverage, they are, unfortunately, not covered by Timothy’s Law requiring parity. That would be changed to provide full parity.

Participating health plans would need to expand their provider networks, which now primarily serve low-income communities. This will require higher provider

payment rates and thus higher premiums. Also, the forms of coverage offered by participating plans should be expanded to include fee-for-service, preferred provider organization, and point-of-service plans, in addition to the current managed care plans. The New York Health Plus cost and savings estimates take these factors into account.

Implementation could be phased in. The income eligibility for fully-publicly-funded Family Health Plus-Child Health Plus could be raised in stages and then eliminated. The recently-enacted Employer Buy-In and Premium Assistance programs can be used to encourage people with employment-based coverage to switch to Family Health Plus before and during implementation of the plan.

Is this achievable?

New York Health Plus would be good for economic development, provide property tax relief, let people keep the coverage they now have if they want to, and offer better coverage with fairer financing. Is it politically achievable?

Yes. Universal coverage is a major issue not just because a minority of the population lacks coverage, but because the overwhelming majority is fed up with our

current system and wants it changed.

What is not politically realistic is any plan that is seen as doing little or nothing for the vast majority – people who have coverage – while they hear scare talk of “government health care” and “new taxes.”

The strong bipartisan Congressional support for the expansion of the Federal State Child Health Insurance Program (SCHIP) and the extraordinary popularity of Medicare show the great success of publicly-sponsored coverage.

Nevertheless, this will be attacked as “government health care” and “new taxes.” But that attack will be leveled against almost *any* serious alternative for universal coverage. Yet those alternatives leave most of the flaws of the current system untouched.

To be politically achievable, a plan should actually deliver the benefits of a public role, namely: a more employer-friendly and job-friendly environment; relief for individuals and local taxpayers; real universal access; ability to control costs while promoting preventive care and quality care; fairness and equity; protecting consumer choice; and simplicity of implementation.

New York Health Plus approach will do that.

THE PLAN AT A GLANCE

Who is covered? Every New York resident would be eligible, regardless of age, income, where you work or whether you work. But individuals and employers could choose to keep buying the coverage they now have.

What is covered? Full comprehensive health and mental health benefits.

Can I choose my own plan? Yes. People would choose from any health plan that offers Family Health Plus. (Child Health Plus would be merged into Family Health Plus.) There would also be a public plan option, like traditional Medicare.

What do I pay? Individuals and employers would not pay any premiums or deductibles, and co-payments under Family Health Plus are very limited.

Who pays for the Plan? The plan would save over \$4 billion of the \$63 billion we now spend on premiums, deductibles and co-payments. There are a variety of ways we could choose to raise the revenue. It must be fair, and must be separated from your individual coverage.

For more information on New York Health Plus, go to:
<http://assembly.state.ny.us/mem/?ad=075&submit=Go>



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