

Health Care Financing Reform: Proposed Goals

Report of the Human Resources Management Study Group

February 12, 2007

Convened by the
Institute for Public Health, University of New Mexico

|

Introductory Note from the Director of the Institute for Public Health:

Human resources management professionals occupy a unique niche in our system of health care. These employment-based individuals work at the crossroads of the system. They negotiate insurance contracts on behalf of employees, the beneficiaries, and on behalf of their employers, the payors. They deal directly with the insurance companies and provider systems that do business in the State and with their middlemen, the agents. They see the money going out and see what gets done in terms of services. They hear from the employees and their families about what's working with the providers and provider systems and what's not working. They witness the penalty of hiring persons with prior medical conditions in terms of exclusions and/or escalating premiums.

With their knowledge and perspectives, the human resources management professionals are particularly worthy of attention because, in their role, they do not have individual stake in the rivers of cash that finances health care. This is the reason they were targeted for this project.

The managers agreeing to participate in the focus group assembled for this project represented a wide range of New Mexico organizations: for profit and nonprofit and with from tens of employees to hundreds. They were instructed to participate on the basis of their individual perspectives, based on experience, and, specifically not to try to represent the perspectives of their parent organizations. Personally, they displayed political views that spanned a wide range across the right/left spectrum. Initially, project organizers were uncertain they would find any agreement about problems with the current health care financing or about what might be done.

In fact, the participants rapidly and with fervor identified a host of problems and soon started toward consensus about goals and some approaches to solutions. They did not attempt to be comprehensive in their approach, nor did the format offer the time.

This report summarizes the points of consensus. Save for some minor technical edits, these are their words.

Committed to building an efficient system with the goal of the patient as the primary beneficiary of the health care system, it was the expressed hope of the participants that this statement of consensus might become a point of departure for specific policy.

William H. Wiese MD MPH
Director
Institute for Public Health

Institute for Public Health, University of New Mexico
Health Care Financing Reform: Proposed Goals

Report of the Human Resource Professionals Study Group

Prepared February 12, 2007

Introduction

The University of New Mexico Institute for Public Health convened a focus group of eight human resource management (HRM) professionals between August 2006 and January 2007. Made possible by a grant from the McCune Charitable Foundation, the group met to discuss the current challenges they face in designing, configuring, delivering and administering health benefit programs within the current health care financing system. The report summarizes the goals and recommendations where the group reached consensus.

Methodology

The group was selected to reflect practical experience in managing health benefit programs for small, medium, and large enterprises in the private for-profit and non-profit sectors. The group reflected a diverse set of backgrounds, politics, and ideology. Participants attended four facilitated sessions aimed at identifying common challenges, defining shared principles for improvement, and proposing broad goals and potential solutions for future consideration by other stakeholders and decision makers. Between sessions, policy experts and consultants reviewed the summarized deliberations from the focus group and crafted draft principles and proposed solutions for the group's subsequent review and refinement. The focus group then drafted and revised its own set of goals and recommendations.,*

Themes

Three broad themes emerged from the HRM focus group's discussion of the current health care financing system's challenges: *complexity*, *incentives*, and *accountability*. These three themes became the pivots for discussing and defining basic principles, common goals, and proposed solutions and policies for an improved health care

* See Appendix for a select list of pending issues and questions that elicited different perspectives and require further definition and discussion.

environment.

All the participants agreed that a well-functioning health care system must be centered on the patient. The current system is deemed too costly and complex and riddled with misaligned incentives to ensure the most effective and efficient delivery of care. A lack of readily available cost and quality data, coupled with the proliferation of bureaucratic "middle men" and profit-driven "brokers," combine to thwart well-informed patient choices, layer costs, and prevent open market competition for the best care. More transparency and greater sharing of actuarial risk would provide clearer choices for patients, increased efficiency through administrative simplicity, reduced cost inflation and enhanced accountability for providers and insurers.

Goals and Solutions

Over four facilitated sessions, the focus group of front-line HRM professionals defined two broad goals and proposed five solutions that would address the challenges and shortcomings in the current health care financing system. These goals and solutions are summarized in the following table with suggested policy directions for addressing them. These recommendations are aimed at the broadest foundations of an effective and well-functioning health care financing system and are not intended as provisional "tweaks" to the status quo. They aim to reduce costs, create a diverse private and public health care delivery system with ample competition, choice and access for patients, and ensure that patients can evaluate options and make decisions based on clear, simple, and accurate information. Importantly, these goals and solutions create a viable alternative to the current employer-based health care system we have today.

Human Resource Management Recommendations:

Goals of a New Health Care System	
To realign incentives within the health care industry so that the patient becomes the primary beneficiary of a great health care system.	
To maintain and improve the quality of health care while restraining and controlling increasing costs.	
Systemic Solutions	Implementation Policies
Create a very broad actuarial pool for all New Mexicans that spreads risk and reduces costs.	<ul style="list-style-type: none"> • Require participation in the pool with baseline coverage for all New Mexicans. • Prohibit excluding or eliminating individuals from a health care plan because of health status or risk, in order to preserve risk diversity. • Create a diverse private and public health care <i>delivery</i> system with ample competition, choices and access for patients; and aggregate the <i>financing</i> of health care through one large actuarial pool. <i>The pool can be run by any private, public or public/private entity able to achieve and demonstrate specific measures of quality and cost-efficiency.</i> The pool can negotiate for lower cost premiums, services, and pharmaceuticals because of its diversified risk. Consolidated <i>financing</i> of health care paired with a competitive and diverse <i>delivery</i> system better aligns incentives in the consumer’s favor. • Create a regulatory oversight system for the pool that works on behalf of consumers and generates incentives for wellness by either creating a cost reduction or includes, as a premium benefit, preventive and wellness programs.*
Require transparency in how health care costs are determined.	<ul style="list-style-type: none"> • Require reporting of criteria used to determine health care costs; disclosure of actual usage costs from providers; and comparative quality data so patients can make smart decisions. While companies may claim that these transparency measures violate their “trade secrets,” these measures are critical to the success of a broad actuarial base being able to reduce costs.
Design health care plans	Create an understandable and comprehensive benefit

<p>so consumers can make well-informed decisions that meet their individual needs.</p>	<p>package of medical and preventive services as a broad and strong baseline for basic health care coverage</p>
<p>Create a more efficient and less costly health care system.</p>	<ul style="list-style-type: none"> • Encourage competition in the New Mexico health care marketplace by removing barriers in the insurance regulatory environment and assuring that the insurance regulatory environment works in the interests of the consumer. • Utilize information technology to create efficiencies in health care, such as requiring “informatics” – standardized online access statewide to critical patient information. • Increase access to telemedicine and distance health care education. • Reward collaboration and the sharing of expensive equipment and technology through tax incentives or by regulating allowable fees practitioners may charge for necessary expensive health care services.
<p>The goals and solutions above will create a viable alternative to the current employer-based health care system.</p>	<ul style="list-style-type: none"> • Phase out the dominant role of the employer in financing baseline health care, which will separate the physical status of employees from employment criteria. • Determine the economic and programmatic mechanics of financing health care coverage outside the current employer-based system, including the creation of large actuarial pools not associated with specific employers.* • Determine the economic incentives and programmatic ramifications associated with administering large, diverse, and independent actuarial pools, including cost-effectiveness, quality improvement, and enhanced access to health care coverage.

** See Appendix for a select list of pending issues and questions that elicited different perspectives and require further definition and discussion.*

Appendix: Pending Issues and Questions

The following issues were discussed by the focus group but without achieving consensus, either because of divergent view or lack of time.

- The appropriate roles and balance of the public and private sectors, as well as the specific applicability and efficacy of market forces, competition, and incentives in the design and administration of health care financing systems.
- Efficacy of regulatory oversight in the context of the appropriate balance between the economic and operational benefits of transparency (e.g. open access cost and utilization data) versus demands for patient (privacy) and commercial (proprietary) rights.
- The level of disclosure required for cost, utilization, and compensation data by insurers and brokers, as well as the basis of their incentive structures and profit margins.
- The definition, components, and application of “medical necessity” in determining the nature, goals, benefits, and efficacy of “baseline health care coverage.”
- The philosophical placement of health care as a right or a privilege.

Acknowledgments

Human Resource Managers Association of New Mexico assisted with providing list of candidates for the focus group.

Laurie S. Monfiletto facilitated the meetings of the focus group.

Focus group participants (who remain, by agreement, anonymous)

McCune Foundation provided funding.