

GOVERNOR CHRIS GREGOIRE



BLUE RIBBON COMMISSION ON HEALTH CARE COSTS AND ACCESS

Final Report

January 2007

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OUR CHARGE

Washington's continued success as a state depends on the health of its individuals. When we are each healthy, we are collectively healthy, and with that foundation, we can improve the quality of our lives, further our economic wellbeing, and strengthen our communities. It is in our best interest to align state policies to create a health care system that optimizes the health of the population.

And yet, nationally and in Washington State, our health care system struggles. Its problems are well documented. Although most of our residents enjoy good health and easy access to care, too many others do not. A small sample of the research paints a picture of a system failing to work for everyone, and straining to provide affordable, effective care for those it does serve.

TODAY:

- There are roughly 593,000 Washingtonians without health care coverage, including 73,000 children. Young adults and employees of small businesses represent a sizeable portion of our uninsured.
- The annual increase in insurance premiums for small businesses in Washington is greater than the increase in wages or gross business income, some years by a factor of five.
- The State spends an estimated \$4.5 billion on health care, up from \$2.7 billion in 2000. This \$2 billion increase means that the share of the state budget going to health care has increased from 22 percent in 2000 to 28 percent today.

- The United States spends more on health care than any other country, but ranks 28th in life expectancy and 37th in health system performance.
- Approximately 20 to 30 percent of current health expenditures do not improve or extend life. It is also estimated that adult patients receive the recommended care only 55 percent of the time.

Within this context, the 2006 Legislature established the **Blue Ribbon Commission on Health Care Costs and Access** and charged it with delivering a five-year plan for substantially improving access to affordable health care for all Washingtonians. Co-chaired by Governor Chris Gregoire and Senator Pat Thibaudeau, and including twelve other legislative and state agency leaders, the Commission was well-positioned to inform and guide state health policy.



A SOUND, INCLUSIVE PROCESS

Commission members recognized early on that the complexity of the problem, the varied interests at stake, and the historic partisanship surrounding the health care debate necessitated a collaborative approach.

As the Governor and Senator Thibaudeau stated in their letter announcing the Commission:

“This Commission will only be successful with the participation of groups who have first-hand knowledge of the strengths and weaknesses of our current system and what might be done to improve it.”

Over the course of its nine meetings, the Commission heard from a few hundred individuals, often on behalf of their organizations. It also offered a unique opportunity for anyone to submit a written proposal. Over 70 responses were received, totaling 700 pages of detailed information and thoughtful ideas. This substantial effort indicates the level of commitment to addressing these issues in our state and made apparent that even among diverse interests, there are numerous areas of agreement.

The Commission also recognized that the how we get to a solution often matters as much as what that solution is—that a sound process provides a basis for problem-solving. Three general criteria shaped the Commission’s work, including a desire that its recommendations be:

1. **Consensus-based.** The Commission avoided taking votes, choosing instead the more inclusive but demanding route of considering multiple perspectives. This encouraged a level of dialogue and trust not often found in recent health care discussions.
2. **Sensitive to finite resources.** The Commission understood that many purchasers, including the state, are already struggling with the cost of health care and that real solutions must go beyond simply spending more money. While this did not discount the value of strategic investments, it forced the Commission to dig deeper and focus on how to best use available funds.
3. **Meaningful to the public.** It was important to the Commission that the public benefit of its recommendations be readily apparent. This required clear and thoughtful consideration of the true impact of each proposal it considered.

The value of the Commission is not limited to this report, but includes the process followed and the information accumulated along the way. The manner in which Commission members and the public engaged over the past six months will serve as a strong foundation for ongoing work, and reaffirmed the importance of open dialogue on contentious policy issues. Everyone should also build-on the materials used by the Commission, available at its website: <http://www1.leg.wa.gov/Joint/Committees/HCCA>.

OUR VISION & GOALS

In developing its recommendations, the Commission was guided by a vision and set of goals adopted early in its deliberations. These goals were intended to stretch the members' thinking beyond the easy or obvious, and prompt consideration of how the state would measure success in addressing its most pressing health care concerns:

“In five years, we envision a system which provides every Washingtonian the ability to obtain needed health care at an affordable price:

To realize this vision, we will achieve the following goals by 2012:

- **All Washingtonians will have access to health coverage** that provides effective care by 2012, with all children having such coverage by 2010;
- Washington will be one of the **top ten healthiest states** in the nation;
- Population **health indicators will be consistent** across race, gender and income levels throughout the state;
- Increased use of evidence-based care brings **better health outcomes and satisfaction** to consumers; and
- The rate of increase in total **health care spending will be no more than the growth** in personal income.”

OUR STRATEGIES & RECOMMENDATIONS

The recommendations that follow aim for boldness, for consensus, and for initiatives that meet the health care aspirations of our state. In this spirit, the Commission intended that each of its recommendations address one or more of four strategies to achieve our health care goals:

- 1. Build a high-quality, high performing health care system.** We will be able to afford more care if we purchase only good care, using information and incentives to assure a system in which every dollar spent goes only towards the most appropriate, highest quality treatment delivered in the most cost-effective way. Limited resources must be directed towards those products and services that do the most to maintain and improve health. The Commission agreed that, beginning in July 2012, the State will only pay for health care that furthers these objectives.
- 2. Provide affordable health insurance options for individuals and small businesses.** Access to care is often a function of being insured, meaning that affordable health insurance options are essential. This requires a competitive, accessible insurance market that provides consumers with a choice of products that fit their needs, and sustainable public programs for those whom the private market is out of reach. The Commission's recommendations envision a shared commitment and responsibility to finance insurance coverage from the state, individuals and businesses—that each have a role to play.

- 3. Ensure the health of the next generation.**

Improving access to affordable care for children is a high priority because healthy children learn better, grow better, and have a better chance of succeeding in life. We can ensure that the next generation is healthier and is equipped with a better health care system than our own. The Commission recognized it's about more than providing insurance, it's about tying that insurance to improved health outcomes and encouraging healthy lifestyles.

- 4. Promote prevention and healthy lifestyles.**

No other strategy can compare to healthy lifestyles in terms of improving health and stretching our health care dollars. The Centers for Disease Control says that of the four factors influencing human health—the others being environment, genes, and medical care—this is the most important, accounting for 51 percent of our well-being. Our bodies need exercise, good food, early detection and preventive maintenance.

These four overlapping strategies lay the foundation for the sixteen specific recommendations that follow. The Commission deliberately chose not to attach any to a specific strategy, understanding that each may support more than one, and that the strategies and specific recommendations build upon one another. Consistent with its charge, the Commission believes that these recommendations, if pursued systematically over the next five years, will lead to substantial improvements in access to affordable health care for all Washington residents.

RECOMMENDATION #1

Use state purchasing to improve health care quality.

State government will change the way it pays for health care by rewarding care that measurably improves health. Because the state provides health care to approximately 1.3 million Washingtonians and, in doing so, spends \$4.5 billion per year, it can use its presence in the market to influence how health care is delivered. This will result in higher-quality, more cost-effective care for patients, both within and outside of state programs.

ACTION:

The Health Care Authority will, by September 2007, and the Health and Recovery Services Administration will, by January 2008, develop a strategic plan to change reimbursement within state health care programs to do the following. Each agency will identify barriers to and opportunities supporting plan implementation, and note the short and long-term steps to be taken.

- **Reward health outcomes** rather than simply paying for particular procedures;
- **Pay for care that reflects patient preference** and is of proven value; and require the use of evidence-based standards of care where available;
- **Tie future provider rate increases** to measurable improvements in access to quality care;
- **Direct enrollees** to quality care systems;
- **Better support primary care** and provide a medical home to all enrollees;



- **Require “informed patient choice”** rather than just “informed consent” to assure patient participation in deciding among treatment alternatives.

ACTION:

Direct savings attained through quality improvements towards providing access to care, strengthening the current delivery system, or otherwise enhancing health care in the state.

RECOMMENDATION #2

Become a leader in the prevention and management of chronic illness.

It is estimated that half of all health care costs come from just five percent of our population, generally due to chronic conditions like diabetes or heart disease. By providing Washingtonians with the resources and education they need to avoid or manage these chronic conditions, we can spread available treatment dollars further.

ACTION:

State health purchasing agencies will:

- **Integrate proven chronic care management** into all state programs;
- **Require enrollees with chronic conditions** to participate in such programs.

RECOMMENDATION #3

Provide cost and quality information for consumers and providers.

Informed shoppers are smart shoppers, whether it's purchasing a car or making decisions about health care. Health care consumers need to be engaged and have information that will help them decide what the various options for treatment are, which treatments are most effective, which providers offer the best success rates, and at what cost.

ACTION:

State health purchasing agencies will partner with the Puget Sound Health Alliance and other local organizations to:

- **Develop a sound set of measures** allowing consumers to compare provider cost and quality;
- **Develop Washington-specific information**, modeled after the Dartmouth Atlas, showing how the medical treatment a patient receives varies depending simply on where he or she lives;
- **Disseminate information** on cost-effective treatment and best practices, building on the preferred drug list and the technology assessment program.

RECOMMENDATION #4

Deliver on the promise of health information technology.

Patient safety is compromised and resources wasted when health care providers and patients lack access to health information when it's most needed. Health information technology systems will quickly provide a specialist treating a patient in Seattle with critical information from the patient's family doctor in Spokane. Washington can take a lead in developing incentives to increase the use of technology, and standards so that systems can communicate and ensure privacy.

ACTION:

Based on the recommendations of the Health Information Infrastructure Advisory Board, develop a system to provide

electronic access to patient information from anywhere in the state, including incentives for providers to purchase health information technology. Subject to appropriation, implement demonstration projects in multiple sites across the state.

ACTION:

State health purchasing agencies will provide appropriate reimbursement for email consultations and telemedicine where doing so reduces the overall cost of care.

ACTION:

Install health information technology in state-owned health care facilities.

RECOMMENDATION #5

Reduce unnecessary emergency room visits.

Emergency room care is the most expensive form of health care, both for insured and uninsured patients, and should be used only when necessary. Patients should have information about and access to alternatives to emergency room care, and incentives to use them.

ACTION:

State health purchasing agencies will partner with the Washington State Hospital Association, the Washington State

Medical Association, other providers, and the Association of Washington Healthcare Plans to measure and reduce unnecessary emergency room utilization. This could include demonstration projects to enhance primary care, use patient navigators, and provide nurse hotlines. Consider incentives to hospitals and other providers that demonstrate results. Strategies proven effective with state program enrollees could be extended to the general public.

RECOMMENDATION #6

Reduce health care administrative costs.

Patients and purchasers of health care should be assured that we are using our limited health care resources in ways that truly improve the health of the population. Any dollar spent on administrative overhead is a dollar not available for patient care.

ACTION:

By September 2007, the Office of the Insurance Commissioner shall provide a report to the Governor and the Legislature that identifies the key contributors to health care administrative costs and evaluates opportunities to address them. The report will be completed in collaboration with providers, carriers, state agencies, the Washington Healthcare Forum, and other organizations.

RECOMMENDATION #7

Support community organizations that promote cost-effective care.

Washington is fortunate to have many health care organizations supporting our communities at the local level. In 2006, the Legislature established the Community Health Care Collaborative Grant Program to support community organizations that offer innovative approaches to addressing our health care needs. In an example of true public-private partnership, local funding is matched with state dollars to serve patients.

ACTION:

The Health Care Authority will evaluate the effectiveness of the Community Health Care Collaborative Grant Program in improving access to high-quality, efficient health care at the local level, and build upon identified successes.



RECOMMENDATION #8

Give individuals and families more choice in selecting private insurance plans that work for them.

Washington needs a multi-pronged approach to tackle the challenges facing our uninsured population. Over half of Washington's total uninsured population consists of young adults ages 19-34. Fifty-one percent of the uninsured are adults without children. In addition, 50,000 are employees of small business who have incomes in excess of 200% of the federal poverty level. Providing these and other individuals affordable insurance options on the private market will go a long way in decreasing the number of uninsured in our state.

ACTION:

By February 1, 2007, the Office of the Insurance Commissioner, in collaboration with in-state and out-of-state insurance carriers, state health purchasing agencies, consumers, business organizations and others, shall provide a report to the Governor and the Legislature identifying the impacts and likely tradeoffs in terms of cost and coverage if state laws were modified to:

- **Allow health carriers to offer a health plan** to individuals and small businesses not subject to any provider or benefit mandates, with premiums more closely reflecting the cost of providing this particular product;
- **Allow health carriers to offer a health plan** specifically for young adults and/or children, with

appropriate mandate exemptions and premiums more closely reflecting the cost of care for this age group;

- **Require health carriers who offer coverage** for dependents to extend the eligibility for that coverage to unmarried children up to age 25, retaining an employer's current option of contributing to the cost of that coverage, or allowing the employee to pay the cost in full.

ACTION:

Direct an independent study of specific mandates, rating requirements, or other statutes or regulations identified by in-state and out-of-state insurance carriers as contributing the most to the cost of individual and small group insurance to determine the impact on premiums and residents' health if those statutes or regulations were amended or repealed.



RECOMMENDATION #9

Partner with the federal government to improve coverage.

Washington's public health care programs serve as an important safety net and are often supported through a federal and state partnership. These programs provide insurance coverage to some of our most vulnerable populations. Of the 593,000 uninsured in Washington, approximately 390,000, or sixty-five percent, are in households with incomes below 200 percent of the federal poverty level and would qualify for existing subsidized programs if funding were available. Washington is well-served by working in partnership with the federal government to ensure the sustainability of these programs, and make the most effective use of state dollars, particularly in light of recent changes in federal law.

A. Modify Medicaid and the Basic Health Program to assure their sustainability and cover as many people as possible within available funds.

ACTION:

The Health and Recovery Services Administration and the Health Care Authority will work closely with the United States Department of Health and Human Services on a package to reduce the number of uninsured. In doing so, the agencies shall:

- **Take best advantage of existing state funding** for health care, including funding in the Medicaid and State Children's Health Insurance Programs, and the State's Basic Health Plan, in order to maximize available federal funding;

- **Assure the continued integrity** and viability of the State's health care programs;
- **Promote the use of private health insurance** and buy-in to employer-sponsored insurance;
- **Incorporate benefit designs** that encourage personal responsibility, healthy lifestyles and prudent treatment choices;
- **Conform their purchasing strategy** to recommendations of the Blue Ribbon Commission to promote high quality health care.

ACTION:

The Health Care Authority shall evaluate opportunities to strengthen the Basic Health Program (BHP), considering options such as:

- **Promoting high-quality, cost-effective care** that improves health outcomes;
- **Restructuring benefit design and eligibility criteria** to best serve BHP's mission.

ACTION:

Introduce legislation allowing a person to enroll in employer coverage immediately upon their eligibility for the Medicaid program. This will increase enrollment in the state's existing Employer Sponsored Insurance (ESI) program, under which Medicaid-eligible employees may use Medicaid funds to pay for employer-sponsored insurance.

RECOMMENDATION #9 (continued)

B. Support federal legislation encouraging innovative state coverage strategies.

ACTION:

Work with our federal delegation to pass health partnership legislation that encourages partnerships among the federal government, state governments, businesses, patients and

health care providers to implement different state-designed approaches to achieve sustainable reform.

ACTION:

Pursue any financial or other assistance made available to the states with the passage of this legislation.

RECOMMENDATION #10

Organize the insurance market to make it more accessible to consumers.

Finding health insurance can be a challenge in our changing economy. Individuals move around a lot more than they used to. They often have more than one job. Both employers and consumers grapple with questions such as, “Will I be able to find insurance? Will I be able to pay for it? What are my options?” Washington can help connect them with the information and products that best fit their needs—bridging the best of what the public and private sector have to offer.

ACTION:

Introduce legislation that will, through a public/private partnership:

- **Allow contributions of an employee** and his or her employer(s) to be combined with a possible state subsidy to purchase insurance that neither the employee nor employer could afford on their own;
- **Maximize opportunities for employees and employers** to use pre-tax dollars to purchase insurance;
- **Offer the opportunity to pool individuals** and small business employees to negotiate better rates on their behalf;
- **Offer health coverage that moves** with a person when he or she changes jobs, including options that address the specific needs of seasonal and part-time workers;
- **Increase the number of plans** from which individuals and employees can choose;
- **Provide individuals and employees with information** to make informed decisions on benefit plans.

RECOMMENDATION #11

Address the affordability of coverage for high-cost individuals.

Those with severe, long-term or otherwise costly medical conditions pose a particular challenge when it comes to affordability of care. The Washington State Health Insurance Pool (WSHIP) was created in 1987 to serve such patients, and currently provides coverage to approximately 3,000 individuals. Many others who qualify, however, cannot afford to enroll, and the cost to cover those who are enrolled is of concern. Washington is well-served by making sure it has the best model for addressing these particular health care needs.

ACTION:

By March 1, 2007, the Office of the Insurance Commissioner shall provide a report to the Governor and the Legislature evaluating options for restructuring and improving the Washington State Health Insurance Pool (WSHIP), considering:

- **Improvements** in chronic care management;
- **Changing reimbursement** rates and plan designs;
- **Changing eligibility and subsidy** criteria.



ACTION:

Evaluate replacing WSHIP with a reinsurance program and, to the extent possible, coordinate with the Reinsurance Institute of the Robert Wood Johnson Foundation's State Coverage Initiative through the Spring of 2007.

RECOMMENDATION #12

Ensure the health of the next generation by linking insurance coverage with policies that improve children's health.

Children's health is critically important to the future of our state. Washington should follow through on its statutory commitment to ensure that all children have access to health coverage by 2010. But it's not just about children having an insurance card, but that the insurance card translates into improved health outcomes. Both the state and parents have a responsibility in adopting strategies that, taken together, measurably improve the health of the next generation.

A. Enroll all children eligible for state programs through improved outreach and marketing.

ACTION:

Beginning in January 2007, the Department of Social and Health Services will:

- **Expand outreach for children** eligible but not enrolled in state health insurance programs;
- **Partner with schools and other organizations** to provide information on private and public sector insurance options available to families;
- **Develop a marketing strategy**, including the option to re-brand existing state programs, to encourage enrollment of eligible children;

- **Create a standard application form** making it easier for parents to enroll their children in the Basic Health Plan, Children's Health Program, Medicaid and the State Children's Health Insurance Program (SCHIP).

B. Allow parents to cover their children through SCHIP.

ACTION:

In the 2007 legislative session, introduce legislation giving parents the option of purchasing health coverage for their children at full cost through the State Children's Health Insurance Program.



RECOMMENDATION #12 (continued)

C. Use state purchasing to measurably improve children's health.

ACTION:

State health purchasing agencies will:

- **Incorporate performance measures**, such as well-child services, use of a medical home, immunization, and chronic care management into state and private coverage contracts for children;

- **Link increases in payment rates** for children's services to improve performance in these measures;
- **Measure improvements** in health outcomes.

D. Encourage parental responsibility.

ACTION:

Cultivate an expectation that parents enroll children in affordable health coverage and ensure that they receive appropriate health services.

RECOMMENDATION #13

Initiate strategies to improve childhood nutrition and physical activity.

In Washington, approximately 25 percent of our youth are overweight. Nationally, the rate of childhood obesity has more than doubled from 1980 to 2000. Being overweight increases an individual's risk for developing over

35 major diseases, including type II diabetes, heart disease, and cancer, with the associated treatment costs. Healthy eating and regular physical activity can curb these trends.

ACTION:

Promote strategies related to childhood nutrition, physical activity, and the consequences of childhood obesity, considering options such as:

- **Partnering with local public health**, providers, schools and other organizations, such as the Washington Health Foundation, to increase public awareness;
- **Introducing legislation** to encourage nutritious food options and physical activity for students in K-12 education.



RECOMMENDATION #14

Pilot a health literacy program for parents and children.

As a parent, particularly a new parent, it can be overwhelming when a child gets sick. Parents should have the information and tools they need to guide them through these moments. A recent California pilot program showed a 41 percent drop in missed school days and a 48 percent drop in unnecessary emergency room visits after parents received training about what to do when their child gets sick.

ACTION:

Subject to appropriation, the Health Care Authority will partner with other state agencies and local organizations to implement a demonstration project that helps families make more informed decisions about their children's health care.

RECOMMENDATION #15

Strengthen the public health system.

A strong public health system, with its statewide focus on prevention and health promotion, can keep us all healthier, reducing the need and demand for costly medical treatment. This allows available treatment dollars to be spread further.

ACTION:

Subject to appropriation, invest in public health funding strategies that are accountable for improved health outcomes, based on the recommendations of the Joint Select Committee on Public Health Financing.



RECOMMENDATION #16

Integrate prevention and health promotion into state health programs.

State health programs must do more than simply pay for health care when the need arises. They must actively encourage enrollees to be responsible for their own well-being, and seek innovative ways to reduce the frequency and cost of medical interventions.

ACTION:

By September 2007, the Department of Health, the Health Care Authority, the Department of Labor and Industries and the Health and Recovery Services Administration will develop a strategic plan to do the following. The agencies will identify barriers to and opportunities supporting plan implementation, and note short and long-term steps to be taken.

- **Structure benefits and reimbursements** in all state insurance programs to promote healthy choices and disease and accident prevention;
- **Require enrollees in the Basic Health Plan** to complete a health assessment, and provide appropriate follow-up;
- **Reimburse cost-effective prevention activities** within the Medicaid fee-for-service and the Uniform Medical Plan;



- **Develop prevention and health promotion contracting standards** through the Public Employees Benefit Board (PEBB), the BHP and Medicaid Healthy Options;
- **Strengthen the state's employee wellness program** in partnership with the state's Health & Productivity Committee.

ACTION:

Support primary care and reward providers for effective prevention services.

A PATH FORWARD

The Commission's recommendations set a foundation for more work ahead. It did not intend that they encompass the universe of ideas that the Governor or the Legislature will consider to address our state's health care challenges. Rather, they serve as a starting point. Our challenge now is to transition from an interim of a good conversation to results that are meaningful to all Washingtonians.

How will we know we are succeeding? Government must be accountable for results and evaluate its success using concrete measures. Over the past six months, the Commission set forth ambitious goals and then tied them to doable, achievable action steps. It also considered a list of potential

measures, available on its website, to serve as a starting point for assessing progress towards these goals.

The Commission's work now transitions to the 2007 legislative session. Starting in January, the Governor, the Legislature and all those dedicated to health care should use their collective wisdom to build upon these recommendations and take important next steps to improve the health of our population. It is the Commission's sincere hope that, by using its work as a foundation, Washington will prove successful in providing higher-quality, more affordable care to more people.

LET'S GET TO WORK!