



Michigan Association of Health Plans

August 12, 2009

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Hon. Andy Dillon
Speaker of the House of Representatives
P.O. Box 30014
Lansing, MI 48909

Re: Public Sector Healthcare Reform

Dear Speaker Dillon:

The Michigan Association of Health Plans (MAHP) appreciates your efforts to reform public sector employee healthcare in the state of Michigan. A hallmark of our association is to promote managed care in a setting that achieves prudent efficiencies in the delivery of health care. It appears, based on our preliminary review, that your "Prescription for Public Sector Healthcare Reform" is generally consistent with the goals and mission of MAHP member plans. MAHP, however, has not received nor reviewed any of the vital details of the reform package or any associated legislation; and in the absence of such review, we are not able to indicate our formal position on the proposal. Any comments noted in this letter, therefore, are not intended to be statements endorsing or opposing any part of the Public Sector Healthcare Reform Proposal.

However in response to your request for comments and in light of our preliminary review, MAHP wishes to point out some key issues related to your proposal.

Key Concerns

1. Retaining consumer choice

MAHP fully supports the greatest degree of consumer choice in health plan providers. An expansive choice of health plans for consumers leads to a greater amount of competition in the marketplace and creates downward pressure on health care premiums. This high level of market competition is consistent with the efficiencies sought by your proposal to reform public sector healthcare.

As a result, a threshold concern for MAHP is that any proposal affecting public sector employees should assure that all health plans

with current enrollment be allowed to compete for the public sector business. It would be virtually impossible for MAHP to support a proposal that designates or unfairly favors any single health plan or health insurance carrier (or subsection of the entire health plan market). We hope you share our belief that open and fair market competition is something that should be clearly set forth in any proposed legislation that may arise from your proposal.

2. **Equal market conditions and assuring competitive process**

Consistent with the preceding discussion regarding consumer choice, true competition in the marketplace can only happen when all carriers are subject to the same market conditions. Another way of characterizing “similar market conditions” is to assure that no single carrier (or segment of carriers) has an unfair advantage in the market. This is especially true as it relates to provider reimbursement rates. If one carrier has monopolistic control over the amounts paid to health care providers, then it may pay minimal reimbursements and realize savings that are not available to any other carrier. This presents an inherently unfair market advantage by one carrier being able to leverage its control over reimbursements and essentially “freeze out” competition.

One method to assure fair market competition is to establish a common reimbursement fee schedule for your proposal to reform public sector health care. If all carriers are subject to the same payment rates to providers, then vigorous competition will flourish and public sector employees participating in the reform program will greatly benefit by plans striving to provide the greatest quality of care. In that way, public sector employees will be served by competition that is based on performance, quality and customer service. Indeed, we believe that public sector employees deserve the highest quality and service available and a common provider reimbursement schedule is the logical method for keeping quality of care high and premiums low.

Another way to assure market integrity is to implement a competitive bidding process (based on a common reimbursement schedule discussed immediately above). If the public sector purchaser uses competitive bidding it will likely find significant premium savings.

3. **Migration of individuals and small group customers**

MAHP has been active in the current discussions regarding proposed reforms to the individual health insurance market. As you know, MAHP continues to participate in workgroup meetings held by Rep. Corriveau (regarding HB 4934 and its related bills) and Sen. Tom George (SB 579-582). We have consistently stated that Michigan needs comprehensive reform for the primary purpose of creating greater affordability and accessibility of health care coverage for all Michigan residents. The secondary purpose should be to reform the regulatory structure of health insurance.

What do we mean by “comprehensive reform to create greater affordability and accessibility?” This phrase means that more Michigan citizens should be converted from being uninsured to insured. Those who currently have health coverage (especially employer-based coverage or through a federal health care program) should be encouraged to keep it, rather than migrate to a plan such as you proposed. A migration toward your proposal from those who already have coverage would likely cause an undue financial burden on the state. As a result, the more immediate goal of a public sector employee plan should be limited to qualifying public employees. This would minimize “crowd out” from the private market that might occur by opening up the program to those who currently have coverage.

4. **Retention of collective bargaining/local control of municipal employee coverage**

Collective bargaining has a long history in Michigan and it plays a large role in the purchasing of health care benefits in the group market, especially public sector groups. MAHP supports the retention of collective bargaining rights as a vital role for most local union representatives. We continue to study the proposal and as our analysis progresses, we hope to find clarification that collective bargaining rights will not be adversely affected.

MAHP also is sensitive to the concerns of local governments to retain their representative control over their business units. Of course a primary component of their respective business models is negotiation and purchase of health care coverage. And although economies of scale are logical over a wider range of governmental units, it might be advantageous for these affected governmental units to “opt in” to the proposed public sector plan. Such an “opt in” would be an especially good choice for those business units that can demonstrate a savings by joining forces with the state in the purchase of health insurance coverage.

5. **Realizing cost savings**

Page two of “The Dillon Prescription for Public Sector Healthcare Reform” states, “The State of Michigan faces a 2010 fiscal year deficit of more than \$1.7 billion. Structural changes in public sector active and retiree health care benefits provide an opportunity to help the state address this budget deficit by reducing costs by an estimated \$700 to \$900 million per year.” There is no doubt that the 2010 budget deficit will be significant and a challenge for you and other policy makers to resolve. And although it is not clear exactly how much savings would accrue to the State of Michigan, a proposal that fundamentally changes the purchase of public sector health insurance is worth exploring as a way to reduce the budget deficit.

Regardless of actual savings realized, we caution that you should not assume that the projected savings will occur in time to be part of the FY 2010 budget deficit solution. Considering the time constraints in implementation of the program and working out of collective bargaining rights, it will be highly unlikely for the plan, even if launched in 2010, to have any appreciable downward pressure on short-run cost/savings.

Further, while some savings will ultimately accrue due to the proposed pooling of public sector employees, we hope all observers understand that the vast majority of the proposed savings will come from the proposed re-alignment of benefit plans.

6. **Establishing workgroup and assuring procedural transparency**

The “The Dillon Prescription for Public Sector Healthcare Reform” is a wide ranging modification to a complex system of health benefit purchasing. Such a large scale proposal warrants a careful and deliberative review. Like most such reviews, it would be prudent to create a workgroup of all interested parties for a full and open exchange of opinions. MAHP stands ready to assist when and if a workgroup is convened.

The workgroup process, moreover, promotes transparency in the development of public policy. MAHP has advocated for this type of transparency, especially in the context of the current debate about individual market reform. Transparency, not only good for the development of the proposed public sector health care program, but it is also an important component of the day-to-day operation and the administration of the program. Additionally, transparency will provide interest groups with the assurance that key issues have been addressed in the development of the process and will be instrumental in the final implementation.

7. **Alignment of Goals with MAHP Mission**


Page three of “The Dillon Prescription for Public Sector Healthcare Reform” states several goals that are important to MAHP and fit squarely within the mission of our member plans. One such goal is, “Aim to optimize the health of public sector employees, retirees and their families, by investing in prevention and wellness, rewarding healthy behaviors and encouraging individuals to actively participate in the management of their own health.” This goal accurately summarizes the core purpose of managed care plans and it is exactly what MAHP members perform on a daily basis. This experience of managing care makes MAHP member plans uniquely qualified to carry forward the purpose of your proposed plan for public sector health care.

Another very important goal noted on page 3 states, “Establish a mechanism to ensure that the health care delivered in Michigan conforms to recognized best medical practices.” MAHP has been in the forefront of promoting evidence based medicine. This is more than a concept, it is a practice to actively use those methods and procedures that have proven medical benefits and clinical effectiveness. Through the use of double-blind clinical trials and the use of cohorted studies, MAHP has been instrumental in providing information to members and associated medical providers on the most current treatments and those constituting best medical practices.

MAHP looks forward to receiving more detailed information regarding your proposal for public sector health care benefits. Once we have an opportunity to analyze draft legislation,

and obtain additional detail, we will be better able to articulate a more definitive position. Again, thank you for the opportunity to comment on the proposal.

Sincerely,

A handwritten signature in black ink that reads "Rick Murdock". The signature is written in a cursive style with a long, sweeping tail on the "k".

Rick Murdock

Cc: MAHP Executive Committee