

# Insure Tennessee

Information Session for Legislators  
January 28, 2015

*Coverage for Tennessee's uninsured that is market-based, promotes personal responsibility, addresses cost, and is a big step towards real healthcare reform in Tennessee*

# Insure Tennessee

Insure Tennessee is an alternative approach that promotes personal responsibility, addresses cost, and is a big step toward true healthcare reform in Tennessee. The program will:

Provide **health insurance coverage** to uninsured Tennesseans, ages 19-64, who earn less than 138 percent of the federal poverty level (FPL) **without creating new taxes for Tennesseans.**

138% FPL

\$16,000/yr for  
an individual



• 54% are working, mostly in:

- Food Service
- Construction
- Cleaning and Maintenance
- Sales
- Transportation

**Eligible adults will choose between two options:**



### **Volunteer Plan**

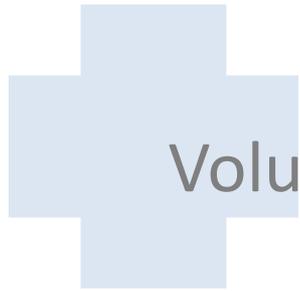
Members would receive a fixed contribution voucher to purchase employer-sponsored insurance in the private market. The voucher would be used to pay for out-of-pocket expenses associated with that private coverage.

### **Healthy Incentives Plan**

Members would receive Healthy Incentives for Tennesseans (HIT) accounts, into which members can earn contributions by making healthy choices and utilizing the healthcare system appropriately.



Counselors will be available to help members choose which plan would best meet their needs.



## Volunteer Plan

### Plan Details:

- Members will be provided a **defined contribution voucher** to help pay for private insurance.
- In the first year of implementation, only certain employer-sponsored insurance (ESI) would qualify. The employer contribution must cover at least 50 percent of the premium cost to qualify.
- Members who choose the Volunteer Plan can move out of the plan and into the Healthy Incentives Plan at any time.

### Volunteer Plan Vouchers:

- Members will be required to participate in cost-sharing associated with the private plan of their choosing (co-pays, premiums, deductibles) and would be able to use the voucher to pay for those costs.
- The state will determine its defined contribution based on average commercial employee premiums and out-of-pocket expenses.
- The value of the voucher will always be lower than the average per-person expenditure in the Healthy Incentives Plan.



## Healthy Incentives Plan

### Plan Details:

- Enrolled in an Alternative Benefit Plan and will receive the same services and be subject to the same service limitations as the existing population.
- Have access to a [Healthy Incentives for Tennesseans \(HIT\)](#) account that could be used to pay for health care related expenses.
- Members above 100 percent of the federal poverty level would be responsible for paying a monthly premium and medical co-pays.
- Premiums in the first year of implementation would be around \$20 a month.

### Healthy Incentives for Tennesseans (HIT) Account:

- A small sum is pre-loaded into the account at the beginning of the year.
- Members can “earn” additional money for the HIT account by performing desirable behaviors like seeking care from a primary care provider rather than an emergency room in a non-emergency situation. Account will have a maximum balance.
- Funds from the account can be used to pay for co-pays, premiums, and other health care related expenses.
- The member will not “own” the funds in the account and the account will not be redeemable for cash or anything other than uses outlined by the state.
- At the end of the year, balances will roll over to the following year.
- If the member disenrolls from the program, the account balance will revert back to the state.

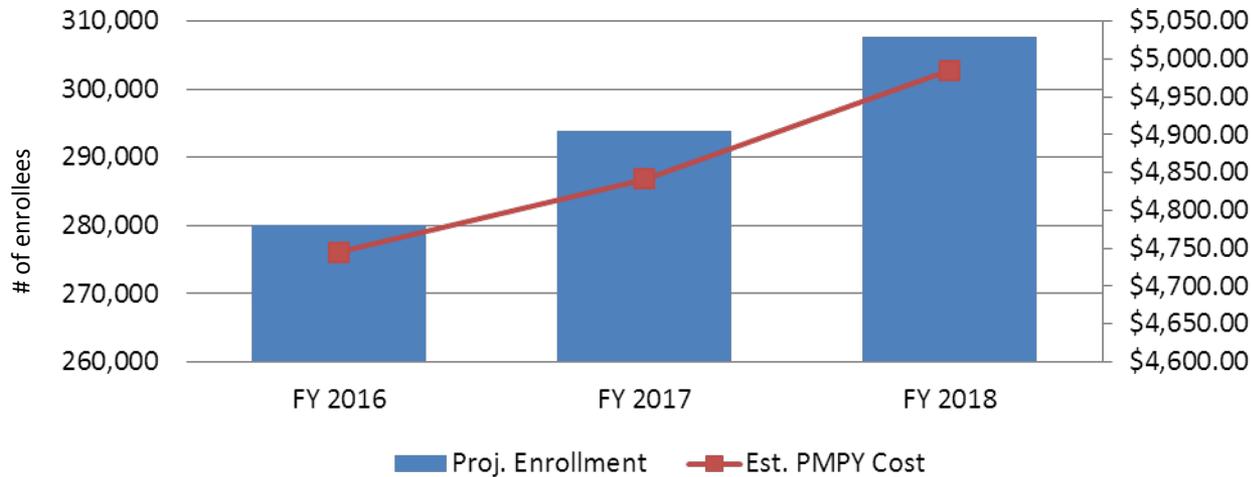
Group	Premiums	Deductibles and Copays
Volunteer Plan members	The member's share of the ESI plan premiums will be covered by the state through the state's defined contribution.	ESI plan deductibles and copays will be applicable and may be covered at least in part by the state through the state's defined contribution.
Healthy Incentives Plan members	<p>Defined as 2% of the federal poverty level - estimated to be approximately \$20 in 2014.</p> <p>Premiums apply to members above 100% of the federal poverty level.</p> <p>The state would disenroll members who have failed to pay premiums for 60 days or more.</p>	<p>Medical copays (applicable for members above 100% federal poverty level):</p> <p>Inpatient - \$75 per admission  Outpatient - \$4 per service  Non-emergency use of the ER - \$8 per occasion</p> <p>Pharmacy copays (applicable for all members):</p> <p>\$1.50 for generic drugs  \$3 for brand name drugs</p>

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 New Taxes

- The program will not create any new taxes for Tennesseans.
- Payment and delivery system reform will help to control cost growth in health care statewide.
- Insure Tennessee will leverage the enhanced federal funding which will pay for between 90 and 100 percent of the cost and in doing so will bring federal tax dollars Tennesseans are already paying back to the state.
- Once the federal match decreases below 100 percent, Tennessee hospitals have committed to covering the state's portion of the cost.
- The program will automatically terminate in the event that either federal funding or support from the hospitals is modified in any way.

## Two Year Enrollment Cost Estimates



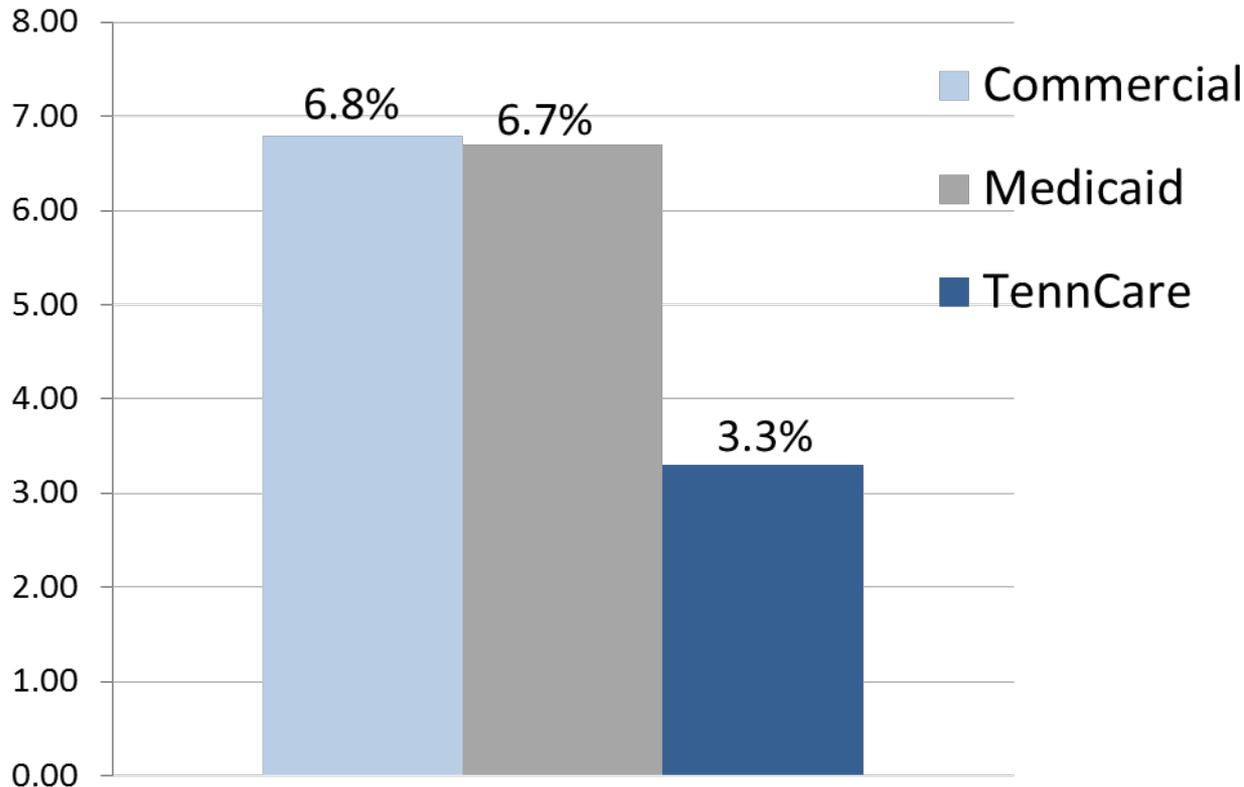
Year	FY 2016	FY2017	FY2018
Total Expenditure	\$664,286,000	\$1,422,432,700	\$766,640,700
State Cost*	\$0.00	\$35,560,800	\$38,332,000

\*State costs will be covered by Tennessee hospitals which have committed to overset any state costs beyond what the federal government funds.

- The cost estimates were provided by the state's actuarial consultant and were calculated based on 2013 cost data for the state's Medicaid experience for similar age groups – ages 19-64 excluding maternity costs but including a pharmacy component.
- The enrollment growth pattern accounts for an average of 4.8 percent growth per year
- The anticipated first year of Insure Tennessee will benefit from 100 percent federal match rate; in CY2017 the match rate will be 95 percent.

## TennCare Financial Trends

According to a GAO report released in June 2014, Tennessee was tied for the 4<sup>th</sup> lowest Medicaid spend per enrollee nationwide.



This graph shows projected medical trend for commercial insurance, Medicaid nationally, and TennCare. (Sources: PricewaterhouseCoopers, CMS National Health Expenditure Data, and TennCare budget data)

## Tennessee Health Care Innovation Initiative

- Delivery system transformation is essential since the current health care delivery system as a whole is **simply not sustainable**.
- Right now the system is mostly “**fee-for-service**” meaning a service is provided and the provider submits a claim for reimbursement. Therefore, **more services means more payment**.
- The initiative’s goal is to **pay for outcomes and for quality care**, rather than for the amount of services provided – **value-based care** instead of volume-based.
- The state is working **collaboratively** with hospitals, physicians, nurses, other medical providers, payers, and employers to work towards meaningful payment reform.
- By working together, we can achieve **sustainable medical trends and improve care**.

“Over the next 5 years, the Tennessee Health Care Innovation Initiative will shift a majority of health care spending, both public and private away from fee-for-service to three outcomes-based payment strategies.

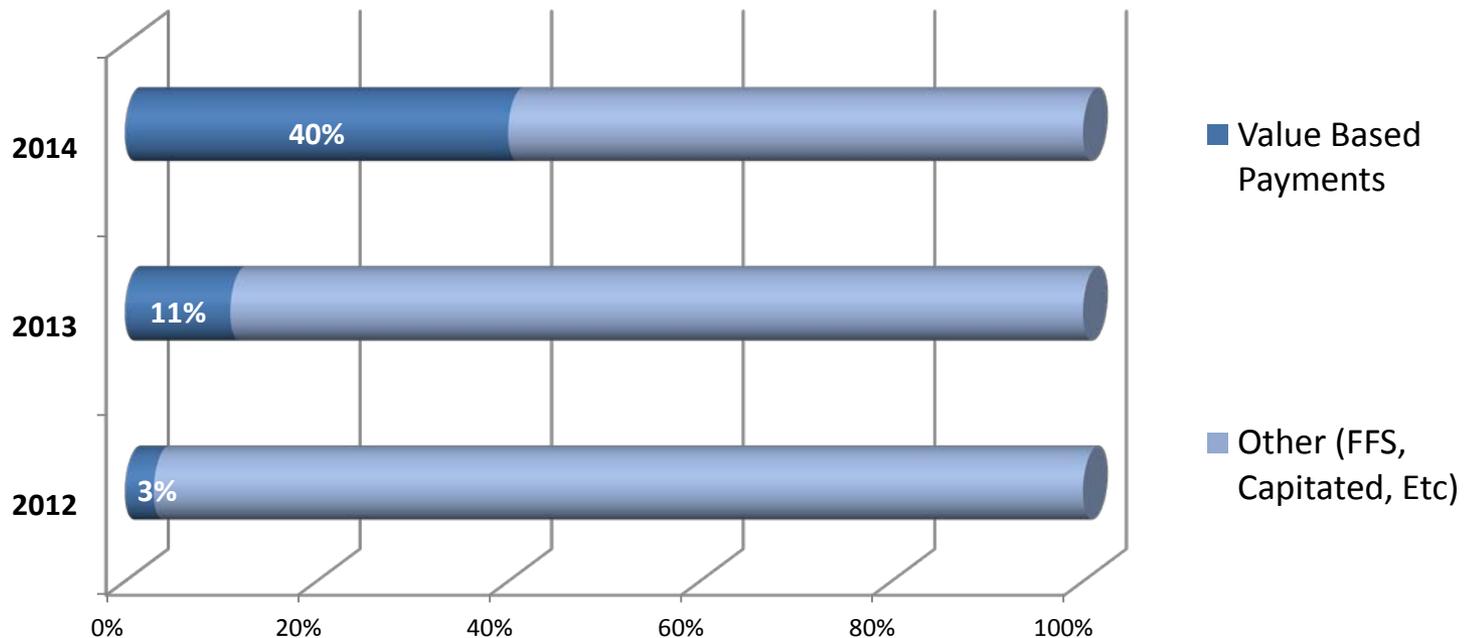
“With these efforts, it’s our hope that Tennessee will be at the forefront of a national trend that is expected to gain momentum in the coming years.”

– Governor Haslam’s address to the National Governors Association, July 2014

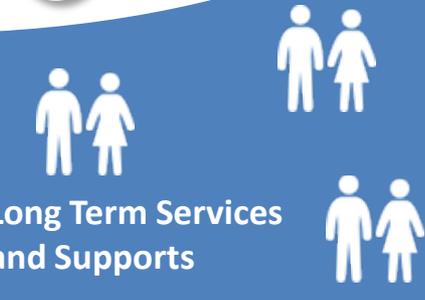
## National movement toward value-based payment

Forty percent of commercial sector payments to doctors and hospitals now flow through value-oriented payment methods. -Catalyst for Payment Reform

The Proportion of Value-Based Payment is Growing



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 <p><b>Primary Care Transformation</b></p>	<p><b>Source of value</b></p>	<p><b>Strategy elements</b></p>	<p><b>Examples</b></p>
 <p><b>Episodes of Care</b></p>	<ul style="list-style-type: none"> <li>▪ Maintaining a person’s health over time, coordinating care by specialists, and avoiding episode events when appropriate</li> </ul> <hr/> <ul style="list-style-type: none"> <li>▪ Achieving a specific patient objective including associated upstream and downstream cost and quality</li> </ul>	<ul style="list-style-type: none"> <li>▪ Patient centered medical homes</li> <li>▪ Health homes for people with serious and persistent mental illness</li> <li>▪ Care coordination tool with Hospital and ED admission provider alerts</li> </ul> <hr/> <ul style="list-style-type: none"> <li>▪ Retrospective Episodes of Care</li> </ul>	<ul style="list-style-type: none"> <li>▪ Encouraging primary prevention for healthy consumers and coordinated care for chronically ill</li> <li>▪ Coordinating primary and behavioral health for people with SPMI</li> </ul> <hr/> <ul style="list-style-type: none"> <li>▪ Wave 1: perinatal, joint replacement, asthma exacerbation</li> <li>▪ Wave 2: COPD, colonoscopy, cholecystectomy, PCI</li> <li>▪ 75 episodes by 2019</li> </ul>
 <p><b>Long Term Services and Supports</b></p>	<ul style="list-style-type: none"> <li>▪ Provide long-term services and supports (LTSS) that are high quality in the areas that matter most to recipients</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality and acuity adjusted payments for LTSS services</li> <li>▪ Value-based purchasing for enhanced respiratory care</li> <li>▪ Workforce development</li> </ul>	<ul style="list-style-type: none"> <li>▪ Aligning payment with value and quality for nursing facilities (NFs) and home and community-based care (HCBS)</li> <li>▪ Training for providers</li> </ul>

- The coverage gap, impact to hospitals, and ongoing healthcare crisis all necessitate action on our part.
- Governor Haslam's Tennessee specific plan is market-based and promotes personal responsibility.
- Insure Tennessee covers more people at no additional state cost, and it will automatically end if the funding arrangement is modified.
- Aligning incentives on the provider side will help to address cost concerns and will represent a big step toward true healthcare reform in Tennessee.