

## The Pennsylvania Universal Coverage Initiative

In January 2007, Pennsylvania Gov. Edward Rendell issued a broad health care reform proposal called the Prescription for Pennsylvania. The proposal addresses health care affordability, access, and quality. One component of the proposal is the Cover All Pennsylvanians (CAP) program, which would offer basic health insurance to small business employees and the uninsured through private coverage. In addition to expanding coverage, the proposal would increase state oversight of hospitals and health plans and ensure access to health care providers throughout the state, particularly in underserved areas. It would also require hospitals to adopt and implement system-wide quality management and error reduction systems along with interoperable electronic health records.

### Proposal in Brief

*Target population:* All uninsured residents.

*Source of Coverage:* Affordable, private insurance.

*Coverage Incentives:* Individual mandate; premium subsidies; employer responsibility.

*Financing:* Assessments on employers; state and local funding; individual premium payments; reductions in uncompensated care; tobacco taxes.

*Timing:* Not yet known.

### SUMMARY OF CAP PROGRAM:

**Individual Mandate:** The CAP program would be administered through the Pennsylvania Insurance Department. It would phase-in an individual mandate by requiring uninsured individuals earning above 300 percent of the federal poverty level (FPL), full-time four-year college students, and graduate students to have health insurance coverage. The state plans to work with the General Assembly, businesses and consumer groups to craft an enforcement policy.

**Premium Assistance:** The CAP program would permit every uninsured adult, no matter the size of his/her employer, to purchase insurance coverage through CAP. Uninsured adults, regardless of employment status, with incomes less than 300 percent of FPL would receive premium subsidies for CAP insurance products, regardless of whether they are purchasing the insurance on their own or through a small employer. Uninsured adults with incomes greater than 300 percent of FPL would be able to purchase coverage through CAP by paying the full cost of the premium, estimated to be \$280 per month for an adult.

**CAP Benefit Design:** Plans included in the CAP program would be administered by private insurance companies. The benefit package would include hospital stays (unlimited days), physician services (primary care and specialists), emergency services, diagnostic tests, maternity care, and rehabilitation and skilled care. In addition to these benefits, CAP plans must encourage wellness and prevention and cover prescription drugs, as well as basic behavioral health and substance abuse treatment services.

**Employer Participation:** Businesses would be eligible to participate in CAP if they have not offered health care for their employees in the past six months, have fewer than 50 employees, and employees earn less than the state average annual wage on average (approximately \$39,000). Employers that choose to participate in the CAP program would pay approximately \$130 per employee per month. Their employees would pay premiums on a sliding scale based on income. Premiums would range from \$10 to \$70 for individuals earning less than 300

## Pennsylvania Quick Facts

### Population:

12.2 M (US total: 292.9M)  
6<sup>th</sup> largest state

### No. and Percent Uninsured:

1.4M; 11% (US: 46.6M; 16%)  
6<sup>th</sup> lowest uninsured rate

### Median Household Income:

\$45,814 (US: \$46,037)  
22<sup>nd</sup> highest

### Undocumented Immigrants:

75,000-100,000; 6-8%  
(US: 9.3M; 3%)  
18<sup>th</sup> highest number of  
undocumented immigrants

### Avg. Annual Cost of Employer-Sponsored Insurance (ESI) (individual per year):

\$3,671 (US: \$3705)  
30<sup>th</sup> highest annual cost

### Medicaid Enrollment:

1.8 M; 14% (US: 55.0M; 19%)  
7<sup>th</sup> largest pop. covered

### Medicaid Coverage of Working Parents:

61% FPL (US avg: 87% FPL)

Sources: Kaiser State Health Facts; Urban  
Institute Estimates of Undocumented  
Immigrants, January 2004

percent of FPL. The governor proposed an assessment on employers who do not provide health insurance to their employees that would total 3 percent of their payroll. In the first year of implementation, employers with fewer than 50 employees would be exempt from the assessment.

## OTHER KEY REFORM PROPOSALS

**Wellness, Prevention, & Care Coordination:** The governor would require CAP plans to structure their benefits around preventive care and wellness. The proposal also advocates more broadly for increased care coordination for the chronically ill. The governor's proposal also would provide incentives for insurer adoption of care coordination and case management for chronically ill individuals with conditions such as diabetes, heart disease, and asthma in order to reduce the number of hospitalizations associated with chronic illnesses. Furthermore, the governor seeks to develop an integrated care model for individuals with co-occurring disorders. Additional details about these programs are not yet available.

**Quality:** The governor's proposal includes provisions to increase quality by requiring hospitals to adopt and implement system-wide quality management and error reduction systems along with interoperable electronic health records. The proposal would also develop pay-for-performance metrics and permit the state to cease paying health care providers for care associated with hospital-acquired infections and medical errors.

Additionally, the governor's proposal would provide consumers with real-time data on quality outcomes, average payments for hospital procedures, and monthly prices for 150 of the most commonly prescribed drugs.

**Health Information Technology:** The governor's proposal calls for the establishment of a Health Technology Commission that would:

- Establish standards and specifications for interoperable electronic health records; and
- Determine how much it would cost providers to implement interoperable electronic health records and personal health records.

The Commission's report would be issued by December 31, 2007. After the release of the report, all acute care facilities would be required to create a plan for the adoption of interoperable electronic medical records. Each plan must be approved by the State Department of Health by July 1, 2008.

**Increased State Oversight:** The governor's proposal would increase the oversight of hospitals and health plans in several ways:

*Hospitals* – Under the governor’s proposal, the state would ensure that hospitals screen individuals who seek non-emergency care at emergency departments and redirect them to more appropriate health care providers. The proposal also would require hospitals to have uniform criteria for admitting uninsured and under-insured individuals into the hospital, and provide financial and health insurance counseling to low-income patients. Additionally, the governor calls for the creation of uniform criteria that address the amount of “community benefit” (e.g., charity care) each not-for-profit hospital must provide to retain its tax-exempt status.

*Health Plans* – Under the CAP program, the state would require small-group insurers to use only age, location and family size when calculating plan premiums. The state would ensure that the most expensive premium is capped at twice the cost of the lowest premium. Additionally, the state would require that at least 85 percent of small-group insurance premiums go toward the cost of care. By doing this, the state would impose a limitation on the amount of administrative costs a small-group plan can incur.

***Access to Primary Care Providers:*** The proposal would increase access to primary care by giving resources to federally qualified health centers and nurse-managed care centers that serve areas with provider shortages. The proposal also outlines the governor’s support for financial incentives that encourage providers to work in the evenings and on weekends. In addition, it would allocate resources to attract and retain health care providers in under-served parts of the state.

## **BUDGET ESTIMATES**

The Prescription for Pennsylvania health care initiative would cost \$255 million in state and federal funding in the first year. More than 90 percent of the cost is associated with subsidizing health coverage for uninsured adults. In addition to employer assessments, the governor proposed raising cigarette taxes and imposing a new tax on smokeless tobacco and cigars to offset these costs. Ultimately, the total cost of the program will depend on whether plans are able to meet the benefit requirements for the projected premium cost.

## **NEXT STEPS FOR IMPLEMENTATION**

The Pennsylvania legislature has not approved the governor’s proposal, and it is not yet clear whether it will do so. The state would also need to secure a new Medicaid waiver to receive federal matching funds for the premium subsidies provisions outlined in this plan.

## **SOURCES**

<http://www.rxfopa.com/>.

<http://www.ohcr.state.pa.us/prescription-for-pennsylvania/Rx-for-Pennsylvania-News-Release.pdf>.

<http://www.ohcr.state.pa.us/prescription-for-pennsylvania/QandA.pdf>.