



The health cards
that get you covered.





Overview of Our Gift

Our “gift” is an analysis of the changes in our Brooklyn HealthWorks insurance products as they evolved from initial planning through final implementation. The following pages show these products as they were first envisioned by the consortium members during the planning grant, and then as the final product that will be approved by the State Insurance Department. Our before and after benefit plan description and corresponding co-pays and deductibles reflect the impact of the political process, marketing strategies, community and small business needs that have shaped the scope of our products.

While many aspects of our insured and pharmaceutical products remain the same, other aspects have been altered to fit the needs of our audience: the state insurance department, GHI, our consortium partners and hospitals, our demonstration communities and the small business that operate within them. The narration explains why and how aspects were changed and molded to meet the exigencies of the day.



Brooklyn HealthWorks Insurance products:

- An insured medical benefit for uninsured small businesses (2 to 50 employees) and sole proprietors.
- An insured pharmaceutical program for uninsured small businesses (2 to 50 employees) and sole proprietors.
- A pharmaceutical access (discount) card for the uninsured called Brooklyn HealthWoRX

The Brooklyn HealthWorks Consortium:

- **GHI** is a not-for-profit commercial insurance company that has remained committed to bringing these products to market.
- **Express Scripts**, the leading national pharmacy benefits manager, has entered into the pharmacy access business on behalf of Brooklyn HealthWorks. Express Scripts seeks to understand the characteristics and purchasing potential of this particular marketplace in terms of future marketing efforts. The Express Scripts network includes over 350 participating pharmacies in Brooklyn and 30,000 nationwide.
- A **network** of approximately 2,000 physicians (including primary care and specialists), seven hospitals with their multiple primary care and specialty care clinics, and 12 freestanding ambulatory care centers. As our membership grows, the network will be expanded. The commitment and willingness of our providers to accept discount fees in order to maintain an affordable premium serves as a national model.
- The **Brooklyn Chamber of Commerce** is the leading business assistance and economic development organization in Brooklyn. With over 1,300 members, it is one of largest chambers of commerce in the region. Its strong presence and commitment to the Brooklyn HealthWorks marketing campaign will enable us to reach 3,000 to 7,500 small business owners that would potentially qualify for the Brooklyn HealthWorks insurance program.
- As we demonstrated a willingness to modify our products to accommodate their interests and needs, the **New York State Insurance Department** (NYSID) has become more supportive of our efforts. NYSID has committed to certifying our GHI insurance product and to support our marketing efforts.

The Brooklyn HealthWorks Community:

- ◆ Over 11,000 businesses operate in our demonstration area. Nearly 9 out of 10 businesses have fewer than twenty employees. The average business in our demonstration area has 14 employees. Nearly three-quarters of all businesses surveyed say that having health insurance for their company is very important, but 43 percent who do not offer it cite cost as the primary factor. Cost to the employee is the second reason why insurance is not offered.
- ◆ The average salary or payroll is \$29,487 per employee (2000\$).



The Elusive Holy Grail and Political Trade Offs

The New York State Department of Health and The State Insurance Department were to play an important role in the development and implementation of our low-cost health insurance plan for the uninsured. The Northern Brooklyn Health Consortium members and staff expended considerable time and effort seeking legislation to create a demonstration area within northern Brooklyn. We sought legislative waivers that would have reduced our premium costs by as much as 35 percent. Administrative waivers were denied for legal, regulatory and political reasons.

By migrating our approaches closer to existing state insurance programs, we achieved limited waivers but were unable to achieve success in the arena of hospital finance law and regulation. Notwithstanding these issues, we will reduce premium costs by nearly 20 percent for the uninsured population in our targeted demonstration area in Northern Brooklyn.

I. Hospital Public Finance Laws and Regulations

Hospital Reimbursement and Medicaid Funding Issues

➤ The Covered Lives Assessment

In New York State, commercial carriers are charged a “covered lives assessment” to pay for graduate medical education. No other state in the nation levies such a tax on commercial carriers. Historically, Medicare and Medicaid pay for graduate medical education. This tax is referred to as the “13th month premium”. Because of the preponderance of teaching hospitals in New York City, the covered lives assessment is \$116 per individual and \$385 per family; the same assessment upstate is a small fraction of this amount. This cost is passed on to the consumer and employer through higher health insurance premiums. Using our assumed average of individuals and families, we had anticipated that a waiver from this assessment would result in savings of approximately \$300 per member per year. Because this revenue is a significant portion of the funding for graduate medical education in New York State, it is one of the most protected sources of revenue for hospitals in our state.



➤ **The Surcharge for Bad Debt and Charity Care**

New York State has a long history and commitment to funding health care services for the uninsured. Among its various approaches is the “bad debt and charity tax” on commercial carriers that generates approximately \$800 million annually in revenue. This revenue is raised as a surcharge on any service rendered in a hospital setting. The surcharge is 8.18 percent. Insurance carriers pass this cost on to consumers as part of their premiums. This tax revenue is collected and redistributed back to the hospitals and other ambulatory care providers who treat the uninsured. The money is paid to hospitals in a lump sum fashion. There is no guarantee that these funds are earmarked for the uninsured, but rather are often allocated to compensate hospitals for previous levels of uncompensated care.

The consortium sought waivers from this surcharge so that we could reduce premiums to the uninsured small business. As of this writing we have yet to achieve this objective.

➤ **Historical funding for Financially Distress Hospitals and Emergency Medicaid**

While most hospitals in our service area have signed participation agreements with Brooklyn HealthWorks, several did not agree to our fee schedules. Hospitals receive about 30 to 40 cents on the dollar for their bad debt and charity care through the 8.18 percent surcharge. Our rate structure results in a payment rate of 70 cents on the dollar. Also, our program guarantees payments to physicians at 60 percent of the 2000 Medicare fee schedule. We offered an economic reason to participate.

However, several hospitals felt that they would be harmed by our rates and not helped. These are hospitals that receive supplemental assistance because they are financially distressed. Also, in New York State, a person who is uninsured can receive emergency Medicaid assistance while hospitalized, if the uninsured patient is admitted through the Emergency Room. Some Hospitals feel that Emergency Medicaid is a better finance strategy for them, even though assistance is only for those who are emergent care patients.



II. State Insurance Laws and Regulations

Health Benefit Design Issues

➤ **Crowd Out**

When Brooklyn HealthWorks did not achieve demonstration status, we were required to bring our product to market under community-rated insurance regulations. This created another serious issue for the consortium. As a community rated product, we would be required to sell insurance to any qualifying small business. Therefore, if a small business already had insurance, they could drop their existing health insurance and buy Brooklyn HealthWorks. This would have been an anathema for the hospitals that are discounting their rates for this “new business” and would have done little to make inroads among the uninsured. In New York State approximately 30 percent of our population is uninsured, and in Brooklyn that number may well exceed 35 percent.

We needed a crowd out provision for small businesses to qualify for purchasing Brooklyn HealthWorks. Crowd out is a term that means an entity (business) has not provided health insurance within the preceding twelve months. The political compromise was costly. We have had to redesign our health benefit package to comply with other state sanctioned health insurance programs that require higher co-pays and do not provide mental health coverage, substance abuse treatment, home health care and other benefits. (see the attached comparison of benefits), but crowd out was obtained.

➤ **Stop Loss**

We have successfully achieved access to the Healthy New York Stop Loss Pools. Access to the stop loss pools provides as much as a 10 percent reduction in the cost of the premium. Adverse selection in the uninsured marketplace can add significantly to the cost of doing business. Therefore stop loss reinsurance is purchased to provide protection and adds to the cost of a premium. We are now being given access to the state’s stop loss pools at no additional expense. This was achieved as a result of the changes in benefit package.

➤ **Changes in Health Benefit Scope**

See attached benefit grid for trade-offs



The Brooklyn HealthWorks Benefit Design

Inpatient Services Proposed Benefits October 2001			Inpatient Services Proposed Benefits January 2003	
Category	Coverage	Reimbursement	Coverage	Reimbursement
Hospital Coverage* 365 Days per single confinement. Covered charges for semi-private room and board, medical supplies, facilities, services and equipment customarily furnished by hospitals including routine nursery care	Covered in full	\$700 per diem \$800 per diem for all intensive care days	Covered in full	\$700 per diem \$800 per diem (ICU, PICU,CCU, NICU)
Hospital Deductible	None		None	
Admissions primarily for Physical Therapy *	30 days per calendar year	\$700 per diem	Covered	
Admissions primarily for diagnostic purposes	Not Covered		Not Covered	
Admissions for mental health care *	Covered in full 30 days/ year 60 days lifetime	\$500 per diem	Not Covered	
Admissions for chemical dependency treatment *	Covered in full 20 days per calendar year	\$250 per diem (Rehab) \$500 per diem (Detox)	Not Covered	
Combined Rehab and Detox	detox and rehab 40 days lifetime		Not Covered	
Skilled Nursing Facility Care *	Covered in full 60 days per calendar year	Medicaid rates	Not Covered	
* Services are to be incorporated into a pre-certification program				



The Brooklyn HealthWorks Benefit Design

Outpatient Services Proposed Benefits October 2001			Outpatient Services Proposed Benefits January 2003	
Category	Coverage	Reimbursement	Coverage	Reimbursement
Emergency Care Facility charges	Covered subject to \$50 co-pay, waived if admitted	\$150	Covered subject to \$50 co-pay, waived if admitted	\$150
Outpatient Clinic Visit	\$10 co-pay	\$40	\$20 co-payment	\$30 or \$40 to be determined
Hospital-Based Ambulatory Surgery	Covered In full	\$500	Covered In full	\$500
Pre-Surgical Testing *	Covered in full	Medical Reimbursement	\$20 co-payment	Medical Reimbursement
Chemical Dependency Treatment *	Covered in full 60 visits per year, One (1) visit per day, up to 20 visits for family therapy	Medical Reimbursement	Not Covered	
Referred Ambulatory Care:	Covered in full	Medical Reimbursement	\$20 co-payment	Medical Reimbursement
Dialysis Treatment	Covered in full	Medical Reimbursement	\$20co-payment	Medical Reimbursement
Ambulatory Surgery Center Care	Covered in full	\$350	Covered in full	\$350
Home Care * visits per calendar year	Covered in full 40 visits	TBD	Not Covered	
Hospice Care * Lifetime Maximum	Covered in full 210 days	TBD	Not Covered	
Air Ambulance	Not Covered		Not Covered	
* Services are recommended to be incorporated into a pre-certification program				



The Brooklyn HealthWorks Benefit Design

Medical Services Proposed Benefits October 2001			Medical Services Proposed Benefits January 2003	
Category	Coverage	Reimbursement	Coverage	Reimbursement
Base Medical and Surgical Coverage	Network providers are paid directly by the insurer of this program based upon a pre-determined schedule	Surgical - 60% RBRVS Medical - 60% RBRVS Radiology - 50% RBRVS Pathology - \$5.00 conversion factor	Network providers are paid directly by the insurer of this program based upon a pre-determined schedule	Surgical - 60% RBRVS Medical - 60% RBRVS Radiology - 50% RBRVS Pathology - \$5.00 conversion factor
Annual Deductible per calendar year	None		None	
Medical Coinsurance	\$10 Co-pay		\$20 Co-pay	
Maximum Eligible Out-of-Pocket Expenses excludes annual deductible	None		None	
Lifetime Maximum Reimbursement	None		None	
Office Visit	\$10 Co-pay		\$20 Co-pay	
Diagnostic Procedures - 1. includes diagnostic lab tests and radiology procedures. Does not include MRI, CAT-scan and Sonogram	\$10 Co-pay		\$20 Co-pay	



The Brooklyn HealthWorks Benefit Design

Medical Services Proposed Benefits October 2001			Medical Proposed Benefits January 2003	
Category	Coverage	Reimbursement	Coverage	Reimbursement
2. MRI, CAT-scan and Sonogram Testing *	\$25 Co-pay		\$20 Co-pay	
Chiropractic Care per calendar year	\$10 Co-pay		Not Covered	
Routine Podiatric Care 4 visits	\$10 Co-pay		\$20 Co-pay	
Allergy visits per calendar year 30 visits	\$10 Co-pay		\$20 Co-pay	
Speech Therapy 10 visits	\$10 Co-pay		Not covered	
Physical and Occupational Therapy 30 visits	\$10 Co-pay		Not covered	
Chemotherapy Treatment	Covered No Co-pay		Covered \$20 co-pay	
Diabetes Management Mandate Rx and Supplies	Covered No Co-pay		Covered \$20 co-pay	
Ambulance Service	Not Covered		Not Covered	
Mental Health Treatment *	\$10 Co-pay 20 visits per year		Not Covered	
Private Duty Nursing Services	Not Covered		Not Covered	
Durable Medical Equipment *	Covered subject to \$150 deductible \$10,000 annual maximum		Not Covered	
Routine Vision Care	Not Covered		Not Covered	



The Brooklyn HealthWorks Benefit Design

Medical Services (Preventive Care) Proposed Benefits October 2001			Medical Services (Preventive Care) Proposed Benefits January 2003	
Category	Coverage	Reimbursement	Coverage	Reimbursement
Annual Physical Check-up one annual check-up	Covered No Co-pay		Covered \$20 Co-pay	
Well Baby Care	Covered No Co-pay		Covered \$20 Co-pay	
Well Child Care to age 19 Pediatric Immunizing Agent	Covered No Co-pay Covered No Co-pay		Covered \$20 Co-pay Covered No Co-pay	
Well Woman Care Two OB-GYN visits per year Pap smear Mammography Screening	Covered No Co-pay		Covered \$10 Co-pay	

Pharmaceutical Benefits Proposed Benefits October 2001			Pharmaceutical Benefits January 2003	
Category	Coverage	Reimbursement	Coverage	Reimbursement
Prescription Drugs	Covered No Deductible Co-pays: \$10 for generic \$ 20 for Brand \$30 for Lifestyle drugs	Formulary Express Scripts negotiated rates	Covered Deductible: \$100 per individual per calendar year Co-pays: \$10 for generic \$ 20 for Brand	Formulary Express Scripts negotiated rates
Maximum Benefit	\$5,000 per individual per calendar year		\$3,000 per individual per calendar year	
Mail Order Program	Yes		Yes	



The Brooklyn HealthWorks Benefit Design

General Benefit Plan Features (Remain Unchanged)	
<u>Category</u>	<u>Benefit</u>
Annual maximum	None
Dependent children coverage	to age 19 END OF YEAR
Dependent student coverage	to age 25 END OF YEAR
Coordinated Care	<p>Precertification required for the following services when covered:</p> <ul style="list-style-type: none"> ◆ Hospital admission, Outpatient surgery, Inpatient rehabilitation, ◆ Maternity care, Inpatient and outpatient mental health, Inpatient and Outpatient substance abuse, Home health care, Skilled nursing facility, ◆ Private duty nursing, Physical and occupational therapies, DME, ◆ Pre-surgical testing, inpatient admissions for rehabilitation, MRI and CT scan, Sonograms and Hospice Care. ◆ Concurrent and retrospective review ◆ Second surgical opinion required for certain surgical procedures ◆ Large Case Management
Failure to precertify:	<p>Hospital admissions - benefits to be reduced by \$700 per day up to a max of \$1,400 or 50% whichever is less</p> <p>Other procedures requiring precertification - benefits will be reduced by 50%</p>
Emergency Care	Includes emergency room charges and emergency room professional charges for treatment of 'emergency conditions' as defined by the NYS Insurance Law and determined using a prudent layperson standard.