

## **Talking Points on Establishing a “Smart” California Health Insurance Exchange**

Implementation of the Patient Protection and Affordable Care Act (PPACA) presents an unprecedented opportunity for California to advance the state’s long-standing goals of significantly reducing growth in health costs, improving quality of care, expanding access to affordable care, and reducing racial, ethnic, and income-related health disparities.

To ensure that this promise is fulfilled, the focus of PPACA implementation should not be limited to those tasks minimally necessary to comply with the new federal law. Rather, the State’s implementation of key sections of the PPACA, such as Section 1311 on state health insurance exchanges, should embrace the full possibility of what reform can bring to California.

1. The PPACA provisions on state health insurance exchanges provide a consistent set of incentives and an unprecedented opportunity for California to transform the state’s private insurance market, in short order, into a marketplace that moderates inflation of health costs by promoting competition among high performance health plans on the basis of value, quality, and price.
  - An illustration can be found in section 1311, subsection (g), entitled “Rewarding Quality through Market-based Incentives.” The provisions, here, create incentives for qualified health plans (e.g., health plans eligible to participate in state insurance exchanges) to undertake “activities that shall include quality reporting, effective case management, care coordination, chronic disease management, medication and care compliance initiatives, including through the use of the medical home model, for treatment or services under the plan or coverage.”
  - Another illustration follows in subsection (h), which requires that, starting in 2015, providers contracting with qualified health plans must provide coordinated health care services, including post-hospital discharge care support. This provision provides the opportunity for the states to require that qualified health plans, along with their contracted providers, assure that team based, coordinated care is available to plan beneficiaries.
2. The emphasis on “care coordination”, “chronic disease management”, “medical homes,” etc. in the PPACA state health insurance exchange provisions sets an important direction for improvement of in California’s health care delivery system. Team-based, coordinated care models have demonstrated significant advantages in cost-effective prevention and management of chronic diseases that are associated with 75% of the state’s health care spending and as much as two-thirds of the annual growth in health care costs.
3. California can seize the PPACA-created opportunity to design a private insurance marketplace that will moderate inflation of health costs by incorporating three features into the design of a “smart” health insurance exchange:

- a) Require that all participating health insurers offer beneficiaries who enroll through the exchange an option of team-based, care coordination that meets at least level 2 NCQA standards for medical home recognition.
  - b) Require that all participating health plans comply with uniform quality reporting requirements that will enable California health care consumers to select health plans on the basis of both price and medical outcomes comparisons.
  - c) Encourage all qualified health plans to compete in the state exchange marketplace.
4. The requirement that private health plans in the exchange offer beneficiaries team-based care coordination options will have beneficial impact outside the exchange, as private insurance plans balance the benefits of providing relatively cost-ineffective, fee-for-service care options alongside high-performance, team-based coordinated care options required by the exchange.. A shift among insurance plans, generally, to adopting higher performance, more cost-effective care delivery models will yield broadly-shared benefits to state government and private insurance purchasers.
  5. PPACA provides significant financial incentives for California to align care delivery in MediCal with the team-based coordinated care delivery it incents in the state exchange. For example, PPACA offers a substantially enhanced federal Medicaid match paid to states that deliver care to Medicaid beneficiaries with chronic conditions through “health care homes.” (“Health care homes” are defined generally in Title 3, section 3502, which defines the concept of a community-based health team.)

The legislation specifies: “Payments made to a designated provider, a team of health care professionals operating with such a provider, or a health team for such services shall be treated as medical assistance for purposes of section 1903(a), except that, during the first 8 fiscal year quarters that the State plan amendment is in effect, the Federal medical assistance percentage applicable to such payments shall be equal to 90 percent.”

6. A significant number of working Californians are likely to fluctuate between coverage by private insurance plans in the exchange and MediCal. By promoting alignment of team-based, coordinated care delivery options in MediCal and comparable care delivery options among private health plans participating in the health insurance exchange, the State will enable Californians to enjoy continuity of care coordinated and supported by health teams they prefer, even as their insurers may change between public to private health plans over the course of their working lives.
7. A Multi-Payer Advanced Primary Care Demonstration announced recently by HHS Secretary Sebelius provides an additional financial incentive for providing team-based care options to public and private plan beneficiaries who enroll

through the exchange. The new multi-payer demonstration project would provide federal funding to include Medicare patients within a mix of private and publicly-covered patients receiving a team-based, medical home standard of care encouraged by the PPACA.

In summary, California needs its health insurance exchange to be much more than a digital marketplace for conventional insurance products. California needs its exchange to be a health insurance marketplace that is smartly designed to drive health system improvement through competition that gives consumers a choice between high-performance coordinated care models based on the cost and quality of care they deliver. The PPACA provisions on health insurance exchanges create an unprecedented opportunity and a consistent set of incentives to do exactly this.

Implementing legislation should not squander this opportunity by meeting merely the minimum requirements of the federal law. Indeed, state legislation should embrace the full potential provided by this reform. This goal can be achieved fairly simply through incorporation of the three features listed in Point #3, above, in the design of California's health insurance exchange.