



# HCFANY Evaluation of Excellus Health Reform Proposal

## *Excellus BlueCross BlueShield (BCBS)*

In September 2007, Excellus BCBS submitted a proposal to reform the direct pay and small group insurance markets.

The direct-pay market means insurance purchased directly by individuals for themselves and their families through an insurance carrier.

### **The Proposal:**

To achieve this goal, Excellus lays out five simultaneous steps:

- Merge the direct pay and small group markets. This would reduce premiums for individuals (-29%), but increase premiums for small groups (+9%).
- Create less comprehensive (“consumer-directed”) plans in the individual market. These plans would contain

unspecified “wellness incentives,” and would be offered on an open enrollment basis and be community rated separately.

- Impose a minimum medical loss ratio of 80-85% on all standard products combined among all health insurers.
- Redirect the Health Care Reform Act (HCRA) Indigent Care Pool and Graduate Medical Education (GME) funds into a stop-loss pool for claims in excess of \$20,000.
- Reduce the 8.95% HCRA surcharge by 50% for the small group market (employers with 1-50 employees).

### **Collective impact:**

Excellus estimates that this proposal overall will reduce the individual direct pay premiums by 31% and the small group premiums by 20%.

Excellus points out that if significant numbers of healthy New Yorkers can be enticed into the private health market by cheaper products, then the overall premiums will be driven down for all.

The proposal cautions against dramatic reform, lest the effort outstrip the state’s economy’s ability to sustain it. Instead, they argue, the state should pursue an incremental, collaborative venture between both public and private sectors.

### **Estimated Collective Impact of Excellus BC/BS Proposal on Individual Direct-Pay and Small Group Premiums**

<b>Proposed Change</b>	<b>Individual Direct Pay Market</b>	<b>Small Group Market</b>
Merge markets	-29%	+9%
Community rate by product	+29% to +39%	-9% to -5%
Re-direct stop-loss pool	-29%	-18%
Cut HCRA surcharge in half	-2%	-2%
<b>Estimated Net Impact</b>	<b>-31%</b>	<b>-20%</b>

**HCFANY’s evaluation of the Excellus proposal:**

Health Care For All New York (HCFANY) has reviewed Excellus’s proposal in relation to our *10 Standards for Quality, Affordable, Health Care for All*. This proposal is not a comprehensive proposal for universal health coverage.

It is strongest in addressing the key points of the stop-loss pool and creating as large a patient pool as possible, however it then segments the market by offering many products. Overall, it is difficult to evaluate this plan as it does not address several of the standards set forth by HCFANY.

The following symbols are used to show how Excellus’ proposal measures against HCFANY’s 10 standards.

- 😊 = Meets standard
- 😐 = Partially meets standard
- 😞 = Does not meet standard

**HCFANY’s 10 Standards for Quality, Affordable, Health Care for All**

- 😞 **Everyone must have health coverage and access to health care:** This is not a health care for all proposal. It does not propose to cover any more of the uninsured and it is not clear whether it would provide any more access to the uninsured. While Excellus encourages consideration of “potential expansions of eligibility rules” in public programs, it appears that it would not go very far towards assisting the working poor.
- 😐 **Health coverage must be affordable to the family budget:** Despite the merging of individual/small business markets, the direct pay market will remain unaffordable for most of the uninsured. This proposal encourages higher deductibles and does not address the need for affordable co-pays for prescription drugs. Even under the most aggressive version of this plan, insurance would remain unaffordable for most working families.
- 😞 **Health coverage must include comprehensive benefits to meet people’s needs:** Excellus does not address high quality care and comprehensive benefit packages. Instead, it proposes the introduction of Health Savings Accounts into the Direct Pay market, which are unaffordable for most families. In addition, the proposal encourages policymakers to consider offering stripped down benefits as a means of cutting premium costs.

- 😞 **Government should be an active watchdog and regulator of health care system:** Excellus does not address this standard.
- 😞 **Health coverage must promote equity in health care utilization and outcomes:** Excellus does not address this standard.
- 😞 **Existing and new public health insurance programs must be administratively simple to ensure enrollment:** Excellus does not address this standard.
- 😞 **Everyone should have the choice of a public health plan:** Excellus does not address this standard.
- 😞 **Health care reform should include effective cost controls that promote equality:** Excellus does not address this standard.
- 😞 **Employers’ health coverage costs should be predictable and proportional to their total labor costs:** Excellus does not address this standard.
- 😞 **The safety-net health care delivery system must be preserved and enhanced:** Excellus does not address this standard.

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