



Recommendations for Free-Market Solutions to Insure All Georgians for Healthcare

A Report to the 2008
Georgia General Assembly
by
The Georgia Uninsured Work Group

Participants:

Georgia Hospital Association (GHA),
Medical Association of Georgia (MAG),
Georgia Association of Health Plans (GAHP),
Georgia Association of Health Underwriters (GAHU),

Senator Judson Hill,
Representative Mickey Channell,

Representatives from CIGNA and United Health Group

Facilitator: Center for Health Transformation

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Executive Summary

The Uninsured Work Group (WG) is a collaboration of healthcare stakeholders with a common interest in developing free-market solutions to lower the number uninsured for healthcare and ultimately reaching all 1.7 million currently uninsured Georgians.

Georgia has an opportunity to develop unique “super-charged” free-market solutions to reaching the uninsured that will lead the nation by example. The WG believes that insurance laws unintentionally prevent the sale of products that could dramatically lower the number of uninsured. Georgia laws prevent the sale of certain comprehensive HSA (Health Savings Account) eligible High Deductible Health Plans (HDHPs) that are available in other states and/or allowed under federal laws and regulations.

The WG endorses the passage of the solutions below as a single package so the interactive, synergistic, and reinforcing values of each item will create a larger impact than any single item or selected few items taken separately. The WG believes that passage of this legislation will generate new products with greater affordability that can result in the lowering of Georgia’s 1.7 million uninsured by at least 500,000 and an annual savings to the Georgia economy of over \$1.9 Billion (see Attachments F & G).

Applicable to HSA Eligible HDHPs only:

1. Fund staffing at DOI for: (1)conducting a market survey of products offered in other states not yet sold in Georgia, (2)expediting processing of HSA eligible HDHPs, and (3)developing relationships with insurance carriers to encourage product development.
2. Remove barriers to offering financial rewards for using health risk appraisals, health management, or disease management programs.
3. Remove restrictions on reimbursements to non-preferred providers, if at least 50%.
4. Remove state and other municipal premium taxes
5. Allow state income tax deductibility of HDHP premiums
6. Allow a graduated sales tax submittal rate of the first four business years for small businesses of fewer than 25 employees.
7. Allow employers with fewer than 25 employees, a \$250 tax credit per employee enrolled.

General

8. Fund a study to identify and remove unneeded application and marketing barriers for new products and new insurers that wish to sell in Georgia.
9. Allow a \$5,000 one time tax credit to hospitals, physicians, and pharmacies that invest in new or upgraded health information technology.
10. Remove any restrictions to use of Health Reimbursement Arrangement Only plans packaged with the purchase of individual health policies.
11. Fund \$2 million to the Georgia Free Clinic Network for capacity building

The WG will continue to meet with dedicated effort, a spirit of collaboration and an expanded circle of interested parties to find additional solutions to assure market-based insurance for all Georgians. If the above is passed, the WG members are prepared to aggressively work to design, market, and collaborate on products and services using the flexibilities and support provided.

Recommendations for Free-Market Solutions to Insure All Georgians for Healthcare

I. The Georgia Uninsured Work Group

The Georgia Uninsured Work Group (WG) is a collaboration of healthcare stakeholders with a common interest in developing free-market solutions to dramatically lowering the number uninsured for healthcare and ultimately reaching all 1.7 million uninsured Georgians.

Participants in the WG included:

- Georgia Hospital Association (GHA),
- Medical Association of Georgia (MAG),
- Georgia Association of Health Plans (GAHP),
- Georgia Association of Health Underwriters (GAHU),
- Senator Judson Hill,
- Representative Mickey Channell,
- Representatives from CIGNA and United Health Group

Discussions were facilitated by the Center for Health Transformation (CHT).

II. Segmenting the Problem in Search of Solutions

Georgia has 1.7 million or about 18 percent of the state's 9 million citizens uninsured for healthcare at any point in time. Georgia has the fifth highest rate of uninsured citizens without Medicare, Medicaid, SCHIP, Tri-care or private health insurance. Georgians are uninsured for many reasons. The WG considered four segments of uninsureds.

Uninsured Georgians by Segment

Segment	Percent	Number	
1. Uninsureds Not Needing Financial Assistance	30%	510,000	} 1,105,000
2. Uninsureds Needing Some Financial Assistance	35%	595,000	
3. Uninsured Eligible for Government Programs	20%	340,000	
4. The Uninsurable	15%	255,000	
	100%	1,700,000	

The WG believes that some Georgia insurance laws unintentionally prevent the sale of products that could dramatically lower the number of uninsureds. For example, Georgia laws prevent the sale of certain comprehensive HSA (Health Savings Account) eligible health insurance designs that are available in other states and/or allowed under federal laws and regulations. Recent federal laws allow the sale of new concepts in health insurance with account balances (e.g. HSA, HRAs, and FSAs). The WG believes that legislation that supports new products and more competition is key to reaching many of the uninsureds.

The desire of the WG is to address all uninsureds. The WG determined that segments #1 and #2 above were the largest targets with over 1.1 million lives. The segments represented areas where consensus solutions could potentially reach more than 500,000 uninsured Georgians, or about one-third (1/3) of the state's uninsureds. Segment #1 can afford insurance, but many find the products available unresponsive to their needs. Developing better products for segment #1 with alternative methods of affordability will reach many in segment #2.

The WG felt that initial consensus of free-market solutions for these segments would establish a strong basis for addressing all uninsureds. The WG plans to stay intact beyond the 2008 General Assembly to continue the development of free-market solutions that assure access to quality care and affordable insurance for all Georgians.

III. The Need for Change

In Georgia, nearly 70% of employers with fewer than 10 employees do not offer health insurance. Nearly 40% of employers with 10-24 employees do not offer health insurance. For many families, an individually owned health policy may be the best alternative. Yet in Georgia, fewer than 5% of health policies sold are to individuals.

There is no other issue as important or as impactful that directly touches each and every Georgian as the need to address health, healthcare, and health insurance. Family security and the financial stability of many Georgians are at risk. Several proposals to address the uninsureds have been discussed by state political leaders leading up to the 2008 General Assembly. The time seems ripe for consensus solutions and action.

The WG agreed that no one benefits from the uninsured and that all stakeholders would benefit from free market solutions to the problem. Unless states give the free-market more flexibility to develop solutions, citizens will undoubtedly turn to a Washington-based system of nationalized healthcare "solve the crisis."

The WG agreed that state legislation must include solutions that are broad-based and results oriented. The WG believed that if they could achieve consensus around solutions to the uninsured problem in Georgia, elected officials would support their recommendations.

IV. Basic Principles for Change

The WG agreed that solutions to lowering the uninsured in Georgia must be founded on basic principles agreed to by all stakeholders. Within the context of solving the uninsured problem in Georgia, the WG agreed to the following “Basic Principles” as core to the recommendations to the 2008 General Assembly.

1. **Market-based** – The U.S. Congress and States should establish a supportive legal and regulatory environment that will allow a creative open competitive entrepreneurial market to develop the health insurance, products, and services that will meet the needs of every citizen. Self-insurance and direct provider contracting are a part of market-based solutions. Significant legal and regulatory barriers exist that must be brought down to establish the framework for real market-based solutions.
2. **Increased Competition** – Competition in an open free market is the best solution to lower prices, better services, higher quality, greater convenience, and more choices. New legislation and regulation is critical to increasing competition among insurers, physicians, agents, and other care and service providers.
3. **Personal Responsibility** – Personal responsibility means taking ownership for good and bad health and healthcare decisions. Personal responsibility can not effectively occur without support tools for increased self-reliance. Support programs include patient financial involvement with incentives for participation, rewards for compliance, and educational supports for better personal health management.
4. **Ownership** – Ownership means control of key information and decisions affecting coverage, choice of treatments, and selection of providers. Ownership means possession of financial assets, choices of how to spend personal funds, and the right to information and ownership of one’s own health record.

5. **Portability** – Portability allows individuals to continue coverage regardless of employment status and/or job changes. Policies that do not rely on employer-based insurance should be encouraged and expanded. Health insurance need not be dependent upon a job or lost when one changes jobs.
6. **Transparency** – Market-based systems can only be effective with an abundance of meaningful and accurate information that is easily available and understood by consumers. With good information, people can achieve better health outcomes at lower costs. Information on cost, quality, access, and convenience, will lead to better health and health care decisions. With reliable information, consumers will be better equipped to fully accept their role in the world of healthcare consumerism.
7. **Use of Technology** – Health, healthcare, and health insurance all need an infusion of technology to lower costs, improve efficiency and effectiveness of coverages, and appropriately identify and distribute information. Whether it is personal care devices, personal health records, electronic medical records, explanation of benefits, inter-provider communications, or e-prescribing the world of health needs a rapid adoption of new technologies.

V. Recommendations for Free-Market Solutions to Insure All Georgians

The WG strongly endorses the passage of all the items below as a single package so the interactive, synergistic, and reinforcing values of each item will create a larger impact than any single item or selected few items taken separately. The WG believes that passage of this entire package of legislative can result in the lowering of Georgia's 1.7 million uninsured by at least 500,000. The moral imperative is to act now to reach the uninsured with changes within our immediate control. The WG will continue to meet with dedicated effort, a spirit of collaboration and an expanded circle of interested parties to find solutions for the remaining segments of the uninsured.

To effectively lower the number of uninsureds, the Georgia Uninsured Work Group believes a major first step is to recognize that insurance matters. Insurance means better access to care; better access to care means better treatments; better treatments means better health. The Institute of Medicine concluded: “Health insurance is associated with better health outcomes for adults and with their receipt of appropriate care across a range of preventive, chronic, and acute care services. Adults without health insurance coverage experience greater declines in health status and die sooner than do adults with continuous coverage.”

The Georgia Uninsured Work Group believes the legislators can dramatically lower the number of uninsureds, save lives, and improve the health of Georgians by supporting and passing the “Insure All Georgians Act of 2008.” Georgia has an opportunity to develop a unique “super-charged” free-market solution to reaching the uninsureds that will lead the nation by example.

To increase the availability and affordability of insurance, to promote a more effective use of technology, and help those most in need of healthcare today the WG unanimously* supports the goals and objectives of the Sample Legislation in Attachment A and the eleven (11) recommendations made below.

Georgia Uninsured Working Group Recommendations

* The Associations represented by the participants do not necessarily endorse specific legislation or support each and every item below, but the recommendations were developed with a unanimous consensus of the participants, respecting the concerns of each association/stakeholder represented.

Below is a brief description of the WG recommendations. (See Attachment A for sample legislative language and more details on each solution)

1. Fund a study to identify any existing financial, administrative, and procedural barriers for new health insurance product approvals and/or to new insurers to enter the Georgia market.
2. Fund staffing at the Department of Insurance for: (1) conducting a market survey of creative fully insured health products offered in other states not yet sold in Georgia, (2) expediting review and processing of HSA eligible HDHPs, and (3) developing relationships with insurance carriers to encourage product development to meet the needs of Georgians.
3. Remove state legal and regulatory barriers to offering flexible fully insured HSA eligible HDHP designs that provide financial rewards or incentives for compliance, participation, or healthy outcomes using health risk appraisals, health management, or disease management programs.

4. Remove state restrictions on reimbursements to non-preferred providers. Allow HSA eligible HDHPs to offer a plan coinsurance percentage for services provided by non-preferred providers of 50 percent or more regardless of the payment level for preferred providers.
5. Remove state and other municipal premium taxes on HSA-eligible high-deductible health plans.
6. Allow state income tax deductibility of premiums for individually purchased HSA-eligible HDHPs.
7. Allow a graduated sales tax submittal rate of the first four business years (e.g. 0%, 25%, 50%, 75%, and 100%) for small businesses of fewer than 25 employees (e.g. retail, service, restaurant) that maintain an HSA eligible HDHP coverage for employees.
8. Allow employers with fewer than 25 employees, a \$250 tax credit per employee enrolled in an HSA eligible HDHP.
9. Allow a \$5,000 one time tax incentive to hospitals, physicians, and pharmacies that invest in new or upgraded health information technology (hardware or software) that accelerates the use of electronic health records and other electronic paperless systems.
10. Allow the use Health Reimbursement Arrangement Only plans so pre-tax employer contributions can be used to pay for IRS designated Qualified Medical Expenses or the purchase of health insurance.
11. Fund the Georgia Free Clinic Network \$2 million for capacity building, expansion of primary care services for mental health, and educational programs to assist Georgians using the Free Clinics with nutrition information, healthy lifestyle education, and self-care capabilities.

The WG views the potential for these recommendations as an economic development opportunity to become a preferred state for new products and services by companies that focus on HSA eligible plans. There is a need in Georgia for a strong robust individual and small group health insurance market. Updating existing laws and regulations can provide Georgians with access to new and creative insurance products.

Attachment A

DRAFT SAMPLE LEGISLATION

(This sample language is provided to show additional details of the recommendations that may be required in legislative language. In addition, other states considering similar actions to the Georgia Uninsured Work Group recommendations may find the sample language helpful to their efforts.)

“Insure All Georgians Act of 2008”

It is the intent of this Act to encourage the offering of affordable Health Saving Account (HSA) eligible High Deductible Health Plans (HDHP), with the specific intent of reaching many otherwise uninsured Georgians and the general intent of creating affordable comprehensive health insurance for all Georgians.

With the legislative support of HSA eligible HDHP designs allowed under this Act, affordability of insurance will be enhanced, more plan choices will be available, small group employers will be encouraged to financially support and offer insurance plans, more Georgians will have individually owned and portable health insurance, and personal responsibility for healthy behaviors will be encouraged to improve the health and healthcare of all Georgians.

This Act will assist the development of free-market solutions to the uninsured with legislation:

- to provide affordable flexible choices in Health Savings Account (HSA) eligible High Deductible Health Plans (HDHPs) to reach many Georgians who are currently uninsured;
- to study and identify any existing financial, administrative, and procedural barriers for new health insurance product approvals and/or to new insurers to enter the Georgia market
- allow the Commissioner to conduct a market survey and encourage the sale of such HSA eligible HDHP products and services that are approved and available in other states;
- to allow the Commissioner to promulgate rules and regulations for expedited review and processing of HSA eligible HDHPs;

- to allow HSA eligible HDHPs to financially reward and incent participation and/or adherence to wellness and health promotion programs;
- to allow HSA eligible HDHPs to financially reward and incent participation and/or adherence to disease and condition management programs;
- to allow HSA eligible HDHPs to financially reward and incent participation and/or adherence in health risk appraisals;
- to provide that rewards or incentives for participation and/or adherence with HSA eligible HDHPs programs shall not be considered unfair trade practices;
- to provide that HSA eligible HDHPs shall allow a plan coinsurance percentage applicable to benefit levels for services provided by non-preferred providers of 50 percent or more of the benefit levels under the policy for such services.
- to provide an exclusion from state, county and municipal premium taxes for HSA eligible High Deductible Health Plans.
- to provide a deduction for purpose of calculating Georgia income taxes for the High Deductible Health Plan premium.
- To provide for a lower sales tax submittal rate for the first four years (0%, 25%, 50%, and 75%) of corporate existence for approved groups of fewer than 25 employees which have an approved HSA eligible HDHP for employees.
- to provide a \$250 corporate tax credit for approved groups of fewer than 25 employees for each employee enrolled in an HSA eligible HDHP.
- to provide a one time tax credit to Georgia licensed hospitals, physicians, and pharmacies to a maximum of \$5,000 for the purchase price of health information technology (Hardware or software) that accelerates the use of electronic health records and other electronic paperless systems.
- to allow tax advantaged Health Reimbursement Arrangements Only recognized under the rules of the federal Internal Revenue Service to be approved for sale in conjunction with or packaged with individual health insurance policies otherwise approved by the Commissioner.
- to support the Georgia Free Clinic Network's successful and growing collaboration of community volunteers and pro-bono services by providers throughout Georgia in meeting the primary care needs of many uninsureds with a one-time funding appropriation of \$2 million.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

**PART I.
SECTION 1-1.**

This Act shall be known and may be cited as the "Insure All Georgians Act of 2008."

**PART II. – Regulatory Reform
SECTION 2-1.**

Title 33 of the Official Code of Georgia Annotated, relating to insurance, is amended by striking Chapter 51 in its entirety and inserting in lieu thereof a new Chapter 51 to read as follows:

"Chapter 51

33-51-1. - Title

This chapter shall be known and may be cited as the 'Georgia Affordable HSA Eligible High Deductible Health Plans.'

33-51-2. – HSA Guidelines

It is the intent of this chapter to authorize the Commissioner of Insurance to establish guidelines for Health Savings Account (HSA) eligible High Deductible Plan (HDHP) designs which will be affordable to Georgians and to increase the availability of health insurance coverage to those otherwise uninsured by encouraging the promotion of these types of plans by accident and sickness insurers licensed to transact such insurance in this state.

It is the intent of this chapter encourage the development and sale of affordable Health Saving Account (HSA) eligible High Deductible Health Plans (HDHP), as required under the rules of the federal Internal Revenue Service related to the establishment of health savings accounts, with the specific intent of reaching many otherwise uninsured Georgians and the general intent of creating affordable comprehensive health insurance for all Georgians.

With flexible HSA eligible HDHP designs allowed under this Chapter, affordability of insurance is enhanced by allowing rewards and incentives for participation and adherence to healthy behaviors that recognize the value of personal responsibility of each citizen to maintain good health, seek preventive care services, and comply with approved treatments.

33-51-3. – Receptive Market

To allow the Commissioner of Insurance to develop and promote a receptive process that encourages insurers to develop and sell creative policy designs under federal and Georgia standards that meet the insurance needs of Georgians, especially those who would otherwise be uninsured.

(a) The Commissioner shall be authorized to conduct a national study of HSA eligible HDHPs available in other states and to determine how and if those products serve the uninsured and if they should be made available to Georgians.

(b) The Commissioner shall develop flexible guidelines for coverage and approval of HSA eligible HDHPs which are designed to qualify under federal and state requirements as High Deductible Health Plans for use with health savings accounts which comply with federal requirements under the applicable provisions of the federal Internal Revenue Code for High Deductible Health Plans sold in connection with Health Savings Accounts.

(c) The Commissioner shall be authorized to develop an automatic or “fast track” approval process for HSA eligible HDHPs already approved under the laws and regulations of other states.

(d) The Commissioner shall be authorized to promulgate such rules and regulations as he or she deems necessary and appropriate for the design, promotion, and regulation of these products, including rules and regulations for the expedited review of standardized policies and rates by insurers, advertisements and solicitations, and other matters deemed relevant by the Commissioner.

33-51-5. – Rewards and Incentives

To provide insureds with financial rewards and incentives that support greater personal responsibility and empowerment that enhances affordability through positive reinforcements for participation and adherence to good health and healthcare behaviors.

(a) Insurers are allowed to include wellness and health promotion programs, condition or disease management programs, health risk appraisal programs, and similar provisions in policies designed and sold under this chapter in keeping with federal requirements under High Deductible Health Plans, provided that such programs are approved by the Commissioner of Insurance.

(b) Insurers which include and operate wellness and health promotion, disease and condition management programs, and health risk appraisals in their High Deductible Health Policies in keeping with federal requirements shall not be considered to be engaging in unfair trade practices under Code Section 33-6-4 with respect to references to the practices of illegal inducements, unfair discrimination, or rebating.

(c) Insurers which include provisions similar to the above programs in their High Deductible Health Policies in keeping with federal requirements and approved by the Commissioner shall not be considered to be engaging in unfair trade practices under Code Section 33-6-4 with respect to references to the practices of illegal inducements, unfair discrimination, or rebating.

PART III – Design Flexibility

SECTION 3-1.

To provide choice and affordable coverage, policies may provide for plan coinsurance reimbursements of up to 100% for preferred providers so long as coinsurance reimbursements for non-preferred providers are at least 50%. Plans with non-preferred provider coverage shall not allow coinsurance reimbursements for covered expenses for such non-preferred providers to be less than 50 percent.

33-51-6. – Flexible Coinsurance

So long as there is a minimum coinsurance reimbursement of 50% of covered expenses for all providers, there shall be no required relationship between preferred provider and non-preferred provider plan reimbursements for HSA eligible HDHPs. Such plans shall not:

- (a) Deny health benefits for medically necessary covered services;
- (b) Have differences in benefit levels payable to preferred providers compared to other providers which deny benefits for covered services;
- (c) Have a plan coinsurance percentage applicable to benefit levels for services provided by non-preferred providers which is less than 50 percent of the benefit levels under the policy for such services;
- (d) Have an adverse effect on the availability or the quality of services.

33-51-7 – Health Reimbursement Arrangements Only

To provide flexibility for employers financially supporting working Georgians seeking affordable health insurance and related health support programs.

(a) The Commissioner is authorized to allow “Health Reimbursement Arrangements Only” that encourage employer financial support of health insurance or health related expenses recognized under the rules of the federal Internal Revenue Service to be approved for sale in conjunction with or packaged with individual health insurance policies otherwise approved by the Commissioner.

PART IV. – Tax Reform

SECTION 5-1.

To provide tax relief that encourages enrollment in affordable individual and small group HSA eligible HDHPs for Georgians otherwise uninsured and supports the adoption and implementation of health information technology by providers of healthcare. :

33-51-8. – Premium and Income Tax Relief

Effective January 1, 2009, and applicable to all taxable years beginning on and after January 1, 2009:

(a) Health insurance policies sold under this chapter shall be exempt from any and all otherwise applicable premium taxes under Code Section 33-8-4.

(b) Health insurance policies sold under this chapter shall be exempt from any and all otherwise applicable county and municipal taxes under Code Section 33-8-8.1 or 33-8-8.2, as applicable, depending on the type of insurer.

(c) Health insurance premiums for individuals who purchase qualified policies under this chapter shall be fully deductible from the gross income of those individuals on Georgia state income tax returns."

33-51-9 – Tax Support

Effective January 1, 2009, small businesses of fewer than 25 employees that maintain an approved group policy that is an HSA eligible HDHP for employees will have a:

(a) graduated sales tax submittal rate (0%, 25%, 50%, 75%, and 100%) for the first four business years from the date of incorporation.

(b) \$250 corporate tax credit for each employee enrolled in the HSA eligible HDHPs.

33-51-10 – Tax Support for Health Information Technology

To encourage the adoption and implementation of health information technology by providers of healthcare services.

- (a) Effective January 1, 2009, Georgia licensed hospitals, physicians, and pharmacies that invest in health information technology that accelerates the use of electronic health records and other electronic paperless systems will have a tax credit of up to \$5,000 or the purchase price of the technology, whichever is less.

33-51-11 – Charitable Clinic Network Grant

To support the successful and growing collaboration of community volunteers and pro-bono services by providers throughout Georgia in meeting the primary care needs of many uninsureds.

- (a) “There is created the “Charitable Clinic Grant Program” to be administered by the Georgia Free Clinic Network, a 501 (c) 3 nonprofit corporation. For a one-time funding appropriation of \$2 million from the General Assembly, the Network shall disburse grants in accordance with applicable guidelines, policies, and requirements established by the Network to help communities start new clinics, and to add services into existing clinics. Grant support will be limited to “new start” community planning grants, capacity building projects for existing clinics, providing adult mental health services, and patient education wellness programming.”

- (b) \$250,000 for “New Start” Community Planning Grants - The GFCN will identify areas of underserved populations and work with the community to establish clinical services. The planning grants will be given to communities that want to explore the creation of a free clinic. Funds could be used for needs assessment, focus groups and surveys of existing service providers or other means of determining potential success. Funds could also be used to create a non-profit entity, file for tax exemption and articles of incorporation or purchase equipment.

- (c) \$1 Million for Capacity-Building Initiatives - Capacity building refers to activities that improve an organization’s ability to achieve its mission. Providing existing clinics an opportunity to increase their infrastructure and bolster their sustainability will ultimately enable them to serve more people more effectively. Funds might help improve a clinic’s ability to deliver services by covering operating expenses, sustaining or increasing service levels, or stabilizing finances.

- (d) \$500,000 for Mental Health Programs - Grant funds will deliver outpatient, non-emergency mental health services to low-income, uninsured adult patients in existing clinics.

(e) \$250,000 for Patient Education Grants - Funds would be distributed to establish free clinic health education programs to foster and promote a healthier lifestyle and conduct health risk appraisals. Educating clinic patients to recognize behaviors that have a significant impact on wellness and encouraging them to adopt healthful habits (a balanced diet, exercise) while avoiding destructive habits (tobacco, drugs, alcohol) can lead to the prevention of illness, risk reduction and optimal physical wellness.

Attachment B

HSA Eligible Health Plans

HSAs are designed as tax advantaged vehicles for health care savings. HSA permit contributions by individuals and employers for payment of qualified medical expenses as well as year to year accumulation of account balances on a tax-free basis. To be eligible for an HSA, an individual must be covered under a high deductible health plan (HDHP) and meet certain other requirements.

Since first passed into federal law in later 2003, over 4.5 million HSA eligible health insurance plans have been sold nationally. Of these, 27% of HSA eligible plans have been to individuals that were previously uninsured. Premiums for HSA-eligible insurance plans are typically 30-40% less than traditional health insurance policies. Many who previously thought they could not afford health insurance now find that coverage is available within their budget.

Below are U.S. Treasury prepared Questions and Answers about HSA:

What is an HSA?

An HSA is a tax-exempt trust or custodial account established exclusively for the purpose of paying qualified medical expenses of the account beneficiary who, for the months for which contributions are made to an HSA, is covered under a high-deductible health plan.

Who is eligible to establish an HSA?

An "eligible individual" can establish an HSA. An "eligible individual" means, with respect to any month, any individual who: (1) is covered under a high-deductible health plan (HDHP) on the first day of such month; (2) is not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing certain limited types of coverage); (3) is not entitled to benefits under Medicare (generally, has not yet reached age 65); and (4) may not be claimed as a dependent on another person's tax return.

What is a "high-deductible health plan" (HDHP)?

Generally, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. Specifically, for self-only coverage, an HDHP has an annual deductible of at least \$1,100 (in 2008) and annual out-of-pocket expenses required to be paid (deductibles, co-payments and other amounts, but not premiums) not exceeding \$5,600. For family coverage, an HDHP has an annual deductible of at least \$2,200 and annual out-of-pocket expenses required to be paid not exceeding \$11,200.

Attachment C

Profile of the Uninsured in Georgia

Uninsured Georgians by Segment

Segment	Percent	Number
1. Uninsureds Not Needing Financial Assistance	30%	510,000
2. Uninsureds Needing Some Financial Assistance	35%	595,000
3. Uninsured Eligible for Government Programs	20%	340,000
4. The Uninsurable	15%	255,000
	100%	1,700,000

Poverty Ratio	% of Uninsured	Est. # of Georgians
Over 400%	16%	272,000
301-400%	10%	170,000
201-300%	20%	340,000
100-200%	29%	493,000
Below 100%	25%	425,000

} **782,000**

Household Inc.	% of Uninsured	Est. # of Georgians
Over \$100,000	9%	153,000
\$75k - \$100,000	7%	119,000
\$50k - \$75,000	14%	238,000
\$25k - \$49,999	31%	527,000
Below \$25,000	39%	663,000

} **510,000**

Citizenship	% of Uninsured	Est. # of Georgians
Native Citizen	73%	1,241,000
Naturalized Citizen	5%	85,000
Not a Citizen	22%	374,000

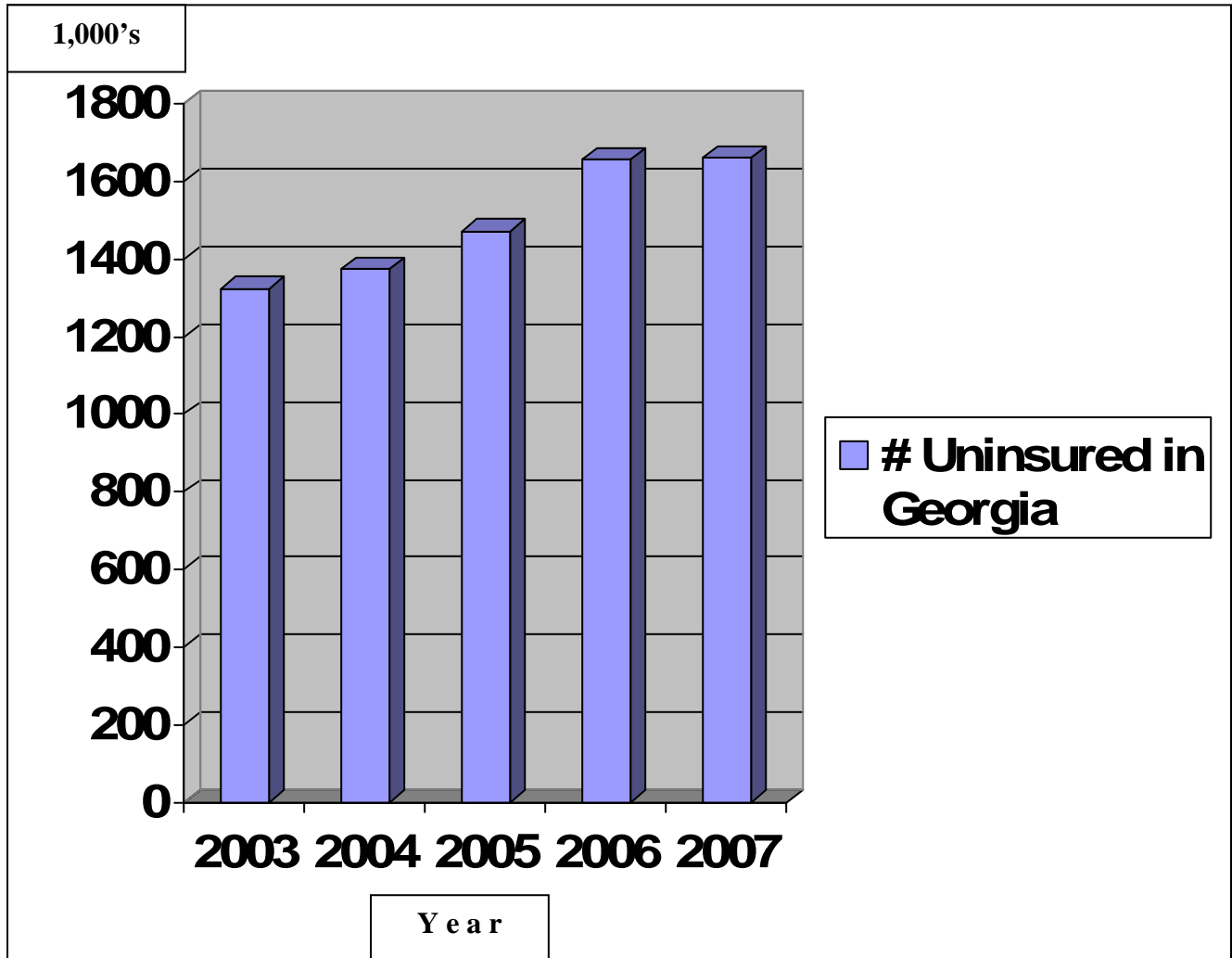
Age	% of Uninsured	Est. # of Georgians
65 and Over	1%	17,000
55 - 64	31%	527,000
35 - 54	9%	153,000
18 - 34	41%	697,000
Under 18	18%	306,000

} **850,000**

Employment Status	% of Uninsured
Full time employment	66%
No full time employment	34%

Per PricewaterhouseCoopers

Uninsureds In Georgia By Year – per U.S. Census Bureau



Uninsured in Georgia By Year					
Year	2003	2004	2005	2006	2007
# Uninsured	1,321,000	1,372,000	1,469,000	1,654,000	1,659,000

Attachment D

The HealthCare Compact

The Georgia Uninsured Work Group recognizes the overall public good achieved by collaboratively developing free-market solutions to lowering and eventually eliminating the number of uninsureds. The Work Group solutions are driven by inclusive concepts that reflect a “Healthcare Compact” with each of the stakeholders. It is important that solutions meet the needs and advance the implementation of market-based changes that allow each stakeholder to function in a new and more effective manner.

The continued growth of the uninsured population in Georgia benefits no one. While any one solution may benefit a particular stakeholder more than others the overall approach and impact of lowering the uninsured will accrue to the benefit of all. The Uninsured Work Group is committed to developing and supporting legislative changes, new products/services, and delivery system solutions to dramatically lower the uninsured in Georgia.

The Healthcare Compact shows the major areas of concern for each stakeholder, including the uninsureds. The WG recommendations are meant to advance change to reach as many of these objectives as possible.

The Healthcare Compact Promise:

Hospitals – eliminate uncompensated care

Physicians – increase quality of patient care, strengthen physician-patient relationship

Other Care Providers – increase patient choice of treatment options

Insurers – stabilize insurance markets, allow flexibility for insured products

Employers – support affordable health insurance

Consumers – increase choice, improve quality, lower costs

Agents/Brokers – provide for competitive saleable market-based products

Uninsured – provide affordable comprehensive coverage

Attachment E

Achievable Outcomes

By creating solutions based upon basic principles, the Georgia Uninsured Work Group believes achievable outcomes will include the following:

1. **Transformation** – If followed, the basic principles will lead to more than minor tweaking of the current non-system. Simple reform of the current health and insurance system will not work. The Georgia Uninsured Work Group recognizes that “Real Change Requires Real Change.” Stakeholders are prepared to establish transition strategies to realize the impact and importance of transformational change. The legislative package recommended is the first step in seeking the General Assembly’s support for transformational change.
2. **Consumer Empowerment** – Empowerment comes from financial responsibility, information sharing, and decision/advocacy support. Market-based systems must engage consumers in meaningful ways to understand options available to them and the risks and rewards associated with choices. Consumer information must be meaningful and accurate, include full disclosure of costs and quality, and choices for care and treatments must be available.
3. **Behavioral Change, Not Cost-shifting** – Behavioral change includes wellness, prevention, early intervention, and compliance with proven care and treatments. It means providers delivering evidence and outcomes based care. It’s about plans encouraging personal involvement in altering health and healthcare purchasing behaviors.
4. **Affordability** - Affordability is no longer about the dollars one pays from a wallet. Affordability is also achieved through health choices and behavior changes. We are generally used to individuals paying less if they are non-smokers (or quit smoking). Similarly, new solutions can make healthcare and insurance more affordable for individuals if they maintain healthy metrics for blood pressure, cholesterol, and body mass index. Affordability can also be achieved by rewarding individuals with serious health conditions for adherence to disease management standards or compliance with good lifestyle diet and exercise standards that stabilize a chronic and persistent condition.

5. **Maximize Insurance, Minimize Third-party Reimbursements** – Third-party reimbursements foster an environment of entitlement and unlimited demand for healthcare services. Insurance should be comprehensive rather than limited. Minimizing third-party reimbursements puts more financial power in the hands of consumers. Insurance with account balances using Health Savings Accounts, Health Reimbursement Arrangements, and Flexible Spending Accounts are consistent with the concept of maximizing insurance and minimizing third party reimbursements. Solutions to lower the uninsured support insurance designs that change the economics and mindset towards rewards and incentives to stay healthy by changing health and healthcare purchasing behaviors.
6. **Increase Choices** –Choice means personal decision options for insurance coverage, care, treatment, providers, participation, lifestyle options, wellness activities, disease/condition support programs, service conveniences, and education sources.
7. **Financial Security** – Health insurance is about financial security when sickness or accidents strike. Solutions to the uninsured must include helping the sickest patients get the coverage, access to the best care, treatment, and understanding of their condition through a market-based system.
8. **Improved Clinical Outcomes** – Whether it is social, racial, geographical or other categories, the diversity of outcomes can only be addressed once the segmentation of the existing insurance system is eliminated and all Georgians are covered in a market-based system, treated by similar provider groups, and empowered with the meaningful and accurate information and decision support tools.
9. **A Culture of Health** – A culture of health focuses on wellness and prevention rather than on disease and treatments. Health activities should measure and reward participation in wellness assessments, compliance with a condition management programs (e.g. taking medications, diet, exercise, office visits), and maintenance of good health characteristics (e.g. blood pressure, cholesterol, nicotine use, body mass index).
10. **“Wholistic Care” (Physical, Mental, Spiritual, and Social)** – Health should be viewed as a dynamic state of well-being within an individual that includes physical, mental, social, and spiritual balance. A focus on *health* recognizes the potential to improve the medical and functional status of an individual regardless of the diagnosis or condition.

Attachment F

Impact on Number of Uninsureds in Georgia

The WG believes that the combined impact of the recommendations will lower the uninsured in Georgia by at least 500,000. The numbers below are not official economic or actuarial projections. They are very rough estimates of the legislative impact for the sole purpose of discussion.

The estimates follow the impact for cost differentials estimated by the Congressional Budget Office that every 1% increase in insurance costs (for mandates) increases the number of uninsureds by 300,000. Following a parallel logic, the estimates below assume that for every 1% decrease in insurance costs, the potential impact is to reach 10,000 Georgians otherwise uninsured.

The WG invites a more thorough estimate of the impact on the number of uninsured in Georgia as a result of the Georgia Uninsured Working Group’s recommendations.

Lowering the Number of Uninsureds in Georgia	Broad-based Cost of Insurance Impact
Direct Impact on Premiums (% Reductions)	
1 Expedited HSA/HDHP DOI processing (Better Products & Incr. Competition)	0.10
2 Remove HSA/HDHP barriers to rewards & incentives	0.08
3 Remove HSA/HDHP restrictions on OON reimbursements	0.015
4 Remove HSA/HDHP premium taxes	0.025
5 Provide HDHP state Income tax deduction	0.04
6 Remove unneeded barriers for new products and new insurers	0.01
7 Remove any restrictions on HRA Only plans packaged with individual health policies	0.04
Package Synergy	0.10
Total Impact	0.41
 Decrease in Georgia Insurance Coverage per 1% reduction in Cost	 10,000
Lowered Cost of Insurance from “Insure All Georgian Act of 2008”	0.41
# of Otherwise Uninsured Georgians – Impact of Premium Reductions	410,000

Lowering the Number of Uninsureds in Georgia	State Subsidy Insurance Impact
Impact of State Subsidies	
8 Provide a 4 yr graduated sales tax for new businesses <25 ees with HSA/HDHP	Unk
9 Provide \$250 tax credit per enrollees for groups <25 ees	50,000
10 Provide \$5,000 one time tax credit to providers for HIT	10,000
11 Fund \$2M to Ga Free Clinic Network for capacity building, MH, and new starts	30,000
# of Otherwise Uninsured Georgians – Impact of State Subsidies	90,000
 # of Otherwise Uninsured Georgians – Total Impact of WG Recommendations	 500,000

Attachment G

Financial Impact of The Georgia Uninsured Work Group Recommendations

Calculation of Today's Cost of Uninsured to Georgia: (Do Nothing)

1	2004 National Cost Estimate		\$125,000,000,000
2	Number of Uninsureds in 2004		44,000,000
3	2004 Cost per Uninsured	1 divided by 2	\$2,841
4	Medical Cost Increase Factor to 2008 (8% per year)	1.08^4	1.3605
5	Estimated 2008 Cost per Uninsured	(4 x 3)	\$3,865
6	2008 Number of Uninsured in Georgia		1,700,000
7	2008 Cost to Uninsured to Georgia		\$6,570,543,273

Calculation of Savings from Georgians Uninsured Work Group Recommendations

1	Estimated 2008 Cost per Uninsured		\$3,865
2	Number of Uninsureds Reached by WG Recommendations		500,000
3	Annual Savings if WG Recommendations are Implemented		\$1,932,512,727

Based on Data from the Kaiser Family Foundation