

**DESCRIPTION OF THE CONSUMER CHOICE HEALTH PLAN:
REQUIRING SHARED RESPONSIBILITY IN INSURANCE**

Office of Senator Jay Rockefeller

June 10, 2009

THE CONSUMER CHOICE HEALTH PLAN: GIVING CONSUMERS REAL OPTIONS

A public plan option, the Consumer Choice Health Plan (CCHP), will be established and offered within the national health insurance exchange to provide affordable, meaningful, stable and accountable health insurance coverage to eligible individuals throughout the United States. Like private health plans, CCHP will be offered to all individuals and businesses purchasing health insurance through the national health insurance exchange. To guarantee plan availability nationwide, public program provider networks will be used.

THE CONSUMER CHOICE HEALTH PLAN: PLAYING BY THE RULES

The Consumer Choice Health Plan will be administered by the new Office of Health Plan Management within the U.S. Department of Health and Human Services. This office will be led by an Administrator, who shall be appointed by the President, with the advice and consent of the Senate. The Administrator, and by extension the Office, will not participate in the administration of any regulation regarding the health insurance market nor in the administration of the National Health Insurance Exchange.

The Consumer Choice Health Plan will be financially self-sustaining (subject to an annual third party audit). The Administrator will establish and fund a contingency reserve for CCHP in a manner similar to that of the contingency reserve established by OPM for the Federal Employees Health Benefits Plan. Funds to operate the plan shall be derived from premiums for individuals enrolled under the plan and from contributions by employers not providing private health benefit plans. In the event of a shortfall in CCHP, federal assistance would be permissible with a supermajority vote in Congress.

**THE CONSUMER CHOICE HEALTH PLAN: PROVIDING AFFORDABLE
COVERAGE**

The U.S. spends nearly six times as much per person on health care administration as the average for Organization for Economic Cooperation and Development (OECD) nations. A significant portion of premiums for private health insurance are directly tied to administrative costs – for sales, marketing, underwriting and profits. Research by the Commonwealth Fund indicates that the U.S. could save up to \$46 billion per year if we limited spending on health insurers' administrative costs like other countries, such as Germany, with mixed public-private insurance systems (January 2007).

Premiums for the Consumer Choice Health Plan will be driven by enrollee benefit costs – not by administrative overhead or profit margins. To help enrollees afford the cost of coverage, the same health insurance subsidies would be provided to enrollees in CCHP as those offered to consumers enrolled in private health plans. Any additional revenue gained under this public plan option would be reinvested in CCHP in the form of reduced premiums and cost-sharing or increased benefits.

THE CONSUMER CHOICE HEALTH PLAN: MEETING HEALTH CARE NEEDS

At a minimum, the Consumer Choice Health Plan would be required to follow the same insurance regulations as private plans operating in the exchange. CCHP would also be required to offer the same type of plans as private plans participating in the exchange. However, because the Consumer Choice Health Plan is not driven by profit motives and because system efficiencies will be reinvested directly into the plan, *the Consumer Choice Health Plan would also do much more to meet the health care needs of Americans*. Minimum benefit requirements for children would be based on the pediatric care guidelines provided by *Bright Futures*, which offers evidenced-based direction on the provision of well child and other primary health care services. Additionally, the plan will be able to adopt insurance reforms beyond those required of plans in the exchange.

THE CONSUMER CHOICE HEALTH PLAN: REQUIRING ACCOUNTABILITY

To help consumers make informed coverage choices, the Office of Health Plan Management will also be required to: promote consistent standards for information about the Consumer Choice Health Plan; promote transparency in coverage by providing crucial data to consumers and health care providers, such as covered benefits and cost-sharing, rating practices, claims payment policies and practices, and timeliness of claims payments; and develop information resources, including “Coverage Facts” scenarios for health coverage to improve the ability of consumers to compare the coverage and value of the types of plans provided through CCHP.

THE CONSUMER CHOICE HEALTH PLAN: IMPROVING SYSTEM EFFICIENCY

Private insurance provider payments are not the appropriate standard for public insurance provider payments. A significant lesson learned from Medicare Advantage is that private plans do not have strong tools, or incentives, for controlling costs relative to traditional Medicare. Private plans consistently pass higher costs onto consumers while simultaneously increasing their profits. As researchers at the Urban Institute Health Policy Center have explained, “Dominant insurers do not seem to use their market power to drive hard bargains with providers... Competition in insurance markets is often about getting the lowest risk enrollees as opposed to competing on price and the efficient delivery of care” (2008). Therefore, the provider payment rates for the first two years of the Consumer Choice Health Plan will be based on Medicare provider payment rates, including new delivery models enacted as part of health reform.

THE CONSUMER CHOICE HEALTH PLAN: DRIVING INNOVATION

For subsequent plan years beyond the first two years, the Consumer Choice Health Plan will be required to determine competitive provider payment rates based on public and private best practices, integrated models of care delivery (such as medical home and chronic care coordination), evidence-based practices, quality improvement, and the use of health information technology.