

# Guaranteed Health Benefit Plan Q&A

June 12, 2008

## Overview

Insurance Commissioner Mike Kreidler's Guaranteed Health Benefit Plan would provide catastrophic coverage for all claims over \$10,000 a year and key preventive care for every Washington resident.

## Eligibility and registration

**Q1. What are the registration requirements? How would people sign up?**

A. People who have other insurance would be covered under the same carrier, so there would be no need to register separately. Others would sign up when they received care.

**Q2. Will this encourage people to move to Washington when they get sick or need a transplant?**

A. No. To be eligible for coverage, a person must be a permanent resident of Washington for at least six months, and if they move to our state after the law goes into effect, they will have a 12-month waiting period for pre-existing conditions.

**Q3. Does "resident" include undocumented immigrants?**

A. Every resident means every resident. If a person can prove that he or she is a permanent resident of our state, he or she is covered, regardless of citizenship.

**Q4. What if I already have catastrophic coverage? How will this help me?**

A. It will lower the cost overall in the system and likely to you as an individual.

**Q5. What if I don't want to enroll in this program?**

A. Unlike traditional health plans, you won't enroll for catastrophic coverage. If you are a Washington resident, you will automatically be covered.

## Catastrophic coverage

**Q6. What qualifies as "catastrophic"?**

A. Any costs that total over \$10,000 in a calendar year, regardless of the illness or injury that is treated.

**Q7. If treatment spans more than one year, would I have to pay the \$10,000 again in the second year?**

A. Yes. The catastrophic payment basically works like an annual deductible; it is based on the calendar year.

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## **Q8. Why \$10,000?**

- A. The Commissioner determined that \$10,000 was the right threshold for guaranteed benefits because it meets two critical needs:
1. It provides meaningful coverage for people who are otherwise uninsured – while \$10,000 is a lot of money, most medical-related bankruptcies and severe financial hardship occur in cases where medical bills exceed \$10,000.
  2. It doesn't disrupt coverage for people who are already insured, while still saving costs through broader pooling.

## **Q9. What if someone can't afford the first \$10,000?**

- A. The Guaranteed Health Benefit Plan is not universal comprehensive coverage, but it does offer some clear advantages over our current system:
- All state residents will be guaranteed access to preventive care and will no longer have to worry about what will happen to them if the worst happens.
  - The costs for routine health care will drop significantly, making it more affordable to purchase either on your own or through your employer.
  - The state's Basic Health Plan will be expanded to provide subsidies for comprehensive coverage up to 300 percent of the Federal Poverty Level, or \$62,000 a year for a family of four.

## **Q10. Is there a cap on benefits?**

- A. No.

## **Q11. Does this catastrophic insurance stay with me if I change jobs?**

- A. Yes.

## **Costs and funding**

### **Q12. How will you pay for this?**

- A. The Guaranteed Health Benefit Plan is a revolutionary shift in how health care is paid for in Washington state. It will not increase health care costs, it will simply use the money already being spent on health care in Washington in a more fair and equitable way. And it will cover everyone.

The catastrophic portion of the plan would be paid for through a payroll tax - 1 percent of employees' earnings and 3 to 5 percent of employers' payrolls, with small businesses paying a lower rate than large businesses.

### **Q13. How much will this plan cost?**

- A. In Washington state, it is estimated that catastrophic care costs individuals, employers and government about \$6.5 billion every year. This plan will not

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change that; it will simply remove those costs from the risk pool and make other coverage more affordable.

**Q14. Will the payroll tax really cover all the costs or can we expect the payroll tax to increase?**

A. Based on initial analysis from Milliman\*, the Commissioner's proposed funding mechanism will raise the funds needed to provide guaranteed catastrophic coverage to all Washington residents not currently enrolled in a federal health care program, such as Medicare.

**Q15. How will you collect the payroll tax?**

A. We are exploring this right now. We want to tap into existing state resources and, recognizing the administrative challenges that many businesses currently face, we want to avoid any burdensome systems to collect the revenue.

**Q16. What about people who are self-employed? How will they pay into the system?**

A. At this point, we have not identified how this will work. We are working with other state agencies to see how they collect from this group for other benefits, such as workers compensation.

**Q17. I already have good coverage. How will this plan affect me?**

A. Chances are you will not even notice a difference in your coverage. Your employer will deduct your premiums differently, but the net result should be the same.

**Q18. How will this program help control rapidly rising costs of health care?**

A. Two ways. First, the plan promotes the use of evidence-based medicine. We also plan to include information on administrative simplification.

The Commissioner actively supports Governor Gregoire's work to contain costs and improve quality in Washington's health care system as a whole.

## **Federal health care reform**

**Q19. Why not wait for a federal solution?**

A. We can't afford to wait. Our health care system is in crisis and we need to take steps now to fix it in Washington state.

**Q20. If a federal program passes, would this plan go away?**

A. It depends on what the plan is and what it covers.

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\* Milliman, Inc. is a nationally-recognized consulting firm that specializes in independent actuarial analysis of the insurance industry, including health care.

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## Other programs

### **Q21. How does this plan work with the Basic Health Plan?**

A. This plan wouldn't change anything for current Basic Health members. However, because the costs for catastrophic care would be covered, the state would be able to expand coverage under Basic Health to cover residents who earn up to 300 percent of the federal poverty level.

### **Q22. How does this plan work with Medicare and Medicaid?**

A. This plan would not change anything for people who are covered under Medicare or Medicaid.

## Administration

### **Q23. How is the plan administered? Is there additional administration required?**

A. A nine-person board would oversee the program, determining the schedule of benefits, looking for ways to reduce administrative burden in the system, proposing ways to refine the program over time, and ensuring the use of evidence-based medicine. The board would be made up of representatives from business, labor, the insurance industry, health care providers and the public.

### **Q24. Are you really trying to promote a government-run health system?**

A. No. This plan preserves the elements of the system that work today: a private market together with strong government oversight of the insurance industry, and choice in the marketplace. All components of this plan are offered through the private market, and consumers will continue to choose their own health plans and doctors.