COMMISSION ON OKLAHOMA HEALTH CARE

REPORT TO THE LEGISLATURE AND GOVERNOR

DECEMBER, 1993

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EXECUTIVE SUMMARY

Problems within the health care system have become the focus of considerable public discussion and debate during recent years. Health care costs have continued to rise, consuming 14% of the Gross Domestic Product in 1992. Without intervention, they are projected to rise to almost 20% of the Gross Domestic Product by the year 2000. Yet meaningful access to health services have been denied to many Americans, including almost 600,000 Oklahomans, because they are uninsured. The Commission has developed recommendations which we believe address many of the problems which currently adversely affect the health care system in Oklahoma.

If national health care reform does not mandate a guaranteed package of health benefits for all Americans, the Commission recognizes that Oklahoma may need to consider whether such a package should be developed for its citizens and, if so, what health services would be included. The Commission recommends that a legislatively-appointed body be created by January 1, 1995 to develop a uniform package of benefits which could be available to all Oklahomans.

The Commission believes that all Oklahomans are entitled to a basic level of health services which emphasizes primary care and preventive services. Legislation should be enacted which restructures graduate medical education to produce more primary care physicians and encourages the use of mid-level providers, such as physicians' assistants, nurse practitioners and nurse midwives in underserved areas. Telemedicine projects should be enhanced to increase access to medical diagnostic and consultative services in rural areas. In addition, the Legislature is encouraged to ensure that adequate funding is available for the Division of Health Care Information to establish formal guidelines and coordinate data collection and exchange of information among public and private health care providers.

Restructuring of the health care delivery system to emphasize more cost-effective methods of service delivery is essential. Managed care systems development should be increased and structured to allow for competing integrated health service delivery networks. To encourage cost-effective care, capitation should be encouraged as the primary strategy to align incentives within the context of integrated delivery networks.

The Commission recognizes that effective cost containment may be achieved only if the health care system is restructured to enhance consumer awareness of costs and responsibility for health care purchases. In addition, cost shifting will be controlled only to the extent that universal coverage for health services which adequately reimburses providers for services rendered is achieved.

The Governor and the Legislature are encouraged to continue the work of the Oklahoma Family Choice Health Plan, which has been funded by the Robert Wood Johnson Foundation to identify and recommend health care financing strategies. The Commission recommends that Family Health Accounts be established through the Oklahoma Health Care Authority.

The Commission recognizes that insurance reform is an important component of any comprehensive reform of the health care system. As state legislation related to insurance reform

is developed, it should be coordinated to the greatest extent possible with expected federal reform. Incentives should be created to encourage individuals and employers to purchase cost-effective plans. A reformed system should rely heavily on market-based incentives and should emphasize patient freedom of choice of providers.

The Commission believes that health care purchasing can be conducted most effectively through health alliances which organize the purchasing power of consumers and allow them to choose their own health care coverage based on cost, quality and personal need. At least one health alliance should be established within the state. The function of the health alliance should be a 'passive price-taker', not a purchaser.

The Commission recommends that an oversight organization be created to set standards for health plans, analyze and distribute information, establish and provide technical support for state health alliances and monitor the implementation of small group health insurance reform. Health alliances should be chartered, non-profit organizations offering health plans which meet established standards.

Reform of the state's medical malpractice system is vital. The Commission recommends that state-approved practice standards be developed which render health practitioners immune from liability if their practice falls within the established standards. The Commission recommends that limited liability be provided by law to fully-licensed professionals, including health care professionals, operating within their scope of practice, who provide services to the needy or indigent without charge. In addition, Oklahoma should abolish rules providing for joint and several liability and replace them with a standard of relative negligence in tort litigation. Oklahoma should also abolish rules and practices which prevent courts from considering collateral sources of payment.

PREFACE

Oklahomans are justifiably proud of their unique history and culture, but they are not unique in the types of problems they face. Like Americans living in other states, they are subject to economic, environmental and national defense developments. They are also affected by the growing health care crisis in this country. While the quality of life in Oklahoma stacks up well against that in many states, on a number of fronts Oklahoma does not fare well when one considers the number of citizens uninsured and the health of its children. Even individuals who have "adequate" health insurance coverage are at the mercy of a system (or non-system) which gives them relatively little control over their own good health and even less over health care costs. In addition, Oklahoma has a large number of geographical areas that are medically underserved.

In initially establishing the Commission on Oklahoma Health Care, the Governor created a forum for addressing many of the issues which bear on the health of Oklahoma's citizens. The Governor understood that there were many factors which were not subject to exclusive state control but were instead influenced by federal law and regulations. Subsequently, the Legislature established the Commission by statute. This was also done with the recognition that state and federal issues both had a bearing on the problems involved. The Commission has worked to initiate the process of reforming the health care system in this state and, consequently, to improve the health of Oklahoma citizens with the provision of cost-effective health care. We must all begin to change our understanding and expectations of what the health care system can and should provide, how much this would cost and who should pay for it. We must also change our behavior to take responsibility for our own good health and for the amount of money which we as a state spend on health care.

The Commission realizes there is no single answer or easy solution. Many problems are now on the table at the federal level. It is not clear what, if any, "legislative solutions" will be enacted there and when such solutions will be offered. There is, however, some reason for encouragement. Oklahoma has begun, like many other states, to address the issues and offer its own solutions. And there is a growing recognition that regardless of which specific approach to reform is adopted many of the basic elements will be the same. These elements will also influence the delivery of health care even if we maintain some ostensible commitment to the status quo. The recommendations submitted in this Report begin to suggest some of the ways in which the system can be reformed to achieve the desired changes in expectations and behavior. They must be considered within the above context. It is only with an understanding of the problems and consensus about acceptable solutions that the goals of good health and better value for health care will be attained.

REPORT TO THE LEGISLATURE AND GOVERNOR

INTRODUCTION

Problems within the health care system have become the focus of considerable public discussion and debate during recent years. However, both state and national attention became focused on health care reform during 1992. Health care costs had continued to rise, consuming 14% of the Gross Domestic Product in that year. Without intervention, they were projected to rise to almost 20% of the Gross Domestic Product by the year 2000. Yet meaningful access to health services had been denied to many Americans, including almost 600,000 Oklahomans, because they were uninsured.

Even prior to the national presidential elections in 1992, many health policy experts, as well as states and the federal government, had developed significant proposals for reform. With the election of President Bill Clinton, health care reform has become one of the highest policy priorities for the nation and the individual states.

Oklahoma responded early to pressures created by rising health care costs and inadequate access to health services within the State. The Commission on Oklahoma Health Care was created by Governor David Walters in February, 1992 to make recommendations for improvement of the health care system in Oklahoma. The Commission was charged by the Governor to consider comprehensive, systemic reform of the health care system rather than just marginal reform. The Commission prepared its Report to the Governor in November, 1992, detailing problems within the system and recommendations for reform. Many complex issues were addressed. The recommendations provided clear direction for future efforts. However, because analysis of the current system and future options for comprehensive reform encompassed a broad range of issues, it became clear very early in the process that development of complete, detailed recommendations could not be completed during 1992.

The Oklahoma State Legislature recognized that continuing the review and analysis of the State's health care system was essential. House Bill 1578 (included in Appendix 4) was passed during the 1992 session, establishing a health care study commission through the Governor's office to continue the work of the previous Commission. The new Commission was directed to prepare a report to the Legislature by January 1, 1994 with a mandate to study a number of specific models for reform, including small insurance models, the Universal Health Care Act which had been introduced during the 1991 legislative session, and a model focusing on the use of individual or family health accounts as a financing mechanism. In addition, the Commission was to review any other appropriate models.

This Report to the Legislature and the Governor contains recommendations for reform which have been developed during the 1993 meetings of the Commission, including two all-day retreats and six public hearings. The recommendations build upon those developed by the Commission in 1992. The Commission has also carefully considered current reform proposed within the state,

in other states and nationally. Because this Commission was designed to represent all aspects of Oklahoma society, and one limited group such as this may not do so, the Commission decided to submit this Report to, and solicit responses from various other interested groups. These responses are included in Appendix 7. We believe the recommendations contained in this Report provide a significant framework for future reform of Oklahoma's health care system.

Much of the work of the Commission was done through subcommittees and this division of labor is reflected in the organization of this Report. Appendix 6 contains reports from four of these subcommittees to allow review of work which was not adopted by the full Commission.

The Commission wishes to strongly emphasize the fact that these recommendations encompass interdependent, system-wide reforms of the health care system, and not single or piecemeal solutions to the problem. If some of these recommendations are extracted and implemented individually, they could potentially exacerbate the current problems in the system. For example, health care providers could be put at risk by the use of a purely capitated approach without concurrent limits on professional liability for actions taken within established practice parameters.

REVIEW OF THE 1992 ACTIVITY OF THE COMMISSION

As mentioned above, at its first meeting the Commission adopted the recommendations of the 1992 Governor's Commission. The following are the Mission Statement, Goals, and Executive Summary from the 1992 Report to the Governor and is included as a policy statement of the 1993 Commission.

1992 MISSION STATEMENT

To develop a systemic approach to the delivery of a continuum of health care such that all citizens of Oklahoma have access to high quality, cost effective health care.

1992 GOALS

1. There must be adequate control of health care costs.
2. Health insurance should be affordable regardless of previous or current medical conditions and not dependent upon present job status.
3. All Oklahomans should have access to health care which emphasizes primary care and prevention.
4. The health of children should be emphasized in any health care system reform.
5. Proposed reforms should be generally acceptable and politically feasible.
6. The reform process should be dynamic and include periodic review and modification.

1992 EXECUTIVE SUMMARY

The Commission has identified skyrocketing health care costs and inadequate access to health services as the two major health care problems facing the citizens of our State. The Commission believes that all Oklahomans have a right to basic health services. All groups - individuals, employers and the government - have a shared responsibility for ensuring that these services are available. However, improved access without meaningful control of health care costs will not lead to successful resolution of current problems. Costs may be influenced significantly by mechanisms which are used to finance health services. The Commission feels that a system of health care financing should be developed based on a market approach, with negotiation and regulation used to assure access and control costs. Reform within the health insurance industry will be essential. Standardized insurance products, claims processing, data collection and records will be important components in any insurance reform. Community rating should be used by insurance companies to set rates, although the Commission has yet to define the parameters of a community rating mechanism. Guaranteed issue coupled with risk sharing mechanisms will improve access for persons with pre-existing conditions or those who are otherwise limited in their ability to obtain insurance coverage.

The Commission believes that the right to health care can best be assured through development of a basic benefit package. Primary care and prevention should be emphasized. Child-oriented services should be available in basic packages, including pre and perinatal services, early developmental screening and immunizations. Consumer education should be stressed in any basic benefits package.

With the increased emphasis on primary care prevention and maintenance measures, the current supply and distribution of health personnel and facilities should be reviewed in order to determine if the current supply and distribution are sufficient to meet the needs of our citizens. Future reform will need to rely on primary care providers. It is essential that institutions of higher education focus on effective training of primary care professionals. Adequate continuing support for health professionals must be provided by these institutions, particularly in rural sites.

Health-related tort reform will be an important mechanism for reducing excessive health care costs. Large malpractice awards and the increasing necessity for physicians to practice defensive medicine have contributed to this problem. The use by health care professionals of practice guidelines based on outcomes research will permit practitioners to provide high quality care without the constant fear of liability.

A public authority model should be the formal organizational structure used to implement reform. This authority should have components for regional and local planning and must have the authority to influence health care costs and services through planning and regulation.

ADDITIONAL 1993 RECOMMENDATIONS

UNIFORM BENEFITS

It is possible that a guaranteed package of health benefits may be mandated through national reform. However, if that does not occur, or if state modifications are allowed, the Commission recognizes that Oklahoma may need to consider whether, or to what extent, a package of benefits should be required for the citizens of the state by insurance carriers or health care delivery systems doing business within the state.

The Commission recommends (subject to nationally-enacted reform provisions) that a legislatively-appointed body be created by January 1, 1995, to develop a uniform benefits package which could be available to all Oklahomans. This body should include a broad representation of health providers and consumers. Development of this package should consider quality, access to services and cost. A range of services should be studied, with an emphasis on preventive, including prenatal care, immunizations and developmental screening for children, along with routine services, catastrophic care and long-term care. In developing a uniform benefits package, professional practice guidelines may provide the standards which are necessary to ensure that realistic and reasonable services are included. Cost-effectiveness of benefits, in the most flexible provider environment, and the availability of financial resources are important factors in determining which benefits should be included. The Commission believes that cost-sharing by patients is an important mechanism for appropriate utilization of health services.

To reduce the risk of decreasing access to health care services not included in the uniform benefits package, the Commission recommends that tax deductibility of insurance premiums for both employers and employees be continued.

ACCESS, HEALTH PERSONNEL AND FACILITIES

As reflected in the Goals which have been adopted by the Commission, we believe that all Oklahomans are entitled to a basic level of health services which emphasizes primary care and preventive services. Primary health care is defined by the Commission as characterized by comprehensive, continuous, first-contact care. The Commission recommends that the leadership of the Graduate Medical Education system recognize the need for more primary care physicians, and support and reinforce all efforts to increase their numbers. Also, using public/private partnerships, telemedicine projects should be significantly expanded to increase access to medical diagnostic and consultative services for rural communities.

Educational opportunities should be expanded by legislation which encourages allied health professionals to serve in underserved urban and rural areas. The Legislature is encouraged to address the problems of availability and accessibility of mid-level providers, such as physicians' assistants, nurse practitioners and nurse midwives, who provide primary care services to many

underserved citizens of the State. Areas to be addressed should include limited prescriptive authority, reimbursement for services and increased funding for training and education.

The State Legislature should provide adequate funding for the Division of Health Care Information to insure that the Division can adequately carry out its mandate to establish formal guidelines and coordinate data collection and exchange of information with entities across the State. In addition, the Legislature should create an advisory board to continue to evaluate the present health care delivery system in Oklahoma, including health personnel, health facilities and reimbursement issues to improve access to services for all Oklahomans.

COST CONTAINMENT AND FINANCE

Development of most of the current health care system reform proposals has been driven by the recognition that skyrocketing health care costs must be contained (see subcommittee report in Appendix 6). Restructuring of the health care delivery system to emphasize more cost-effective methods of service delivery is essential. The Commission recommends the increased development of managed care systems for the delivery of health care with structuring of the system to allow for competing integrated delivery networks. The health care system should align incentives in order to encourage cost-effective care, with capitation as the primary strategy to align incentives within the context of integrated delivery networks.

The Commission recognizes that effective cost containment may only be achieved if the system is restructured to enhance consumer awareness of costs and responsibility for health care purchases. Incentives must be developed which influence individual responsibility for prudent purchasing and appropriate utilization of covered services. Purchasing strategies (i.e., purchase of plans rather than direct services) should be the economic force which influences ongoing cost containment. Also, as discussed in the section on tort reform, strategies should be developed to reduce the practice of defensive medicine.

A disproportionate amount of the current dollars expended for health care pays for care which is delivered in the last days of life. The Commission suggests that any strategies for effectively controlling health care costs will be successful only to the extent that patients, families and providers accept life as finite, ensure that curing is balanced with caring so that death comes with dignity. Mechanisms to ensure that scarce resources are not inefficiently expended must be developed.

Reimbursement for much of the care delivered to patients who are uninsured or on public assistance programs is inadequate. This results in the shifting of costs from patients or programs which under-reimburse to those which reimburse more fully, usually private insurance companies. In fact, it is estimated that private payors in Oklahoma reimburse forty cents to cover the hospital care of patients who have not paid for every dollar they pay for their own insureds. Cost shifting will be controlled only with mandated universal benefit coverage which adequately reimburses providers for services rendered.