



# California DMHC Looking Ahead to 2007

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# Overview: Past, Present, Future

- What were the issues?
- Initial DMHC Strategies
- Looking forward

# In the Beginning – Some of the Issues

- **Health Plans: Dual Regulation**
  - Forum Shopping
  - Need for product innovation
  - Streamlined review
- **Providers & RBO's**
  - Enforcement of the “Bill of Rights”
  - Financial oversight of groups
  - Preservation of the CA delegated model
- **Consumers**
  - Unregulated discount plans
  - Balance billing of patient

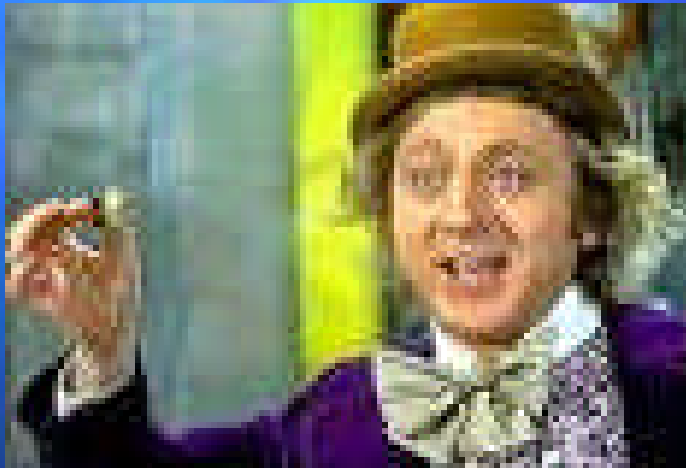
# Factors in Momentum Away from HMO Products

- Extensive organized care delivery is a California-only phenomenon - National employers want to simplify to one design
- Benefit plans have become too “rich”
  - Mandated benefits
  - Cost-sharing has not kept pace with inflation
  - “Skin in the Game” makes better consumers?
- Employers are looking for cover, and by expanding the use of HSAs, it may provide some incentive to switch employees into high-deductible programs
- Wall Street rewards “low value-add” products
- Large insurers want to add “financial services” to 4 portfolio on health savings accts



# CDHPs & HDHPs: Return to Fee for Service or 'Back to the Future'

New Plan:  
Every Man  
for Himself!



Old Plan: The  
Candy Man



# Strategic Approach: Addressing the Fundamentals

- New regulatory approach
- Streamline Licensing process
- Encourage product innovation
- Establish Office of Provider Oversight

# New Regulatory Approach

- Use a systems approach to align DMHC strategic goals with effective processes
- Use a spectrum of regulatory oversight
- Integrate the survey, exam, complaint and enforcement efforts

# Streamlining Licensing Process

- Application Review Time:
  - Goal: Under 180 days
  - Achieved: 134 days
- Material Modifications Review Time:
  - Goal: 90 days
  - Achieved: 69 days in 2<sup>nd</sup> qtr
  - Working to achieve this consistently
- EOC Review time:
  - 2003: 116 days
  - 2005: 38 days

# Encouraging Product Innovation

- Understanding the market need
- Value proposition for consumers
- Does it propose new business models?
- Consumer protections?

# Office of Provider Oversight

- Obtained resources needed to:
  - Promote fair contracting
  - Ensure risk-bearing organization's financial solvency requirements are met
  - Enforce proper & timely payment
- Implement Independent Dispute Resolution Program

# Consumer Protection Concerns

- Unregulated discount plan
  - Potential for fraud, misleading ads
  - Implication to regulated plans
- Balance billing
  - Enrollee fairness
  - Impact to financial stability of RBO's
  - Affordability of coverage

# Focus for 2007

- Health Reform
  - Individuals –coverage, access & well being
  - Businesses – economic competitiveness
  - Government – balancing cost vs. other priorities
- Health IT
  - Powerful tool for transforming the system
  - Improving safety
  - Improving coordination of care

# Barriers to HIT Buildout

- Perverse business incentives for status quo
- Hospitals and physicians bear the cost but benefits go to insurers and patients
- Upfront HIT financing and support with slow and uncertain payoffs
- Standards for interoperability missing
- Disruption to hospital & physician practices
- Patient privacy concerns
- Lack of access to broadband technology, especially in rural areas

# The Governor's Health IT Executive Order

## Vision

- Achieve 100% electronic health data exchange among payers, providers, consumers, researchers and government agencies in the next 10 years.

## Mission

- Provide appropriate personal health information to Californians, available in a timely and secure fashion.
- Enable affordable, safe and accessible health care.

# Health IT Study: Implementation of the Executive Order

- Four month timeframe: Sep-Dec 2006
- Four phase project
  - Landscape surveillance
  - *E-Health* Action Forum
  - Verification of findings
  - Final Summary Report and Roadmap

# e-Health Action Forum-October 12th

- Stakeholder process to inform the State:
  - Roles the State could take:
    - Leader/Convenor
    - Purchaser/Payer
    - Data Provider
    - Facilitator
    - Regulator
    - Educator
    - Arbiter
  - Actionable steps to:
    - Promote HIT Adoption/Incentives
    - Move toward digital data exchange
    - Support necessary infrastructure

Questions?

