

Testimony
of
Mr. Michael Schaiberger
Director of Employee Health Initiatives and Administrator for Innovation
Maricopa County, Arizona
Before the
National Association of Counties
Working Group on Health System Reform
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Mike Schaiberger has been the Director of Maricopa County's Department of Employee Health Initiatives since 2001 where his teams have held employee/employer medical cost increases to 6.2% below national trend, and pharmacy cost increases to a negative (-) 2.44% below national trends. Increased employee health care benefit satisfaction to 95% for three consecutive years despite plan design changes and increased premium costs, increased the Maricopa County Employee Health Initiatives Trust Fund from \$3.3 million to \$36 million over the last 7 years and increased employee generic drug usage 10 percentage points above the national average for 3 consecutive years.

During this engagement his E.H.I. Team has also won the 2008 Arizona Quality Alliance Showcase for Excellence Award, the CompPsych Health at Work Silver Award, the Walgreens Highest Generic Drug Dispensing Award two times, the Walgreens Best drug trend performance for 2007, -2.44% and three National Association of Counties Achievement Awards for Innovation. His Maricopa County peers have twice selected him as the Deputy County Administrator Manager of the Year.

In 2004, 2005 and 2006 he was also the Chief Operating Officer of the Maricopa County Managed Care System, where the staff restored and rescued 2 Medicaid HMOs from closure, saved the County \$46 million, removed regulatory sanctions, safely transferred 39,000 medicaid members to the Special Health Care District, HMO. Safely transferred 6,000 elderly members to two private sector Long Term Care HMOs and safely transferred 18,000 Medicare members to several Medicare Advantage HMOs.

In 2000 and 2001, as the Director of Maricopa County's Department of Medical eligibility D.O.M.E, his Team reduced Maricopa County's annual pre AHCCCS (Medicaid) Hospital Claims Liability from \$20 million to \$1.4 million and reduced the eligibility determination error rate to zero, while successfully transitioning 300 employees to the State of Arizona Department of Economic Security in accordance with Proposition 204 and House Bill. 1552.

In 1998-2000, prior to his Maricopa County engagement, his staff "turned around" and restored the credibility of the State of Arizona's \$225.0 million Employee Health Insurance Program, collecting \$800,000+ from health care vendors in liquidated damages and raising employee benefit satisfaction levels 5 points during his tenure.

He also spent 6+ years as an AHCCCS Medicaid Assistant Director, helping to build the infrastructure for Arizona's Innovative state wide Prepaid Medicaid Managed Care Program and served 2 years as the Senior AHCCCS Policy Advisor to the Arizona State Senate Leadership. He has served as a Samaritan Health System Ambulatory Clinic Administrator, the Director of Site Development for Catholic HealthCare West's Center for Alternative Medicine, and built an integrated allopathic alternative medicine clinic in Scottsdale, Arizona.

In Private Sector managed care, he has served as the Director of Product Development for the Samaritan Health Plan and as the Vice President of Operations for Health Partners of Arizona Health Plan.

Mr. Schaiberger has a Masters Degree in Public Administration from Arizona State University and a Bachelors Degree from Central Michigan University.

Opening Thoughts

Thank you for the opportunity for Maricopa County, an insurer of 30,000 lives that spends approximately \$144M on employee health care per year, to discuss the employer viewpoint on health care reform and the need to maintain the positive features of the current system while making the necessary modification, to expand coverage to the current uninsured population.

A major concern for employers is how to significantly and continuously reduce the organization's medical expenditures and simultaneously increase employees' satisfaction with their health-care benefit, both now and in the long term. Maricopa County, Arizona, has done just that. Since the county embarked on its health-care transformation in 2001, it has held employee and employer medical and pharmacy cost increases to 6.2 percent and 8.3 percent, respectively, which are below national trends, while increasing employee satisfaction to 95 percent for two consecutive years, despite plan design changes and increased premium costs. Maricopa County also increased pharmacy plan satisfaction to 85%, avoided \$48M in medical costs; employees have a quit tobacco rate of 54% compared to the community quit rate of 40%; employees have used generic drugs at a rate of 72% and achieved a -2.44 drug trend which have both surpassed national levels; Maricopa County has achieved a zero GASB 45 liability.

It is our considered opinion that is critical to continue to provide cost effective, high quality health care while not stifling the creative program designs being implemented by employers and employees. These programs are currently reducing the overall cost and rate of increase for health care benefits without negatively impacting the level of health benefits provided or the health of the covered members.

The current employer based health care system has functioned well for a large majority of the American population. It should continue to form the foundation of any system reform. It has proven to be an effective mechanism for providing comprehensive, tax-advantaged coverage to American workers and their families. However there are improvements to the system that can and should be made, as discussed in more detail below.

Program Design Considerations

When considering health system reform, there has been considerable interest in mandating specific levels of coverage, particularly in setting a "minimum acceptable" level of coverage. While it is important to ensure that meaningful health care coverage is provided, it is also critical to provide mechanisms for employers to continue to provide innovative programs to deliver health care coverage.

One component that must be considered is mandating coverage for specific medical services and classes of medical providers. While health system reform is being debated, it is important to implement a moratorium on new mandated benefits, particularly in the current economic environment. A critical part of health system reform is a detailed review of all federal and state mandated benefits to ensure that any mandated benefit addresses the reality of the economy and is medically needed and appropriate.

Employers must be given broad latitude to design health care programs that allows them to continue to experiment with innovative ways to provide health care coverage, to encourage and incent healthy behavior, and to manage the rate of increase in underlying health care costs.

In addition, any reform measure must preserve and protect the individual Employer's right to locally choose, procure and directly oversee their choice of vendors and health benefit designs as opposed to "pooling" or "mass purchasing" as the only option. Health care delivery is a local issue and employers must be able to seek a local solution.

Finally, any minimum program design must require employees to bear a share of medical cost such as copays, coinsurance, and deductibles and per pay-check contributions. There should be no zero premium plan and no zero copay or coinsurance plans, with the exception of coverage for preventive care or specific, cost effective disease management plans. There is extensive evidence that employees are better health care consumers when they share in the financial consequences of their health care decisions. For every \$5 increase in the copay for physician office visits, the utilization of office services declines by 3% to 5% without any change in the overall health status of the employees.

Medical Provider Community Considerations

Health system reform needs to provide incentives for the medical provider community to be more effective partners in managing and controlling the cost of medical care. There is a significant amount of savings that can be achieved through this process.

Reform must create incentives for the pharmaceutical industry to further develop and distribute more generic drugs. In addition, the industry must do more to dispel the popular notion that generic drugs are somehow inferior to brand name drugs. Finally, reform must stimulate the industry to create solutions to the high cost of specialty pharmaceuticals. Examples could include patent extensions in return for lowering the cost of the medication, streamlining the delivery of the medication to the patient, and ensuring that the cost in the US is not higher than the cost charged outside of the US.

Reform measures must provide incentives for the health care industry and the health insurance industry to innovate and develop better disease prevention products, programs and benefit designs. The best solution to cost effective management of serious illness is to prevent those illnesses from occurring in the first place. The industry must change from a focus on treating illness after it occurs to one that focuses on preventing illness

through healthy life styles. Examples could include increasing physician compensation for primary and preventive care or providing additional compensation if a physician's patients meet specific health targets in areas such as weight, blood pressure and other measures. There are a number of studies that show that effective use of primary care reduces emergency room use, hospitalizations, and overall health care costs while improving employee health status.

Finally, reform measures must incent the health care and health insurance industry to innovate and improve the practice of medicine. Such changes will reduce the administrative cost of providing care, reduce medical errors, and improve the overall quality of the care provided to the population. Examples that should be considered include requiring the use of electronic medical records and electronic prescription submissions and mandating a "medical home" for every citizen.

Government Involvement

Federal, state, and local governments have a significant role in any health system reform effort. In addition to the considerations already discussed, there are other areas that should be considered under any reform measure.

It is critical to preserve and protect current federal funding to state and county governments for smoking cessation and other disease prevention programs. These programs help to reduce the number of citizens with high cost, preventable diseases and improve the overall health of the population while significantly reducing the cost of health care. As an example, Maricopa County has historically partnered with the Maricopa County Public Health Department to provide smoking cessation programs. These programs have reduced the number of smokers to less than 15% of the employee population as compared to the national average of 25%.

In addition, the federal government should enhance the tax advantages of existing programs. By providing tax incentives, employees are more likely to participate in fitness, wellness and other health improvement activities. Examples of existing programs include:

- Flexible Spending Accounts should be expanded to provide pre-tax reimbursement for additional preventive activities such as employee fitness, health & wellness expenditures, and nutritional counseling.
- Health Savings Accounts and Health Reimbursement Accounts should be expanded to provide pre-tax reimbursement for additional preventive activities such as employee fitness, health & wellness expenditures, and nutritional counseling.

- Tax-advantaged Retiree Medical Accounts should be further encouraged as a way for employees to save for medical costs in retirement similar to the way employees save for retirement in 401(k) or 457 plan accounts.

In closing, we see significant opportunities to achieve meaningful health care reform and welcome the change to participate in the process. However it is important that this reform does not undo all of the positive momentum that has been achieved by innovative county governments. Any reform measures must allow and even encourage more individual innovation by employers, the health care industry, and the insurance industry. A one-size-fits-all approach cannot achieve the desired results.

Thank you for your time and consideration.

Very Truly Yours

Michael Schaiberger
Director of Employee Health Initiatives