

RESOLUTION, endorsing six principles for health care reform in Nevada and authorizing a study of the feasibility of applying these principles in Nevada.

- Whereas health care is a cooperative endeavor, necessarily involving patients, physicians, nurses, therapists, public health agencies, financial systems, and health care institutions working together in a concerted fashion; and
- Whereas so-called market based competition in the health care sector has failed to contain costs, increase, access, or sustain quality care; and
- Whereas Americans pay twice the per capita average for health care than is paid by the citizens of any other country; and
- Whereas Americans are taxed more heavily for health care than are the citizens of any other country, and
- Whereas most uninsured Americans make significant financial contributions to health care systems in the United States through payment of taxes, and
- Whereas double digit increases in health care costs are expected in the United States this year, and
- Whereas the United States, alone among first world countries, has a substantial portion of its population without financial support for health care services, and
- Whereas the Institute of Medicine has found that lack of health insurance leads to more than 18,000 deaths among young and middle aged Americans each year, and
- Whereas for profit health care businesses provide lower quality care at a higher price; and
- Whereas the Nevada legislature has studied the advantages of the so-called single payer form of financing health care, as directed in SB 289;

Be it therefore resolved that the State of Nevada, through its Legislature, endorses the following six principles as guides for reform of health policy in Nevada:

- 1) All Nevadans should have financial support for medically necessary medical care services;
- 2) Nevadans should be allowed to choose among all providers of health services licensed by the appropriate state regulatory agency;
- 3) No increase in per capita health expenditures will be needed to fund universal health care services in Nevada;

EXHIBIT <u>H</u> Silver	Document consists of <u>8</u> pages
<input checked="" type="checkbox"/> Entire document provided.	
<input type="checkbox"/> Due to size limitations, pages ____ through ____ provided.	
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Meeting Date <u>9-10-04</u>	

- 4) Administrative overhead for financing health care services can and should be kept below 5% of revenues;
- 5) Optimal patient care requires the cooperation of hospitals, physicians, public health agencies, and other providers and institutions;
- 6) Nevadans would be best served by combining all revenues for health care into one private, non-profit trust fund, to be known as the Nevada Health Cooperative (see appendix for description), while ensuring that health care delivery systems (hospitals, physician practices, etc) remain in the private sector.

BE IT FURTHER RESOLVED THAT:

The State of Nevada will conduct a one year study of these six principles and the methods for re-organizing health care policy and systems in Nevada in accordance with these six principles. At a minimum, the study will examine a) the amount of administrative savings available through the efficiency of the Nevada Health Cooperative; b) options for replacing revenues for health care now paid by private individuals out-of-pocket (premiums, co-payments, deductibles, point of service payments) and private businesses (premiums for employee benefits); c) the amount of economic growth likely to result from reform guided by the six principles; d) the change in labor markets likely to occur when individuals no longer experience job lock due to health benefits; e) mechanisms for converting for-profit health institutions and assets into community based, private, non-profit health system assets; and f) the cost and methods for increasing Nevada's health professions work force needed to meet increased demand under universal health funding including re-training health system bureaucrats whose jobs will be no longer needed. The study will be supervised by the Nevada Legislature and executed by a Nevada Citizen's Health Advisory Committee representing the uninsured, chronically ill and disabled, all ethnicities, labor unions, large and small businesses, and rural residents of Nevada. No representation will be granted on the Citizen's Health Advisory Committee to vested interests in corporate health institutions. The Nevada Legislature will appropriate a sum of money necessary to fund the investigation of these issues, stipulating that the expertise for the study will be recruited from throughout the state, including Nevada's academic institutions, medical and nursing schools, finance and tax professionals, rural and public health agencies, labor unions, and business community. The study results will be used to craft legislation establishing the Nevada Health Cooperative which will be introduced in 2007.

THE NEVADA HEALTH COOPERATIVE

A PROPOSAL FOR FINANCING HEALTH CARE FOR ALL NEVADANS

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WHAT IS THE NEVADA HEALTH COOPERATIVE?

The Nevada Health Cooperative would be a statewide, non-profit health insurance plan covering every Nevadan for all medically-necessary services including: acute, rehabilitative, long term and home care, mental health, dental services, occupational health care, prescription drugs and supplies, and preventive and public health measures. Boards of expert and community representatives would assess which services are unnecessary or ineffective, and exclude them from coverage. Private insurance duplicating the single payer coverage would be proscribed. Patient co-payments and deductibles would also be eliminated.

HOW WOULD THE NEVADA HEALTH COOPERATIVE BE FUNDED?

Health insurance for every Nevadan can be achieved without increasing the total revenues already spent for health care in the state (estimated to be almost \$9 billion per year or approximately \$4000 per Nevada resident each year). Total expenditures for health care would be set at the same proportion of the gross state product spent for health care during the year previous to the formation of the Nevada Health Cooperative. Government expenditures, including both federal and state sources, already account for nearly two-thirds of total health spending in Nevada. These resources will be diverted to the Nevada Health Cooperative. The remainder of health care funding comes in equal portions from private employers and out-of-pocket individual payments. These revenue streams could be re-routed to the Nevada Health Cooperative through easily crafted progressive taxation of the business community and individual citizens which would be budget neutral, meaning that on average Nevada's citizens and businesses would pay no more for health care after the creation of the Nevada Health Cooperative than is the case now.

HOW CAN A BUDGET NEUTRAL PLAN COVER ALL NEVADANS?

Eliminating multiple payers is essential to cost containment. Non-profit administration of health insurance funds by a single, publicly responsive entity (the Nevada Health Cooperative) would have saved \$1.6 billion in Nevada in 2003. The administrative savings of a single payer plan such as the Nevada Health Cooperative have been studied numerous times, including by the Congressional Budget Office and the US General

Accounting Office (data not cited here). The Lewin Group studied the impact of a cooperative system in Massachusetts, and concluded that insurance overhead could be reduced to 1.4% (from current levels above 10%), hospital administrative costs could be reduced 14% and physician administrative costs could be reduced 26% if such a system were implemented. The states of Vermont, Missouri, and California have all studied the economic feasibility of a cooperative health plan and found that the efficiency of a single payer financing system will generate adequate administrative savings to finance health care for all uninsured and underinsured citizens without increasing per capita health care spending. Under the Nevada Health Cooperative, the question of how can we afford to cover all Nevadans is answered: we already are paying enough to cover everyone; we just need the simplicity and efficiency of a cooperative plan to provide the administrative savings which would be adequate to cover the uninsured.

HOW WOULD THE NEVADA HEALTH COOPERATIVE PAY FOR HOSPITAL SERVICES?

The Nevada Health Cooperative would pay each hospital a monthly lump sum to cover all operating expenses—that is, a global budget. The hospital and the Nevada Health Cooperative would negotiate the amount of this payment annually, based on past expenditures, previous financial and clinical performance, projected changes in levels of services, wages and input costs, and proposed new and innovative programs. Hospitals would not bill for services covered by the Nevada Health Cooperative. Hospitals could not use any of their operating budget for expansion, profit, excessive executives' incomes, marketing, or major capital purchases or leases. Major capital expenditures would come from the cooperative fund, but would be appropriated separately based upon community needs. Investor-owned hospitals would be converted to not-for-profit status, and their owners compensated for past investment.

HOW WOULD THE NEVADA HEALTH COOPERATIVE PAY FOR PHYSICIAN SERVICES AND OUTPATIENT CARE?

The Nevada Health Cooperative would pay most physicians on a negotiated fee-for-service basis. The Nevada Health Cooperative would negotiate a simplified, binding fee schedule with an organization representing physicians and dentists, such as the AFL-CIO affiliated Federation of Physicians and Dentists, or the state dental and medical societies. Physicians would submit bills to the Nevada Health Cooperative on a simple form, or via computer, and would receive extra payment for any bill not paid within 30 days. Physician payment would cover only the work of physicians and their support staff, and would exclude reimbursement for costly office-based capital expenditures for such items as MRI scanners. Physicians accepting payment from the Nevada Health Cooperative could bill patients directly only for uncovered services such as cosmetic surgery.

HOW WOULD THE NEVADA HEALTH COOPERATIVE COVER LONG TERM CARE?

The Nevada Health Cooperative would cover disabled Nevadans of all ages for all necessary home and nursing home care. Anyone unable to perform activities of daily living would be eligible for services. A local public agency in each community would determine eligibility and coordinate care. Each agency would receive a single budgetary allotment to cover the full array of long term care services in its district. The agency would contract with long term care providers for the full range of needed services, eliminating the perverse incentives in the current system that often pays for expensive institutional care but not the home-based services that most patients would prefer. The Nevada Health Cooperative would pay long term care facilities and home care agencies a global (lump sum) budget to cover all operating expenses. For-profit nursing homes and home care agencies would be transformed to not-for-profit status. Doctors, nurses, therapists, and other individual long term care providers would be paid a fee-for-service basis. Family members and friends who currently provide 70% of all long term care would be assisted through training, respite services, and in some cases financial support.

HOW WOULD NEVADA HEALTH COOPERATIVE PROVIDE FOR CAPITAL ALLOCATION, HEALTH PLANNING, AND PROFIT?

Funds for the construction or renovation of health facilities, and for major equipment purchases, would be appropriated from the Nevada Health Cooperative budget. A Nevada State Health Planning Board consisting of both experts and community representatives would allocate these capital funds. Major capital projects funded from private donations would require approval by the health planning board if they entailed an increase in future operating expenses. The Nevada Health Cooperative would pay owners of for-profit hospitals, nursing homes and clinics a reasonable fixed rate of return on existing equity. For-profit HMOs and insurance plans would receive similar compensation for their clinical facilities and for computers and other administrative facilities needed to manage the Nevada Health Cooperative. They would not be reimbursed for loss of business opportunities or for administrative capacity not used by the Nevada Health Cooperative.

HOW WOULD THE NEVADA HEALTH COOPERATIVE PAY FOR PRESCRIPTION DRUGS AND SUPPLIES?

The Nevada Health Cooperative would pay for all medically necessary prescription drugs and medical supplies, based upon a formulary established by expert committee. The Nevada Health Cooperative would negotiate drug and equipment prices with manufacturers, based on their costs (excluding marketing or lobbying). Where therapeutically equivalent drugs are available, the formulary would specify use of the lowest cost medication, with exceptions available in case of medical necessity. Suppliers would bill the Nevada Health Cooperative directly (for the negotiated wholesale price plus a reasonable dispensing fee) for any item in the formulary that is prescribed by a licensed practitioner.

HOW WOULD THE NEVADA HEALTH COOPERATIVE BE EXPERIENCED BY THE CITIZENS OF NEVADA?

Each citizen of Nevada would receive a Nevada Health Cooperative card entitling the bearer to care without co-payments or deductibles. Thus, patients would have a free choice of providers and delivery systems and the financial threat of illness would be eliminated. Taxes would increase, but the increase would be offset by the elimination of insurance premiums and out-of-pocket payments. Nevadans would experience health care security without the bureaucratic hassles of the multiple payer system. Personal bankruptcy caused by illness or injury care costs would disappear.

HOW WOULD THE NEVADA HEALTH COOPERATIVE BE EXPERIENCED BY THE PRACTITIONERS OF NEVADA?

Treatment of patients would no longer be constrained by insurance status or bureaucratic dictum. Payment would be prompt. Physicians could concentrate on practicing medicine. Physician income would increase only by working harder. Costs would be contained by limiting entrepreneurial incentives and obviating the need for detailed administrative oversight which is characteristic of multiple payer systems.

HOW WOULD NEVADA HEALTH COOPERATIVE AFFECT OTHER HEALTH CARE WORKERS?

Nurses and other personnel would enjoy a more humane and efficient clinical milieu. The burdens of paperwork associated with billing would be lightened. The jobs of many administrative and insurance employees would disappear, necessitating a major effort at job placement and retraining. Many of these displaced workers might be deployed in expanded programs of public health, health promotion and education, home care, and as support personnel to free up nurses for clinical tasks. Nursing salaries would rise, increasing interest in nursing jobs and decreasing the current nursing shortage.

HOW WOULD NEVADA HEALTH COOPERATIVE EFFECT HOSPITALS?

In many ways, the Nevada Health Cooperative would induce hospitals to return to their roots, as non-profit providers of needed services cooperating with each other and with the community. Gone would be the profit incentive which leads to overbuilding, litigation, vertical and horizontal growth and domination, and competitive market strategies. Responsiveness to community needs, quality of care, efficiency and innovation would replace financial performance as the "bottom line". More than half of the current hospital bureaucracy would be eliminated.

HOW WOULD THE NEVADA HEALTH COOPERATIVE AFFECT THE NEVADA BUSINESS COMMUNITY?

Firms now providing generous employee health benefits might realize savings because their tax contribution to the Nevada Health Cooperative could be less than current health insurance costs. In any case, the costs for health care, including the medical services of Nevada products will be enhanced. Tax based financing of health care might increase the costs for companies not now providing health benefits, but these costs may be offset by savings in workers compensation, vehicle insurance, and tort litigation and increased profits from labor productivity and entrepreneurial opportunity. The labor market will be substantially improved without job lock or strikes caused by slipping health benefits. Elimination of personal bankruptcy due to illness or injury costs will improve the domestic bottom line for Nevada businesses.

HOW COULD THE NEVADA HEALTH COOPERATIVE BE IMPLEMENTED?

The first step in the process of converting Nevada's health care financing into the Nevada Health Cooperative would be passage of two pieces of legislation in 2005: 1) a resolution calling on the US Congress to pass a "States' Right to Innovate in Health Care Act", such as the one proposed by Rep. John F. Tierney of Massachusetts in the last congressional session (HR 1033: States Right to Innovate in Health Care Act of 2001), which provides for up to 10 states to develop and implement their own plans for comprehensive health care. Those states would receive direct grants for developing their plans, and if a plan is approved, they would receive all federal funds that would otherwise flow into the state (including Medicare and Medicaid payments), and receive waivers of federal statutory and administrative barriers; 2) legislation calling for a neutral study (i.e., not tainted by corporate health interests) of the economic feasibility of the proposed Nevada Health Cooperative, including estimation of savings available through single payer health care financing in Nevada, exploration of options for replacing employer premiums and individual out-of-pocket payments with progressive revenues, projection of the business and labor impacts of stable health financing, assessment of the cost and means for buy-out of investor owned health care assets, and the cost of re-training health bureaucrats as health providers. Passage of the resolution would signal Nevada's congressional delegation to join Rep. Tierney in securing passage of the bill in Congress. The study would provide the basis for final health care reform legislation in the 2007 session of the Nevada Legislature, preparing the way for a staged phasing in of the Nevada Health Cooperative in subsequent years.

THE ADVANTAGES OF THE NEVADA HEALTH COOPERATIVE

This proposal demonstrates how a budget neutral plan can make health care accessible to all Nevadans, whatever their income level. It is a fiscally responsible plan because it offers a means to provide health insurance for all Nevadans without an increase in

revenue. The Nevada Health Cooperative covers all needs at the same time, leaving no one behind. There is no crowd out from the Nevada Health Cooperative, because everyone is included. All Nevadans, individually and collectively, will pay for the Nevada Health Cooperative, and are therefore responsible for it and will receive needed benefits. Extensive experience with similar health financing worldwide has demonstrated that it is workable and acceptable. The Nevada Health Cooperative is a politically conservative proposal, for the following reasons: 1) No increase in revenues will be needed, making it fiscally conservative; 2) The Nevada Health Cooperative envisions a sharply reduced role for the federal government in Nevada's health care financing, returning the citizens of Nevada to the primary decision making role for their own health care; 3) Individual citizens will once again be able to freely choose their own physician; 4) Physicians will be free to bill fee-for-service, choose their preferred practice site and organization, and work as hard as they prefer, without bureaucratic invasions and hassles; 5) The Nevada Health Cooperative puts an end to corporate welfare masquerading as a free market.

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Disclaimer: The opinions expressed herein are the work product of Dr. Jarvis alone and do not reflect the opinions and policies of the University of Nevada School of Medicine or its faculty. Dr. Jarvis is a volunteer member of the faculty of the Department of Family and Community Medicine at the University of Nevada School of Medicine and receives no salary or other payment from that institution at present. Dr. Jarvis served Nevada as State Health Officer from 1987 to 1989.