

Market-based Solutions for Reducing the Number of Uninsured Georgians:

**A Description of the Collaborative Process for
Creating Health Insurance Reform in Georgia**



Reducing the Number of Uninsured Georgians

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“This is an extraordinary new law that will make Georgia a national leader in new and innovative market-based, patient centered solutions to expand health coverage. Georgians will soon have access to the kind of products and services other Americans will wish they had.”

Newt Gingrich, founder of the Center for Health Transformation



Market-based Solutions for Reducing the Number of Uninsured Georgians

Executive Summary:

The Center for Health Transformation (CHT) has focused substantial resources and energies into the State of Georgia as an implementation site for many of CHT's projects, including diabetes and obesity, health information technology, e-prescribing, and eliminating health disparities. Therefore, it was a natural fit for CHT to develop a Georgia Uninsured Project to focus on developing innovative solutions to make health insurance coverage more affordable and accessible to those uninsured Georgians.

Since late 2006, the Center for Health Transformation has worked specifically to address and reduce the number of Georgia's uninsured. We believe that it is more than just a public policy discussion. It is more than just a legislative debate. In an editorial published in 2005, CHT founder Newt Gingrich said, "To put it simply, insuring all Americans is a moral imperative because people are dying. Every year, an estimated 18,000 Americans die unnecessarily because they have no health insurance."¹

With more than 47 million uninsured Americans – and 1.7 million of those residing in the State of Georgia – CHT focused on creating real world, private sector, market-driven solutions to address that challenge.² In 2007 and 2008, CHT's vision for implementing such solutions started to become a reality. The Georgia General Assembly passed landmark legislation which has the potential to significantly reduce the number of Georgians without health insurance coverage.

Georgia State Senator Judson Hill and CHT Senior Fellow Ronald E. Bachman facilitated the work of the Georgia Uninsured Work Group. Following CHT basic principles, the Work Group focused on the importance of a market-based, patient centered approach that emphasizes personal responsibility, portability, transparency, and prevention and wellness policies. The Work Group analyzed the information to develop solutions and identify opportunities to create the legal and regulatory framework to move forward with specific proposals.

CHT has created a process which can be replicated in other states. Every state is unique as it relates to health insurance laws, but many of the concepts, challenges, barriers and issues identified in this document are common to most states.

While there is no magic bullet and no single solution, we believe we can achieve 100% coverage through innovative market-based solutions, private and corporate efforts, tax incentives, direct public subsidies, strong community support, and faith-based outreach. CHT believes that the individual must be at the center of any solution. We also believe that strategies and solutions must work for all Georgians regardless of age, gender, health condition or socio-economic status.

¹ RealClearPolitics, "Let's Save 18,000 Lives A Year," Newt Gingrich and David Merritt, May 2005.

² U.S Census Bureau, U.S. Department of Commerce, August 2006.



With 1.7 million or about 18 percent of the state’s 9 million citizens without health insurance coverage, Georgia has the fifth highest rate of uninsured citizens without Medicare, Medicaid, SCHIP (PeachCare for Kids), Tri-care or other private health insurance. Georgians are uninsured for many reasons. There are many ways to classify and analyze the number of uninsured. In Georgia, CHT identified the following four segments:

Uninsured Georgians by Segment		
Segment	Percent	Number
1. Uninsureds Not Needing Financial Assistance	30%	510,000
2. Uninsureds Needing Some Financial Assistance	35%	595,000
3. Uninsured Eligible for Government Programs	20%	340,000
4. The Uninsurable	15%	255,000
Total	100%	1,700,000

} 1,105,000

The desire of the Center for Health Transformation is to develop a comprehensive solution to address all segments of the uninsured population. However, CHT also recognizes the need to develop solutions which can have an immediate impact.

The Work Group discussed and developed ideas for reaching all four segments of uninsured. Each segment has unique challenges and the solutions are multi-faceted. While the urgency of being uninsured may be greater in some segments than in others, the Work Group wanted to create momentum and demonstrate that a collaborative process could work. The Work Group wanted to make a significant initial impact on lowering the number of uninsured.

CHT contends that, as in many states, some Georgia insurance laws unintentionally prevent the sale of certain fully insured products that could dramatically reduce the number of uninsured. Recent federal laws allow the sale of new health insurance products with account balances (e.g. HSA, HRAs, and FSAs). However, the Work Group found that, as in many states, Georgia laws prevented the sale of certain comprehensive HSA (Health Savings Account) eligible health insurance designs. Legislation which brings new products and more competition to the marketplace is important to reaching many of the uninsured.

As such, the Work Group decided that the largest target populations are those individuals who need little or no financial assistance (those listed in segments 1 and 2). These individuals either have the resources to purchase health insurance but many find the products currently available unresponsive to their needs or need some financial assistance from their employer or other sources. With over 1.1 million lives, the Work Group identified those population areas where consensus solutions could potentially reach more than 500,000 uninsured Georgians, or about one-third (1/3) of the state’s total number of uninsured. By developing better insurance products with alternative methods of affordability, the CHT Work Group believed that it could significantly reduce the number of the individuals currently without health insurance coverage.

CHT and the Work Group contend that free-market solutions for target populations (segments 1 and 2 listed above) would establish a new foundation for addressing all of the uninsureds. The recommendations of the Work Group will also support a more dynamic marketplace which will offer more choices of better quality at lower prices for all purchasers. The Center for Health Transformation and the Work Group are committed to the development of free-market solutions that assure access to affordable insurance for all Georgians. Initial ideas for reaching all segments of uninsured are contained in this document. The Georgia Uninsured Work Group will use that outline as a basis for furthering the success of passing initial reforms in 2008. Other states may want to review those ideas to address specific interests in reaching the other segments of uninsureds.

“The issue is how to best address solutions so that those without coverage can afford coverage. We need to fundamentally change the way we look at reforming the health insurance market.”

Senator Judson Hill

This document is directed toward leaders who intend to develop state level market-based solutions to reduce the number of individuals without access to affordable health insurance coverage. This document includes:

- background on the work performed in Georgia,
- key issues and challenges,
- a discussion of the strategic planning and the importance of a collaborative approach,
- a sampling of media coverage, and
- copies of the final versions of the legislation.

This document will discuss the approach taken in Georgia over the course of the last two years to address the issue of the uninsured. By allowing the marketplace to create innovative, private-sector based solutions, CHT believes that the Georgia legislature and Governor Perdue have significantly enhanced the quality of life of the uninsureds in Georgia. Previously uninsured Georgians will be healthier and have access to preventive care, health screenings, and education on wellness. For many, it will represent the first time many of the uninsured will receive evidence-based, recommended care.

The Center for Health Transformation is developing an implementation guide which follows up on many of the items discussed in this document. For additional information or the implementation guide, leaders are encouraged to contact Jim Frogue at CHT at jfrogue@gingrichgroup.com.

Foreword

by Senator Judson Hill

Editor's Note: Senator Judson Hill has been an outspoken advocate for transforming health and healthcare in Georgia. He has an understanding of the complexities of the issues, the political environment and the broad vision which is vital to a successful reform effort. Senator Hill was the primary Senate sponsor of the legislation adopted in 2007 and 2008 which is helping Georgia lead the nation in addressing the uninsured through market-based health insurance reform. He has served as chairman of the Georgia State Senate Health Transformation Study Committee since 2006. CHT appreciates Senator Hill's leadership role in transforming the Georgia health insurance market.

To successfully navigate legislation through the General Assembly and onto the governor's desk, one must receive the support of many individuals as well as groups. It is important to have the support from constituents, legislative colleagues, lobbyists, professional and trade associations and the Governor and Lt. Governor. The challenge is how to move from concept to reality. During the process, leaders should try to create a movement for reform rather than simply addressing minor, incremental change.

Healthcare reform was previously attempted in Georgia on several occasions with very limited success. Historically, those groups which one would think should support reform efforts usually did nothing and at times even opposed reform efforts because of differing interests on other healthcare related issues. Therefore, when the Georgia Uninsured Work Group was created, we decided to invite all of the major healthcare stakeholders — those groups which shared a vested interest in having a healthy healthcare system — to meet.

I believe that the Work Group approach was, and continues to be, instrumental to our successful passage of legislation in Georgia. The meetings were “unprecedented” insofar as it was the first occasion of bringing the leaders of hospitals, physicians, insurance companies and insurance agents together.

Senator Judson Hill

The Work Group stressed the importance of developing creative solutions. We wanted to cast a vision of what the state and nation would look like if we had a healthcare system that actually worked. This vision of what could be accomplished was centered on a united set of consensus principles. We knew that a unified stakeholder team presented a formidable force for real change. We requested top level decision makers attend meetings to achieve greater buy-in by their associations. And then, we asked the Center for Healthcare Transformation — a party respected with all stakeholders — to facilitate the meetings to help lead the discussions, assist with research and information flow, and to provide unbiased input. We invited the governor's office to participate in the process, knowing the value of garnering the governor's support in our legislative efforts.

Homework was given to work group members between meetings to advance essential concepts and encourage members to actively participate in discussions of the issues surrounding the uninsured. These discussions led to broader support within their individual organizations.

The Work Group explored basic principles we all believed in and upon which we could all agree. Every stakeholder was given an absolute veto power over any principle since continued buy-in could not be achieved if a stakeholder “walked away from the table.” The Work Group approached every discussion of specific principles with a “yes if” approach as opposed to a “no that because” mindset. The Work Group jointly explored and developed “achievable outcomes” based on our principles and, once the principles and achievable outcomes were adopted, began drafting specific solutions. The purpose of driving consensus was not only to achieve the best result but also to develop trust, openness and commitment. Our basic principles and achievable outcomes are enumerated later in this document.

While every principle and every achievable outcome was not of equal priority for each group, we agreed the provisions contained in the legislation had a greater chance of becoming law if all of the stakeholders advocated for the entire bill. The strength of this collaborative approach produced a formidable coalition.

The Governor and Lt. Governor’s support was not only appreciated but optimized the chances of success. The governor’s support at all levels - from leading the public relations efforts to his strong position support the Work Group’s recommendations – was not only rewarding but essential for the passage of the legislative package. Governor Perdue’s senior staff members were continually engaged with periodic briefings and updates. Our collaborative approach resulted in the drafting of legislation which maximized the opportunity for success.

Governor Perdue became very supportive and actively engaged in articulating the benefits of transforming the health insurance market to create a more patient-centered and prevention/wellness focused system. The governor held a press conference to announce his support of our efforts during the first few days of the legislative session.

Several members of the Work Group engaged with the leadership of both the House and Senate to educate and recruit potential co-sponsors of the legislation. Like many other states, Georgia law requires tax initiatives to begin in the House of Representatives; therefore, we focused most of our time and energies with the House leadership.

Most members of the Work Group met weekly during the legislative session. When opposition arose, we discussed specific strategies to counter the opposition and briefed key legislators. To strengthen the stakeholder’s public buy-in and to communicate the united support around the legislation, we drafted a joint letter to the legislature and had every stakeholder sign it. A copy of the letter is attached as part of this document.

The coalition remained steadfast to our principles and focused on the mission to significantly reduce the number of individual Georgians without health insurance coverage. Governor Perdue signed the bills on May 7, 2008.



Background

The challenge facing many state legislatures is how to create state programs to cover the uninsured. The long term implications of doing nothing are well documented. According to the Institute of Medicine, when families and individuals do not have access to health insurance, they often forego routine care and therefore miss the life-improving benefits of wellness and prevention programs. By foregoing care when they are sick, they miss the life-saving benefits of technology and prescription drugs. According to the Institute of Medicine, uninsured trauma victims are less likely to receive the full range of needed care, and they are 37% more likely to die of their injuries. Overall, individuals without insurance coverage have a 25 percent greater mortality rate than Americans with insurance.³ That translates into 18,000 Americans dying every year because they are uninsured - 18,000 families who unnecessarily lose a loved one, and tens of thousands of children who lose their mom or dad. This is a needless risk which millions of Americans face every day.

The ripple effect of being uninsured can be felt throughout society. Emergency rooms are overcrowded, which increases costs and compromises care for entire communities. Children have impaired language development and poorer school performance, which endangers their future. For uninsured adults, they have higher incidents of absenteeism at work, which produces a substantial loss of productivity in the economy. The Kaiser Family Foundation estimates that nearly \$125 billion is spent on the uninsured every year, which is a significant reason the rise in healthcare costs continues unabated.⁴

Insuring all Americans requires real change. Immediate steps should be taken at the state level in combating the uninsured problem. In Georgia, CHT has been instrumental in leading discussions which promote market-based reforms, reduce barriers to purchasing health insurance coverage, and encourage personal responsibility. CHT and the Work Group believe the result will unleash a competitive health insurance marketplace which lowers prices and makes coverage more accessible, affordable and available for all Georgians.

State governments should remove the barriers to purchasing individual and small group health insurance. Fewer than thirty percent (30%) of employers with less than ten (10) employees offer group insurance. States should support the expansion of plans which encourage personal responsibility such as health savings accounts (HSAs) and health reimbursement arrangements (HRAs). States can eliminate insurance taxes, excess bureaucracies, and provide direct subsidies to encourage the movement to HSA eligible plans. States should allow tax deductions for insurance premiums and support employer and insurer contributions to HSAs and HRAs. States should allow health plans to provide incentives and rewards for healthy lifestyle modifications or which encourage wellness and prevention. These incentives and rewards also encourage personal responsibility.

The elimination of premium taxes on health insurance products should be considered an important first step by state policymakers. As a matter of public policy, states should encourage individuals and employers to purchase health insurance. As such, states should make health insurance as affordable as possible. Eliminating health insurance premium taxes helps in a meaningful as well as symbolic manner.

³ Institute of Medicine, "Care Without Coverage: Too Little, Too Late," May 2002.

⁴ Kaiser Commission on Medicaid and the Uninsured, "The Cost of Care for the Uninsured: What Do We Spend, Who Pays and What Would Full Coverage Add to Medical Spending," Jack Hadley and John Holahan, May 2004.

Insurance commissioners should be given broad authority to expedite the approval process for comprehensive products which are tailored for the uninsured. The uninsured need comprehensive coverage, not limited benefits or so-called "mandate-lite" products. CHT believes that comprehensive coverage must be made more affordable. The goal is to change the current environment and establish ways to assure affordability.

All of the above efforts will create a competitive health insurance marketplace and introduce many more consumer choices in coverage which will lower the cost of insurance for everyone, while expanding coverage to millions who were previously uninsured.



Basic Principles

Solutions to lowering the number of individuals without health insurance at the state level have to be based on specific goals and basic principles agreed to by all stakeholders. Fundamentally, everyone should be asked a simple question: “*Who benefits from the uninsured?*”

The answer is *no one* benefits from the uninsured. Healthcare providers are often left uncompensated for the services and care provided to the uninsured patient. Health plans and employers end up paying more for health coverage due to cost shifting because of uncompensated care.

The purpose of the Work Group was to find common ground among the major stakeholders to dramatically lower Georgia’s uninsured population. The ultimate goal was to reach all 1.7 million uninsured Georgians. By establishing common ground on basic principles and achievable outcomes, the CHT Uninsured Work Group felt it could address the problems of many of the uninsured Georgians while recognizing others will need further initiatives and more creative solutions. The consensus goal of the CHT Georgia Uninsured Work Group was to not forego the good in search of the perfect.

The CHT Uninsured Work Group developed the following seven (7) Core Basis Principles:

Private sector, market-based approach: States should support a legal and regulatory environment which allows a creative, open, competitive entrepreneurial market to develop the health insurance, products and services which meets the needs of every citizen. Significant legal and regulatory barriers exist and should be reduced or eliminated to establish the framework for real marketplace solutions. Self-insurance and direct provider contracting are a part of this private sector, market-based approach.

Increased Competition: Competition in an open free market is the best solution to lower prices, improve services, produce higher quality, add greater convenience, and create more choices. New legislation and regulation is critical to increasing competition among health plans, insurers, and healthcare providers.

Personal Responsibility: Personal responsibility means taking ownership of health and healthcare decisions. Personal responsibility can not effectively occur without support tools including quality and price information, patient financial involvement with incentives for participation, rewards for compliance, and educational supports for better personal health management. Support tools also include social and cyber-networks of like individuals sharing common experiences and solutions.

Ownership: Ownership means control of the key information and decisions affecting coverage, choice of treatments, and selection of providers. Ownership means possession of financial assets, choices of how to spend personal funds, and the right to know information regarding one’s own health and healthcare decisions. Ownership of one’s own health record is also a critical part of a 21st Century Personalized Intelligent Health System.

Portability: Portability of health insurance allows individuals to continue coverage regardless of employment status and/or job changes. Plans or policies that do not rely on employer-based insurance should be encouraged and expanded. Health insurance should not be dependent upon a job or lost when one changes jobs.



Transparency and the Right to Know: Market-based systems can only be effective with an abundance of meaningful, accurate and current information which is easily accessible and understood by individual consumers and their caregivers. During the 2007 session of the Georgia General Assembly, the legislature authorized the creation of a Web site specifically dedicated to providing Georgians with healthcare price and quality information.⁵ With access to good information, people are empowered to achieve better health outcomes at lower costs. Information on price, quality, services, access, and convenience, will lead to better health and health care decisions. With reliable information, individuals will be better equipped to fully accept their role in the world of a 21st Century Personalized Intelligent Health System.

Increased Use of Technology: Health, healthcare, and health insurance need an infusion of technology to lower costs, improve efficiency and effectiveness of health insurance coverage. Additionally, health information technology is necessary to appropriately identify and distribute information. Whether it is personal care devices, personal health records, electronic medical records, explanation of benefits, provider communications, or e-prescribing, the world of health is seriously lacking in the rapid adoption of new technologies.

⁵ HB 24, 2007 Session of the General Assembly, Act 48.



Achievable Outcomes

By using the basic principles as guideposts, the Work Group then developed specific goals which were articulated in the following "achievable outcomes":

Transformation: Simple reform efforts to the current health and insurance system will not work. The Georgia Uninsured Work Group recognizes that "Real Change Requires Real Change." Stakeholders must be prepared to establish transition strategies to realize the impact and importance of transformational change.

Individual Empowerment: Empowerment comes from personal responsibility, financial responsibility, information sharing, and decision/advocacy support. Market-based systems must engage consumers in meaningful ways. Consumer information must be available providing meaningful and accurate information, including price and quality, and choices for care and treatments. The alignment of incentives and rewards must otherwise support appropriate and healthy decisions.

Behavioral Change, Not Cost-shifting: Behavioral change includes participation in wellness and prevention programs, early intervention, and compliance with proven care and treatments. It means providers delivering evidence and outcomes based care. Health plans must encourage personal responsibility and individual involvement in altering health and healthcare purchasing behaviors. Once again, it is extremely important to align financial incentives and rewards must support appropriate and healthy decisions.

Affordability: Affordability must include rewards and incentives. Affordability is also achieved through healthy choices and behavior modifications. Americans are generally accustomed to paying less for healthy behaviors such as quitting smoking. Similarly, new solutions can make healthcare and insurance more affordable for individuals if they maintain healthy metrics for blood pressure, cholesterol, body mass index and other key indicators. Affordability can also be achieved by rewarding individuals with serious health conditions for adherence to disease management standards or compliance with prescription medication therapy and good lifestyle choices such as diet and exercise standards that stabilize a chronic and persistent condition.

Maximize Insurance, Minimize Third-party Reimbursements: Third-party reimbursements foster an environment of entitlement and unlimited demand for healthcare services. Insurance should be comprehensive rather than limited. Minimizing third-party reimbursements puts more financial power in the hands of consumers. Insurance with account balances using health savings accounts (HSAs), health reimbursement arrangements (HRAs) and flexible spending accounts (FSAs) are consistent with the concept of maximizing insurance and minimizing third party reimbursements. Third-party reimbursements also diminish the importance of individual responsibility. However, new innovative health plans can increase this responsibility with incentives and rewards which can result in lower cost and improved care.

Increase Choices: By encouraging the development of new insurance products, the marketplace will ensure competition which will help make insurance more accessible and more affordable. Private sector solutions create more choices and options for insurance coverage, care and treatment, providers, participation, lifestyle options, wellness and disease management programs, service conveniences, and education sources. The dynamic nature of markets will provide increased choices of higher quality at lower cost.

Financial Security: Health insurance ensures financial security when sickness or accidents strike. Solutions to the uninsured must include helping the sickest patients obtain the coverage, access to the best care and treatment, and understanding of their conditions through a market-based system.

Creating A Culture of Health: A culture of health focuses on wellness and prevention rather than on disease and treatments. Health activities should measure and reward participation in wellness assessments, early detection and screenings, compliance with a condition management programs (e.g. compliance/adherence with medication therapy, diet, exercise, office visits), and maintenance of good health characteristics (e.g. blood pressure, cholesterol, nicotine use, body mass index).

“Holistic Care” (Physical, Mental, Spiritual, and Social): Health should be viewed as a dynamic state of well-being within an individual that includes physical, mental, social, and spiritual balance. A focus on health recognizes the potential to improve the medical and functional status of an individual regardless of the diagnosis or condition.

Legislative Agenda

By creating basic principles agreed to by all stakeholders and by grounding expectations through the development of achievable outcomes, the Work Group began to identify the key components of a legislative agenda. CHT does not engage in lobbying activities; therefore, Governor Perdue, Senator Hill and other proponents of a market-based, patient centered approach to health insurance reform were directly involved in the successful passage of the legislative agenda.

“Speaker Gingrich provided the original vision of how we should approach transforming health and healthcare in Georgia,” said Senator Hill who served as the chairman of the Senate Health Transformation Study Committee. “In 2006, Speaker Gingrich advocated a market driven, transparent system of health. He also stressed the importance of a private sector approach which focused on reducing the number of individuals without health insurance.” The introduction and passage of HB 977 and SB 383 are the result of many individual leaders — including the members of the Work Group — dedicated to a common vision of reducing the number of the uninsured in Georgia through a market-based, patient centered approach of health insurance reform.

The CHT Georgia Uninsured Work Group believed the passage of a package of legislative reforms can result in the lowering of Georgia’s 1.7 million uninsured by at least 500,000. The moral imperative was to act as soon as possible to reach as many of these uninsureds with statutory and regulatory changes which are achievable within the short-term. The CHT Georgia Uninsured Work Group will continue to meet in a spirit of collaboration to find innovative, private sector based solutions for the remaining segments of the uninsured population in Georgia.

To effectively reduce the number of uninsureds, the Work Group recognized that “insurance matters.” Insurance means better access to care; better access to care means better treatments; better treatments means better health. The Institute of Medicine concluded: “Health insurance is associated with better health outcomes for adults and with their receipt of appropriate care across a range of preventive, chronic, and acute care services. Adults without health insurance coverage experience greater declines in health status and die sooner than do adults with continuous coverage.”⁶

The Work Group believed a package of legislative reforms can dramatically decrease the number of uninsureds, save lives, and improve the health of Georgians by supporting the concept of “Creating an HSA State.” Recent federal laws allow the sale of new health insurance products with account balances (e.g. HSA, HRAs, and FSAs). However, the Work Group found that, as in many states, Georgia laws prevented the sale of certain comprehensive HSA (Health Savings Account) eligible health insurance designs. Legislation which brings new products and more competition to the marketplace is important to reaching many of the uninsureds.

⁶ Institute of Medicine, “Health Insurance is a Family Matter,” September 2002.

Health insurance should consist of three parts – budgeting, risk-sharing, and savings. For the first time in history, healthcare has a savings element. With existing HSAs, HRAs and FSA flexibilities, plans can use both the “carrot and the stick approach” to change and reinforce healthy behaviors. Empowerment and behavior change are at the center of health and healthcare transformation. Without personal responsibility and personal ownership, the use of high-deductible plan designs will only create more cost-shifting unless incentives are included to modify individual behavior which benefits the health of the individual.

The CHT and the Work Group developed concepts and solutions which recognize and encourage market trends to create more choice, individual ownership, and personal responsibility. The Work Group also supported the implementation of health information technology (e.g. electronic health records and e-prescribing) and transparency strategies which provide information about health prices and provider quality. Georgia has the opportunity to develop a unique “super-charged” free-market HSA approach.

There is not a single solution to achieve the goal of dramatically reducing the number of individuals without health insurance. The CHT Georgia Uninsured Work Group strongly endorsed the following package of eleven (11) recommendations:

1. Eliminate state and other municipal premium taxes on HSA-eligible high-deductible health insurance plans.
2. Equalize the state income tax deductibility of premiums for individually purchased HSA-eligible health insurance plans.
3. Provide a graduated sales tax submittal rate of the first four business years (e.g. 0%, 25%, 50%, 75%, and 100%) for small businesses of fewer than 25 employees (e.g. retail, service, restaurant) that maintain an HSA eligible HDHP coverage for employees.
4. Authorize a \$250 tax credit (per employee) for small employers (fewer than 25 employees) who enroll employees in an HSA eligible HDHP.
5. Fund staffing for the Department of Insurance for the following activities: (1) expedite the review and processing of HSA eligible high deductible health plans (HDHPs), (2) conduct a market survey of creative fully insured health products offered in other states not yet sold in Georgia, and (3) develop relationships with insurance carriers to encourage product development.
6. Examine existing financial, administrative, and procedural barriers for new health insurance product and/or new insurers to enter the Georgia market.
7. Remove state legal and regulatory barriers for flexible HSA eligible HDHP products which provide financial rewards or incentives for compliance, participation, or healthy outcomes using health management and disease management programs.
8. Allow the limited use Health Reimbursement Arrangement (HRA) Only plans so pre-tax employer contributions can be used to pay for IRS designated qualified medical expenses or the purchase of health insurance.

9. Remove state restrictions on reimbursements to non-preferred providers. Allow HSA eligible HDHPs to offer coinsurance for services provided by non-preferred providers of 50 percent or more regardless of the payment level for preferred providers.

10. Allow a one-time \$5,000 tax credit for hospitals, physicians, and pharmacies which invest in new or upgraded health information technology (hardware or software).

11. Fund a \$2 million line-item in the budget for the Georgia Free Clinic Network to be used for an expansion of primary care services, mental health services, and educational programs.

Of the eleven recommendations, items 10 and 11 were recognized as budget proposals which should be addressed in the budget bill as opposed to the legislative package recommendations in items 1-9. Once the bills were crafted by legislative counsel, key legislators engaged Governor Perdue and his staff on the importance of a market-based, patient centered approach that emphasizes personal responsibility, portability, transparency, and prevention policies. The governor suggested changes which included the expansion of item 4 to groups of 50 or fewer employees and a delay in consideration of item 3. The Work Group agreed that these changes strengthened the legislation and were consistent with the goals and basic principles guiding the collaborative process.

The result was an endorsement by the governor of the reform package. With the backing of Governor Perdue, the legislative leaders focused on educating other members of the General Assembly. "Governor Perdue's support was pivotal," said Senator Hill. "By encouraging the market to develop specific health insurance products to meet the needs of Georgia's uninsured families, the governor's endorsement spoke volumes about our unique approach."

Specifics of HB 977 and SB 383

Moving from a legislative agenda to actually crafting a specific legislative solution is more difficult than it otherwise may appear. Addressing the problem of the uninsured can and will be different in each state. Once again, the purpose of this document is to discuss what happened in Georgia in an effort to assist policymakers in other states in addressing the unique problems of the uninsured with a useful “lessons learned” document.

HB 977 and SB 393 were passed by the legislature during the 2008 session and were signed into law on May 7, 2008 by Georgia Governor Sonny Perdue. The bills authorize flexible guidelines for health savings accounts (HSAs), HSA eligible high deductible health plans (HDHPs) and health reimbursement arrangements (HRAs). These type plan designs are more affordable for Georgians and can be designed to better meet the needs of many individuals who are otherwise uninsured. Estimates suggest that as many as 500,000 Georgians who do not currently have health coverage could benefit from the passage of the bills. The legislation increased the availability and marketability of these types of plans by Georgia licensed insurance carriers.

“This legislation encourages more consumer choice by making quality, affordable healthcare coverage more available. More insured citizens means lower costs for all taxpayers, and preventative care means a healthier population. It will also allow small business owners to provide low cost health insurance to employees and their families.”

Georgia Governor Sonny Perdue⁷

One of the most exciting provisions of the legislation allows insurers to provide rewards and incentives for healthy behaviors that recognize the value of personal responsibility to maintain good health, seek preventative care services, and comply with prescribed treatments. As in many states, these types of incentives were previously prohibited under Georgia law. The bills also encouraged insurers to include and operate wellness and health promotion programs, disease management programs, and health risk assessment programs.

In an effort to make these products more affordable, the legislation exempts these plans from all state and local premium taxes. Small employers (up to 50 employees) can receive a tax credit of \$250 per enrolled employee in HSA eligible group health insurance. Additionally, individuals who purchase health savings accounts (HSAs) eligible health plans can deduct up to 100 percent of the premiums paid on their individual Georgia income tax return.

⁷ Governor Sonny Perdue, Press release “Governor Perdue Signs Healthcare Reform Bills,” May 7, 2008.

The bills also allow for expedited or “fast track” approval process for HSAs eligible plans which have already been approved in other states. This provision will allow insurers to bring more products to the insurance market thereby creating a more competitive health insurance product marketplace.

The effective date of the tax provisions is January 1, 2009. The health insurance reform provisions became effective upon the governor’s signature (May 7, 2008).



Georgia Governor Sonny Perdue signs HB 977 and SB 383. Watching on are (from left to right) Rhonda Medows, MD, Commissioner of the Department of Community Health; Rep. Rich Golick, Administrative Floor Leader; Rep. Tom Knox, chairman of the House Insurance Committee and House sponsor; Sen. Judson Hill, Senate sponsor and chairman of the Senate Health Transformation Study Committee; Rep. Mickey Channell, House sponsor; Newt Gingrich, founder of the Center for Health Transformation and former Speaker of the US House; Rep. Jan Jones, Administrative Floor Leader; and Sen. Ralph Hudgens, chairman of the Senate Insurance & Labor Committee.

Impact of Legislative Solutions

Since the federal legislation passed in 2004 which created tax advantages for HSAs and other innovative plan designs, over six million HSA eligible health insurance plans have been sold nationally.⁸ Of these, 27% of HSA eligible plans have been to individuals that were previously uninsured. Premiums for HSA eligible insurance plans are typically 30-40% less than traditional health insurance policies. Many who previously thought they could not afford health insurance now find that coverage is available within their budget.

The CHT Georgia Uninsured Work Group views the passage of the legislative package as an economic development opportunity for the state. Georgia should become a preferred state for new products and innovative services by companies that focus on HSA eligible plans. There is a need in Georgia for a strong robust individual and small group health insurance market. Updating existing laws and regulations can provide Georgians with access to new and creative insurance products. In Georgia, nearly seventy percent (70%) of employers with fewer than ten employees do not offer health insurance coverage. Nearly forty percent (40%) of employers with 10-24 employees do not offer health insurance. For these families, an individually owned health policy may be the best alternative. Yet in Georgia, fewer than five percent (5%) of health policies are sold to individuals.⁹

“Georgians suffer from sky-rocketing healthcare and insurance costs. Governor Perdue's signature makes Georgia the first state to deliver a patient centered, prevention focused, free market solution providing greater financial security to thousands of our working families through more affordable health insurance.”

Sen. Judson Hill

By passing HB 977 and SB 383, Georgia legislators have created a market-based, patient centered approach that emphasizes personal responsibility, portability, transparency, and prevention and wellness policies which will save money, dramatically improve health and save lives.

⁸ America's Health Insurance Plans, "January 2008 Census Shows 6.1 Million People Covered by HSA/High-Deductible Health Plans," April 2008.

⁹ Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2005 Medical Expenditure Panel Survey Insurance-Component.

Conclusion

HB 977 and SB 383 are excellent starting points to addressing the problem of Georgians without health insurance coverage. By encouraging personal responsibility and individual ownership, the legislation is leveraging the power of the marketplace. New and increased competition will lower the overall cost of the premium. The elimination of state and local premium taxes coupled with the corporate and personal tax incentives allow more affordable insurance products to be introduced. The so-call "fast track" approval process will encourage Georgia licensed companies to bring products and services into Georgia. By building a culture of health which focuses on prevention and early detection of disease, the legislation has the opportunity to directly impact the health and healthcare decisions and behaviors of Georgians.

Viewed in its entirety, HB 977 and SB 383 are progressive tools which are fundamental to the creation of the 21st Century Personalized Intelligent Health System. However, these bills are just the beginning. Public education along with the development and approval of innovative insurance products are part of an evolving and on-going process. CHT will continue to lead discussions of how to create specific transformational, market-based, patient centered solutions which reduces the number of Georgians who do not currently have health insurance coverage.



Acknowledgements

The members of the Work Group should be acknowledged for their significant contributions to the success of this process. The Work Groups consisted of **David Cook** with the Medical Association of Georgia (MAG) representing physicians, **Glenn Pearson** with the Georgia Hospital Association (GHA) representing Georgia's hospitals, **Kirk McGhee** with the Georgia Association of Health Plans (GAHP) representing the private sector insurers, and **Michael Wardrip** with the Georgia Health Underwriters Association (GHUA) representing insurance agents. Additionally, the CHT Uninsured Work Group included legislative leaders **Senator Judson Hill** and **Representative Mickey Channell**.

The leadership of several other individuals should also be recognized. **Governor Perdue** was instrumental to the success of this effort. **Amy Loy** and **Josh Belinfante** from the governor's office were very helpful in articulating the message both before and during legislative session. **Lt. Governor Casey Cagel's** willingness to address the issue of the uninsured was equally important. **Senator Judson Hill's** dedication to transforming health and healthcare in Georgia was essential. While each member of the Work Group played an important role in securing passage of the bills, Senator Hill's vigilance and perseverance were vital to the success of the effort to reduce the number of Georgia without access to affordable health insurance. **Representative Mickey Channell** provided significant leadership and healthcare expertise. Over the years, he has supported a broad range of creative reform concepts in the Georgia legislature. **Representative Tom Knox** was instrumental during the 2008 legislation session in securing passage of the health insurance reform package. CHT Senior Fellow **Ron Bachman** served as the facilitator for the Work Group. His expertise in the health insurance market specifically in the area of individual centered healthcare coverage was essential to the success of the Work Group. **Jeff Lanier** in the Office of Legislative Counsel was an invaluable resource. Under the leadership of **Commissioner Rhonda Medows, MD**, of the Georgia Department of Community Health, the state of Georgia has made significant strides in terms health and healthcare including programs which emphasize personal responsibility and will soon provide Georgians with access to price and quality information (right to know or health transparency). Finally, Georgia's Insurance Commissioner **John Oxendine** was helpful as the bills moved through the legislative process and in the weeks and months following the passages of the legislation as his department begins the regulatory work necessary to make the legislation become a reality.

Appendix:

- Copy of the Final versions of HB 977
- Copy of the Final versions of SB 383
- Media Coverage of the Legislative Process
- Copy of an Open Letter from the Working Group to Legislators

HB 977

Here is the language of the "as passed" version of HB 977:

House Bill 977 (AS PASSED HOUSE AND SENATE) 08 LC 37 0690S/AP
By: Representatives Knox of the 24th, Keen of the 179th, and Channell of the 116th

A BILL TO BE ENTITLED AN ACT

To amend Title 33 of the Official Code of Georgia Annotated, relating to insurance, so as to provide for legislative intent; to provide an exemption from insurance premium taxes for certain insurance products; to provide for the Commissioner of Insurance to adopt policies to promote, approve, and encourage health savings account eligible high deductible plans in Georgia; to provide for exemptions from certain unfair trade practices for certain wellness and health promotion programs, condition or disease management programs, health risk appraisal programs, and similar provisions in such plans; to provide for certain requirements for such plans; to provide for health reimbursement arrangement only plans that encourage employer financial support of health insurance or health related expenses under certain circumstances; to amend Chapter 7 of Title 48 of the Official Code of Georgia Annotated, relating to income taxes, so as to provide for an income tax deduction for high deductible health plans established and used with a health savings account; to provide for an income tax credit for certain employers who provide high deductible health plans established and used with a health savings account; to provide for procedures, conditions, and limitations; to provide for powers, duties, and authority of the state revenue commissioner with respect to the foregoing; to provide for related matters; to provide for applicability and effective dates; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

Title 33 of the Official Code of Georgia Annotated, relating to insurance, is amended by adding a new subsection (c) in Code Section 33-8-4, relating to amount and method of computing tax on insurance premiums generally, to read as follows:

"(c) Insurers shall be exempt from otherwise applicable state premium taxes as provided for in subsection (a) of this Code section on premiums paid by Georgia residents for high deductible health plans sold or maintained in connection with a health savings account under the applicable provisions of Section 223 of the Internal Revenue Code."

SECTION 2.

Said title is further amended by adding a new subsection (a.1) in Code Section 33-8-8.2, relating to amount and method of computing local insurance premium taxes on insurance companies other than life insurance companies, to read as follows:

"(a.1) Insurers shall be exempt from otherwise applicable local premium taxes as provided for in subsection (a) of this Code section on premiums paid by Georgia residents for high deductible health plans sold or maintained in connection with a health savings account under the applicable provisions of Section 223 of the Internal Revenue Code."

SECTION 3.

Said title is further amended by striking Chapter 51 in its entirety and inserting in lieu thereof a new Chapter 51 to read as follows:

"CHAPTER 51

33-51-1.

This chapter shall be known and may be cited as the 'Georgia Affordable HSA Eligible High Deductible Health Plan.'



33-51-2.

It is the intent of the General Assembly:

- (1) To authorize the Commissioner to establish flexible guidelines for health savings account eligible high deductible plan designs which will be affordable to Georgians and to increase the availability of these types of plans by accident and sickness insurers licensed to transact such insurance in this state;
- (2) To encourage the offering of affordable health savings account eligible high deductible plans, as required under the rules of the federal Internal Revenue Service related to the establishment of health savings accounts, with the specific intent of reaching many otherwise uninsured Georgians and the general intent of creating affordable comprehensive health insurance for all Georgians; and
- (3) To enhance the affordability of insurance with the flexible health savings account eligible high deductible plans allowed under this chapter by allowing rewards and incentives for participation in and adherence to health behaviors that recognize the value of the personal responsibility of each citizen to maintain good health, seek preventative care services, and comply with approved treatments.

33-51-3.

- (a) The Commissioner shall develop flexible guidelines for coverage and approval of health savings account eligible high deductible plans which are designed to qualify under federal and state requirements as high deductible health plans for use with health savings accounts which comply with federal requirements under the applicable provisions of the federal Internal Revenue Code for high deductible health plans sold in connection with health savings accounts.
- (b) The Commissioner shall be authorized to encourage and promote the marketing of health savings account eligible high deductible plans by accident and sickness insurers in this state; provided, however, that nothing in this Code section shall be construed to authorize the sale of insurance in violation of Chapter 3 of this title or interstate sales of insurance.
- (c) The Commissioner shall be authorized to conduct a national study of health savings account eligible high deductible plans available in other states and to determine if and how these products serve the uninsured and if they should be made available to Georgians.
- (d) The Commissioner shall be authorized to develop an automatic or fast track approval process for health savings account eligible high deductible plans already approved under the laws and regulations of this state or other states.
- (e) The Commissioner shall be authorized to promulgate such rules and regulations as he or she deems necessary and appropriate for the design, promotion, and regulation of health savings account eligible high deductible plans, including rules and regulations for the expedited review of standardized policies, advertisements and solicitations, and other matters deemed relevant by the Commissioner.

33-51-4.

Insurers that include and operate wellness and health promotion programs, disease and condition management programs, health risk appraisal programs, and similar provisions in their high deductible health policies in keeping with federal requirements shall not be considered to be engaging in unfair trade practices under Code Section 33-6-4 with respect to references to the practices of illegal inducements, unfair discrimination, and rebating.

33-51-5.

There shall be no required relationship between preferred provider and nonpreferred provider plan reimbursements for health savings account eligible high deductible plans using nonpreferred provider reimbursements. Such plans, however, shall not:

- (1) Unfairly deny health benefits for medically necessary covered services;
- (2) Have differences in benefit levels payable to preferred providers compared to other providers that unfairly deny benefits for covered services;
- (3) Have a plan coinsurance percentage applicable to benefit levels for services provided by nonpreferred providers that is less than 60 percent of the benefit levels under the policy for such services; or
- (4) Have an adverse effect on the availability or the quality of services.

33-51-6.

Notwithstanding the provisions of paragraphs (2) and (3) of Code Section 33-51-5, health benefit plans providing incentives for covered persons to use pharmaceutical or dental services of preferred providers shall provide, and clearly indicate, that the payment or reimbursement for a noncontracting provider of covered pharmaceutical or

dental services shall be the same as the payment or reimbursement for a preferred provider of covered pharmaceutical or dental services; provided, however, that the health benefit plan shall not be required to make payment or reimbursement in an amount which is greater than the actual fee charged by the provider for such dental or pharmaceutical services."

SECTION 4.

Title 48 of the Official Code of Georgia Annotated, relating to revenue and taxation, is amended by adding a new paragraph in subsection (a) of Code Section 48-7-27, relating to computation of taxable net income, to read as follows:

"(13.1) An amount equal to 100 percent of the premium paid by the taxpayer during the taxable year for high deductible health plans established and used with a health savings account under the applicable provisions of Section 223 of the Internal Revenue Code to the extent the deduction has not been included in federal adjusted gross income, as defined under the Internal Revenue Code of 1986, and the expenses have not been provided from a health reimbursement arrangement and have not been included in itemized nonbusiness deductions;"

SECTION 5.

Said title is further amended by adding a new Code section to read as follows:

"48-7-29.13.

(a) As used in this Code section, the term:

(1) 'Qualified health insurance' means a high deductible health plan that includes, at a minimum, catastrophic health care coverage which is established and used with a health savings account under the applicable provisions of Section 223 of the Internal Revenue Code.

(2) 'Qualified health insurance expense' means the expenditure of funds of at least \$250.00 annually for health insurance premiums for qualified health insurance.

(3) 'Taxpayer' means an employer who employs directly, or who pays compensation to individuals whose compensation is reported on Form 1099, 50 or fewer persons and for whom the taxpayer provides high deductible health plans that include, at a minimum, catastrophic health care coverage which are established and used with a health savings account under the applicable provisions of Section 223 of the Internal Revenue Code and in which such employees are enrolled.

(b) A taxpayer shall be allowed a credit against the tax imposed by Code Section 48-7-20 or 48-7-21, as applicable, for qualified health insurance expenses in an amount of \$250.00 for each employee enrolled for twelve consecutive months in a qualified health insurance plan if such qualified health insurance is made available to all of the employees and compensated individuals of the employer pursuant to the applicable provisions of Section 125 of the Internal Revenue Code.

(c) In no event shall the total amount of the tax credit under this Code section for a taxable year exceed the taxpayer's income tax liability. Any unused tax credit shall be allowed the taxpayer against succeeding years' tax liability. No such credit shall be allowed the taxpayer against prior years' tax liability.

(d) The commissioner shall be authorized to promulgate any rules and regulations necessary to implement and administer the provisions of this Code section.

(e) The credit allowed by this Code section shall apply only with regard to qualified health insurance expenses."

SECTION 6.

(a) Sections 1, 4, and 5 of this Act shall become effective on January 1, 2009, and shall be applicable to all taxable years beginning on or after January 1, 2009. The remaining sections of this Act shall become effective upon its approval by the Governor or upon its becoming law without such approval.

(b) Section 2 of this Act shall expire on January 1, 2015, unless the General Assembly acts to extend these provisions.

SECTION 7.

All laws and parts of laws in conflict with this Act are repealed.

Here is a link to the electronic version of the bill:

http://www.legis.ga.gov/legis/2007_08/sum/hb977.htm



SB 383

Here is the language of the "as passed" version of SB 383:

Senate Bill 383 08 SB383/AP
By: Senators Hill of the 32nd, Chance of the 16th, Hudgens of the 47th, Thomas of the 54th,
Rogers of the 21st and others

AN ACT

To amend Title 33 of the Official Code of Georgia Annotated, relating to insurance, so as to provide a short title; to provide for legislative intent; to provide for the Commissioner of Insurance to adopt policies to promote, approve, and encourage health savings account eligible high deductible plans in Georgia; to provide for exemptions from certain unfair trade practices for certain wellness and health promotion programs, condition or disease management programs, health risk appraisal programs, and similar provisions in such plans; to provide for certain requirements for such plans; to provide for health reimbursement arrangement only plans that encourage employer financial support of health insurance or health related expenses under certain circumstances; to provide for related matters; to provide for an effective date; to repeal conflicting laws; and for other purposes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:

SECTION 1.

This Act shall be known and may be cited as the "Insuring Georgia's Families Act."

SECTION 2.

Title 33 of the Official Code of Georgia Annotated, relating to insurance, is amended by striking Chapter 51 in its entirety and inserting in lieu thereof a new Chapter 51 to read as follows:

"CHAPTER 51

33-51-1.

This chapter shall be known and may be cited as the 'Georgia Affordable HSA Eligible High Deductible Health Plan.'

33-51-2.

It is the intent of the General Assembly:

- (1) To authorize the Commissioner to establish flexible guidelines for health savings account eligible high deductible plan designs which will be affordable to Georgians and to increase the availability of these types of plans by accident and sickness insurers licensed to transact such insurance in this state;
- (2) To encourage the offering of affordable health savings account eligible high deductible plans, as required under the rules of the federal Internal Revenue Service related to the establishment of health savings accounts, with the specific intent of reaching many otherwise uninsured Georgians and the general intent of creating affordable comprehensive health insurance for all Georgians; and
- (3) To enhance the affordability of insurance with the flexible health savings account eligible high deductible plans allowed under this chapter by allowing rewards and incentives for participation in and adherence to health behaviors that recognize the value of the personal responsibility of each citizen to maintain good health, seek preventative care services, and comply with approved treatments.

33-51-3.

(a) The Commissioner shall develop flexible guidelines for coverage and approval of health savings account eligible high deductible plans which are designed to qualify under federal and state requirements as high deductible health plans for use with health savings accounts which comply with federal requirements under the applicable provisions of the federal Internal Revenue Code for high deductible health plans sold in connection with health savings accounts.

(b) The Commissioner shall be authorized to encourage and promote the marketing of health savings account eligible high deductible plans by accident and sickness insurers in this state; provided, however, that nothing in this Code section shall be construed to authorize the sale of insurance in violation of Chapter 3 of this title or interstate sales of insurance.

(c) The Commissioner shall be authorized to conduct a national study of health savings account eligible high deductible plans available in other states and to determine if and how these products serve the uninsured and if they should be made available to Georgians.

(d) The Commissioner shall be authorized to develop an automatic or fast track approval process for health savings account eligible high deductible plans already approved under the laws and regulations of this state or other states.

(e) The Commissioner shall be authorized to promulgate such rules and regulations as he or she deems necessary and appropriate for the design, promotion, and regulation of health savings account eligible high deductible plans, including rules and regulations for the expedited review of standardized policies, advertisements and solicitations, and other matters deemed relevant by the Commissioner.

33-51-4.

Insurers that include and operate wellness and health promotion programs, disease and condition management programs, health risk appraisal programs, and similar provisions in their high deductible health policies in keeping with federal requirements shall not be considered to be engaging in unfair trade practices under Code Section 33-6-4 with respect to references to the practices of illegal inducements, unfair discrimination, and rebating.

33-51-5.

There shall be no required relationship between preferred provider and nonpreferred provider plan reimbursements for health savings account eligible high deductible plans using nonpreferred provider reimbursements. Such plans, however, shall not:

- (1) Unfairly deny health benefits for medically necessary covered services;
- (2) Have differences in benefit levels payable to preferred providers compared to other providers that unfairly deny benefits for covered services;
- (3) Have a plan coinsurance percentage applicable to benefit levels for services provided by nonpreferred providers that is less than 60 percent of the benefit levels under the policy for such services; or
- (4) Have an adverse effect on the availability or the quality of services.

33-51-6.

(a) The Commissioner shall be authorized to allow health reimbursement arrangement only plans that encourage employer financial support of health insurance or health related expenses recognized under the rules of the federal Internal Revenue Service to be approved for sale in connection with or packaged with individual health insurance policies otherwise approved by the Commissioner.

(b) Health reimbursement arrangement only plans that are not sold in connection with or packaged with individual health insurance policies shall not be considered insurance under this title.

33-51-7.

The provisions of Code Section 33-20A-9.1, relating to a consumer choice option, shall apply to insurance products offered under this chapter.

33-51-8.

Notwithstanding the provisions of paragraphs (2) and (3) of Code Section 33-51-5, health benefit plans providing incentives for covered persons to use pharmaceutical or dental services of preferred providers shall contain a provision which clearly identifies that the payment or reimbursement for a noncontracting provider of covered pharmaceutical or dental services shall be the same as the payment or reimbursement for a preferred provider of covered pharmaceutical or dental services; provided, however, that the health benefit plan shall not be required to make payment or reimbursement in an amount which is greater than the actual fee charged by the provider for the dental or pharmaceutical services rendered."

SECTION 3.

This Act shall become effective upon its approval by the Governor or upon its becoming law without such approval.

SECTION 4.

All laws and parts of laws in conflict with this Act are repealed.

Here is a link to the electronic version of the bill:

http://www.legis.ga.gov/legis/2007_08/sum/sb383.htm



Media Coverage

The media coverage of this issue was interesting. Since Governor Perdue endorsed the legislation early on in the process, much of the work of educating the media was largely complete. The governor held a press conference as the bills were introduced. CHT and members of the Work Group made themselves available to members of the press for specific questions.

While the legislative approach taken during the 2008 legislative session in Georgia was directed toward a large segment of the uninsured (approximately 500,000 of the 1.7 million uninsured or about one-third), some members of the media argued that the legislation did not go far enough.¹⁰ However, doing nothing while waiting for perfection is not good public policy. Being responsive to the needs of Georgia's working families was the most appropriate direction. Future legislative sessions can – and will – focus on making healthcare insurance more affordable and accessible for the remaining 1.2 million Georgians without coverage.

A selected listing of media coverage is provided below:

Governor Perdue Announces Support for CHT Uninsured Work Group Recommendations

Governor Announces Healthcare Reform to Insure More Georgians:
Legislation makes health coverage affordable for 500,000 uninsured Georgians¹¹

Wednesday, January 30, 2008

Contact: Office of Communications 404-651-7774

ATLANTA — Georgia Governor Sonny Perdue announced in a press conference today his support of health insurance reform legislation that will be filed by Senator Judson Hill and Representative Mickey Channell . The legislation will insure more Georgia citizens by expanding the availability and affordability of High Deductible Health Plans and Health Care Savings Accounts in Georgia.

“Insuring more Georgia citizens is our goal with this reform legislation,” said Governor Sonny Perdue. “More insured citizens means lower costs for all taxpayers, and preventative care means a healthier population. This legislation will incentivize small business owners to provide low cost health insurance to employees and their families.”

“This is a market-based solution focused on empowering individuals and rewarding them for making healthy choices. This plan will make affordable health insurance more accessible for the uninsured and working families,” said Senator Hill. “I have been working on this issue for years with various health care leaders, so I greatly appreciate the Governor's leadership that will make policy ideas a policy reality for our families.”

“This legislation makes a real difference for Georgia's families and would make quality, affordable healthcare coverage affordable for nearly half a million Georgians,” said Representative Mickey Channell. “By harnessing the power of the free market, we'll see more Georgians able to purchase and maintain their own healthcare coverage.”

¹⁰ Mike King, Atlanta Journal Constitution, “Be wary of reforms: High-deductible health plans won't close insurance gap and come with hidden costs, March 10, 2008.

¹¹ “Governor Announces Healthcare Reform to Insure More Georgians,” http://gov.ga.gov/00/press/detail/0,2668,78006749_102386494_104252974,00.html, January 30, 2008.

A High Deductible Health Plan (HDHP) is a health insurance plan that offers consumers lower premiums and higher deductibles than a traditional health plan. A Health Savings Account (HSA) allows consumers to set aside funds for future qualified medical health expenses on a tax-free basis.

The health insurance reform legislation announced today has several provisions to make HDHPs paired with HSAs more affordable and available in the Georgia insurance market. The legislation will incentivize small businesses to provide HDHPs with HSAs. According to the Center for Health Transformation, approximately 500,000 Georgians could become insured if the reform legislation is passed through the 2008 Georgia General Assembly.

Provisions of the health insurance reform legislation include:

- **Insurance Regulation Changes:**
 - **Rebates for Behavior Modifications:** Allows for rebates for consumers who have HDHPs with HSAs when they make behavior modifications, such as smoking cessation, weight loss or controlling diabetes and blood pressure. The rebate could be deposited into the consumer's HSA or be demonstrated through a lower deductible.
 - **Reduced Restrictions on Reimbursements to Non-Preferred Providers:** Gives flexibility to insurance companies to reimburse at lower rates when a patient chooses an out-of-network provider. This flexibility allows the insurance company to offer lower premiums to the consumer.
 - **Remove Restrictions on Health Reimbursement Arrangements (HRA):** HRAs are arrangements that allow an employer to reimburse an employee for certain medical expenses. This legislation would allow companies that provide HRAs to reimburse employees using pre-tax dollars.

- **Premium Tax Exemption:**
 - Currently HDHPs are subject to state and local premium taxes. This legislation would remove state and local premium taxes in Georgia, saving consumers \$11.4 million in 2009 in state tax savings alone.

- **Income Tax Deduction:**
 - Allows consumers to deduct HDHP premiums from state income taxes, if they are not already deducting premiums from federal income taxes. This would apply to consumers who purchase an HDHP insurance plan as an individual, or through an employer.

- **Small Business Tax Credit:**
 - Allows employers with 50 employees or less to take a tax credit of \$250 per employee that enrolls in a HDHP through a Section 125 plan.

In August 2007 Governor Perdue unveiled the Health Insurance Partnership (HIP), a program that incentivizes small businesses to provide health insurance to employees under 300 percent of the poverty level by sharing the costs between the employee, employer and the state and federal government. The regulatory and tax proposals announced today compliment the HIP program by stretching state and federal dollars further, resulting in more insured Georgia citizens.

Governor Perdue also recognized the efforts of Senator Hill and Representative Channell to bring together the Georgia Hospital Association, Medical Association of Georgia, Georgia Health Underwriters Association and the Center for Health Transformation to put together the ideas that he endorsed today.

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Governor Perdue's Press Release at Bill Signing Ceremony

Governor Perdue Signs Healthcare Reform Bills

Wednesday, May 7, 2008

Contact: Office of Communications 404-651-7774

SB 383 and HB 977 to insure more Georgians

ATLANTA — Today Governor Sonny Perdue signed Senate Bill 383 and House Bill 977 making High Deductible Health Plans paired (HDHP) with Health Savings Accounts (HSA) more affordable and available in the Georgia insurance market. Governor Perdue signed the legislation at Atlanta Medical Center alongside former Speaker of the U.S. House of Representatives Newt Gingrich and bill sponsors Senator Judson Hill and Representative Tom Knox.

“This legislation encourages more consumer choice by making quality, affordable healthcare coverage more available,” said Governor Sonny Perdue. “More insured citizens means lower costs for all taxpayers, and preventative care means a healthier population. It will also allow small business owners to provide low cost health insurance to employees and their families.”

A High Deductible Health Plan (HDHP) is a health insurance plan that offers consumers lower premiums and higher deductibles than a traditional health plan. A Health Savings Account (HSA) allows consumers to set aside funds for future qualified medical health expenses on a tax-free basis. The health insurance reform legislation signed today has several provisions to make HDHPs paired with HSAs more affordable and available in the Georgia insurance market. The legislation incentivizes small businesses to provide HDHPs paired with HSAs.

“This is an extraordinary new law that will make Georgia the national leader in new and innovative solutions to expand health coverage,” said Newt Gingrich, founder of the Center for Health Transformation. “Georgians will soon have access to the kind of products and services other Americans will wish they had.”

House Bill 977 exempts insurers from state premium taxes for the sale of high deductible health plans with a Health Savings Account while allowing persons to deduct from state income taxes an amount equal to premiums paid to a HSA plan. HB 977 will affect mostly the self-employed and small business employees by providing a \$250 annual tax credit for small business employers that spend at least \$250 annually to enroll their employees in an HSA plan. The legislation will allow the Commissioner of Insurance to fast track the approval of HSA plans, exempt HSA plans from the ban on rebates and allow insurers to reward their members who enroll in an HSA plan for healthy lifestyle changes.

“This legislation is a comprehensive, market-based solution focused on empowering individuals and rewarding them for making healthy choices,” said Rep. Knox. “By harnessing the power of the free market, we’ll see more Georgians able to purchase and maintain their own healthcare coverage.”

Senate Bill 383 compliments House Bill 977, adding two provisions. First, Health Reimbursement Accounts (HRA) are accounts that employers may set up for employees that allows the employee to use pre-tax dollars to pay for health expenses, including health insurance. The bill states that HRA only plans that are not sold with or packaged with individual health insurance policies are not insurance. Second, HSA plans must comply with the consumer choice option under current law. This means that the insured will be able to choose any willing provider so long as the insured pays any increase in premiums and cost.

“Georgians suffer from sky-rocketing healthcare and insurance costs,” said Sen. Judson Hill. “Governor Perdue's signature makes Georgia the first state to deliver a patient centered, prevention focused, free market solution providing greater financial security to thousands of our working families through more affordable health insurance.”



Governor Perdue was also joined at the event today by Rep. Rich Golick, Rep. Jan Jones, Rep. Mickey Channell and Sen. Ralph Hudgens.

Governor Perdue further recognized the efforts of Sen. Hill and Rep. Channell to bring together the Georgia Hospital Association, Medical Association of Georgia, Georgia Health Underwriters Association and the Center for Health Transformation to put together a comprehensive reform package on these plans.

#



New Georgia Law Give Best Health Insurance Options¹²

Today, Governor Sonny Perdue signed into law Georgia House Bill 977 and Senate Bill 383 which will result in Georgia families having the best health insurance options available in any state. The Governor deserves significant credit for his leadership on this issue as do Senator Judson Hill and Representative Tom Knox who shepherded this legislation through the legislature.

“Speaker Gingrich and the Center for Health Transformation have put forth the efforts, ideas, creativity and accountability to keep us focused on the important things in life,” said Governor Perdue. “This legislation is the next big step in consumer driven healthcare.”

The new law will dramatically expand the quality and quantity of health insurance policies available in the State of Georgia. The most exciting feature of this bill is that it allows insurers to provide specific monetary rewards and incentives for healthy behavior.

In other words, health insurance companies will be encouraged to take a pro-active role in rewarding people to achieve better health. For example, insurance companies will be able to reward individuals for quitting smoking, losing weight and participating in health management programs which improve health outcomes and therefore decrease costs. These type programs are particularly promising for individuals with chronic conditions such as diabetes, asthma and heart trouble.

In addition, the law makes premiums for Health Savings Account-eligible plans 100 percent deductible against state income tax for individuals. It also allows a \$250 tax credit per employee for small employers who offer HSAs to their employees.

“Georgia has gone further than any other state,” said Jim Frogue, State Project Director. “Look for other states to copy Georgia or, just as good, simply allow Georgia-based health insurance policies to be sold in their state. In most instances, that would only require an administrative ruling by the Insurance Commissioner.”

This strategy perfectly targets the current pool of uninsured Georgians who are largely employed, but who are not involved in an employer’s plan for a variety of reasons. The law removes all state and local premium taxes in an effort to make insurance policies more affordable for Georgians.

Finally, the bill allows for a “fast-track” approval process of HSA plans which are currently available in other states for sale in Georgia. This strategy will ensure vigorous competition that is likely to result in lower costs and higher quality plans for Georgians.

“Georgia will soon be recognized as a national leader in addressing the issues of the uninsured,” said CEO Nancy Desmond. “This law sets a high standard for other states to follow suit.”

By creating opportunities for Georgia insurance companies to offer new, innovative products not only will the state benefit from a robust and competitive marketplace but also a half million uninsured Georgians will soon have access to health insurance coverage.



¹² Press release by Center for Health Transformation, http://www.healthtransformation.net/cs/news/news_detail?pressrelease.id=1744, May 8, 2008.

About the Center for Health Transformation

The Center for Health Transformation is a high-impact collaboration of private and public sector leaders committed to creating a 21st Century Intelligent Health System that saves lives and saves money for all Americans. The Center is a for-profit, bi-partisan membership-based organization with over 100 members who participate in member meetings, collaborative workshops, training sessions and workgroups, and projects such as Developing a Roadmap to Cure Alzheimer's, Affordable Coverage for All Americans, Diabetes Transformation and more. The Center for Health Transformation, through CHT Press, has recently published "*The Art of Transformation*" by Newt Gingrich and Nancy Desmond and "*Paper Kills: Transforming Health and Healthcare with Information Technology*" edited by Project Director David Merritt. For more information and to view a video of the presentations, please visit www.healthtransformation.net.

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Atlanta Journal Constitution Coverage of Bill Signing

Perdue signs high-deductible insurance plan bill¹³ by Aaron Gould Sheinin

Insurance companies gained millions of reasons on Wednesday to offer high-deductible health insurance plans as Gov. Sonny Perdue signed legislation aimed at making the plans more affordable and more widely available. "This legislation encourages more consumer choice by making quality, affordable health care coverage more available," Perdue said from the lobby of Atlanta Medical Center.

The bill, HB 977, was one of dozens Perdue signed into law Wednesday. The governor was joined at the hospital near downtown by the bill's co-sponsors and by former U.S. House Speaker Newt Gingrich (R-Ga.). Gingrich's Center for Health Transformation backed the legislation, and the former congressman praised it Wednesday.

Paired with new health savings accounts, the high-deductible plans encourage consumers to be more responsible for their own health care, he said.

"All that is ideal," Gingrich said. "All that moves us in the right direction."

The bill would exempt insurers from paying taxes on premiums in the sale of the high-deductible savings account plans. Companies previously paid a tax of at least 2.5 percent on premiums.

An independent analysis of the bill, HB 977, by the Georgia Budget and Policy Institute, a critic of special-interest tax breaks, said it would give insurance companies \$146 million in tax breaks over five years. That is compared to the estimated \$64.8 million in savings to employers and \$6.7 million for individuals.

Supporters, including Sen. Judson Hill (R-Marietta), who sponsored companion legislation in the Senate, said insurance companies would pass the savings on to consumers.

Gingrich said up to 500,000 Georgians could gain health insurance through the bill. Critics, however, say the working poor don't have the money to pay even lower premiums these plans offer or the extra money to deposit into health savings accounts. The accounts are funded with pretax dollars, and deposits grow tax-free. It's also tax-free when spent on health care.

Staff writer Ben Smith contributed to this article.

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¹³ Atlanta Journal Constitution, "Perdue signs high-deductible insurance plan bill," http://www.ajc.com/metro/content/metro/stories/2008/05/07/healthbill_0508.html, May 7, 2008.



11Alive (Channel 11, Atlanta, NBC) Coverage

Perdue Signs Health Insurance Bills¹⁴

Governor Sonny Perdue Wednesday signed two bills aimed at making high-deductible health insurance plans more accessible to Georgians. Former House Speaker Newt Gingrich watched Perdue sign both measures into law. One of the bills eliminates the companies' state and local premium taxes on high deductible plans and is expected to save them \$146 million over five years. Another helps with the creation of the health savings accounts. It allows employers to set up for their workers the plans into which pretax dollars may be deposited to defray medical costs. Gingrich called the high-deductible plans a free-market approach to health policy that rewards healthy behavior. The governor said they will help reduce the growing ranks of Georgia's uninsured by offering an affordable option with a low premium. But consumer health advocate Linda Smith Lowe said most Georgians who are uninsured have modest incomes and are unlikely to be able to pay thousands of dollars in out-of-pocket health expenses.

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Augusta Chronicle Coverage

Perdue OKs health bills¹⁵

ATLANTA --- Gov. Sonny Perdue on Wednesday signed a pair of bills aimed at making high-deductible health insurance plans more accessible to Georgians. Critics said one of the measures is little more than a hefty tax break for insurers. It eliminates the companies' state and local premium taxes on high deductible plans and is expected to save them \$146 million over five years.

This type of insurance plan is a key component of health policy for many Republicans, including former House Speaker Newt Gingrich, who attended the bill signing Wednesday at Atlanta Medical Center. Participants typically put money in tax-free health savings accounts to pay medical expenses out-of-pocket until they meet a high yearly deductible, which can be several thousand dollars. Some preventive care -- such as annual pap smears and routine infant checkups -- are covered by the plans before the deductible is reached.

Another bill Mr. Perdue signed Wednesday helps with the creation of the health savings accounts. It allows employers to set up for their workers the plans into which pretax dollars may be deposited to defray medical costs. Mr. Gingrich called the high-deductible plans a free-market approach to health policy that rewards healthy behavior. But consumer health advocate Linda Smith Lowe questioned how many of those currently without health insurance will actually opt for the high-deductible plans. Most of the 1.7 million Georgians who are uninsured have modest incomes and are unlikely to be able to pay thousands of dollars in out-of-pocket health expenses, she said.

Even supporters of the plans acknowledge they are best suited to younger, healthier people who don't expect big routine costs but are worried about paying unexpected and expensive bills for problems such as accidents or cancer. "I say it's better than no insurance at all," Mr. Perdue said.

Still, critics such as Ms. Lowe say the plans are risky for the poor who don't understand how the high-deductible plans differ from traditional types of coverage and thus don't realize how much they'll have to spend before they reach the deductible.

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¹⁴ WXIA TV (NBC) Channel 11 (Atlanta).

http://www.11alive.com/news/article_news.aspx?storyid=115535&provider=top, May 8, 2008.

¹⁵ Augusta Chronicle, "Perdue OKs health bills," http://chronicle.augusta.com/stories/050808/met_198066.shtml, May 8, 2008.

Forbes.com Coverage

Georgia gov signs bills to ease health insurance access¹⁶

By Shannon McCaffrey

Gov. Sonny Perdue on Wednesday signed a pair of bills aimed at making high-deductible health insurance plans more accessible to Georgians.

Critics said one of the measures is little more than a hefty tax break for insurers. It eliminates the companies' state and local premium taxes on high deductible plans and is expected to save them \$146 million over five years.

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Gingrich called the high-deductible plans a free-market approach to health policy that rewards healthy behavior.

Perdue said they'll help reduce the swelling ranks of Georgia's uninsured by offering an affordable option with a low premium.

But consumer health advocate Linda Smith **Lowe** questioned how many of those currently without health insurance will actually opt for the high-deductible plans. Most of the 1.7 million Georgians who are uninsured have modest incomes and are unlikely to be able to pay thousands of dollars in out-of-pocket health expenses, she said.

Even supporters of the plans acknowledge they are best suited to younger, healthier people who don't expect big routine costs but are worried about paying unexpected and expensive bills for problems such as accidents or cancer.

"I say it's better than no insurance at all," Perdue said.

Still, critics such as Lowe say the plans are risky for the poor who don't understand how the high-deductible plans differ from more traditional types of coverage and thus don't realize how much they'll have to spend before they reach the deductible.

Kirk McGhee, executive director of the Georgia Health Plans Association, argued it was wrong to portray the measure as a tax break for insurers since they would pass the savings on to consumers. Failing to do so will lose them business, he said.

But Lowe said that because insurance bills aren't itemized, it would be hard for customers to tell if they are getting a better deal because of the companies' lower taxes.

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¹⁶Forbes.com, "Georgia gov signs bills to ease health insurance access," <http://www.forbes.com/feeds/ap/2008/05/07/ap4983073.html>, May 7, 2008.



Medical News Today Coverage

Georgia Gov. Perdue Signs Bill Establishing Tax Exemptions For Employer-Provided High-Deductible Policies¹⁷

Georgia Gov. Sonny Perdue (R) on Wednesday signed into law two measures intended to make high-deductible health insurance plans more affordable and accessible, the *Atlanta Journal-Constitution* reports.

Under one bill (HB 977), insurers are exempt from taxes on premiums for high-deductible plans that include health savings accounts, for which they previously paid a tax of at least 2.5% (Gould Sheinin, *Atlanta Journal-Constitution*, 5/7). The bill also provides a \$250 annual tax credit for small businesses that spend at least \$250 to enroll workers in HSAs. The second bill (SB 383) states that arrangements that include only Health Reimbursement Accounts -- set up to allow for the use of pre-tax dollars for health-related expenses -- do not qualify as insurance if they are not packaged with individual insurance policies. The measure also requires that HSA plans comply with the any willing provider provision in current law, provided they pay any increases in premiums and cost (*Atlanta Business Chronicle*, 5/7).

According to former U.S. Speaker of the House Newt Gingrich (R-Ga.), founder of the Center for Health Transformation, as many as 500,000 state residents could gain health coverage through the bill. Gingrich said the bill is "ideal" and "moves us in the right direction."

The House bill is expected to provider insurers with \$146 million annually in tax breaks. Employers are expected to save \$64.8 million, and workers are expected to save \$6.7 million, according to an independent analysis by the Georgia Budget and Policy Institute. Sen. Judson Hill (R), sponsor of the Senate bill, said insurers would pass savings along to consumers.

Critics of the bills say low-income state residents would still have trouble paying the lower premiums offered by high-deductible plans and would not have extra money to deposit into an HSA (*Atlanta Journal-Constitution*, 5/7).

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¹⁷ Medical News Today, "Georgia Gov. Perdue Signs Bill Establishing Tax Exemptions For Employer-Provided High-Deductible Policies," <http://www.medicalnewstoday.com/articles/107015.php>, May 12, 2008.

In Georgia, Millions in Tax Breaks for Insurers on High-Deductible Plans¹⁸

Posted by Jacob Goldstein

High-deductible insurance plans got another boost yesterday, as Georgia's governor signed a bill that will give insurers millions of dollars in tax breaks for selling the plans.

Many conservative health wonks say the plans, which are tied to health savings accounts, will drive improvements in efficiency and quality by bringing market forces to health care — give patients skin in the game, and they'll become better shoppers for care. Georgia's own Newt Gingrich, former Republican Speaker of the House, even showed up at the signing of yesterday's bill.

The Georgia bill will exempt insurers from paying tax on premiums for high-deductible plans. That could mean \$146 million in tax savings for insurers over five years, according to figures from the Georgia Budget and Policy Institute, a state think tank that argued the bill would do little to help the uninsured.

Gingrich said the new law could help 500,000 Georgians find coverage, the Atlanta Journal-Constitution reports. And Republican Gov. Sonny Perdue said it "encourages more consumer choice by making quality, affordable health care coverage more available."

Nationwide, the high-deductible plans and associated savings accounts have thus far proved less popular with real people than with policy wonks. And the GAO recently found that they may work well for some rich people, but aren't so good for poor and middle-income folks.

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Op-ed Piece Issued Following Bill Signing Ceremony

Affordable Health Insurance is on the Way for Georgia's Working Families
by Ron Bachman

If you work for a small employer chances are you have no health insurance. In Georgia, only 1 in 4 companies, with fewer than 10 employees, offer health insurance to workers. While some employees may purchase individual health policies, fewer than 5% of Georgians find individual policies worth buying.

Help is on the way. Georgia's Governor Sonny Perdue recently signed into law health insurance reform legislation that allows insurers to develop significantly more affordable products, for small companies and individuals. The new law, based on House Bill 977 and Senate Bill 383, focuses on uninsured workers with the goal of reaching as many of the 1.7 million uninsured Georgians as possible.

Georgia is the first state in the country to pass market-based, individual-centered reforms which expands the options for purchasing affordable health insurance. Making insurance more affordable, the new law allows financial "dividends" to be placed into Health Savings Accounts (HSAs) which encourage wellness, prevention and treatment compliance. To expedite this process, Georgia eliminated all state and local premium taxes on HSA eligible plans. As an incentive to offer health insurance, companies with fewer than 50 employees are granted a \$250 tax credit for each employee enrolled in an HSA eligible plan. For individual insurance buyers, there is a special Georgia income tax deduction for the purchase of an HSA eligible plan. Now, new, more flexible plan designs are available bringing more choice and more convenience at a lower cost.

¹⁸ Wall Street Journal Blog, <http://blogs.wsj.com/health/2008/05/08/in-georgia-millions-in-tax-breaks-for-insurers-on-high-deductible-plans/?mod=WSJBlog>, May 8, 2008.

Georgia law now opens the doors to a new generation of health insurance that empowers individuals with choices and options for access to care, prevention, treatments and cures that were never available Prior to Governor Perdue's signature. HSA eligible plans are not only less expensive (premiums are typically 25-40% lower than traditional health insurance) but they also carry significant tax advantages for the policyholder.

Less than 38% of companies with fewer than 50 employees offer group health insurance. Georgia's new law also creates a tax credit for small employers who provide HSA insurance coverage. Since HSA eligible plan designs are more flexible, new plan designs will offer better coverage at lower premiums.

The new law significantly addresses the concerns of Georgia's working uninsured families by providing rewards and incentives through the new HSA options. Under federal law, up to 20% of a healthcare policy's cost can be returned through rewards and incentives for healthy outcomes. Additionally, unlimited "dividends" can be provided for healthy activities. Previously, these shared savings were not permitted under Georgia rebate laws. The elimination of all state and local "sales taxes" for HSA eligible plans now makes them more affordable for both employers and individuals.

Though many smaller employers are concerned with the problems of establishing a formal group insurance plan, they are often willing to contribute towards employee purchases of healthcare services and/or individual health insurance plans. For these smaller employers, the new law provides a significant avenue to encourage a healthy workforce. Employees now have the option of either purchasing health insurance with Health Reimbursement Arrangements (HRAs) or using HRA funds to pay for health and healthcare expenses.

Using pre-tax HRAs to fund health insurance and healthcare services provides an average income tax savings of 21-31% and an additional federal payroll tax savings of 15.3%. Overall, the new law allowing HRAs increases the effective value of employer contributions by 60-85% versus a pay increase of the same amount.

Portable individual health insurance is independent of the employer and is not subject to loss of coverage with a change in jobs. Twenty percent of uninsured Georgians are between jobs and simply can not afford the continuation of the employer plan with expensive Consolidated Omnibus Budget Reconciliation Act, commonly referred to as "COBRA" rates. Under the new Georgia law, individuals can purchase an individual HSA eligible plan and deduct 100% of the premiums.

Under the leadership of the General Assembly and Governor Perdue, Georgia now has a health reform initiative that eliminates government taxation on certain types of health insurance, allows financial rewards and incentives for healthy behaviors, and supports products that better meet the needs of working uninsured Georgians. While this legislation is not a panacea it is a model for other states to follow.

Under the new Georgia law, the next generation of HSA eligible plans will change the debate around the affordability of health insurance. Soon, Georgians will see new lower cost HSA eligible plans that meet the needs of every Georgian. A new future for improved health and family security is unfolding, and Georgia is leading the way.

Ronald E. Bachman FSA, MAAA is a Senior Fellow at the Center for Health Transformation, an organization founded by former U.S. House Speaker Newt Gingrich. Nothing written here is to be construed as necessarily reflecting the views of the Center for Health Transformation or as an attempt to aid or hinder the passage of any bill before any state legislature or the U.S. Congress.

Take A Tip From Georgia on Health Care¹⁹

By Paul J. Gessing

For the Albuquerque Business Journal

New Mexicans and their elected officials are still waiting for the word from Gov. Richardson on an expected special session to push his government-managed “Health Solutions” plan. In the meantime and heading in the opposite direction (toward free markets and individual control), Georgia's Legislature has passed and the governor has signed innovative health care legislation that New Mexicans might want to consider before they give the state additional power to manage and regulate health care.

Specifically, the new law makes high-deductible health plans (HDHP) paired with Health Savings Accounts more affordable for Georgians. HDHPs are health insurance plans that offer consumers lower premiums and higher deductibles than a traditional health plan. HSAs are accounts that consumers set up to set aside tax-free money for future health expenses.

The tools outlined above are helping to change the way in which health care is delivered toward something called “consumer-driven health care.” This phrase simply means that rather than making health care decisions in a vacuum, with little information on how much various procedures actually cost, consumers can buy these less-costly policies, thus increasing coverage in the state while ensuring that consumers can at last use price information as a component in their decision-making process on health care issues.

New Mexico, with the second-highest rate of uninsured in the nation, is a prime candidate for increased penetration of consumer-driven health plans. That's because the premiums for such plans are, on average, 10 to 20 percent less than those for traditional HMOs and PPOs.

First and foremost, the Georgia legislation exempts insurers from state premium taxes on the sale of high-deductible health plans when combined with a Health Savings Account. Most health care consumers are oblivious to the fact that health insurance itself is taxed, but it is. In fact, New Mexicans face the highest tax on health insurance premiums – over 4 percent – in the nation. Unfortunately, consumers and even their employers who often purchase the plans are not given this information on their policy statements.

While Georgia's new law exempting consumer-driven health plans from the premiums tax is by itself an important step, consumers in that state will also be allowed to deduct from state income taxes an amount equal to premiums paid to those accounts. Lastly, the new law gives employers a \$250 tax credit per employee for small employers who offer HSAs to their employees.

Georgia's new law makes it the national leader in increasing coverage without burdening businesses and citizens with higher taxes and onerous regulations. The law also begins the important process of returning control over health care decisions back to patients and their families.

An estimated 500,000 uninsured will be able to attain coverage. While Georgia has a much bigger population than New Mexico, this new law will give more Georgians access to health insurance than there are New Mexicans who lack coverage. Certainly, encouraging the use of inexpensive, market-based health care coverage would have a similar, positive impact on New Mexico's uninsured rate.

¹⁹ Paul J. Gessing, Albuquerque Business Journal, “Take A Tip From Georgia on Health Care,” May 29, 2008.

Unlike some of the so-called “universal coverage” plans under consideration in New Mexico, Georgia's push toward consumer-driven health care will not result in doctors leaving the state or allow government bureaucrats to micromanage our health care. Rather, more New Mexicans will have access not only to health insurance, but to high-quality health care when they need it. Better still, because it is their money, they'll have direct financial incentives to reduce costs and improve their health.

Ronald Reagan once said, “Government is not the solution; government is the problem.” Nowhere is this truer than in health care. New Mexico policymakers should consider following Georgia's lead by enabling New Mexicans to find the solution.



Southern Hospitality Shines through as Georgia Passes HSA Legislation²⁰
by Molly Bernhart

It has long been held that the people and the iced tea are a little bit sweeter in the South, but previous assessments have underestimated the scope of that warmth in Georgia.

That's the only theory for how the Uninsured Working Group - which is comprised of the Medical Association of Georgia, Georgia Hospital Association, Georgia Associations of Health Underwriters, Georgia Association of Health Plans, several insurers, the Center for Health Transformation, as well as former House speaker Newt Gingrich - rallied around House Bill 977.

The bill also received substantial support from NFIB Georgia, the Georgia Chamber of Commerce and Gov. Sonny Perdue.

"These are groups that don't always get together and form a coalition," says Michael Wardrip, a GAHU member and a member of the UWG who worked diligently for the bill's passage.

One member of the group that worked towards the legislation said the process was difficult, but they set aside the 75% they couldn't agree on and decided to focus on the 25% where they might reach a compromise.

[We decided to] build consensus around issues that everybody could sign off on - something to move the ball politically and also achieve some significant things for private-market reform that are just needed by the market," says Wardrip.

Now that the legislation has passed successfully the process offers some lessons for future reform on the state level. Proponents of the legislation say the law could lead to coverage of 500,000 of the state's uninsured.

"We're glad that other states are taking a look at what Georgia has done. We're very interested in the fact that it's being picked up as an idea. People see that we have to do some things to stabilize the private market," says Wardrip.

Even if high-deductible health plan advocate, President George W. Bush is leaving office, there are CDHP enthusiasts on the state-level who are looking to keep these strategies viable.

HSA Tax Advantages

All eyes will be on the southern state to see how well this model performs and whether or not businesses will begin adopting HSAs more readily. Currently, high deductible plans follow the same income and insurance premium tax laws as traditional health insurance products, and usually individuals cannot deduct health insurance premiums from their income.

Under the new law, however, high deductible health plans will be exempt from both the state and local portions of the insurance premium tax. The bill also creates an individual income tax deduction for monthly HDHP premiums. Employers will receive a tax credit of \$250 per employee enrolled in a HDHP under the new law.

For a small company that has 10 or 15 people, that's not an insignificant amount of money. So I think we will probably work information about the Georgia law into our pitch," says Lamar Wright, a principal at The Benefit Company, an Atlanta-based employee benefits firm.

He says the most common objections he gets when talking to employers about HSAs is the complexity of the plans. With the new tax credit, however, he hopes his clients will be willing to overlook a little more work in the area of employee communication.

²⁰ Employee Benefit Adviser, "Southern Hospitality Shines through as Georgia Passes HSA Legislation," August 1, 2008. <http://www.employeebenefitadviser.com>

The law also asks Georgia's insurance regulators to develop "flexible guidelines" for coverage applying to high deductible health plans, as a way to promote the plans and push along their approval process.

The plans are also awarded new provisions under the legislation. House Bill 977 allows high deductible health plans to offer rebates and other rewards and incentives that may not be currently allowed. It also exempts high deductible health plans from existing laws governing the relationship between in-network and out-of-network reimbursement rates.

Another bill signed at the same time as House Bill 977 mandates that HRA-only plans that are not sold with or packaged with individual health insurance policies are not insurance. Senate Bill 383, also mandates that HSA plans must comply with the consumer choice option under current law. This means that the insured will be able to choose any willing provider so long as the insured pays any increase in premiums and cost.

<http://www.employeebenefitadviser.com> <http://www.sourcemediacom>



Work Group Letter to Legislators

The members of the Work Group and other advocates issued a letter of support for the legislation which was provided to every legislator. The letter urged the adoption of the recommendations which “support a patient centered approach that emphasizes personal responsibility, portability, transparency, and prevention policies. Existing state laws unintentionally prevent the offering of patient-focused health insurance products nor products with financial refunds for wellness and preventative care. In addition, our existing state laws add premium taxes that only increase the cost of insurance to the individual. The Work Group’s recommendations allow more patient centered options with better coverage, lower prices, and increased access to care.”²¹ A copy of the letter is included on page 45 of this document.

The letter also addressed the tax issue. “... our existing state laws add premium taxes that only increase the cost of insurance to the individual.” The Work Group’s recommendations would “allow more patient centered options with better coverage, lower prices, and increased access to care.” Members of the Work Group point to the letter as yet another demonstration of collaborative leadership which is engaged and focused.

“I believe the letter the Work Group sent to legislators was important to frame the discussion,” said Senator Hill. “It also served as reminder to senators and representatives that the supporters of the legislative package represented a broad cross-section of Georgians. Rarely do healthcare providers, insurers, and business groups get together to support a real world solution to the real world problem of creating more affordable, more accessible, private health insurance.” HB 977 and SB 383 will help the marketplace develop and bring to Georgia new innovative health insurance products.

This letter of support was endorsed by the following groups: the Georgia Hospital Association (representing hospitals), the Medical Association of Georgia (representing physicians), the Georgia Alliance of Community Hospitals (representing authority, public or non-profit hospitals), the Georgia Association of Health Plans (representing Georgia’s licensed health carriers), the Georgia Associations of Health Underwriters (representing agents), the National Federation of Independent Businesses (representing small employers), the Georgia Chamber of Commerce (representing employers) and the Center for Health Transformation. A copy of the entire letter is attached as part of the reference materials of this document.

²¹ Letter to members of the Georgia General Assembly, 2008.



An Open Letter to 2008 General Assembly Legislators Requesting Support for the Georgia Uninsured Work Group Recommendations

Helping all Georgians to have access to affordable private health insurance is an issue that all politicians can support. The eight month effort by the Georgia Uninsured Work Group set an example of collaboration and agreement to create real solutions for all Georgians.

It doesn't make sense that 1.7 million Georgians are without needed financial protection and the family security of health insurance. No one benefits. It is not good for them because they are less likely to get good preventive care and disease management. But it is not good for others either. If people aren't insured, they go to the emergency room for care when they get very sick. That's expensive. They don't have any insurance to cover the costs. So guess who pays? Everyone else.

The Work Group recommendations support personal responsibility, ownership, portability, transparency, and consumerism in policies. The Work Group established consensus for eleven specific recommendations to expand access to affordable insurance. Existing state laws unintentionally prevent the offering of patient-focused health insurance products that would include financial rebates for wellness and prevention. Existing state laws add premium taxes that only increase the cost of insurance to the consumer, thus making insurance that much less affordable. The recommendations of the CHT Work Group will allow more consumer options with better coverage, lower prices, and increased access to care.

The Work Group's practical recommendations will support a new generation of more flexible products and responsive services that allow financial rewards and incentives for healthy behaviors. These new designs, available under federal law and in some other states, can also provide greater coverage and better care for those with serious illnesses. Patients with conditions such as, diabetes, asthma, heart disease, and cancer will benefit from these plans. Eight in ten uninsured citizens are employed by small businesses or are self-employed. Small groups and individual policies are covered under state insurance laws and should have the same access to these new plans as large employers covered under federal insurance laws.

The Work Group believes that with the full package of changes recommended about 500,000 Georgians, who would otherwise be uninsured, will purchase these comprehensive affordable medical coverages. For immediate help to the poorest among us, the Work Group recommendations include a \$2 million support for the Georgia Free Clinic Network (GFCN). The GFCN is a statewide organization coordinating primary care services to low income uninsured. The GFCN provides volunteer medical services to over 90,000 uninsured Georgians saving tax payers between \$200-400 million and keeping hospital emergency rooms from being even more crowded than they already are.

The Work Group recognizes that their report "Recommendations for Free Market Solutions to Insure All Georgians for Healthcare" is not the final answer. There is still much more to do. The Work Group is committed to continuing the collaborative approach to solving the uninsured problem in Georgia. The goal is to develop free-market solutions to insure all Georgians.

The Work Group appreciates the strong support of its recommendations from Governor Perdue and many leaders in the General Assembly. The efforts of the Work Group were truly broad-based and collaborative with input from many quarters, including ideas and input from the Commissioner of Insurance John Oxendine. The signers below support legislation that incorporates the basic principles and goals outlined in the Work Group report. We request that all members of the 2008 Georgia General Assembly join this effort by enacting legislation consistent with the Georgia Uninsured Work Group recommendations.

The letter was signed by individuals representing:

Georgia Hospital Association
Georgia Association of Health Plans
Center for Health Transformation
Georgia Chamber of Commerce

Medical Association of Georgia
Georgia Association of Group Underwriters
National Federation of Independent Businesses

