

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



FROM: Supervisor Bob Buster

SUBMITTAL DATE: December 6, 2011

SUBJECT: Approve a letter of support for the Pacific Cooperative for Health, a Consumer Operated and Oriented Plan sponsored by the Inland Empire Foundation for Medical Care in cooperation and support from the Riverside County Medical Association and San Bernardino County Medical Society.

RECOMMENDED MOTION: That the Board of Supervisors directs:

1. The Chairman of the Board to sign a letter (attached for reference) endorsing the Pacific Cooperative for Health (PCH), a Consumer Operated and Oriented Plan as outlined in the federal Patient Protection and Affordable Care Act. The letter will accompany an application for funding from the U.S. Department of Health and Human Services.

BACKGROUND:

PCH intends to submit a CO-OP application to the Department of Health and Human Services by Dec. 31, 2011. If approved, PCH intends to be fully operational as a health insurance entity on the California Health Insurance Exchange in 2014. As a non-profit business entity, PCH will focus on delivering appropriate quality care in an effort to reduce overall health-care costs for local businesses who are currently unable to offer the level of benefits they would like to their employees. Actuarial projections will determine rates once PCH receives approval and funding. As a patient-focused non-profit entity, PCH has the potential to cost less than other commercial health insurance and, at very least, offer employers and individuals an alternative model in the Inland Southern California marketplace.

A handwritten signature in blue ink that reads "Bob Buster".

Bob Buster
1st District Supervisor

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Dist.

AGENDA NO.

3.40

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December 6, 2011

Center for Consumer Information & Insurance Oversight
Centers for Medicare and Medicaid Services
Department of Health and Human Services
Attn: CMS-9983-P, Mail Stop C4-26-05
7500 Security Boulevard
Baltimore, MD 21244-1850

To Whom It May Concern:

I am writing today on behalf of the Riverside County Board of Supervisors, in support of the Pacific Cooperative for Health (PCH) application to establish a Consumer Operated and Oriented Plan, or CO-OP, as outlined in the federal Patient Protection and Affordable Care Act.

Pacific Cooperative for Health is a non-profit entity sponsored by the Inland Empire Foundation for Medical Care (IEFMC), in cooperation and support of the Riverside County Medical Association (RCMA) and San Bernardino County Medical Society (SBCMS). All these entities have shown themselves to be dedicated to collaboration in helping improve health outcomes and are devoted to the best interests of patient care.

The Inland Southern California health insurance market is highly concentrated. In this economy it is becoming harder for small employers to be able to offer their employees the kind of benefits they would like to offer. Consumers and employers are clearly in need of new alternatives to the health insurance that is available from commercial insurers. An increase in premiums with no apparent corresponding increase in value or quality continues to present a problem in the California market place. This is why the opportunity afforded by a CO-OP run by Pacific Cooperative For Health is so important to our region.

As designed in the federal reform legislation, a CO-OP would be a welcome new entrant to this marketplace. Pacific Cooperative for Health, sponsored by IEFMC and endorsed by RCMA and SBCMS, has the expertise and commitment to help make this concept a reality.

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The Riverside County Board of Supervisors is pleased to endorse the application of Pacific Cooperative for Health, Inc. to receive CO-OP funding so it may offer a new choice for health insurance to Inland Southern California employers and individuals.

Sincerely,

Bob Buster
1st District Supervisor
Chairman of the Board



Pacific Cooperative for Health (PCH)

Description and Overview

The Inland Empire Foundation for Medical Care is sponsoring the establishment of a non-profit Consumer Operated and Oriented Plan (CO-OP) in Inland Southern California, which is comprised of the Counties of Riverside and San Bernardino. This CO-OP is being formed in cooperation of and support by the Riverside County Medical Association and San Bernardino County Medical Society

The CO-OP will be developed for consumers and businesses and will be named Pacific Cooperative for Health (PCH). It will be a consumer-governed, private, non-profit commercial insurance company established in accordance with the provisions set forth in the Patient Protection and Affordable Care Act (PPACA) of 2010. This description and overview summarizes the vision, mission and objectives for PCH and outlines key elements of the innovative approach PCH will employ.

Vision

Pacific Cooperative for Health (PCH) will facilitate the delivery of cost-effective evidence-based medical care through a patient-centered care delivery model. The foundation of this model is shared responsibility and accountability on the part of the patient and provider to take actions that reflect the best health care interests of the consumer.

Mission

Pacific Cooperative for Health will be dedicated to improving the quality of care, stabilizing insurance premium costs and providing access to affordable insurance, particularly for small employer groups and individuals.

To accomplish this mission, PCH will:

- Adhere to consumer cooperative principles of service and management.
- Reduce operational costs through the use of contracted services to perform "back office" functions.
- Establish the patient-physician relationship and Patient Centered Medical Home (PCMH) as cornerstones of the care delivery model.
- Encourage and incentivize patients to take personal responsibility for their compliance with prescribed treatments, lifestyle behaviors and health-care purchasing decisions.
- Proactively identify high-cost treatment areas and establish clinical management processes to ensure the delivery of the most appropriate care in the most appropriate setting.
- Develop recognition and payment mechanisms to reward providers that demonstrate measurable quality outcomes and performance.

PCH was created with the belief that delivering appropriate quality care is essential to reducing overall health-care costs to ultimately make health insurance affordable for small groups, individuals and the greater Inland Southern California community.

Objectives

PCH will be different from other insurance carriers. The CO-OP will actively promote the health care of its members through the enhancement of the members' health literacy, behavior and purchasing decisions. The CO-OP will differ from typical insurance carriers by facilitating care and focusing on the health status of

members and the promotion of healthy lifestyles, rather than becoming strictly a payor of services. Through the comprehensive design of payment models, plan designs, systems, incentives, and operations, PCH has the following objectives:

- Support the development of a cooperative relationship between patients, physicians and all other health-care providers through effective care management processes and payment mechanisms that reward wellness, sound healthcare decisions and behaviors.
- Improve patient health status and outcomes through evidence-base, continuous and coordinate care that extends beyond the provider's office/facility.
- Increase consumer engagement through price transparency and improve health literacy.
- Increase member responsibility and accountability for wellness and individual health status through appropriate incentives and patient education.

By establishing the CO-OP as a not-for-profit health plan and reducing clinical and operational costs, PCH is expected to be able to offer health benefit plans with lower premiums, thus allowing more people access to cost-effective health insurance.

Key Elements

CO-OPs, as defined by the PPACA, are intended to be competitive alternatives to the existing commercial insurance industry. While PCH will be a non-profit entity, it will be managed aggressively to produce annual surpluses which can be re-invested in the CO-OP to keep premiums low, promote wellness and improve the quality of the care delivered.

PCH envisions re-engineering how health plans will operate in this new healthcare environment. Key elements of this re-engineering include the following:

- Supporting the transition of primary-care providers to a Patient-Centered Practice Model (a PCMH construct) that requires the meaningful use of health information technology (i.e., EMR/EHR, disease registries and e-prescribing).
- Using clinical decision support (CDS) tools and systems to provide evidence-based information and treatment operations to providers as a principal care-management process, thus significantly reducing the emphasis on traditional medical management and prior authorization mechanisms).
- Engaging community-based resources to provide care coordination and continuity to at-risk patients, as opposed to telephonic-based models used by health plans today.
- Focusing on contracting with providers that agree to care delivery practices.
- Innovating payment arrangements with hospitals to align their business requirements with the community's healthcare requirements in a financially responsible way.
- Implementing web-based, real-time claim submission at the point of service to increase administrative efficiency while reducing administrative costs, improving cash flow to the provider and providing immediate price transparency to the consumer.
- Developing affordable benefit plans that promote the use of preventive care while moving toward consumer accountability for lifestyle behavior, compliance with prescribed treatments, and discretionary health-care service purchasing decisions.

As a start-up, PCH will face challenges in changing how health care is delivered in Inland Southern California. It is expected that as PCH grows in members, the benefit of establishing quality initiatives, clinical tools, and data analytics will accrue not only to the members of PCH but to members covered through other commercial insurance and public programs as providers change the way they practice. The behavior modifications that occur due to the efforts of PCH will help reduce healthcare costs for the entire region.



Consumer Operated and Oriented Plans (CO-OPs)

What is a CO-OP?

The Patient Protection and Affordable Care Act of 2010 (PPACA) included a provision to create and finance Consumer Operated and Oriented Plans (CO-OPs). CO-OPs are non-profit, member-driven health insurance plans designed to compete primarily in the individual and small group health insurance markets in each state. The PPACA envisions at least one CO-OP health plan offered in each state's health insurance exchange. CO-OPs are intended to bring innovation to health insurance through coordinated, high-quality health care provided by a non-profit, member-governed model.

How is a CO-OP funded?

Historically, non-profit insurance has been impeded by difficulty in obtaining start-up capital and meeting state-mandated insurance reserve requirements. To help overcome these financial barriers, under the PPACA, \$3.8 billion in federal funding has been appropriated to provide two kinds of loans to CO-OPs. Start-up loans are to assist with the costs encountered in creating and developing a CO-OP and they must be repaid within five years. Solvency loans are longer-term loans that will be used to enable CO-OP plans to meet the state solvency/reserve requirements that apply to all health insurers and are set by each state's insurance regulators.

What makes a CO-OP different from commercial insurance?

A CO-OP is a non-profit, member-driven entity. The majority of the CO-OP's governing board must be comprised of members. A CO-OP must have a strong consumer focus and be held accountable to its members through transparency. As a non-profit entity, any surplus funds must be spent in ways that benefit CO-OP members: in the form of lower premiums, improved benefit design, funding quality improvement initiatives or other enhancements in the quality of care delivered.

How does a proposed CO-OP receive federal approval and funding?

The U.S. Department of Health and Human Services (HHS) has issued a funding opportunity announcement for those entities wishing to apply for CO-OP status and the associated federal loans. The first round of applicants were accepted on October 17, 2011, with additional rounds on December 31, 2011 and quarterly thereafter, until funding is exhausted. HHS anticipates accepting at least one CO-OP application per state.

What is Pacific Cooperative For Health (PCH)?

The Inland Empire Foundation for Medical Care (IEFMC) has sponsored the creation of Pacific Cooperative For Health (PCH), in cooperation and support of the Riverside County Medical Association and the San Bernardino County Medical Society. PCH intends to submit a CO-OP application to HHS on or before December 31, 2011. If approved, PCH intends to be fully operational as a health insurance entity on the California Health Insurance Exchange in 2014.

What is the mission of Pacific Cooperative For Health?

The time has come to change how health care is delivered in the Inland Southern California. PCH is dedicated to improving the quality of medical care, stabilizing insurance premium costs and providing employers and individuals with access to an alternative model of health insurance particularly in the small employer group and individual markets. PCH will focus on shared responsibility and accountability on the part of both patients and providers and will adopt a Patient Centered Medical Home delivery model as a core quality initiative.

How does Pacific Cooperative For Health differ from commercial insurance carriers?

PCH intends to design a CO-OP that actively promotes the health care of its members through the enhancement of the patient's health literacy and health behavior. Commercial insurers are typically strictly payors of health services and their business models are profit -driven. PCH will facilitate care delivery and will focus on the health status of its patients, the promotion of health lifestyles and the medical home construct. As a non-profit entity, PCH's business model will focus on delivering appropriate quality care in an effort to reduce overall health-care costs.

Will Pacific Cooperative For Health cost less than other health insurance?

Actuarial projections will determine rates once PCH receives approval and funding. Because it is a patient-focused non-profit entity, PCH has the potential to cost less than other commercial health insurance. At the very least, PCH will offer employers and individuals an alternative model, and a new choice, in the Inland Southern California health insurance marketplace.

What makes Pacific Cooperative For Health different from other potential CO-OP applicants?

Pacific Cooperative For Health will focus on quality-driven, consumer-oriented health care on a regional basis. PCH brings with its application a comprehensive, physician-drive, non-profit network. As such, PCH will be able to offer health insurance coverage with sufficient numbers of primary care and sub-specialists physicians in its network of providers. PCH also brings an innovative business model focusing on quality-driven health care and making patients and physicians' true partners in health care. Together, Inland Southern California physicians and consumers have the opportunity to change the way health care is delivered in our region.