Jax Care

(A Florida 501(c)(3) Corporation)

A Jacksonville Public/Private Partnership

BUSINESS PLAN

Executive Summary

&

Financials

JANUARY 13, 2003

CommunitiesInCharge - Jacksonville

Financing and Delivering Health Care to the Uninsured

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The JaxCare Partnership

A Public/Private Partnership to expand access to health care for Jacksonville's low-income, working uninsured residents.

Baptist Medical Center
Blue Cross Blue Shield of Florida
Brooks Hospital
City of Jacksonville
Duval County Health Department
Duval County Medical Society
Jessie Ball duPont Fund
Memorial Hospital Jacksonville
Robert Wood Johnson Foundation
St. Luke's Hospital/The Mayo Clinic
St. Vincent's Hospital
Shands Jacksonville Medical Center
U.S. Health Resources & Services Administration
United Way of Northeast Florida
University of Florida Jacksonville Physicians, Inc.

JaxCare: A PUBLIC/PRIVATE PARTNERSHIP TO INCREASE ACCESS TO HEALTH CARE FOR JACKSONVILLE'S LOW-INCOME, WORKING UNINSURED RESIDENTS.

EXECUTIVE SUMMARY

BACKGROUND: One out of every eight people in Duval County is uninsured. Most -- roughly 71 percent -- are working people, but people who earn less than 200 percent of the Federal Poverty Level ("FPL"). Their lack of insurance means they are likely to be sicker, stay sick longer, miss more time from work and be less productive at work than their counterparts who are insured.

Most work for small businesses and their numbers are growing. As the cost of health care rises, employers (two-thirds of all health insurance is provided through employers) have hard choices -- eliminate benefits or raise employees' premiums, making coverage less available to those at the lower end of the wage scale. Financially, these individuals do not earn enough income to afford insurance or to pay for their healthcare, yet they earn too much to qualify for appropriate safety net programs.

The uninsured typically enter the health care system in the most expensive settings -- hospital emergency rooms; and under the most expensive circumstances -- when untreated minor illnesses have grown into major medical events. The costs for their care are largely borne by health care providers – hospitals, doctors and others – who contribute nearly $60 million annually in Duval County ***excluding the City's contract with Shands to cover the costs for care of the indigent uninsured.*** These uncompensated costs are eventually passed on to the community at large in the form of higher health care charges.

This becomes a cyclical process leading to increasing numbers of uninsured and spiraling health care costs. The increased health care charges result in increased health insurance premiums as insurers pass-on the costs to business. Business owners, in turn, pass-on their increased insurance costs to their employees, or reduce or drop coverage altogether. This results in larger numbers of uninsured and underinsured individuals accessing health care on an uncompensated basis.

This growing uninsured workforce has a negative impact on our community:

- Their lower productivity at work (through absenteeism and working when sick) is a detriment to our economic vitality and their quality of life.
- Their health care habits – avoiding preventive care, delaying treatment and using emergency rooms for primary care – are a detriment to the financial stability of our hospitals and physicians.
- Their uncompensated care is the burden of both health care providers and taxpayers.

COMMUNITIES IN CHARGE – JACKSONVILLE ("CIC-JAX") began in 2000 as a Robert Wood Johnson Foundation initiative that included a local coalition of public and private sector stakeholders determined to tackle this financial problem. To assist in this effort, CIC-Jax partnered with the Jessie Ball duPont Fund during 2002 to convene *The Jacksonville Community Forums on Health Care and the Uninsured*. These forums involved local business leaders, government officials, hospital representatives, physicians, other health care providers, insurers, policymakers and professional colleagues who met with national and regional experts for discussions about the local challenge of financing and delivering health care to the low-income, working uninsured. These meetings were productive and resulted in the formation of a public/private partnership, identification of business strategies appropriate for Jacksonville, and the development of this business plan. To execute this plan, JaxCare, a Florida 501 (c) (3) not-for-profit corporation is being formed.

JAXCARE'S MISSION*: *To increase access to health care for low-income, working uninsured residents of Duval County for the purpose of improving overall community health, containing health care costs and enhancing the economic foundation and social wellbeing of our community.

The centerpiece of JaxCare's business strategy is development of a cost-efficient system for countywide management and coordination of health care services for low-income, working uninsured Duval County residents. The system is designed to provide a financial benefit to Jacksonville by optimizing the use of appropriate existing health care resources and supplementing

them as needed with targeted medical services, case management and pharmaceutical support. This managed care program is complemented by strategies to:

- Use cutting edge information technology to integrate and coordinate health and social services countywide.
- Develop long-term program and revenue models that are cost-effective and financially self-sustaining
- Educate and advocate for policies and funding sources to expand access to health care for the target group.

The JaxCare managed care program is not an insurance product. It is a community service initiative in which the public and private sectors are working together toward new solutions to expand access to health care, thereby containing costs to individuals, the community and providers.

IMPLEMENTATION STRATEGY

A two-phase approach is planned. Phase I will entail a two-year, 1,500 person pilot program. Phase II expands the program with a sustainable long-term funding structure and a long-term business plan.

PROGRAM PURPOSE & RATIONALE

During phase I the program design, infrastructure and delivery strategy will be implemented and tested. Careful evaluation will track results, measure impacts and determine threshold demand levels, allowing fine-tuning of approaches and thorough value and cost analyses prior to any program expansion. Specifically, phase I will:

1) Test the operational feasibility, value and cost benefit of an effectively coordinated countywide health care access system for the low-income, working uninsured.

2) Develop and test an organizational infrastructure to effectively and efficiently administer and deliver services to low-income uninsured workers.

3) Implement and test a new internet-based referral and tracking system to facilitate patient referral to the most cost effective health care and social service resources in Duval County. This system will enable maximum participation by existing safety net programs and significantly reduce duplication of services and costs. Privacy protections are incorporated into this system.

4) Identify and demonstrate effective strategies to improve health outcomes for the working uninsured pilot program population.

5) Identify and determine the most cost-efficient and effective strategies to expand health care services to the working uninsured.

Importantly, this two-year period will allow time for development of a detailed financial strategy to sustain and expand the program in a way that provides a financial benefit to the community at large. Several funding strategies have been considered, most of which require time and additional planning and consensus building before implementation. Further, a number of issues that might ultimately affect financing options require the attention of the Florida Legislature.

Additionally, it provides the opportunity to build community support and understanding of the value of access to a full continuum of health care services for low-income workers.

Consequently, this two-year window is crucial to the ability to strategically address these topics, develop a framework that accurately determines full program parameters, and solidify a comprehensive long-term financing mechanism that accurately addresses the financial problem.

Assuming positive evaluations and successful financial planning, Phase II will begin in Year 3.

PROGRAM TIMELINE

The JaxCare pilot program is anticipated to begin May 2003 with member enrollment. This is possible because of the grant related administrative groundwork being completed by CIC-Jax. The member enrollment program will be active for 24 months with final evaluation activities requiring an additional four to six months.

PROGRAM DESIGN

APPROACH: Prevention-based and focused on improving health outcomes for JaxCare members with chronic conditions, acute illness and those relatively healthy but at risk for serious conditions.

This approach is designed to improve clients' health status in the short term and prevent, delay or reduce the severity of long-term complications – and costs. This is accomplished through JaxCare's proactively managed and coordinated system of interventions, supported by disease management, case management and health education and prevention programs.

ELIGIBILITY CRITERIA

- Residency: Duval County
- Age: 18 – 64
- Income: 150% - 200% of the Federal Poverty Level (FPL)
- Employed
- Not eligible any other health service or insurance program
- Without health insurance for the 12 preceding months

Children of all JaxCare members will be enrolled in the appropriate Florida Children's Health Insurance Program (KidCare, Medikids, Children's Medical Services). They will also be referred to the primary care and dental services of the Duval County Health Department.

RECRUITMENT STRATEGY: Enrollment efforts will be targeted through employers in conjunction with the Chamber of Commerce, and through referrals from hospital emergency departments.

HEALTH CARE SERVICES: JaxCare members will have access to a continuum of health care services available through a network of safety net and private providers, specifically:

- Primary care clinics and private practice doctors – a "medical home"
- Specialty care doctors
- Laboratory and diagnostic services
- Generic pharmaceuticals
- Ancillary Services
- Hospital care (inpatient and outpatient)
- Proactive care management will include:
  - Risk screening of all enrollees
  - Health education and promotion
  - Case management for those at risk for chronic or serious illness
  - Disease management for patients with targeted chronic conditions

Outpatient laboratory & diagnostic services: will be provided pro bono by hospitals.

Generic Pharmaceuticals will be available under a strict formulary. Discounted state pricing will be available through the Duval County Health Department pharmacy. Negotiated discounts will be pursued with retail pharmacies. In addition, "compassionate use" pharmaceuticals (drugs donated by pharmaceutical companies to needy patients) will be accessed for eligible patients. Finally, federal discount prices will be pursued for qualifying patients through the assistance of a pharmacy consultant provided through the Community Access Program (CAP) grant.

Ancillary Services, such as home health, durable medical equipment (DME), infusion therapy, urgent care, and ambulance, will be contracted from local vendors.

EXCLUSIONS: All services for which JaxCare does not have a provider are excluded. Only medically necessary services will be covered. Any services not expressly covered are excluded. A number of services are limited as outlined in the description of services section. In addition, the following services are excluded from the JaxCare program:

- Abortions
- Acupuncture
- Artificial insemination, invitro fertilization, and other procedures, pharmaceuticals and treatment modalities intended to induce pregnancy
- Biofeedback
- Chiropractic therapy
- Cosmetic surgery or procedures
- Dental care or orthodontic services
- Electrolysis
- Experimental or investigational care
- Eye glasses, contact lenses, or orthopotics
- Lasik eye surgery
- Hearing tests (routine) and hearing aids
- Massage therapy
- Non-formulary medications
- Non prescription medications
- Non-skilled custodial care
- Private duty nursing
- Respite care or retirement home care

- Services that are not provided by a JaxCare PCP, specialist, or hospital
- Services that are not authorized by the PCP and / or JaxCare, except in the event of a life or health threatening emergency
- Sex change procedures
- Sterilization procedures and reversal of sterilization procedures
- Transplants
- Others as may be appropriate

PROVIDER NETWORKS

Hospital anchored networks will be established around each participating hospital. Hence, there will be four provider networks:

- JaxCare – Baptist
- JaxCare – Memorial
- JaxCare -- St. Luke's
- JaxCare – St. Vincent's

Brooks Rehabilitation Hospital will provide rehabilitation services for all networks under arrangements defined prior to program onset.

Because hospitals will donate inpatient and outpatient care (including labs, diagnostic services and outpatient surgery), the networks are designed to assure equitable distribution of the care burden among hospitals. JaxCare will establish this patient distribution formula in consultation with hospital CEOs.

Each hospital is expected to assist in building their physician network and in recruiting potential JaxCare members through patient outreach. Providers may serve in any number of the four hospital anchored JaxCare networks. Patients however will be assigned to only one and must receive care exclusively through that provider network.

The **primary care services** will be provided through both private practitioners and public agencies such as the Duval County Health Department and Federally Qualified Health Centers. The JaxCare primary care network will be geographically compatible to member access needs.

The **Specialty Physician Network** will be recruited according to existing hospital affiliations. Specialists will be assigned by hospital and use only that designated hospital for their JaxCare patients. Use of inpatient and outpatient hospital services by JaxCare patients will be carefully monitored to ensure that no hospital receives more than its equitable share of JaxCare patients.

CARE MANAGEMENT: There are four levels of care management interventions that JaxCare will use to facilitate improved outcomes to patient care.

1) *Risk Assessment* – All JaxCare members receive risk and needs assessments to provide staff with the information needed to stratify patients into appropriate risk categories for targeted care.
2) *Health Promotion* – Activities that focus on health maintenance, health education and self-management.
3) *Case Management* – Personal one-on-one interaction between patient and case managers to facilitate patient responsibility for care planning, accessing appropriate care and services, ongoing monitoring of health status. Evaluation and follow up are ongoing.
4) *Disease Management* – A coordinated and evidence-based approach that emphasizes prevention of exacerbations and complications using patient empowerment strategies. The process also includes ongoing evaluation of clinical, humanistic and economic outcomes with the goal of improving overall health.

QUALITY: The plan will use proven medical management principles and base program requirements for care and service on nationally recognized standards, performance goals and benchmarks. All providers and practitioners will be asked to participate in JaxCare Quality Improvement and Utilization Management activities.

Through the process of outcome monitoring and evaluation, program adjustments will be made on an ongoing basis to ensure improvements in:

- Health status of the population served
- Use of most cost-effective and efficient services
- Coordination of care management services across agencies
- Inappropriate use of services, including misuse, under use and overuse.
- Jacksonville's ability to make health care available and accessible to the low-income uninsured.

STRUCTURE, GOVERNANCE & MANAGEMENT

STRUCTURE

The program will be organized through JaxCare, a new Florida 501 (c) (3) not-for-profit corporation. JaxCare will employ a public/private partnership model.

GOVERNANCE

The Board of Directors will have ultimate fiduciary and management responsibility and accountability for the JaxCare program. The Board of Directors will be representative of the public/private partnership, consumers and industry experts. This representative governance assures that the program will be responsive to the needs and interests of both the public and private sectors and keep their sometime disparate interests in balance. It also will provide an internal set of checks and balances as each member carefully evaluates the advantages and disadvantages of the program and strives for mutually beneficial solutions.

The JaxCare board will include leadership from:

- Jacksonville Mayor's office
- Jacksonville City Council
- Participating hospital systems
- Participating Insurers
- Corporations and Foundations providing major gifts
- Private sector
- Duval County Medical Society
- Duval County Health Department
- Faith community
- Consumers

A committee structure will be developed and delegated by the board to oversee various program activities.

MANAGEMENT

The program will be administered and managed on a day-to-day basis by the staff of CIC-Jax, which will corporately evolve into JaxCare. This strategy will maximize the use of existing resources and work already completed and makes available Communities In Charge grant funds for the pilot phase of JaxCare. These grants total nearly $1.5 million in 2002, $1 million in 2003 and $450,000 in 2004. The funds support staff salaries and the development of organizational, administrative and electronic infrastructure. Very importantly, this approach allows the CIC-Jax grant funds to be used for the start-up phase of JaxCare for operational, planning and developmental purposes.

Further, this structure maximizes certain program financial efficiencies and allows for the further uninterrupted planning, development and integration of ongoing related projects.

To be cost-effective, JaxCare will outsource a variety of administrative services. During the ramp-up phase of the pilot, JaxCare will contract for all or part of the following services:

- Accounting and finance
- Legal services
- Third party administration (claims processing/tracking, employer billing and collection)
- Medical management
- Provider credentialing and network development
- Public relations/marketing
- Research and evaluation

Implementation of these decisions and system testing will be completed by April 2003. The projected program start date is May 2003.

FINANCING AND COSTS

The program will be financed on a "pay-as-you-go" basis wherein all costs are immediately shared on a percentage basis by a variety of funding sources – both private and public. These include contributions from employee cost sharing, employer contributions, City of Jacksonville (general fund), hospitals (Baptist, Brooks, Memorial, Shands Jacksonville, St. Luke's/Mayo, St. Vincent's), physician groups, the Jessie Ball duPont Fund, Blue Cross and Blue Shield of Florida and various other foundations and corporations. In addition, the Communities In Charge grants from the Robert Wood Johnson Foundation and the U.S. Department of Health and Human Services will be transferred to fund the JaxCare program.

FINANCIAL RISK CONTROL MECHANISMS

JaxCare will have in place the necessary controls to assure that program costs do not exceed the budget. These are required to protect the program from the

risk of exceeding its budget. Multiple options are available including:

- Capping enrollment,
- Capping provider payments at some level,
- Prioritizing provider payment in case funds run short.

COST ESTIMATES

Projected medical costs for the program have been calculated by Reden & Anders, Inc. Consultants & Actuaries. These costs have been determined by the characteristics and size of the covered population and type of benefits to be offered. To estimate the costs for this pilot program, Reden & Anders completed an actuarial analysis using its commercial costs, TANF cost models and the following provider reimbursement assumptions:

- Hospital reimbursement at 80 percent of Medicare. (While these will be donated, all parties desired a uniform measure to track costs across hospitals.)
- Physician fee schedule at 80 percent of Medicare for Jacksonville with certain specialists at 100 percent of Medicare or higher.
- Pharmacy contracts with 35 percent discount on average wholesale price (AWP) for generic drugs; $5.00 dispensing fee.
- Risk selection and demographic mix.

Table 1 displays the projected medical costs, on a per member per month basis, for our population of 1,500 adults with incomes at 150-200 percent of the Federal Poverty Level (FPL), representing a cross-section of risks (neither positive nor adverse selection).

TABLE 1

PMPM MEDICAL COSTS FOR JAXCARE		
Category	2004	2005
Hospital -- Inpatient	$43.87	$43.84
Hospital – Outpatient	$30.09	$30.54
Primary Care Physician	$15.18	$15.32
Referral Physicians	$41.00	$41.18
Ancillary/Other	$3.22	$3.23
Generic Drug	$16.73	$17.12
SubTotal	$150.09	$151.23
Minus hospital contribution valued at 80% of Medicare	*-$73.96*	*-$74.38*
Total Net PMPM Medical Costs to JaxCare	***$76.04***	***$76.81***

Within the cost categories defined in Table 1 above, "Outpatient Hospital" includes lab and diagnostic services; "Other" includes home health, durable medical equipment, urgent care, infusion therapy and ambulance.

Administrative costs have been calculated separately by Medimetrix, business consultants provided by the Robert Wood Johnson Foundation, in collaboration with CIC-Jax staff and the former CFO of the Mayo Health Plan. Administration includes medical management, billing and enrollment, claims adjudication, member services, marketing, finance and accounting, and related salaries and benefits.

Medical and Administrative costs are reflected on the budget summary on page 12.

JAXCARE FINANCING SOURCES

The funding sources identified to finance JaxCare over the two-year pilot phase are discussed below and also displayed in the budget on Page 12.

MEMBER COST SHARING - Cost sharing is integral to the program design. Member cost sharing will provide more than $633,000 to the program. This will be contributed through co-payments for care as follows:

- $100 per hospital admission
- $100 per emergency room visit
- $100 per outpatient surgery visit
- $25 per MRI, PET or CAT scan
- $10 per physician office visit
- $5 per routine laboratory visit
- $5 per script for generic pharmacy

Members/enrollees would not pay monthly premiums.

EMPLOYER CONTRIBUTIONS – Employer contributions will provide more than $1.26 million of total program costs medical costs. This will be collected through a charitable contribution to JaxCare or through a $50 per member per month employer charge.

HOSPITAL CONTRIBUTIONS - Hospitals collectively will contribute all care and services received on an inpatient and outpatient basis by JaxCare patients for the duration of the pilot program at no charge. The value of these hospital costs over the two-year pilot is $2,131,301 calculated on a reimbursement rate of 80 percent of the Medicare fee schedule.

LOCAL CORPORATE AND FOUNDATIONS will contribute $400,00 or more.

FEDERAL CONTRIBUTIONS will exceed $1 million during 2003-2004 for JaxCare administration and staff support as well as for other administrative and technological infrastructure, which is not reflected in the financials.

THE ROBERT WOOD JOHNSON FOUNDATION will contribute over $340,000 for community education, administration and staff support.

CITY OF JACKSONVILLE CONTRIBUTION – The City will subsidize $2.5 million of total program costs.

Summary financial statements, including a proforma income statement, balance sheet and cash flow statement are presented at the end of the executive summary.

EVALUATION

The research design is a combination of program evaluation and policy analysis. Both quantitative and qualitative methodologies will be used to track, monitor and measure progress and ultimate outcomes. The research will be a pre-post case study design to include a baseline and at least two re-measurements. The evaluation will address the objectives of the pilot program as well as incorporate multiple dimensions of performance. Examples of dimensions to be measured include cost, effectiveness, efficacy, health outcomes, appropriateness, availability, timeliness and continuity of care, coordination of care and service, provider and consumer satisfaction, and others.

Based on the final evaluation report, the JaxCare Board of Directors will make final recommendations regarding program continuation, expansion and financing. An evaluation consultant will be retained at the beginning of the pre-operational period to finalize the evaluation design, and then oversee all evaluation processes and write the final evaluation report.

BUDGET PAGE GOES HERE