

## Grant Outcomes Report

### Providing Uninsured Independent Workers in New York City a Health Insurance Option and Access to a Discount Provider Network

#### Executive Summary

With funding from this grant and other sources, the nonprofit Freelancers Union launched a health insurance company, Freelancers Insurance Company (FIC), to make affordable health insurance available to New York City's independent workers. By July 2010, FIC had enrolled 23,000 Freelancers Union members in one of its five plans, which included high-deductible plans and preferred provider plans. Freelancers Union also created a discount network with mental health providers in New York City, making lower-cost mental health services available to its 135,000 members, regardless of insurance status.

#### The Problem

An increasing number of American workers are employed in nontraditional arrangements as freelancers, independent contractors, or temporary workers—from Web designers and writers to computer programmers and childcare workers. These workers do not receive the work benefits customarily offered by employers, including health insurance. They also have not been well served by the traditional insurance market. Most earn too much to qualify for public programs, but cannot afford the expensive premiums charged in individually purchased plans.

#### Grant Strategy

Freelancers Union sought to create a financially sustainable insurance company that would offer affordable health insurance to independent workers. The insurance company would emphasize consumer choice and wellbeing as part of its health plan designs. To further expand preventive care, Freelancers Union would create networks of health care providers offering pre-negotiated discounts

#### KEY INFORMATION:

**GRANTEE**

Working Today

**GRANT TITLE**

Independent Workers Employment Benefits System

**DATES**

November 1, 2007–February 28, 2010

**GRANT AMOUNT**

\$500,000

for any member. The first network would include mental health care providers in New York City and later expand to include alternative providers in the City, and throughout New York State.

## Grant Activities

### Freelancers' Insurance Claims Experience

Since 2001, Freelancers Union members had been able to purchase group-rate health insurance coverage through arrangements made by Freelancers Union with traditional insurance companies. Frustrated with rapidly rising premiums, Sara Horowitz, founder and Executive Director of the Union, decided that the only way to keep members' costs down was for the organization to go into the health insurance business itself. When NYSHealth awarded this grant in late 2007, FIC was still in development.

### Startup Activities

The first order of business was to secure the financial reserves required by the New York State Department of Financial Services (formerly the New York State Insurance Department)—totaling \$17.25 million; \$10 million in loans and \$7.25 million in grants. To comply with New York State insurance law, FIC was structured as a for-profit (Article 42) traditional insurance company wholly owned by nonprofit Freelancers Union. Profits from the insurance company would be returned to

## EXPECTED OUTCOMES

Under this project, Freelancers Union proposed to:

- Launch Freelancers Union Health Partners (FUHP), a network of mental health providers providing discounted services in New York City;
- Expand the network to include a full range of practitioners of alternative wellness care—such as chiropractors, massage therapists, acupuncturists, and physical therapists—who would provide discounted care in New York City;
- Expand the discount network throughout New York State;
- Expand FIC and its insurance offerings throughout the State; and
- Develop and implement a marketing and outreach plan for both FIC and FUHP.

As conceived, the project was to focus solely on establishing the discounted services network. The project ultimately focused more on the launch of the insurance company (FIC), providing funds for actuarial analysis, legal counsel, information systems, website development, and marketing and outreach, with the goal of expanding the health insurance company statewide.

Freelancers Union, enabling it to reduce premiums, develop other insurance products, or use for other related activities. “In effect, the mission of Freelancers Union drives the decision-making of the insurance company,” said Horowitz.

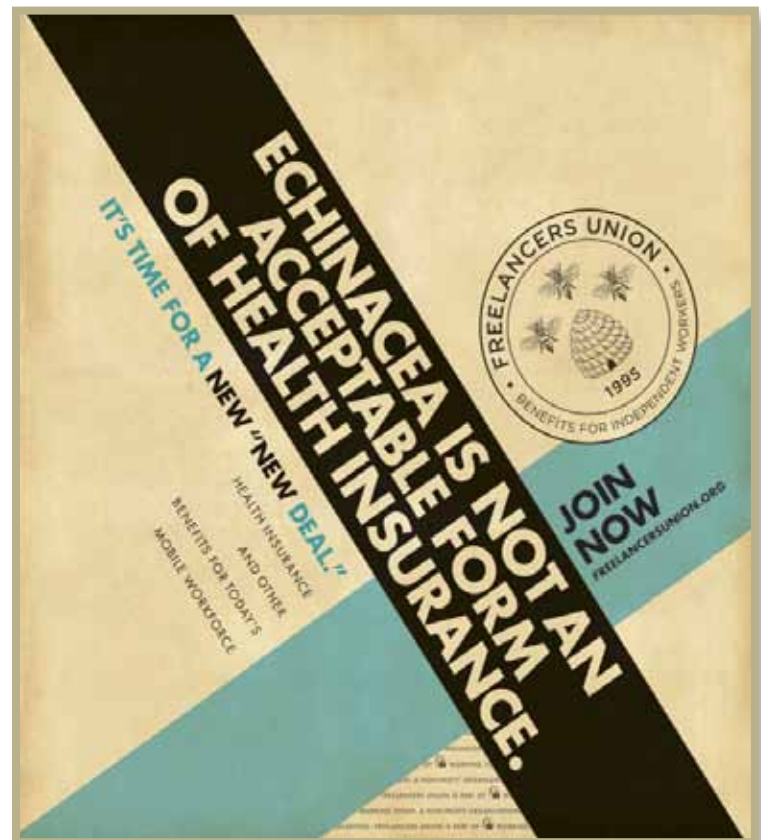
A number of philanthropies contributed grants and loans to the project: Prudential Insurance Company of America (\$5 million loan); the Rockefeller Foundation (\$3.5 million grant); Ford Foundation (\$2 million loan); New York City Partnership Foundation (\$2 million loan); and Robert Wood Johnson Foundation (\$1.25 million grant). The City of New York made a \$250,000 grant. Freelancers Union contributed \$2.25 million to the reserve fund. In addition, NYSHealth provided a \$500,000 grant to help fund the FUHP launch as well as a \$1 million loan (or “program-related investment”), to be repaid according to State Department of Financial Services guidelines. Grant money was used to engage actuarial, legal, and marketing experts.

As part of the startup, Freelancers Union also made significant investments in FIC information technology, including its website, member services staffing, and customer service phone systems.

“Our investments were just one of many,” said Melissa Seeley, former NYSHealth program officer. “This was very much a collaborative effort and shows that when the philanthropic community comes together, it can really make a difference. Without the wide support to fund the reserve, FIC would have never gotten off the ground.”

“The NYSHealth grant,” said Horowitz, “sent a message to different stakeholders that this effort was important from a State health policy perspective, and it helped bring together a constellation of stakeholders—all of whom wanted us to succeed.”

“Because the independent workers are such a vital part of New York City’s economy, and because this was a group experiencing high rates of uninsurance, we had to try nontraditional approaches. Without the



leadership of various superintendents in the State Department of Insurance, we never could have created FIC,” said Horowitz.

## Health Partners Network

While efforts were ongoing to create FIC, Freelancers Union simultaneously worked to launch an independent component to support members’ health. As part of its commitment to promote whole-person health and wellbeing through patient-centered care, Freelancers Union sought to develop a discount provider network of mental health and alternative health care practitioners called Freelancers Union Health Partners (FUHP). The participating providers agree to offer their services at pre-negotiated rates to Freelancers Union members, whether or not they have health insurance. The in-house technology team spent the later part of 2009 developing the systems to run FUHP—an online, paperless network that is searchable and protects members’ and providers’ privacy.

## Challenges

As with the startup of most complex enterprises, FIC’s launch took longer than expected. Originally, the timetable had FIC providing insurance coverage by July 2008. That was delayed by six months.

Problems with the outside billing vendor posed a major operational and technological challenge. While FIC has established a business relationship with a new billing vendor, it took nine months and substantial staff resources to make the switch.

The additional time and resources needed to launch FIC delayed Freelancers Union’s work on FUHP. The project initially planned to launch discounted access to mental health providers in late 2007.

“The scope and timetable were very ambitious,” said Seeley. “It was a complex undertaking that took longer than expected. But in the end, the insurance company was launched, and that is a huge accomplishment. Freelancers Union also succeeded in launching a discount network in New York City, even though its expansion is still to come.”

### FUNDING INITIATIVE

This solicited grant was developed during the first year of the Foundation’s original health insurance coverage strategy, which had four objectives: **1)** improve decision-making with independent, nonpartisan analyses of reform options; **2)** make public coverage programs work better; **3)** stabilize and expand private coverage, especially for small groups and individuals; and **4)** develop cost containment mechanisms to free up dollars for coverage. This solicited project supports the third strategy.

## Results

FIC began providing health insurance coverage in January 2009. Some 98% of members who had been receiving coverage from previous Freelancers Union health insurance arrangements transferred to FIC. FIC developed the technology platform for a completely paperless, state-of-the-art online system for members, providers, and vendors that includes provider searches, claims processing, and reimbursement.

FIC offers five insurance plans that use the Empire Blue Cross Blue Shield network of providers. Premiums per month range from \$196 for a high-deductible plan to \$497 for the most expensive preferred provider organization plan. According to Horowitz, individual plans typically range from \$500 to more than \$1,000 per month in New York State. As Horowitz explained FIC's role: "We basically take on the risk of insurance and rent the Blues' doctor network. We are responsible for eligibility screening, billing, claims administration, and pharmacy benefits management. We hire vendors to do specific pieces, while we act as the project manager." However, the insurance company itself did not expand statewide and remains primarily active in New York City.

As of July 2010, enrollment in FIC health plans stood at 23,000 covered lives. Some 45% of those are low-income individuals (defined by Freelancers Union as earning 80% of the median area income) and member retention stands at 84%.

With its launch in January 2010, the discount network focused on recruiting mental health providers. Freelancers Union negotiated a \$75 per session cost for its members. Using the FUHP website, members can view a directory of information on approximately 150 participating providers, including demographic information, education, personal statements, and photos. Freelancers Union members can contact providers directly (and privately), reducing administrative overhead for FUHP.



Currently, FUHP is New York City-based and limited to mental health providers. Plans to expand to other kinds of providers and outside New York City were delayed because of resource commitments to the insurance company. No information is available on network usage, since members and providers make arrangements for appointments and payments without the involvement of the Freelancers Union.

## Lessons Learned

The project resulted in lessons from the perspectives of both the grantee and the Foundation. From the grantee's perspective:

### **1. AN INSURANCE COMPANY THAT USES MULTIPLE SYSTEMS FROM OUTSIDE VENDORS MUST HAVE THOSE SYSTEMS WELL COORDINATED.**

In order to realize efficiencies, FIC employed a decentralized business model, outsourcing some business functions to outside vendors. All business systems—technology systems, operations systems, and data systems—have to be integrated and coordinated in real time by staff.

“Starting the company after 2000, we had the luxury of building for this [current] generation of technology. We don't have old systems that need to be updated,” said Horowitz.

### **2. SUSTAINABILITY MEANS NOT JUST COVERING MEMBERSHIP BUT FUTURE GENERATIONS OF MEMBERS.**

Short-term program and financial sustainability requires market discipline to ensure revenues exceed expenses. A longer-term goal requires investments in research and development in cost containment to increase efficiencies. Additional efforts are needed to help current and future members obtain affordable, high-quality care.

### **3. DATA DRIVE DECISIONS.**

“One of the most important tasks of a member-focused insurance company is learning how to collect, analyze, and make actionable the important information gleaned from data,” said Horowitz. “We now look at the health care ecosystem—members, providers, and insurers—in a holistic way. This will help us make the best health care available to our members, but we can't do that unless we understand the key drivers for all three groups.”

In addition, the initial focus was to bring in as many providers as possible to the network. Horowitz also learned that they need to better vet and curate their network of providers and share information about these providers with members. Members will ultimately be happier with a smaller network if the providers within this network provide excellent customer service and a higher quality of care.

From the Foundation's perspective:

- 1. WITH COLLABORATION, IT IS POSSIBLE FOR A NONPROFIT ORGANIZATION TO LAUNCH AN INSURANCE COMPANY.** With the help of its funding partners, Freelancers was able to create an affordable insurance product for independent workers.
- 2. RESOURCES ARE LIMITED—BE CAREFUL NOT TO FUND TOO MUCH AT ONCE.** Attempting to undertake both the FIC and the FUHP projects required significant resources, both financial and staffing, and proved too much for Freelancers to accomplish simultaneously.
- 3. BE CLEAR ABOUT THE NEED FOR DATA TO TRACK PROGRAMMATIC OUTCOMES.** FIC has extended coverage to approximately 8,700 people who did not previously have coverage. FUHP is enhancing mental health coverage for insured members and providing access to services for uninsured members. But, Freelancers is unable to track how many members are participating in this additional coverage. Since FUHP had been launched recently, it is difficult to assess whether it is meeting members' needs.

## Future

With the passage of the Patient Protection and Affordable Care Act of 2010 (ACA), the number of people affected by insurance is expected to change. By 2014, most individuals will be required to have health insurance, and the Health Insurance Exchanges being established under the new law will initially serve individuals who primarily purchase insurance on their own, as well as small employers.<sup>1</sup> Health insurance companies also must meet certain Federal requirements such as medical-loss ratio standards and implementation of essential health benefits. Freelancers Union is currently exploring opportunities under the ACA to better serve its beneficiaries in this new environment.

<sup>1</sup> Kaiser Family Foundation. April 2010. *Explaining Health Care Reform: Questions about Health Insurance Exchanges*. Accessed July 14, 2010, from <http://www.kff.org/healthreform/7908.cfm>.

## BACKGROUND INFORMATION:

### ABOUT THE GRANTEE

Freelancers Union, with more than 135,000 members nationwide, is a nonprofit organization that represents the needs of America's independent workforce through advocacy, information, and service. It provides health insurance to freelancers in 31 states, and provides dental, life, and disability insurance nationwide.

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