



# State Health Care Reform

10+ years of laws, debates & innovations

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## States Move National Policy



- Health care reform is a familiar idea largely because states across the country have expanded coverage in recent years and enacted insurance reforms like exchanges, bans on preexisting conditions - provisions ultimately incorporated into federal bills.
- State Pharmaceutical Assistance (30+ states)
- State insurance mandates (all states)
- HMO consumer rights (40+ states)
- Comparative effectiveness-Medicaid (13+)



## States as reform leaders

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- 1975-1995: Hawaii and Washington
- 2003: Maine “Dirigo”
- 2006: Massachusetts + Vermont “Catamount”
- 2007: 29 states with bills or Governors' proposals for broad reform. Laws in Iowa, Illinois
- 2008: 20 states with reform bills; laws in MN, NJ
- 2009: 33 states with bills; laws in FL, CT, UT.
- 2010: 12 states with bills (*as of Jan. 25, 2010*)



## 2006-2009 Reform Efforts

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- Coverage (especially children)
- Quality
- Chronic Disease
- Prevention
- Personal Responsibility



## Health Reform Drivers



- 46 million uninsured
- Growth in health care spending still outpacing wage increases. Insurance premiums not affordable.
- Employer insurance fell from 68% in 2000 to 61% in 2008. (EBRI, non-elderly workers, adjusted 9/2009)
- Global competitiveness for employers.



## TOP 5 State Priorities for Improving Health Care

- The National Academy for State Health Policy surveyed state health policymakers
- 1 Connect People to the services they need**
  - "What good is it to have a health care system if people don't actually get the services they need?"
- 2 Bring greater coordination, integration into the health system**
  - "Fragmentation is very expensive. It's cause for medical errors, inefficiencies, things we're trying to drive out of the system."
- 3 Improve Care for People with Complex Needs**
  - "States have primary responsibility for populations with complex health needs . . . people with traumatic brain injury, Alzheimer's, children with autism . . ."
- 4 Orient the Health System Toward Results**
  - "Instead of paying for procedures or tasks or tests, we're trying to figure out what the health system produces and orient the system in that direction."
- 5 Promote a More Efficient Health Care System**
  - "Resources are short. Anything we can do to make the system more efficient is on the top of the agenda."

*-Data published November 2009 -NASHP*



## Expand Medicaid and/or CHIP\*

- Expansions in MA and VT are foundation for universal coverage and for incremental reform in other states.
- For example: At least 13 states expanded Medicaid eligibility for parents to 200% FPL or above.
- At least 10 states passed laws to achieve universal coverage for children with a few others working towards that goal with many more states incrementally expanding eligibility for children in Medicaid/SCHIP in the past three years.
- **Pro:** federal dollars help to pay
- **Con:** must follow federal rules and come up with state match. Some argue against any expanded govt. role.

\*Children's Health Insurance Program



## Private Market Initiatives

- Individual Mandate
- Employer responsibility/assessments
- Exchanges/Connectors and Section 125 plans
- Expand age for coverage of dependent
- Health Savings Accounts and other consumer directed initiatives.
- "Bare bones" or mandate-light benefit packages (example: Florida 2008)
- Reform pre-existing condition regulation (e.g.: Iowa)
- Examine health insurance mandates/Mandate light plans
- High Risk Pools (at least 33 states)

## Coverage programs with limited benefits...



One way to control expense but offer access to preventive services with Medicaid or other public programs.

- Utah Primary Care Network + Health Exchange
- Arkansas' ARHealthNet
- Indiana
- Pennsylvania AdultBasic
- Maryland Primary Care Program
- Florida →



Access to Affordable Quality Health Care

- Launched Jan. 2009, **Cover Florida Health Care** is intended to provide coverage to residents ages 19-64 without insurance for 6 months.

No tax revenues used; consumers will use their own dollars to buy the relatively low-cost plans.

- Plans are **portable from one employer to another** because they are individual policies. Employers may voluntarily share in the cost of the plan with their employees or may assist employees with a payroll deduction.
- **Limitations: 3,757 people enrolled in 1<sup>st</sup> 8 months; 77,500 residents lost coverage in Florida** [web](#)



## Require all residents to buy health insurance...

- **Massachusetts** requires every resident to have health insurance as of July 1, 2007 with some exceptions. *Bipartisan Law*.
  - *97.3% now have coverage*. Affordability and hardship waivers.
- Question of affordability for individuals and employers- 7.5% income (Lewin, CO) up to 8% (MA). Employer costs will go up as more employees enroll in Employer Sponsored Insurance.
- Increases the pool of people in coverage=more stable, predictable (not always cheaper, unless more healthy are included)
- Reduce uncompensated care costs (often high-cost emergency room services) -by moving everyone (possible) into coverage status.

*"Moderating costs is only possible if everyone is in the pool."*

- Jon Kingsdale, Executive Director, Commonwealth Connector Authority. July 2007



## Massachusetts: The model or cautionary lesson?

Boston Globe Sept 19, 2009

- **"Health costs to rise again  
Insurers to boost rates 7-12%;  
Shift of expenses to workers likely"**
  - ... The higher insurance costs undermine a key tenet of the state's landmark health care law passed two years ago, as well as President Obama's effort to overhaul health care. In addition to mandating insurance for most residents, the Massachusetts bill sought to rein in health care costs ...
  - A special state commission studying changes to the payment system has recommended insurers scrap their practice of paying doctors and hospitals fees for individual visits or procedures and instead offer a set amount to cover patients' care for a year.
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## "Connector"/Health Insurance Exchanges

- Exchanges/Connectors and Section 125 plans
  - MA, WA, FL, UT - connectors
  - RI, MO - mandatory 125 plans
- Central part of the Massachusetts 2006 health reform.
- Concept: provide a single place for people to purchase insurance coverage (also very involved in the regs and implementation).
- Allows for greater transparency or competition
- A number of states continue to examine this strategy.

## Mass. Exchange: multiple employers can contribute; choice of 6 plans

The screenshot shows the homepage of the Massachusetts Health Connector. At the top, there is a navigation bar with links for "Home", "Find Insurance", "Health Care Reform", and "About Us". Below the navigation bar, a main heading reads "You need health insurance. The state's Health Connector can help." This is followed by a row of five images representing different user groups: "Individuals & Families", "Young Adults", "Employees", "Employers", and "Brokers". To the right of the "Employers" image, there is a call to action: "Help your employees save on health insurance." with bullet points: "You offer pre-tax savings. Your employees get many choices. You get unified billing and support." and a "GET STARTED" button. Below the images, there are two columns of text. The left column is titled "We're your connection to good health, Massachusetts!" and describes the Health Connector as an independent state agency. The right column is titled "Win Red Sox tickets!" and features the Boston Red Sox logo. At the bottom of the page, there is a footer with the text "The Health Connector is an independent state agency that helps Massachusetts..." and a "web" icon.

### 6 major health plans:

- Blue Cross Blue Shield of Mass.
- Fallon Community Health Plan
- Harvard Pilgrim Health Care
- Health New England
- Neighborhood Health Plan
- Tufts Health Plan

# Utah Health Exchange

Public launch August 19, 2009

UTAH HEALTH EXCHANGE

UTAH  
LINK FORWARD

Home Find Insurance Health System Reform About the Exchange Help Contact Us

Welcome to the Utah Health Exchange

The Utah Health Exchange is the State's official hub for all of your health insurance needs.

**Individuals & Families**  
Use the Exchange to find the individual or family plan that fits your needs. Compare features, prices, and apply for coverage all in one place. [Shop Now](#)

**Employers**  
Use the Exchange to set up a defined contribution plan. Your employees get multiple plan choices. You get cost predictability and greatly simplified benefits management. [Learn More](#)

**Employees**  
If you work for a participating employer, you can use the Exchange to choose from a variety of plan options to get coverage tailored to you and then enroll online. [Learn More](#)

**Producers**  
The Exchange can offer comprehensive plan choices to your clients and their employees. Use defined contribution plans to expand your clients' benefits options and your business. [Learn More](#)

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## State Lawmaker Challenges

- Financing/State Budgets.
- The growing number of uninsured.
- Fragmented health care system.
- Many powerful and well organized entities depend on "their piece of the health care spending pie" for their survival and success.
- Still no broad consensus on how to fix the system and cover the uninsured.
- Debate over the role of government - both state and federal.

## Pharmacy Factors in State Health Reform



- **Federal:** "Drug companies (in favor of an overhaul) spent more than \$245 million on lobbying [in 2009] — more than any other single industry has ever spent on lobbying..." — *NY Times Jan. 3*
- **State:** Rx issues were relatively invisible in state reform debates — focus on insurance, Medicaid, employers, providers.
- Coverage as the hoped-for solution. Separate laws on disclosure, gifts, use of records, PBMs, PDLs.

WHY HEALTH CARE  
REFORM IS IMPORTANT

[Learn More](#)

## State roles & responses to federal reform bills (as of Jan. 19, 2010)



- #1 issue is Medicaid costs: will feds pay?
- Insurance regulation?
- State run exchanges?
- State opt-outs: practical, constitutional.
  - Bills in 30 states opposing individual purchase mandate. Some seek 2010 ballot questions. (*as of 2/2/2010*)
- "Early adopters" hoped to implement parts before 2013-14.



## The State of the States: Economy

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- Weak economy has halted the momentum for comprehensive state coverage programs in most states.
- Compared to last economic downturn, there are fewer states implementing Medicaid cuts, in part because they have previously exhausted their most obvious cutback strategies.
- Medicaid is “counter-cyclical” with enrollment and costs increasing in weak economies.
- Incremental efforts are still underway in the states.



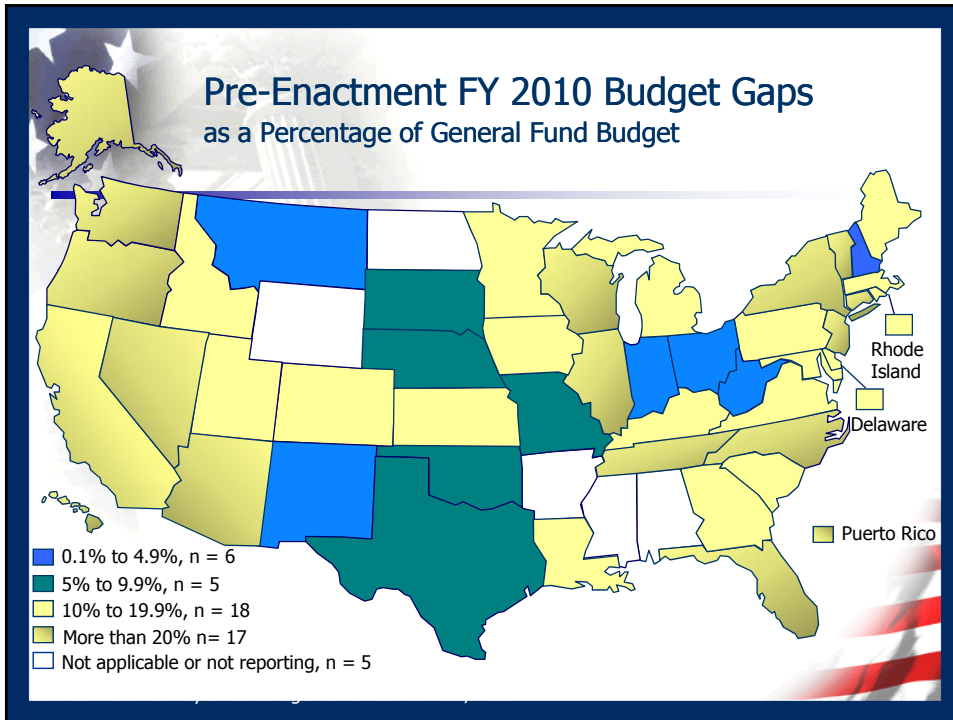
## State Budget Overview -2010

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- The state revenue nightmare continues.
- A new round of state budget gaps has opened and more are expected.
- To date, states have reported a total estimated budget gap of \$428.5 billion (FY 2008 through FY 2012).
- The states are facing a "cliff" once ARRA funding ends.

- NCSL Fiscal Program, January 2010



## Can aggressive state health reform survive the economic downturn?



- History says probably not
- Covering the uninsured takes \$\$
- Redirected priorities in times of fiscal stress.
- Divide between parties magnified by federal health debate and state fiscal stress.
- Massachusetts US Senate Election result**
  - Jan. 19, 2010 – may well vary or slow state legislative actions in 2010?



## Conclusions



- Momentum built in past five years.
- Increased pressure for reform
  - 2009 federal debate – based on state examples
  - changed January 19, 2010?
- Not likely to see big state universal coverage programs or fundamental system reform.
- May still see continued interest in prevention, HIT, management of chronic disease and quality improvements; maybe kids.



## NCSL Health Resources

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- **State Health Reform: Examples**  
<http://www.ncsl.org/default.aspx?tabid=17691>
- **State Pharmaceutical Activities**  
<http://www.ncsl.org/default.aspx?tabid=14523>
- **Richard Cauchi**  
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## CE Credit Question for Audience

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- Name two states identified with comprehensive health reform laws in the past 5-6 years?
- **Answer:** Maine, Vermont, Massachusetts.
- Also acceptable: Iowa, Florida, Minnesota, Utah, Connecticut, New Jersey, Illinois, Washington