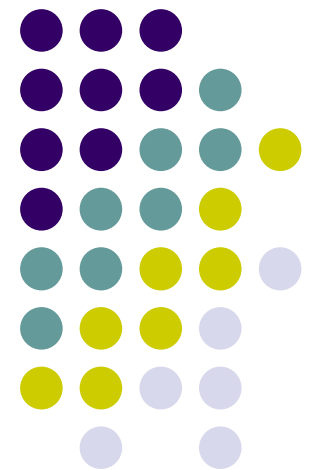


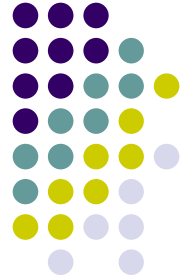
# Health Care Reform: State Approaches

for the Iowa Health and Human Services  
Joint Budget Subcommittee  
January 17, 2007

by Kala Ladenheim, Ph.D.  
Forum for State Health Policy Leadership  
National Conference of State Legislatures  
Tel: 202-624-3557 | [kala.ladenheim@ncsl.org](mailto:kala.ladenheim@ncsl.org)



# Overview



- Iowa advantages
- States raising their sights
- States mix and match

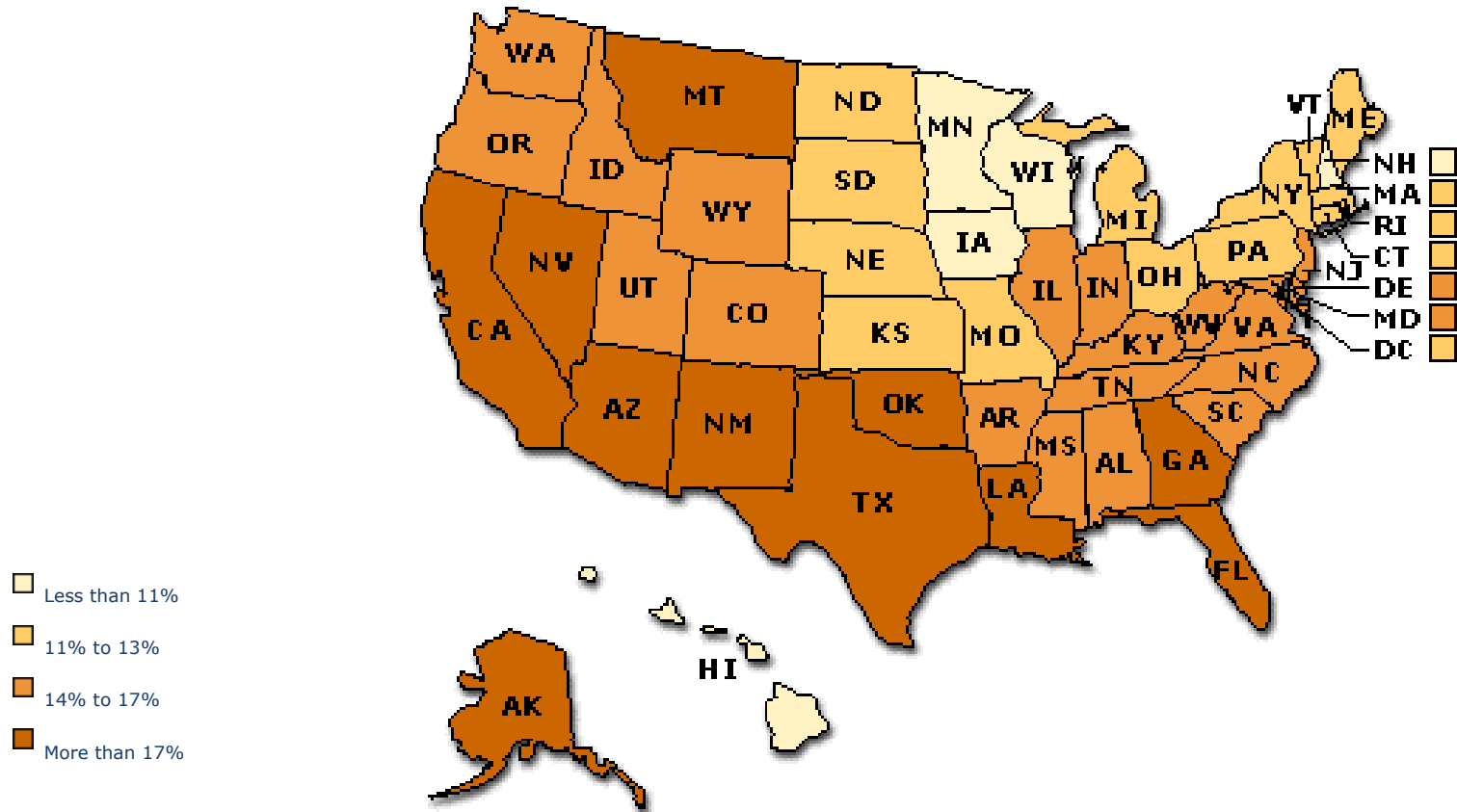
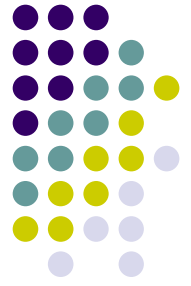


# Iowa advantages

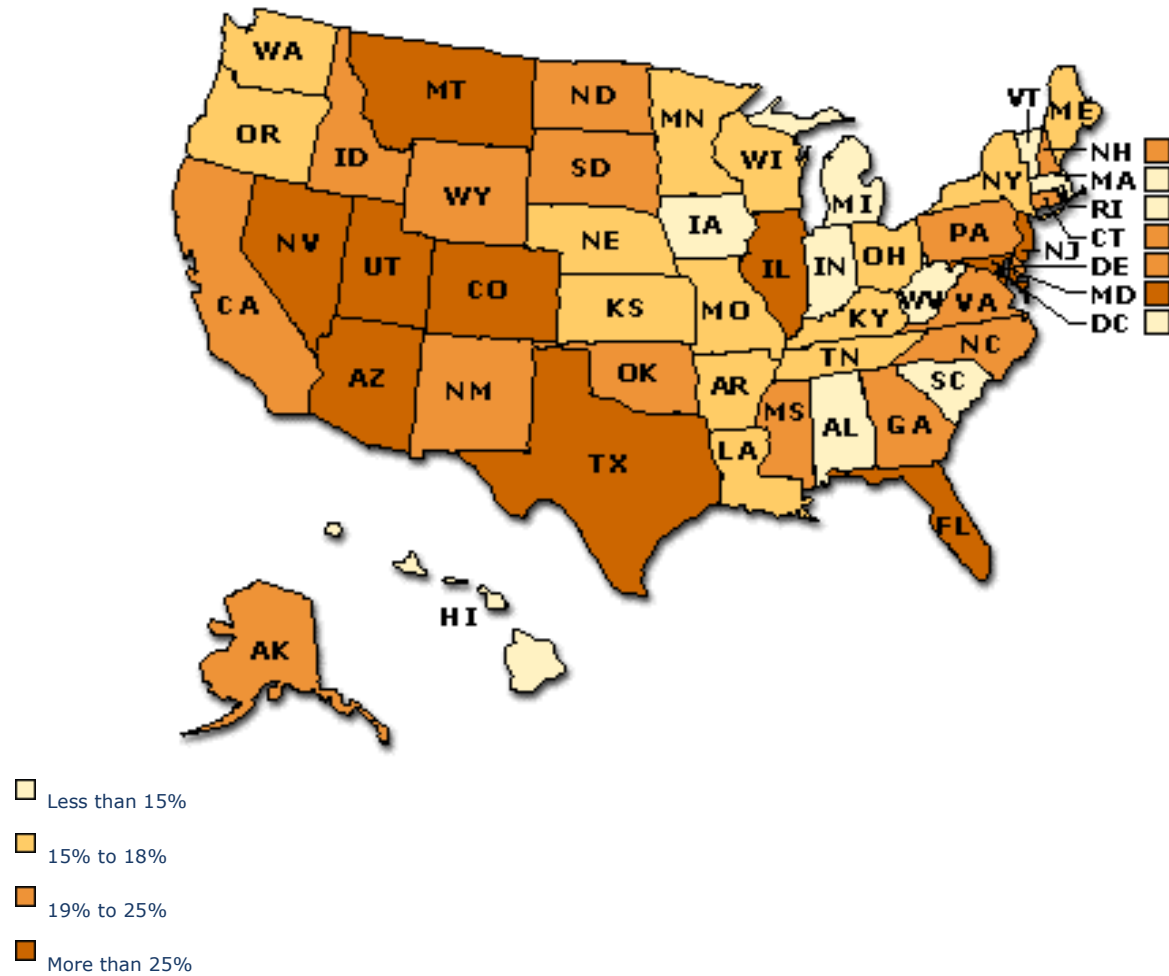
- High coverage-one of top in nation
- Educated policy community
  - State planning grant process
  - Insurance state
- Interests aligned
  - Insurers, providers and business all engaged
- Commitment to multi-year change
  - History of innovation
  - Recent Medicaid changes

# Among Highest Coverage Rates in Nation

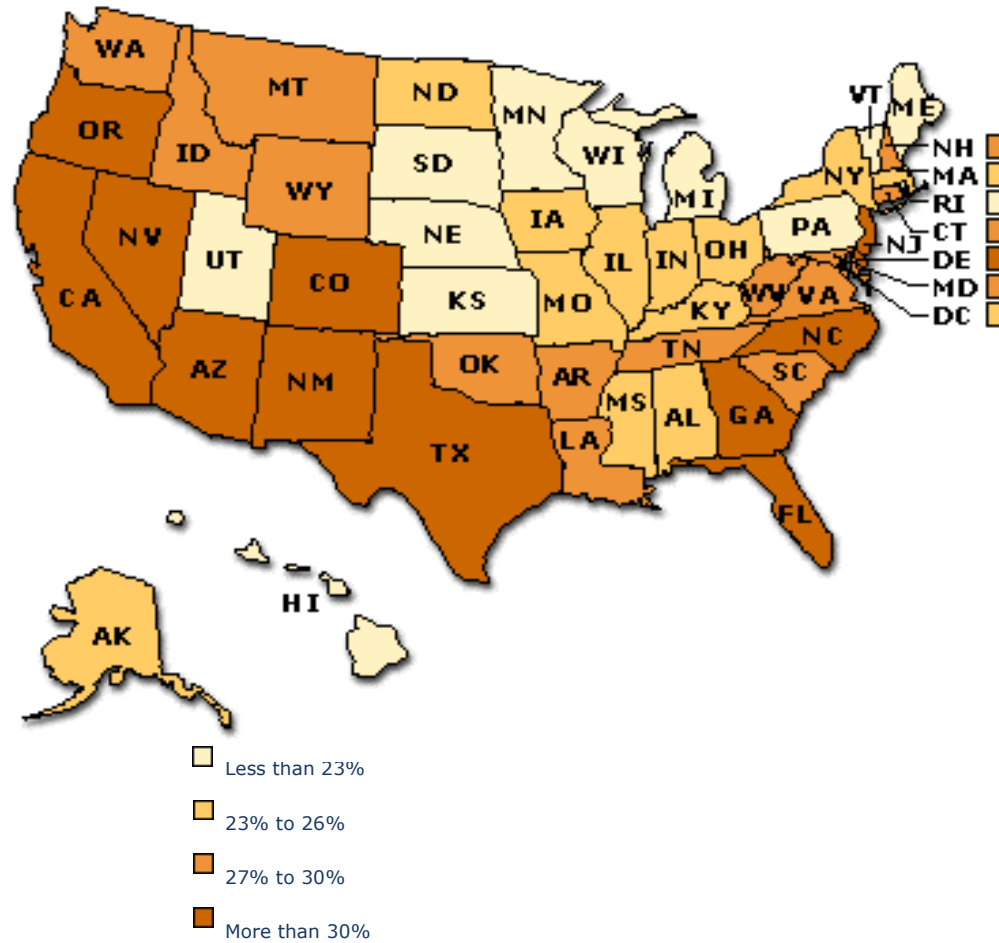
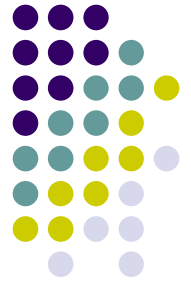
## Total Population Uninsured, 2004-2005



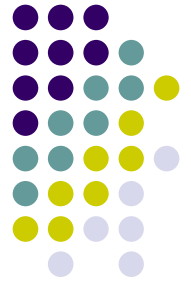
# Poor Children Relatively Well Covered: Uninsured Children 0-18 Living in Poverty 2004-2005



# Near Poor Fare Worse: Uninsured Rates for the Nonelderly 100-199% Federal Poverty Level (FPL), 2004-2005



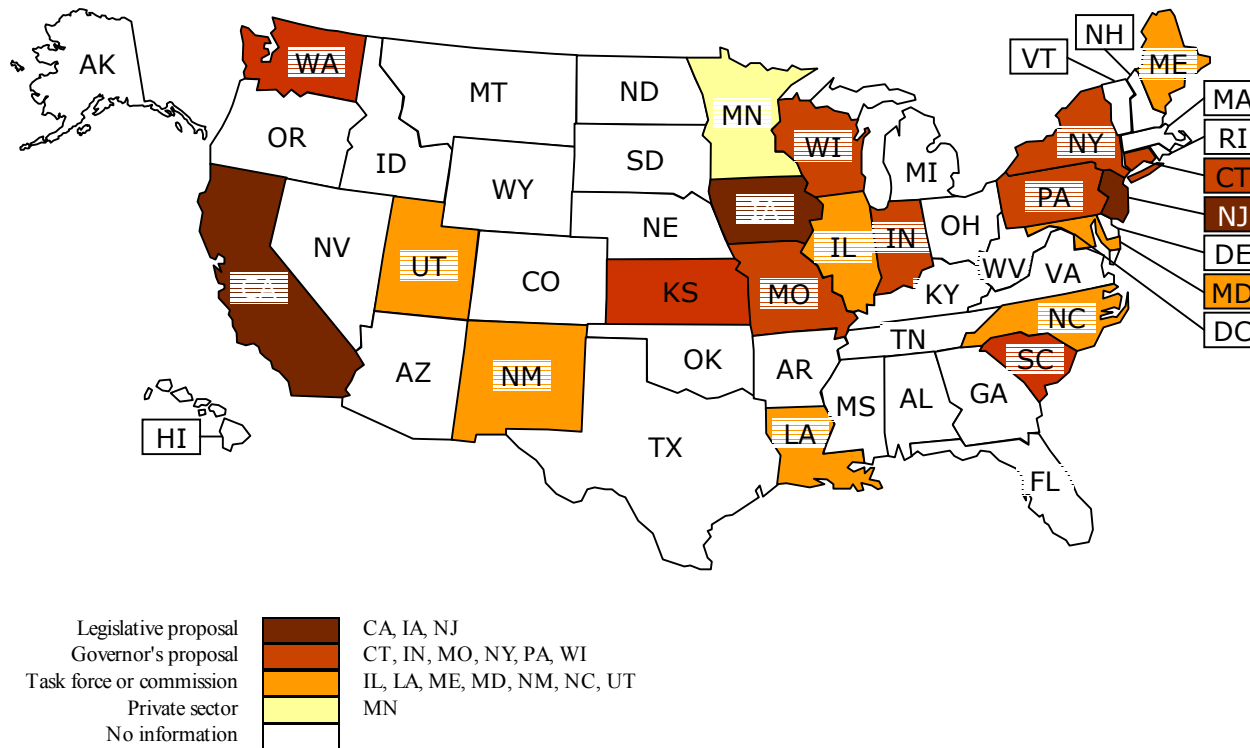
# Banner Year for Health Reform?



- States encouraged by legislative successes in New England (MA, VT, ME, even RI)
- At least 16 states with proposals simmering, more expected
- Sweeping, stepwise and hybrids
  - MA style comprehensive reform
  - Both parties have models, are finding blends
- Fiscal capacity
  - Revenues up, health inflation down
  - Sustainable funding is make-or-break issue



# New State Access Proposals, Early January, 2007







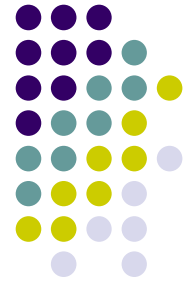
# New (and Old) Ideas about Funding

- Maximize federal match
  - Medicaid
  - Federal tax subsidy – HSAs, MA Cafeteria plan
- All share
  - Connector model: pool sources, many products
  - Tri-share and buy-in: pool source, one or limited # products
- Cigarette taxes (IN, MD, WI, others)
- Employer P/P (**MA, CA, WI**)
- Save via cost and quality improvements (**PA, VT**)
- Redistribute provider/insurer \$ **ME, MA, CA**



# Sweeping State Approaches

- Individual mandates, “insurance connector”
  - **MA:** CA, IL, MD, MN, NJ, NY
- Employer play or pay
  - **MA, VT:** IL, MD, NY
  - 5 classic pay or play, 23 “Wal-Mart” bills in 2006
- Single Payer
  - CA (vetoed last year), NM
- Hybrid Approaches
  - Help priority groups:
    - small business, low income families, children
  - Create affordable products
  - Engage the delivery system



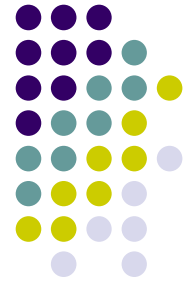
# State Approaches: Stepwise

- **Low cost plans**
  - Low top end: Limited benefit plan **UT**: IN, CT
  - Low front end coverage: Health savings accounts IN, WI
    - <http://www.ncsl.org/programs/health/hsa.htm>
  - Low share: Subsidies through public/private mix MN, WI
    - Medicaid for childless adults IL
- **Kids first**
  - All Kids: **IL**, PA, WI
  - More Kids: **WA, WV** ; Outreach NY
  - Your Kids: Cover kids mandate: CT, UT
  - Older Kids: Expanded dependent coverage: (at least 17 states)
    - <http://www.ncsl.org/programs/health/dependentstatus.htm>
- **Providers**
  - Improve and expand safety net LA, MO, NC, PA
  - Stabilize or redistribute uncompensated care **MA, ME**

# Mix and Match: Some Ingredients in Play

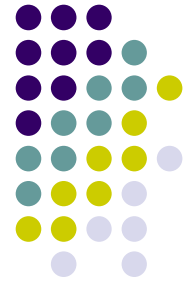


- Medicaid and other public expansion: **ALL**
  - Enroll all eligible: NY
- Buy-ins, subsidies, sliding scale: **ALL**
- State-sponsored plan (**WA, MN**) NJ, NY
- Insurance connector (**MA, FL**) LA, MD, NY (perhaps many more)
- Other insurance reform, reinsurance, risk pool (**NY**) NC, WI
- Consumer information and empowerment: IN, NC
  - Medicaid DRA plans: (**ID, KY, WV**);



# Don't Forget...

- Many reforms ignore the elephant in the room: bulk of health care costs are aging and disabled high-use people
  - Hard to address in private sector because wellness investment pays off later for someone else.
  - Disease management and prevention shift point of treatment earlier. (at least 30 states)
    - <http://www.ncsl.org/programs/health/diseasemgtleg04.htm>
  - Mental health costs flow to other sectors-public safety.
    - <http://www.ncsl.org/programs/health/Mentalben.htm>
- Cost and quality initiatives are beginning to pay off
  - Data-driven quality and safety actions-HAI reduction
  - More access, less choice in Rx



## 2 States in Detail

- Massachusetts Comprehensive Reform
  - Individual mandate, some employer payment
  - Insurance connector, products for new covereds
  - Builds on uncompensated care pool and highly regulated insurance
- Rhode Island incremental improvements
  - Low-cost plan
  - Expanded coverage for dependents
  - Builds on expansive child coverage and Medicaid
- Slides with more detail on these two states in Appendix



# Thank you...Questions?

## Some other NCSL resources

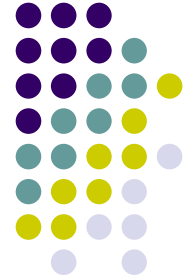
- “Health Insurance & Managed Care”  
<http://www.ncsl.org/programs/health/healthmc.htm>
- “State Options for Expanding Health Care Access”  
<http://www.ncsl.org/legis/health/accessby.pdf>
- “Individual Coverage”  
<http://www.ncsl.org/programs/health/forum/shld/54.htm>

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### ***State Health Notes***

<http://www.ncsl.org/shn/>

Kala Ladenheim, Ph.D.  
Forum for State Health Policy Leadership  
**National Conference of State Legislatures**  
Tel: 202-624-3557 | [kala.ladenheim@ncsl.org](mailto:kala.ladenheim@ncsl.org)  
<http://www.ncsl.org/programs/health/forum/>



# APPENDIX

# Massachusetts & Rhode Island

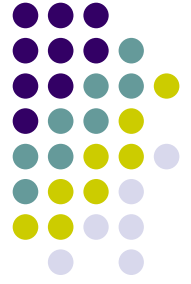


# All Eyes on Massachusetts



- **Individuals** ineligible for Medicaid are required to have health insurance by July '07 or face penalties:
  - 2007: loss of personal state tax exemption (~\$150)
  - 2008-on: fine worth 50% of cost of most affordable coverage during uncovered period (~\$1,200)
  - Income tax forms will ask about insurance status, answers will be verified against an insurance industry database.
- **Young adults** can stay on parents' coverage for 2 years after loss of dependent status, or until age 25 (whichever occurs first)
  - *The thinking is that requiring healthy people who were previously uninsured to enter the insurance risk pool will help stabilize costs.*
- **Businesses** with 11/+ employees:
  - Must offer "cafeteria plans" that allow employees to purchase health plans with pre-tax dollars in 2007. Plans offered through new Commonwealth Health Insurance Connector.
  - Will be charged \$295 assessment per FTE if company doesn't help pay for health benefits
  - Will be charged a "free rider" fee if uninsured employees access free care 5 times, or more than 3 times by a single employee (expected to generate \$45 million/year in revenue)

# Massachusetts (...cont'd)



- **Commonwealth Health Insurance Connector**

- Operated as authority under Dept. of Administration and Finance, overseen by independent board
- Certify and offer health plans for purchase by employees of small businesses ( $\leq 50$  employees) using pre-tax dollars
  - Will encourage insurers to offer low-cost, limited-benefit plans to young adults aged 19-26
- Plans can be kept when employee changes jobs
- Multiple employers can contribute to one individual's premium
- Will combine individual and small group insurance markets
- Connector can waive penalties for being uninsured if no affordable plans available ("affordable" not yet defined)

- **Expected to cost \$1+ billion/year, funded by:**

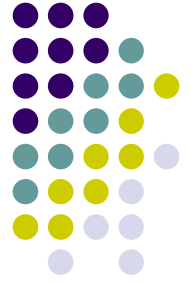
- Federal safety net revenue (\$605 million)
- Federal Medicaid matching funds (\$185 million)
  - *Including DSH payments, now used to subsidize insurance*
- Hospital assessment (\$160 million)
- Payer assessment on insurance companies (\$160 million)
- "Free-rider" fee for employers who overuse free care (\$50 million)
- "Fair Share" assessment on employers of \$295/uninsured employee (\$45 million)
- State's general fund (\$125 million)

<http://www.ncsl.org/programs/health/forum/CHAP/access0506.htm>

<http://www.ncsl.org/programs/health/shn/2006/sn465.htm>

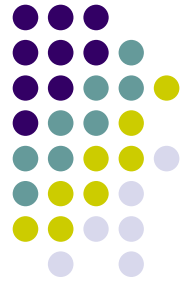
<http://www.ncsl.org/programs/health/massoverview.htm>

# Massachusetts (...cont'd)



- **Commonwealth Care** Health Insurance Program will offer plans with no deductibles
  - Adults 100%-300% FPL = sliding-scale subsidies
  - Adults < 100% FPL = no premiums
  - Children < 300% FPL = eligible for Medicaid (new changes)
- **Uncompensated Care Pool** becomes Health Safety Net Fund (to be overseen by Office of Medicaid)
  - Hospitals and community centers will be reimbursed using new standard fee schedule, instead of charge-based payment system
  - As # of uninsured declines, some funds will be used to subsidize **Commonwealth Care** Health Insurance
- **Medicaid DSH payments** will also fund **Commonwealth Care**
- **Commonwealth Health Insurance Connector**
  - Operated as authority under Dept. of Administration and Finance, overseen by independent board
  - Certify and offer health plans for purchase by employees of small businesses ( $\leq 50$  employees) using pre-tax dollars
    - Will encourage insurers to offer low-cost, limited-benefit plans to young adults aged 19-26
  - Plans can be kept when employee changes jobs
  - Multiple employers can contribute to one individual's premium
  - Will combine individual and small group insurance markets
  - Connector can waive penalties for being uninsured if no affordable plans available ("affordable" not yet defined)

# Increments in Rhode Island



- Health reform package (7 bills)
  - For small business, part-time students, uninsurables
- Creates **low-cost basic health plan** for individuals and small businesses
  - Insurance commissioner is directed to try to keep premiums below 10% of statewide average annual salary
  - Plan to be developed by insurers, based on criteria set by Health Insurance Commissioner and an advisory council (made up of purchasers, chambers of commerce reps, brokers, direct-pay consumers)
  - Plans will emphasize disease management, may have different cost-sharing for certain benefit mandates
  - Expected to lower premiums by 25%
- Part-time students can stay on parents' coverage up to age 25



# Rhode Island (...cont'd)

- Requires health care facilities to apply for a **Certificate of Need** from state's Department of Health before pursuing capital expansions
- Calls for study of cost implications of setting up **high-risk insurance pool**, available to individuals with chronic conditions
  - *(More than half of all states have high-risk pools, but only 250,000 people nationwide buy into such plans, since premiums are often expensive)*
- Law allows for creation of reinsurance fund to subsidize premiums for low-wage workers, but funding not passed
  - Proposed tax on 2 largest insurers failed after they protested
  - Lawmakers could fund this next year when they reconvene

<http://www.ncsl.org/programs/health/forum/CHAP/chapnewsletter0706.htm#ha1>

[http://www.rilin.state.ri.us/gen\\_assembly/JCHCO/JCHCO.htm](http://www.rilin.state.ri.us/gen_assembly/JCHCO/JCHCO.htm)

<http://www.rilin.state.ri.us/news/pr1.asp?prid=3459>