Firstline Midwest

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Spurred by rising costs and uninsurance, states take action to reform health care

by Kathryn Schneider (kschneider@csg.org)

As the number of uninsured in the United States rises to 47 million, and medical costs skyrocket, many legislators and experts agree that urgent action is needed to ensure that individuals get the care they need. In the absence of federal action, states have taken the lead in reforming health care.

Galvanized by reforms in pioneering states, legislatures around the country have taken action this year, considering an array of measures in an effort to reduce the number of uninsured.

Some states have pursued health care reform more aggressively than others in the past few years. Massachusetts and Maine have led the way for state action, passing reforms with the goal of universal coverage.

Maine was the first state to pass legislation designed to secure health coverage for all residents. The Dirigo Health reforms, passed in 2003, aim to help more Mainers get insured, resulting in system-wide cost savings that the state will recoup in order to subsidize coverage for low-income populations.

A massive reform package passed in Massachusetts requires individuals to purchase insurance by July 1 of this year and requires many businesses to pay a fee if they don't offer health insurance to workers.

But the work is far from over in those states. The fate of the Dirigo Health funding mechanism, for example, now rests in the hands of the state's Supreme Court. Further reforms are expected this session.

The nation will be watching and learning as these states work out remaining challenges in their attempt to secure health care for all.

A primary concern for state policymakers is how to subsidize health insurance premiums for those who can't afford them. In addition to searching for creative ways to stretch current state and federal dollars, many legislators are looking to identify new revenue streams. They range from assessments on providers and insurance companies to penalties for businesses that don't provide insurance for their employees.

Some reforms have increased access by making changes to rules governing insurance companies, including barring carriers from denying coverage based on one's health status.

Others, such as the initiative in Massachusetts, have created so-called "connectors," where residents can shop for health insurance at affordable rates.

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The Midwestern Office of The Council of State Governments supports several groups of state officials, including the Midwestern Governors Association and the Midwestern Legislative Conference, an association of all legislators in the region's 11 states. The Canadian provinces of Manitoba, Ontario and Saskatchewan are affiliate members of the MLC.

Legislation aims to help low-income residents, find new revenue

With several states in the Northeast leading the way for comprehensive health reforms, Midwestern states are looking to those plans' successes and challenges as they craft their own legislation.

In April, both chambers of the KANSAS Legislature unanimously approved a bill that takes the state's first steps toward comprehensive health care reform. Senate Bill 11 directs the Kansas Health Policy Authority to study ways to make insurance more affordable for Kansans. The state agency would report back to the Legislature in November.

In early May, the bill was on its way to Gov. Kathleen Sebelius, who has openly supported the legislation.

The bill also directs the Health Policy Authority to phase in a premium assistance program for families living under the poverty level but whose incomes are too high to be eligible for Medicaid in the state. The program is expected to lower uninsured rates by 10 percent by the time it is fully implemented in four years.

In addition, the bill would require additional health screenings for newborns and would aim to reduce costs by appointing an inspector general to investigate Medicaid fraud and abuse. The measure also provides grant money to fund programs for hard-to-insure groups and encourages workers to use pre-tax wages to pay for health care costs.

Earlier this year, Sebelius proposed expanding state coverage to all children under the age of five, but that plan hasn't gained traction in the Legislature.

Coverage for all

This session, WISCONSIN legislators have proposed legislation that would create a single-payer system as a way to ensure universal health care. Assembly Bill 94 is modeled after the Canadian health system of universal coverage, with some modifications.

The Wisconsin Health Security Act would establish a publicly financed system under which every resident would receive health services, with no immediate out-of-pocket cost, through a network of state offices charged with reimbursing providers.

To cover the costs of implementing a single-payer plan, existing funding for government health programs would be supplemented by a wage-based tax on employers and a graduated state income tax. Proponents of the plan say a state-run health care system would save on administrative expenditures, which can account for as much as 30 percent of health costs.

Critics fear the disappearance of the insurance industry and loss of competition in the health care market. The bill would provide job placement and retraining services to workers who might lose their jobs in the insurance industry as a result of the reforms.

As of the beginning of May, House Bill 94 had not passed out of the Health and Healthcare Reform Committee.

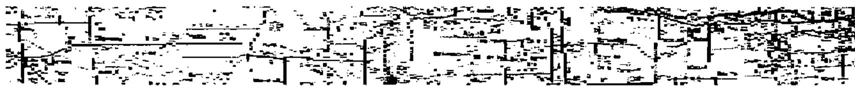
New funding sources

The INDIANA General Assembly recently passed House Bill 1678, creating a health insurance program for the state's working poor. Funded through a 44-cent increase in the state cigarette tax, the plan was championed by Gov. Mitch Daniels. As of early May, the bill was waiting for the governor's signature.

The tax increase is expected to generate $206 million per year, which would help fund the "Indiana Check-Up" program. The plan is projected to cover 132,000 Indiana residents whose incomes fall below 200 percent of the federal poverty level.

Indiana Check-Up would provide recipients $500 in preventive care, $1,100 in a health savings account and up to $300,000 per year in private insurance. Premiums would be paid on a sliding scale depending on income, and would be capped at between 2 and 5 percent of a family's adjusted gross income.

Other provisions in the bill would expand Medicaid eligibility to include more children and pregnant women, create an insurance pool for small businesses and provide tax incentives to encourage employers to provide insurance for their employees.



Another part of the proposal would allow children to be covered under their parents' insurance until age 24. Several other states (including **South Dakota**, Washington and Montana), have also made moves to allow dependents to maintain coverage through young adulthood, an age group typically plagued by high uninsurance rates.

Illinois Gov. Rod Blagojevich announced a plan earlier this year to cover about half a million uninsured adults in the state by 2010. All Kids, the governor's health insurance plan geared toward covering every child in the state, took effect last year.

The new program, "Illinois Covered," would provide affordable coverage to families with moderate incomes and help small businesses save money on health insurance.

Blagojevich hopes to fund the plan in part by instituting a gross receipts tax on businesses, a move that has proved controversial within both the legislature and the business community. The plan is expected to cost $2.1 billion per year once fully implemented.

Under the program, small businesses and individuals would have access to private insurance plans with affordable rates. Insurers would be required to cover uninsured residents irrespective of their pre-existing medical conditions.

Small business that agree to subsidize at least 70 percent of their employees' health care premiums would be offered reduced rates under Illinois Covered, creating savings for both the employer and the worker.

Middle-income individuals would receive assistance through a rebate program that would help residents purchase coverage directly or through participating employee-sponsored plans. Annual premiums would be capped to ensure affordability.

Another component of the plan would, for the first time, provide coverage to childless adults in the state who are living below the poverty level. The program would also cover premiums for workers in that population whose employers offer insurance.

The legislature was in the midst of hearings regarding Blagojevich's proposal in early May.

Beefing up the budget

Minnesota's Legislature took big steps toward health reform this month through provisions in its $10 billion two-year health and human services budget.

The legislation includes an initiative to cover 78,000 uninsured Minnesotans, about half of them children, by 2011. An outreach campaign would help enroll more residents who are already eligible for state programs such as Medicaid but haven't signed up.

The bill would also create a commission charged with identifying ways to achieve better health care access and universal coverage. Military families, employees of small businesses and farmers would be given increased access under the measure.

The compromise between the House and Senate included startup funding for an insurance exchange, where residents could purchase coverage tax-free.

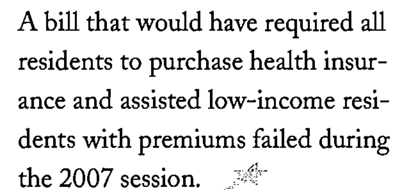
Gov. Tim Pawlenty has voiced opposition to the spending increases and is expected to veto the bill.

Eye on the future

This session, legislators in South Dakota created a task force that will work during the interim to develop a plan to move the state toward universal health coverage.

A primary goal of the task force will be to identify who is uninsured in the state, as well as why and for how long they've gone without coverage. It will also be asked to report back to the Legislature on recommended plans and the costs associated with them. The group is expected to present its proposals this fall.

A bill that would have required all residents to purchase health insurance and assisted low-income residents with premiums failed during the 2007 session.



Kathryn Schneider is a policy analyst and assistant editor for CSG Midwest. She can be reached at 630/925-1922 or kschneider@csg.org.

*Health insurance coverage in Midwestern states**

State	Employer	Individual	Public	Uninsured
Illinois	59%	4%	23%	13%
Indiana	58%	4%	25%	14%
Iowa	60%	7%	24%	9%
Kansas	59%	6%	24%	11%
Michigan	59%	4%	25%	11%
Minnesota	64%	7%	21%	8%
Nebraska	59%	7%	23%	10%
North Dakota	56%	10%	24%	11%
Ohio	60%	4%	25%	11%
South Dakota	52%	9%	27%	11%
Wisconsin	59%	6%	26%	10%
U.S. average	54%	5%	26%	15%

*Percentages may not add up to 100% due to rounding

Source: Statehealthfacts.org (based on U.S. Census data from 2005)

Source Guide

For more information on state health care policy, please visit the following Web sites:

Dirigo Health Reform
www.dirigohealth.maine.gov

Kaiser Family Foundation: State Health Policy
www.kff.org/statepolicy/index.cfm

Massachusetts Health Care Reform Fact Sheet
www.kff.org/uninsured/upload/7494.pdf

National Academy for State Health Policy
www.nashp.org

State Coverage Initiatives
www.statecoverage.net

"State Health Coverage Expansions Since 2004"
www.nga.org/Files/pdf/0609healthcoverage.pdf

State Health Facts
www.statehealthfacts.org

State of the States: Health Care Reform
www.statecoverage.net/pdf/stateofstates2007.pdf

The Commonwealth Fund
www.cmwf.org

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www.csgmidwest.org
E-mail: csgm@csg.org
Fax: (630) 925-1930
Phone: (630) 925-1922
Lombard, IL 60148-5095
701 E. 22nd Street, Suite 110
Midwestern Office
The Council of State Governments

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