

# State Health Reforms: What's Next?

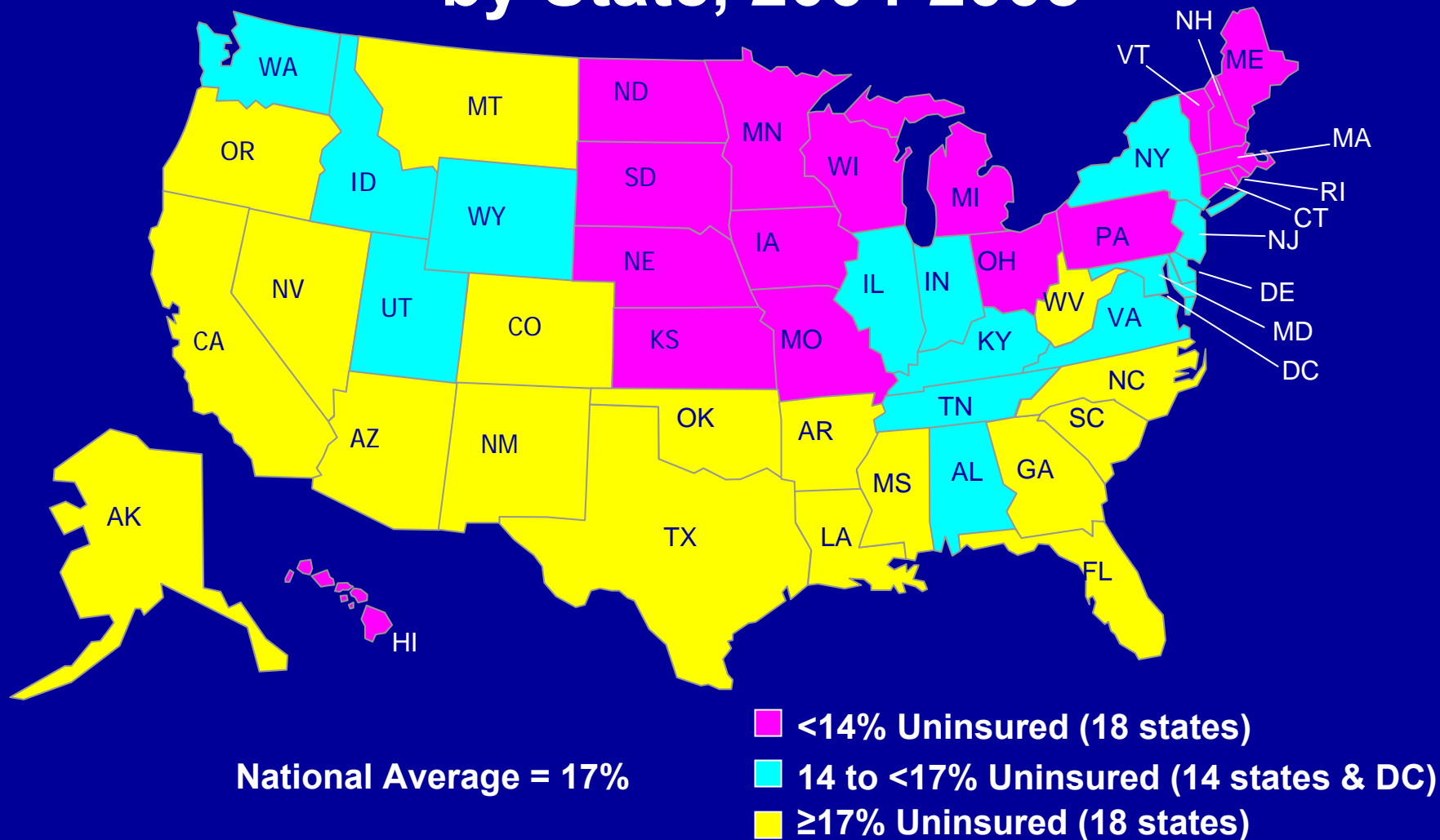
Diane Rowland, Sc.D.  
Executive Director,  
Kaiser Commission on Medicaid and the Uninsured  
and  
Executive Vice President,  
Henry J. Kaiser Family Foundation

for

ACAP 2007 CEO Summit  
July 24, 2007

Figure 1

# Uninsured Rates Among Nonelderly by State, 2004-2005

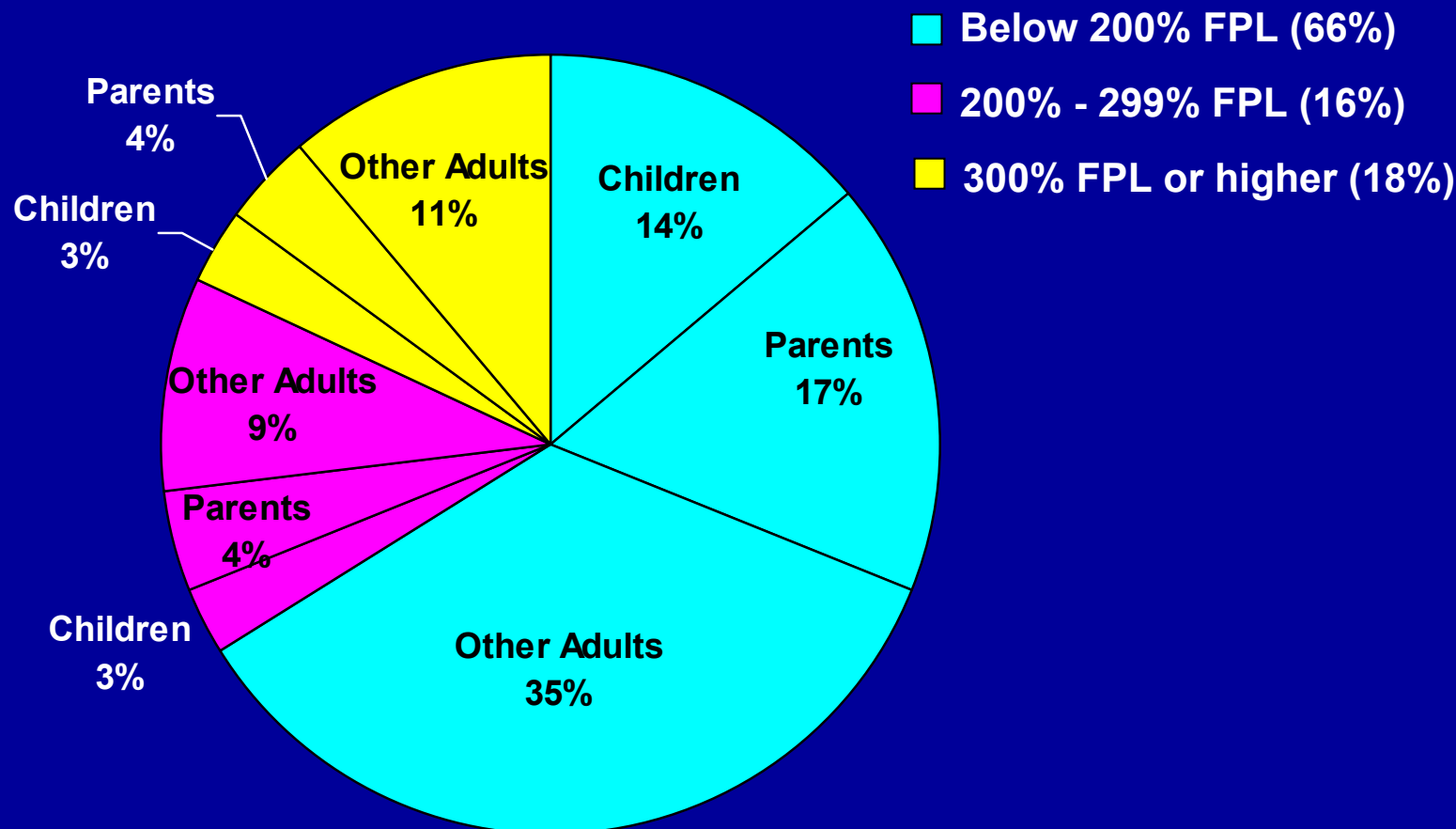


SOURCE: KCMU and Urban Institute analysis of the March Current Population Survey, 2005 and 2006, two-year pooled data.

KAISER COMMISSION ON  
Medicaid and the Uninsured

Figure 2

# The Nonelderly Uninsured, by Age and Income Groups, 2005

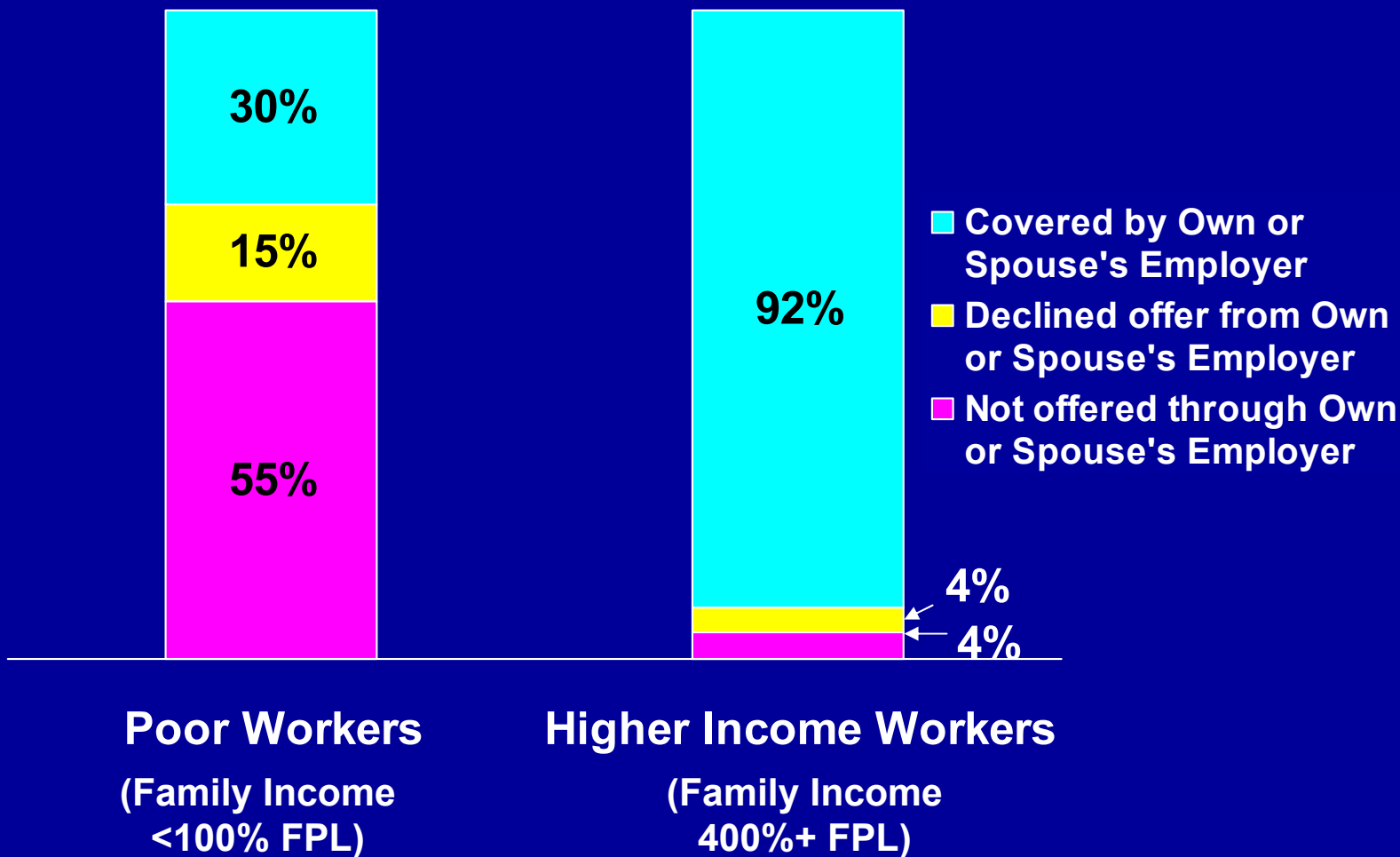


**Total: 44.4 M Uninsured**

200% of the poverty level was \$39,942 for a family of four in 2005.  
SOURCE: KCMU/Urban Institute analysis of March 2006 CPS.

Figure 3

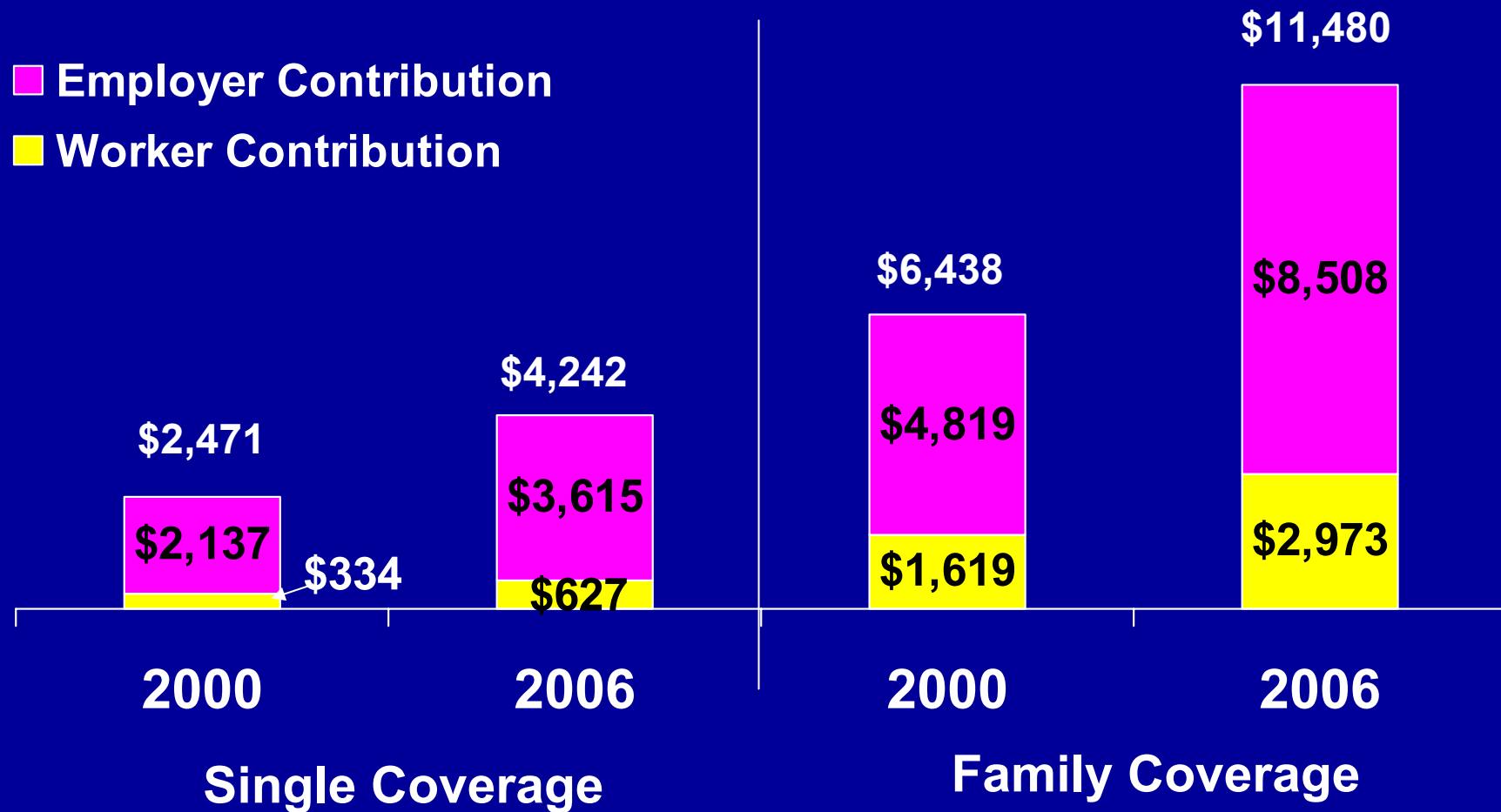
# Access to Employer-Based Coverage by Family Income, 2005



SOURCE: Garrett B. and Clemens-Cope. *Changes in Employer-Sponsored Health Insurance Coverage: 2001-2005*. KCMU report. June 2006

Figure 4

# Average Annual Premium Costs for Covered Workers, 2000 and 2006



Note: Family coverage is defined as health coverage for a family of four.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006.

# Renewed Interest among the States in Expanding Coverage

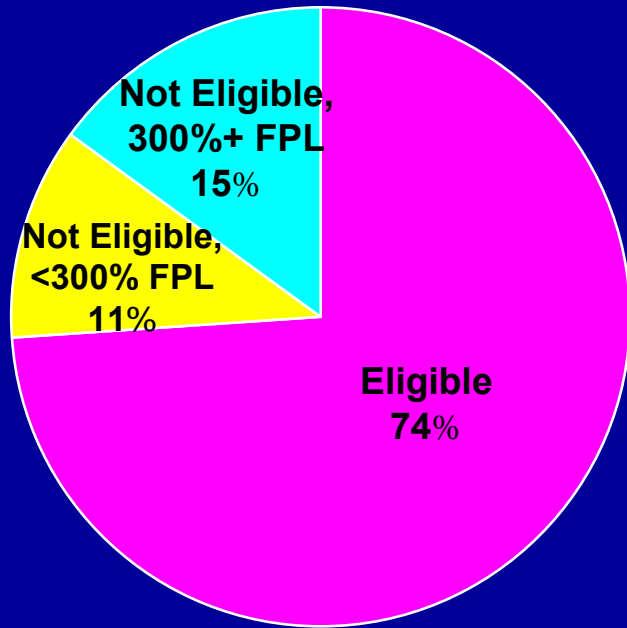
- Fiscal outlook improving for states
  - Increased tax revenues
  - Growth in Medicaid spending leveling off
- Uninsured problem continuing to grow
  - Driven by declining rates of employer-sponsored insurance
  - Exacerbated by rising health care costs
- Desire to improve the quality and efficiency of current health care system and to shore up employer-based system

# State Strategies to Expand Coverage

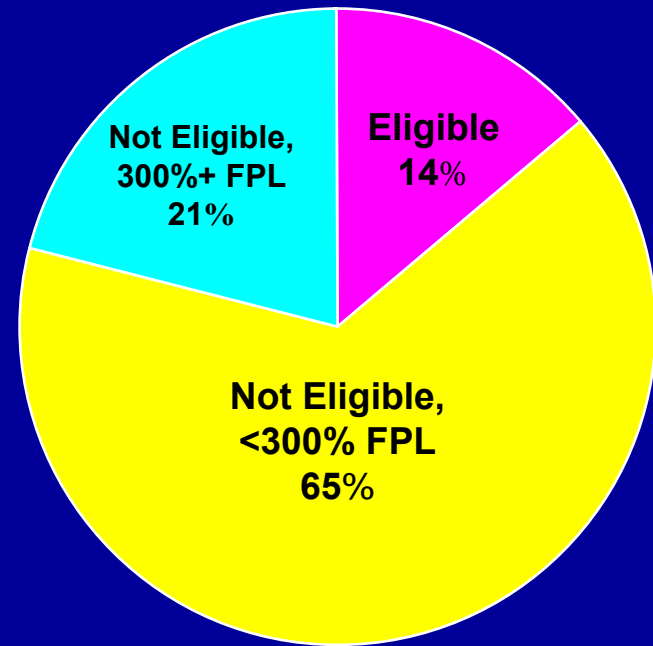
- Incremental Reform
  - Outreach and simplified enrollment to increase participation
  - Public-private partnerships focusing on working poor and small businesses
- Focusing on Children
  - Universal coverage for children
  - Coverage for children as part of broader universal coverage
  - Improving Medicaid and SCHIP coverage through enhanced outreach and administrative simplification and coordination
- Comprehensive Reform
  - Resurgence of interest in broad health reform at state level
  - Laws in three states, proposals in nine
  - Combination approaches emphasizing shared benefits and burdens
  - Medicaid is key to financing

Figure 7

# Reaching the Eligible but Not Enrolled



**Children**  
**8 Million Uninsured**



**Adults**  
**36.6 Million Uninsured**

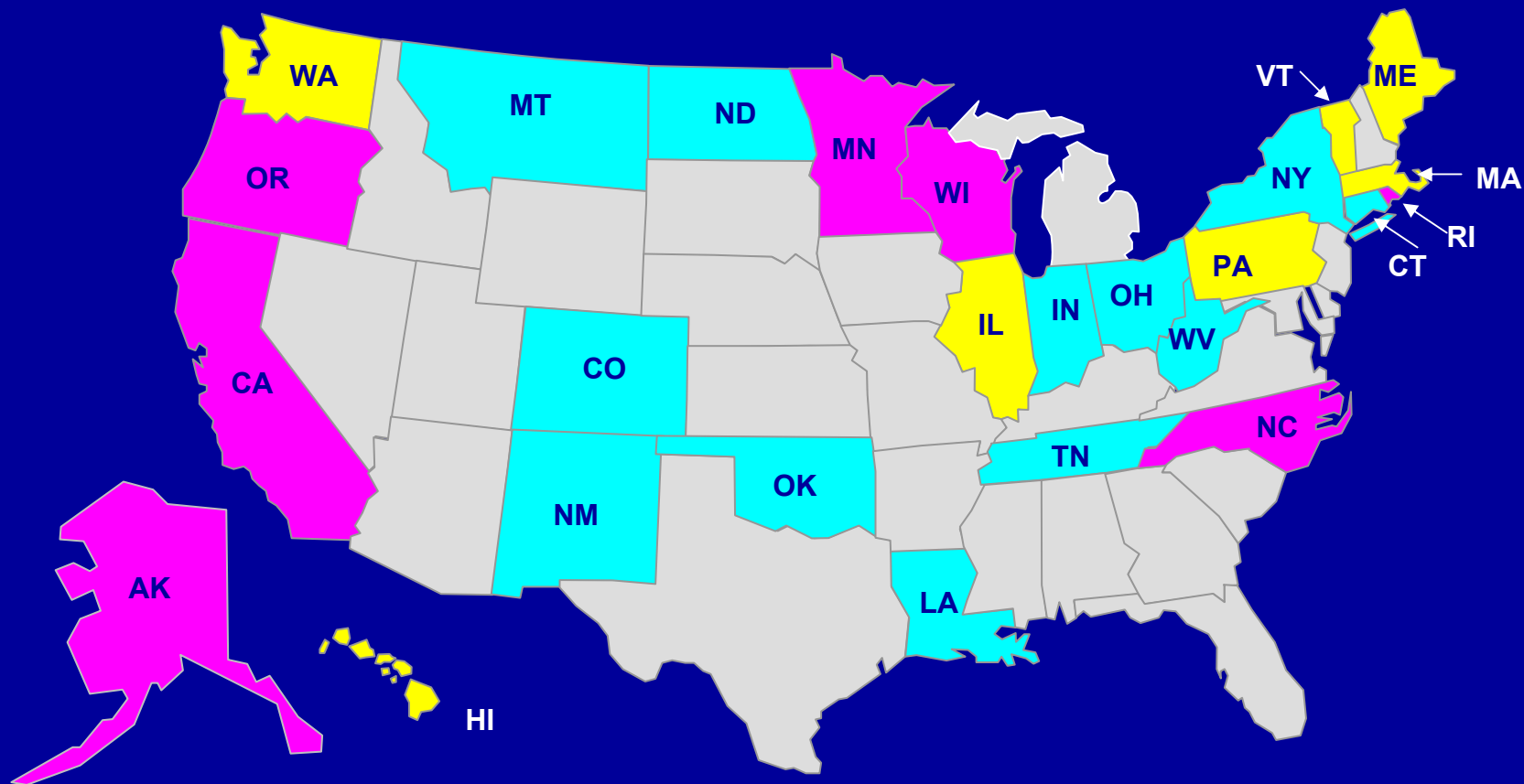
\*The Federal Poverty Line (FPL) for a family of three in 2004 is \$15,067 per year  
SOURCE: Urban Institute analysis of 2005 CPS for KCMU.

# State Actions and Strategies for Covering Children

- Key focus on reaching and enrolling eligible children
- Several states have passed plans that provide universal coverage for children (IL, PA, WA)
- States use a combination of:
  - Medicaid/SCHIP eligibility increases
  - Creating and facilitating affordable insurance for families
    - Public program buy-in allowing children at higher incomes to purchase coverage
    - Premium assistance for employer-sponsored insurance
    - New coverage products through private market
  - Increased funding for outreach, administrative simplification, and coordination

Figure 9

# State Coverage Expansions for Children, 2006-2007



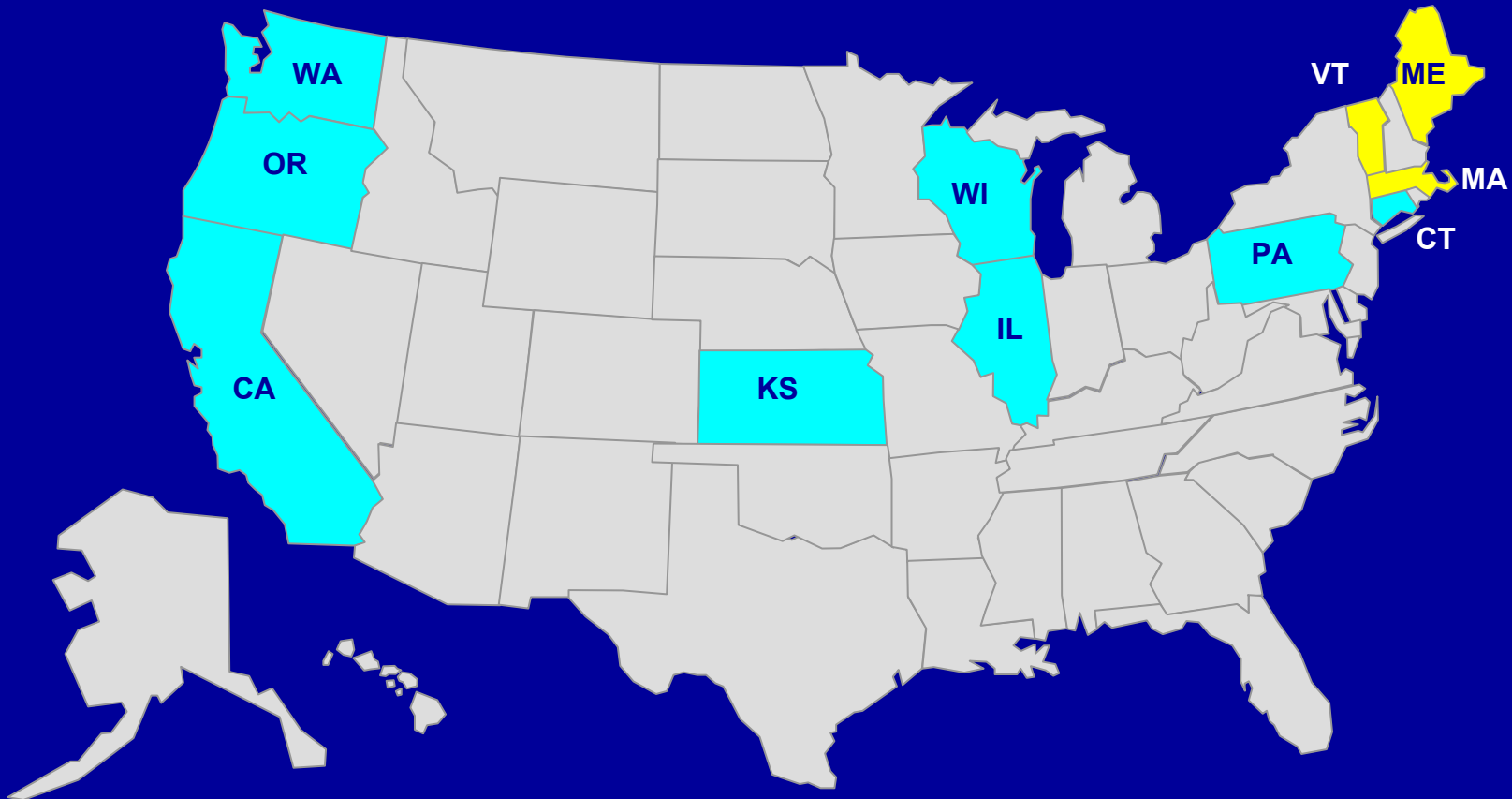
- Enacted Universal Coverage (7 states)
- Enacted Expanded Coverage (12 states plus DC)
- Proposed Universal or Expanded Coverage (7 states)

# Illinois: Findings from All Kids Case Study Report

- Nearly 50,000 children have enrolled in the program since implementation began in July 2006
  - Nearly half of new enrollees are undocumented immigrants
  - Additional enrollment of children previously eligible for Medicaid and SCHIP
- Governor Blagojevich was both the architect and champion of All Kids, which was important to the program's success
- Successful Outreach
  - Outreach campaign began 6 months before implementation
  - Activities included media advertising, back-to-school events and health fairs, and statewide bus tours
  - Existing Application Agent program was expanded
  - No specific budget, but spending described as considerable

Figure 11

# States Moving Toward Universal Coverage



■ Enacted Universal Coverage (3 states)

■ Proposed Universal Coverage (8 states)

Figure 12

# Strategies for Comprehensive Reform

	Massachusetts	Vermont	Maine	California Proposal
<b># Nonelderly Uninsured</b>	677,000	69,000	135,000	6.7 million
<b>Individual Mandate</b>	Yes	No <i>Will consider if coverage targets not met</i>	No	Yes
<b>Purchasing Pool</b>	Health Insurance Connector	Catamount Health	DirigoChoice	(Purchasing Pool)
<b>Subsidies for Low-Income</b>	Up to 300% FPL	Up to 300% FPL	Up to 300% FPL	Up to 250% FPL
<b>Public Program Expansion</b>	Adults <100% FPL Children <300% FPL	<i>Builds upon previous expansions</i> Children <300% Parents <185% Childless Adults <150% FPL	Parents <200% FPL Childless Adults <125% FPL	Adults <100% FPL All Children <300% FPL
<b>Employer Requirements</b>	\$295/employee fee for non-offering Must offer 125 Plan	\$365/FTE fee for non-offering	<i>Voluntary</i> <i>Participating employers must pay 60% of premium</i>	4% of payroll tax for non-offering Must offer 125 Plan

# Massachusetts Reform Implementation Update

- **MassHealth** (*Public Program Expansion*)
  - From end of June 2006 to March 2007, MassHealth enrollment increased by nearly 53,000
- **Commonwealth Care** (*Subsidized Connector*)
  - Commonwealth Care plans (offered by Medicaid managed care plans) became available October 2006
  - To date, 79,000 have enrolled in Commonwealth Care (those with incomes below 100% FPL were automatically enrolled)
- **Commonwealth Choice** (*Unsubsidized Connector*)
  - Plans from seven carriers approved, available May 1, 2007
  - Choice of plans: Bronze, Silver, Gold and limited benefit plan for 19-26 yr. olds
  - Plans will be available to small businesses October 1, 2007

# Health Reform in California

- California Legislature approved two health reform bills on June 7<sup>th</sup> (AB 8 and SB 48)
  - Would extend coverage to 3.4 million uninsured
  - Would finance expansions through 7.5% employer payroll tax
- Negotiations between Governor Schwarzenegger and Democratic leaders expected this summer
- Other health care legislation, including a single-payer bill, is continuing to move, further complicating prospects for comprehensive health reform

# Growing Consensus on Elements of Reform

- **Individual and employer mandates**
  - most states considering for both individuals and employers
- **Purchasing pools**
  - promote access to private insurance
  - benefit and affordability standards
  - insurance market reforms
- **Subsidies for the low-income**
  - income levels range from 250% to 400% FPL
- **Public program expansions**
  - most include some expansion of Medicaid and SCHIP
- **Reliance on federal financing**
  - some states leverage federal dollars more effectively

# Key Questions for State Reform

- Are mandates (individual and employer) necessary to achieve universal coverage?
- What constitutes adequate and affordable coverage?
- What level of subsidies are needed for low-income populations?
- How reliant are reform plans on federal financing?
- How will SCHIP reauthorization affect state efforts?
- Are state financing arrangements sustainable over the long term?

# Outlook for State Health Reform

- **Improved state revenues and low Medicaid spending growth reopens opportunities to expand coverage**
- **On-going Medicaid pressures expected to persist**
  - Increasing health care costs
  - Increasing uninsured / declines in employer coverage
  - Increasing aged and disabled
  - Tension in federal / state financing for Medicaid
- **Some states discussing near-universal health coverage**
  - Medicaid is a base on which states build coverage expansions
  - A primary focus is children
- **Federal policies have implications for state reform efforts**
  - Citizen documentation requirements
  - Legislative / Regulatory Proposals in the President's Budget
  - SCHIP reauthorization
- **How far, ultimately, can states go in the absence of federal action?**

