

**Extending Coverage:
What Can States Do?**

MHIAC annual meeting

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In economic forecasting,

give a number,
or a date...

never both!

*Alec Cairncross, Scottish economist
1911-1998*

Why reform is important

1. To cover the uninsured
2. To control costs for the already insured
3. To support quality improvement for everyone

Why National Reform May Not Happen Soon

Same (damn) reasons as last time!!
(and the time before that, and before THAT, and before....)



1. No philosophical or political consensus
2. Cost
3. Blocking coalitions and the U.S. political system
4. Something this big seldom changes fast

Republican Candidates

- Giuliani:** wants to use free-market incentives that will also reduce costs and improve quality
- Huckabee:** wants to create a health system favoring market-based, consumer-based policies
- Paul:** wants “Take steps to encourage more free market competition among providers
- Thompson:** wants “Free-market solutions to achieve coverage for all that is affordable, accessible, and portable
- Tancredo:** wants “Market based solutions to expand coverage and address other health care problems.
- McCain:** wants to have insurance choices that are diverse and responsive to individual needs, and encouraging personal responsibility
- Romney:** wants to “expand and deregulate the private health insurance market, make changes to the tax treatment of health insurance, and *promote state-based innovation*

Democratic Candidates

Edwards: wants universal coverage through mix of private and expanded public insurance

Clinton: wants affordable and high-quality universal coverage through a mix of private and public insurance

Obama: wants universal coverage through mix of private and expanded public insurance

Biden: wants comprehensive plan for coverage of every American, starting with universal coverage of children

Gravel: wants universal coverage through a health-care voucher program permitting choice of provider

Kucinich: wants universal, single payer, not-for-profit health care system

Dodd: wants universal affordable coverage through mix of private and public coverage

Richardson: wants affordable and secure universal coverage through a mix of private and expanded public insurance

What these menus of positions show...



All candidates within each party espouse similar positions; on health one really shouldn't much care who is nominated.



Differences between the parties are ***profound*** and ***fundamental***; the American voter is the umpire

Three health care reforms in search of a consensus...

1. Single payer — *Great idea!!*

- Saves administrative cost.
- Truly universal.
- Other countries do it.



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but

- No one has said how it would work here.
- It would flow about \$1 trillion through the federal budget, require increased taxes, and redistribute hundreds of billions of current spending, creating many losers as well as gainers

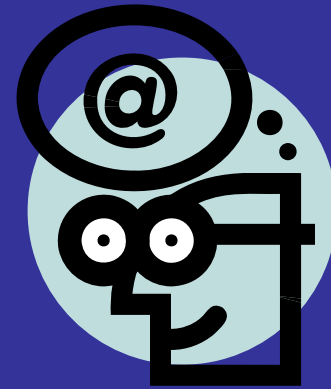


Three health care reforms in search of a consensus...

2. High-deductible/HSA coverage

Great idea!!

- Reserves insurance for what insurance is supposed to be for.
- It mobilizes patients as consumers.
- Markets work everywhere else; why not here?

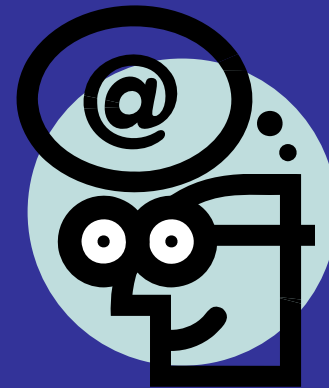


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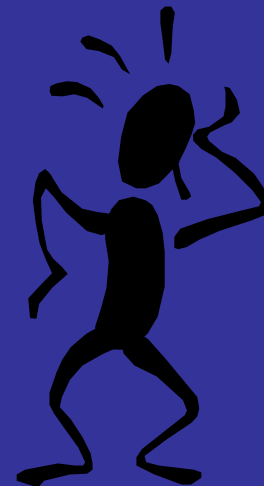
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- Reserves insurance for what insurance is supposed to be for.
- It mobilizes patients as consumers.
- Markets work everywhere else; why not for health?



but

- Consumers don't seem to be very good at identifying high-quality care
- It could fragment the health care market, force individuals to buy insurance alone rather than in groups



Three health care reforms in search of a consensus...

3. Premium-support — Great idea!!

- Focuses on group coverage by integrated plans,
- Uses market forces in the purchase of group insurance
- Sale of insurance would be regulated to assure comprehensible choices



but

- There seems to be no stomach for the kinds of regulation in the sale of insurance that would be needed
- Depends on adequate risk adjustment
- People don't seem to like it...except in California and a few other places!)



Cost

The hard part is the rest of financing

Reform = Income Redistribution

or

Reform = Increased government
spending and taxes

or

Reform =
Rationing!!!!



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 - ...independent (and rivalrous) branches of government
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4. And, oh yes, did I mention that we cannot agree
 on what is the best thing to do.



Nothing *this* **BIG** and *di*verse changes fast!

1. U.S. health care spending =
combined GDP of France and Spain
2. Spending varies 70 percent from highest
to lowest spending states
3. State rates of uninsured vary from
8 percent to 24 percent
4. HMO enrollment varies from 1/3 to none

Reforming health care financing and delivery will take a very long time

What we should expect from the next president...

...a *vision for reform*

... sensible *incremental steps* toward that vision

but

...like Moses, he/she will probably not see the promised land

Meanwhile, back at the states...

Several states are considering insurance exchanges

- Mississippi, Louisiana, Kansas, New Mexico, Utah, California

Individual mandate

- Maine (proposed)

Cover all kids

- proposals in Illinois, Tennessee, New York, and Pennsylvania

Comprehensive plans

- now being debated in California

Quality initiatives

- Pennsylvania, other states

Obstacles to state action and what to do about them...

Obstacle: Regulations and legal barriers

Three draft bills—get your governor to support them
Mobilize the NGA, NCSL, others

Obstacle: Financial risk

Add some subsidy to bills
Add counter-cyclical protection

Obstacle: ERISA

Work around it, but seek clarification

Obstacle: Partisan bickering

Bi-partisanship is essential
...sponsors of three Congressional bills did it
...Massachusetts did it
...*why can't you???*

If you believe that state action is best...
this is the way to go

If you believe that *national* action is the only way...

*ask yourself how the national debate
would be transformed if*

*Massachusetts, California, Michigan, and Tennessee
enacted reforms that covered
97 percent of state residents!*