



Forums Institute presents a health policy forum on...

THE VALUES THAT UNDERLIE STATES' HEALTH CARE DECISION-MAKING

November 30, 2004

BACKGROUND MATERIALS

We are pleased to provide the enclosed background materials for the New Jersey Policy Forum on "The Values that Underlie States' Health Care Decision-Making."

The results of our recent national election have strong implications for health policy at both the federal and state level. Although analysts predict an overall lack of consensus in Congress and a continued trend of federal inaction regarding any significant health care reform, the Bush administration does have specific health policy agenda items including a drive towards consumer-driven health plans, support for health savings accounts and tax credits for individuals and employers, and medical malpractice reform.

This current economic and political climate is raising the stakes for states – with whom the lion's share of administrative and regulatory authority for health care policy and programs has fallen. Given the federal stalemate, policy analysts predict that states and private groups will continue to develop and implement strategies for access and coverage of the country 45 million uninsured, with 1.4 million uninsured living in New Jersey.

These health care reform initiatives – whether the incremental approaches taken by a state like Wisconsin or the universal plateau currently being undertaken by the state of Maine – continue to come in many different sizes and shapes. The state of Kansas is the latest state to launch a new reform. The state's "HealthyKansas" reform initiative was announced by Kansas Governor Kathleen Sebelius (D) and the state's Insurance Commissioner Sandy Praeger on November 9, 2004. The \$50 million reform initiative aims to contain escalating health care costs, streamline the health care system, and make health insurance and prescription drugs more affordable for thousands of

children, working parents and small businesses. Funding the initiative will come from a health care assessment on cigarettes and tobacco products. To ensure that the reform initiative is coordinated and sustained, the Governor is ordering that all of the state's major health care programs be streamlined into a new business division called the Kansas Health Care Authority. To further address the problem of soaring costs, the initiative establishes a Kansas Health Care Cost Containment Commission, to be headed by its Lt. Governor John Moore.

In Massachusetts, legislators are looking to revive a "pay-or-play" health bill, a law which had been repealed in the mid-1990s. At least three bills are expected to be filed for the legislature's 2005 session that would establish a mandate that companies provide health insurance for their employees. The *Boston Business Journal* reports that the difference in the new legislation from the earlier law is that it is more "business-friendly" in its scope (November 15, 2004). At the same time, Massachusetts lawmakers may be discussing a proposed universal health care amendment that would increase coverage to the state's uninsured. Opponents to the Massachusetts' pay-or-play legislation fear that any employer mandate would not be advantageous to the state and point to the state of California's SB-2 pay-or-play mandate which was repealed by voters on election day.

Nationally, private sector reform efforts include those of 50 Fortune 500 companies sponsoring an effort to make coverage available to 4 million part-time workers and the National Coalition on Health Care, which represents 150 million Americans in groups ranging from large employers to unions to faith organizations. Harvard University analyst Robert Blendon reports that the public supports access to coverage and care for the uninsured but without jeopardizing their own employment-based coverage. Most Americans approve of the current mix of the way health care is financed, with contributions from employers, individuals and the public sector. Surveyed voters express their strong support of small businesses and are not in support of policies which may have a negative effect on them.

How is New Jersey positioned to respond to the new directions being set by the Federal government and the preferences of public opinion? New Jersey has long been a state identified by policy analysts and observers as an "innovator" in its approach to health policy – whether through its progressive Medicaid expansions, its long-lived Pharmaceutical Assistance Program for the Elderly and Disabled (PAAD), or its insurance market reforms implemented in the early

1990s. At present a number of public and private workgroups are looking at health issues and devising strategies to address issues of costs, access, coverage and quality in New Jersey. Don Sico, HealthSense President, points to the reports of the "Bridging the Healthcare Coverage Chasm" working group - which will become a starting point for healthcare reform efforts of incoming Governor Richard Codey - along with work being done by the New Jersey State Chamber of Commerce, New Jersey Business and Industry Association and the New Jersey Council of Teaching Hospitals as indicia of efforts to address health care issues in the state. The HealthSense effort includes components of strengthening the role of the state Mandated Benefits Advisory Commission; creating an independent state agency in New Jersey analogous to the Pennsylvania Health Care Cost Containment Council; and to improve dissemination and communication of medical quality data to health care consumers in the state.

Regarding new legislation, Neil M. Cohn has introduced Assembly Bill No. 3359 (October 7, 2004), which is designated the "Health Insurance Affordability and Accessibility Reform Act." It represents a major restructuring of the health insurance marketplace in this State in order to stabilize costs of, and enrollment in, individual health benefits plans. In addition, as an incentive to purchasing health insurance coverage, the bill also provides tax credits for certain individuals and small businesses that purchase health benefits plans. The bill provides that individual health benefits plans will be community rated, but modifies that rating structure to provide that the premium rate charged by a carrier to the highest rated plan shall not be greater than 200 percent of the premium rate charged for the lowest rated plan. As part of his ongoing work on health care issues, Senator Joseph Vitale has been working with the Office of the Child Advocate, the Office of Legislative Services and representatives from the private sector to craft a package to increase the number of insured individuals in the state, with a focus on comprehensive insurance coverage for children.

Georgetown University's Anne Neale, working through the Center for Clinical Bioethics, is also looking at the issue of values as related to health policy decision-making - the topic of this November 30th policy forum. Based on her ongoing research she has found that: "We have learned when people begin conversations on healthcare by first identifying their values, they seem to have a sharper eye for the inadequacies of the present system and a more positive assessment of reforms that could meet the basic healthcare needs of all."

Recommended background reading for the forum can be found through the website links that follow below:

The State Coverage Initiatives program recently released two issue briefs of interest to state policymakers and pertinent to our forum discussion: Deborah Chollet's "The Role Of Reinsurance in State Efforts to Expand Coverage" at <http://www.statecoverage.net/pdf/issuebrief1004.pdf> and Mila Kofman's "Health Savings Accounts: Issues and Implementation Decisions for States" at <http://www.statecoverage.net/pdf/issuebrief904.pdf>. The latest reports on state coverage activities and initiatives can be found at <http://www.statecoverage.net/reportsearch/whatsnew.htm>, the State Coverage Initiatives website. The site also offers a State Coverage Matrix, which summarizes strategies being used by states to increase access and coverage to health care, including Medicaid and S-CHIP expansions (<http://www.statecoverage.net/matrix.htm>).

In the November 2004 issue of GOVERNING magazine, the state of Maine's health reform initiatives are profiled at <http://www.governing.com/archive/2004/nov/insure.txt>. Cynthia Pernice with the National Academy of State Health Policy will be presenting on the status of Maine's Dirigo Health plan and the decision-making process which led to its passage last year.

The Commonwealth Fund offers an overview of state health insurance initiatives in its series of reports – "Stretching State Health Care Dollars During Difficult Economic Times" – which can be accessed at http://www.cmwf.org/publications/publications_show.htm?doc_id=243623. The series includes four separate reports on the topics of: "Building on Employer-Based Coverage," "Pooled and Evidence-Based Pharmaceutical Purchasing," "Targeted Care Management to Enhance Cost-Effectiveness," and "Innovative Use of Uncompensated Care Funds." Sharon Silow-Carroll, who was involved in the research and writing of the reports, will also be presenting at the November 30 forum.