STATES

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STATES

STATES– A NEW ROLE UNDER HEALTH REFORM

Both the federal and state governments lack sufficient authority today to control costs. Many states, facing rising Medicaid budgets and diminishing private insurance coverage, have tried to contain costs and expand access, only to run into roadblocks in federal law. Although the states regulate private insurers, federal barriers, such as the Employment Retirees Income Security Act (ERISA), have greatly limited states' ability to initiate reform and control health costs.

While the federal government determines policy for Medicare and shares authority with states over Medicaid, it has no way to keep private health costs under control. Federal cost containment measures for public policy only shift costs to private insurers and states.

The Health Security plan will establish a federal framework for comprehensive health reform, with states having maximum authority and flexibility to design systems that work for their residents. It establishes a new partnership between states and their federal governments, with joint responsibility for assuring comprehensive benefits high quality health care, universal coverage, and enforceable cost control.

The Federal Framework

- The Health Security plan provides a federal framework to guarantee comprehensive benefits and ensure quality standards are met.
- States will use the same financing mechanism and adhere to comprehensive benefits package.
- Federal assistance will make it possible for all states, even those with low per capita income and large numbers of part-time and unemployed workers, to achieve universal coverage.
- A reserve fund established under the program will help states cope with regional recessions.

The State Role

- States will be given maximum flexibility to adopt a system that will work best for them, provided it meets national quality and benefits standards.

- States will have the primary responsibility for assuring that all eligible individuals have access to a health plan that delivers the nationally guaranteed comprehensive benefits package.

- The new program will be phased in state by state. States that can quickly adapt to the new system can join by 1995; all states will be in the system by 1997.

Health Alliances

- States will assume responsibility for the design, establishment, and control of health alliances that best meet the needs of their citizens.

- States will be able to specify the number, size, and geographic distribution of alliances.

- States will also appoint the members of the board of each regional alliance to ensure that alliances represent area families and businesses.

Health Plans

- States will have the flexibility to adapt the national framework to suit their own needs. States will be able to certify health plans and license providers. States will remain responsible for monitoring health plans and health care providers.

- States will be responsible for ensuring that health plans meet the federally established health coverage standards, including the elimination of preexisting conditions, admitting all enrollees at the same price, and guaranteeing that all Americans will always be covered.

- To protect providers and patients from insolvent plans, states will set capital standards and establish guaranty funds, consistent with federal law.

Single Payer Options

- States may develop a single payer plan, as long as federal requirements for benefits, quality and cost containment are met.

- Under the single payer option, the state or a designated agency will make all payments to health care providers, with no intermediaries, health plans, or other entities assuming financial risk.

- States may also choose a single payer alliance to serve a part of their state. Rural areas that do not have sufficient numbers of competing providers, for example, can have a single payer alliance tailored to their needs, while remaining parts of the state could be served through regional and corporate alliances.

Medicare and Medicaid

- Once a state's system is successfully up and running, each state will have the option of seeking permission to integrate Medicare beneficiaries, into alliances or single payer systems.

- States will continue to administer the Medicaid program for cash assistance recipients and for supplemental services, including long-term care.

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The Health Security Plan

HEALTH CARE REFORM - BENEFITS TO THE STATES

States have born the brunt of rapid increases in the cost of health care. In addition to grappling with the rapidly growing cost of Medicaid, states have struggled to control the cost of health care coverage for their own employees. As health care costs have increased, states have had fewer and fewer resources to devote to education, crime prevention, road construction and community development.

The Health Security plan will seed the development of a new partnership between states and the Federal government. A partnership which is based on seamless health coverage for all Americans, enforceable cost control and flexibility for states to tailor systems to the needs of their populations will benefit everyone -- especially the states.

State Flexibility

- States will have the flexibility the need to design their own health care systems to meet the unique needs of all their residents.

- The Federal government will set national standards for comprehensive benefit, quality and cost containment, and then allow states to move forward.

Financial Relief

- The Health Security plan will reduce the burden on state programs that now finance and deliver health care services to the uninsured and the underinsured.

- Including coverage of substance abuse and mental health services in the comprehensive benefits package will reduce state expenditures for these illnesses.

- A new community-based long-term care program for the disabled will replace some care now covered by states under Medicaid.

- Federal grants will help states provide special assistance to underserved rural and urban areas. States will be able to strengthen and improve essential public health efforts.

Discounts

- Low-income people will be eligible for discounts to purchase comprehensive health coverage. Instead of turning to publicly funded health programs when they become sick, low-income Americans will have a health plan to cover their costs.

- Caps on annual out-of-pocket health spending and the elimination of life-time limits will ensure that a catastrophic illness won't force individuals onto public assistance.

- Federal support of health care for early retirees will produce large savings for state employee health benefits programs.

Premium Caps

- States will accrue ongoing savings in AFDC and SSI outlays because growth in health care spending will be capped at a level significantly lower than current Medicaid growth.

- As purchasers of health care coverage for their employees, states will benefit from slower growth in overall health care costs.

Health Providers

- Incentives to increase the number of primary care providers will significantly improve access for many residents to primary and preventive services.

- The plan will designate "essential community providers" to supply care to vulnerable populations through their arrangements with the health alliances.

ERISA

- Changes to the Employment Retiree Income Security Act of 1974 (ERISA) will make it possible for states to assure that all citizens get the same health benefits.

Malpractice Reform

- The creation of an alternative dispute resolution process at the health plan level will ease the malpractice burden on state courts.

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their exclusion from pre-existing medical problems," and also protects the coverage of children whose parents are divorced. CHICAGO TRIBUNE: "For example, the new rules require federally regulated group health plans to offer health insurance to an employee's adopted child even before the adoption is complete. This change removes the problem many adoptive parents have found when they accept custody of a child, then find that their insurance won't cover the child until the adoption is final." Another provision "requires that plans not lower their coverage for vaccinations below the level offered as of" 5/1/93.

EFFECTS ON EMPLOYERS: The law affects self-insured cos. which are governed by ERISA and includes most large- and medium-sized businesses. Those not covered by ERISA "generally are regulated by individual states, which have varying rules on the coverage of children." Schiff Hardin & Waite's Michael Melbinger: "It's revolutionary because (these are) mandated benefits. Clinton health reform may be two or five years away, or maybe it will never happen. But this is the first wave" (Marianne Taylor, 8/13).

HEALTH CLINICS: N.Y. TIMES reports that "for procedural reasons ... a key appropriation for the new [immunization] program had to be dropped from the budget bill and now awaits enactment when Congress reconvenes" (see AHL, 8/6). The provision makes federal money available to health clinics so that they can hire more employees, extend their hours, and identify children in need of immunizations. TIMES notes the provision "has bipartisan support in Congress and is sure to be enacted when Congress returns" (Robert Pear, 8/16).

ELEMENTS OF REFORM

***5 THE PLAN: MAGAZINER BRIEFS DEM GOVS., WH SOURCES ABOUND**

MAGAZINER BRIEFING: WH adviser Ira Magaziner told Dem governors this weekend that the admin.'s reform plan will phase in universal coverage over five to seven years. Other provisions: employers' premiums would be capped at 7% and employees' costs would capped at 2%; small businesses would be given tax breaks, including a 3.5% cap on their premiums; and taxes on cigarettes and possibly alcohol will be increased (Judi Hasson/Judy Keen, USA TODAY, 8/16).

STATES' ROLE: Responding to governors' concerns, the Clinton admin. "has quietly agreed that Washington -- rather than state governments -- will be responsible for tackling one of the thorniest political issues in its proposal: enforcing strict annual budgets on health care consumers and providers." A "senior" WH official said that until recently "we were on track to have the states enforce the budgets ... but we got a lot of concerns" from the governors. BOSTON GLOBE: "The decision represents a substantial change for the administration. ... It also illustrates the lengths in which the president and his health advisers are ready to go to ensure the backing of the governors." GLOBE notes the shift could put the fed. gov't at risk of "getting involved in the kind of detailed negotiations over local health care costs and services that could produce