

**State Coverage Initiatives**



Robert Wood Johnson Foundation

# States and Health Reform: Challenges and Opportunities

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**Enrique Martinez-Vidal**  
**Vice President, AcademyHealth**  
**Director, State Coverage Initiatives**



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# About State Coverage Initiatives

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- The State Coverage Initiatives (SCI) program provides timely, experience-based information and assistance to state leaders in order to help them move health care reform forward at the state level
  - Supports a **community** of state officials
  - Provides unbiased **information**
  - Offers responsive **policy and technical assistance**
- National program office of the Robert Wood Johnson Foundation
- [www.statecoverage.org](http://www.statecoverage.org)
- [www.statecoverage.org/health-reform-resources](http://www.statecoverage.org/health-reform-resources)



# PPACA: What 2014 Will Look Like

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## → Medicaid/CHIP

- New Medicaid coverage up to 138% FPL (MAGI)
- Childless adults receive 90-100% federal match
- Maintenance of Effort
  - Adults, ends 1/14
  - Children, through 2019—but no CHIP allocations after FY 15

## → The exchange

- Run by the state or HHS
- Offers plans to small groups and individuals
- Tax credits and other subsidies for non-Medicaid eligibles without access to employer-sponsored coverage (ESI) up to 400% FPL

## → Shared responsibility

- Individual mandate
- Possible penalties for companies with > 50 workers not offering ESI
- Increased Medicare payroll taxes for households with incomes above \$250,000 (\$200,000 for single tax filers)

## → Insurance reforms

# The Clock is Ticking...

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- Ambitious timeline
- Steep learning curve
- Budget cuts, hiring freezes, furloughs, and a retiring workforce = not enough bodies/expertise to do the work
- Turnovers in state leadership – 26 new gubernatorial administrations in 2011
- Stakes are high!

# State Key Advantages in Implementing Reform

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- Leadership:
  - Convening and Coordinating
  - Provide anti-trust protection - states can exempt providers and insurers who come together to discuss payment reform.
- Proximity:
  - Due to the local nature of health care delivery, states are closer to the action.
- Flexibility to implement system redesign:
  - States have in-depth knowledge of local landscapes and the ability to foster relationships with local stakeholders critical to successful system change.
- Ability to coordinate policy levers:
  - States can use the purchasing power of Medicaid and public employee programs, regulate health plans, and capitalize on relationships with federal officials to move delivery system reform forward.
- Develop and support shared infrastructure:
  - States can help set up HIEs, assist providers in making technology improvements, invest in pilot projects, and develop data-sharing tools.

# A (Few) Things States Will Need to Do...

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- Develop **strategic plans** for implementing health reform and coordinate implementation across state agencies (e.g., advisory councils, task forces, exchange boards)
- Implement **high-risk pool programs** (2010)
- Develop and implement **state health insurance exchanges** for small group and individual markets
  - Assess current IT systems and infrastructure and determine new requirements
  - Develop partnerships with relevant stakeholders
  - Streamline enrollment and eligibility processes
  - Develop a variety of outreach and marketing approaches for health insurance expansions
- Implement new **insurance market provisions**
- Explore **delivery and payment system reform** opportunities
- Establish **performance metrics, milestones, and an ongoing evaluation process**

# Insurance Market Provisions

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- Early Insurance Market Reforms (enforcement)
- Premium rate review (HHS grants)
  - Additional Legislative Authority
  - Expand the Scope of Health Insurance Premium Review
  - Improve the Health Insurance Premium Review Process
  - Make More Information Publicly Available
  - Develop and Upgrade Technology
- Medical loss ratio
  - Small group and individual market – 80% of premiums on medical costs
  - Large group market – 85%
  - Resulting penalties would be in the form of rebates to enrollees
  - HHS has authority to reduce to prevent individual market instability

# Other State Reform Opportunities and Initiatives

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- Medicaid Expansion
- Delivery System Redesign/Care Coordination
  - Payment Reform
  - Medical Homes
  - Accountable Care Organizations
  - Care Transitions/Preventable Readmissions
- Population Health, Prevention and Wellness
- Transparency/All-Payer Claims Databases
- Consumer Engagement
- Comparative Effectiveness
- Health Information Technology and Exchange





# Exchanges: What Are State's Policy Goals?

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- Make health insurance and care more like consumer-driven markets?
- Increase health insurers' accountability?
- To drive system affordability and cost containment?
- To transform the way carriers do business and contract with providers?
- To build an easy-to-use shopping tool for consumers?
- To help ease the transition for safety-net providers from reliance on disproportionate share payments and other uncompensated care funding to commercial insurance reimbursement?
- To moderate premium increases?
- Reduce administrative costs of distributing health insurance?

# Exchange To-Do List

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- To exchange or not exchange?
- Set up a decision-making process
- Governance and administration
- Eligibility and enrollment systems
- What role will the exchange play in the market?
- Website/Transparency
- Financing and budget
  - Procurement and Contracting
- Role of brokers
- Basic Health Plan, CO-OPs, and Medicaid/Exchange plan interaction
- Communication and public education

# State Exchanges: Implementation Challenges

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- Budget constraints limit states' ability to:
  - Make major changes to their eligibility determination and enrollment systems
  - Develop public awareness campaigns about health insurance expansions
  - Provide adequate staff to manage efforts to coordinate health care reforms
- Standardizing and modifying of eligibility and enrollment processes will require extensive planning, changes to information systems, and likely increase administrative burden
- Developing appropriate data and systems to monitor implementation of reform
- Maintaining operational flexibility to adjust reform policies & mechanisms as learn what works best

# State Implementation Efforts - Lessons

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- Sufficient time to implement
  - Flexibility in information systems
- Coordinated process, with sufficient authority in lead agency
- Knowledge of commercial market issues
- Simplify eligibility and enrollment
- Creative ways to reach consumers
- Collect data and evaluate

# Aspects of State Variation

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- Politics and Political Culture
- Resources/Capacity/Fiscal Conditions
- Level of Uninsured
- Public Programs
- Insurance Markets
- Employer Market
- Stakeholders
- Infrastructure

# Exchanges - Conclusion

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- Determining and being clear about policy goals and strategic objectives as the first step will help guide all subsequent decisions
- States will need to determine appropriate balance between relying on market competition and their regulatory power
  - Likely some of both
- Exchanges are new institutions
  - They may try to address all problems and fail
  - They may be too timid and not change much
  - Can they find a middle ground?

# THANK YOU!

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Contact Information:

[enrique.martinez-vidal@academyhealth.org](mailto:enrique.martinez-vidal@academyhealth.org)

202-292-6729

[www.statecoverage.org](http://www.statecoverage.org)

