

States and Health Care Reform

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Need for Reform

- Health care reform has been a top issue in the political campaign.
- Obama has clearly made it one of his top 3 domestic issues.

States as Laboratories

- Many commentators believe the states should lead on health care reform.
- Darwinian selection
 - States can test out reform ideas on a small scale
 - Good reforms can proliferate and bad ones can die.

States as Laboratories

“Answers on health coverage will come from the bottom up.

“It's a "let a thousand flowers bloom" approach. Under the Feingold-Graham bill, any state could propose a solution to improve coverage within its borders. The proposals could involve radical changes to federal, as well as state, health programs. One state might seek to spend federal money through a single-payer model. Another might look at a universal Health Savings Account model. Yet another might create federal-state tax credits or vouchers to help people buy insurance.”

States as Laboratories

“It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.

Louis Brandies 1932

Limits to States

- States are inherently limited when it comes to reforming health care.
 - Authority
 - Fiscal capacity

Limited Authority

- States cannot reform most of private, employer based health insurance:
- States have no control over the tax exemption for employer-based health insurance.
 - \$210 billion
- States have no control over self-insured employers because of ERISA

Limited Authority

- States have no authority over:
 - Medicare coverage and reimbursement.
 - Federal employees in their state
 - Indian Health Service
 - Veterans Administration health care
- States have limited authority over Medicaid.
 - Need to seek waivers for many innovations.

Limited Authority

ERISA plans 73 million

Medicare 44 million \$370 billion

Medicaid 58 million \$330 billion

HIS 2 million \$3.4 billion

VA 13 million \$ 83 billion

Limited Authority

- Range of state reform possibilities is severely constrained. No state could try
 - Single payer system
 - Eliminating employer-based health insurance
 - Single Federal Employees Health Benefits style insurance market.

Limited Fiscal Capacity

- 49 states must balance their budgets—no deficit financing.
- Limited taxing capacity—16 states require supermajorities to raise taxes, some require a referendum.
- Almost all state health care reforms required substantial federal contributions.
 - California the reform required 45% of funds from the federal government.

Limited State Capacity

- Cannot control Direct and Indirect Medical Education (part of Medicare payments) that influence the mix of specialists and primary care doctors.

History

- Motivation for looking to states to lead on reform is clear: History.
 - 1948 Truman
 - 1972 Nixon, Kennedy, and Mills
 - 1993 Clinton

History

- But every state effort at health care reform has failed.
 - Hawaii's Quest program
 - Massachusetts (under Dukakis)
 - Washington State's Health Services Act
 - Tennessee's Tenn Care

Massachusetts

- Massachusetts is unique
 - Large uncompensated pool.
 - Low uninsured rate
 - Generous employer community.
 - Sophisticated health care advocacy community.
- Still uncertain because of rising costs.

History

- Failed state efforts are not for lack of
 - Desire
 - Ideas
 - Political and policy talent

Positive Role for the States

- **Facilitators**—State based insurance exchanges.
- **Regulators**—State oversight and regulation of health insurance companies.

Positive Role for the States

- **Innovators**—States have innovated—Drug Effectiveness Review Project involves 14 states analyzing evidence on effectiveness and safety of drugs for state purchases.

Could do: Initiatives on wellness and prevention

- Early childhood interventions
- School based exercise and nutrition programs
- Screening programs