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Lessons from Health Reform Efforts around the Nation: What's Next for Utah?

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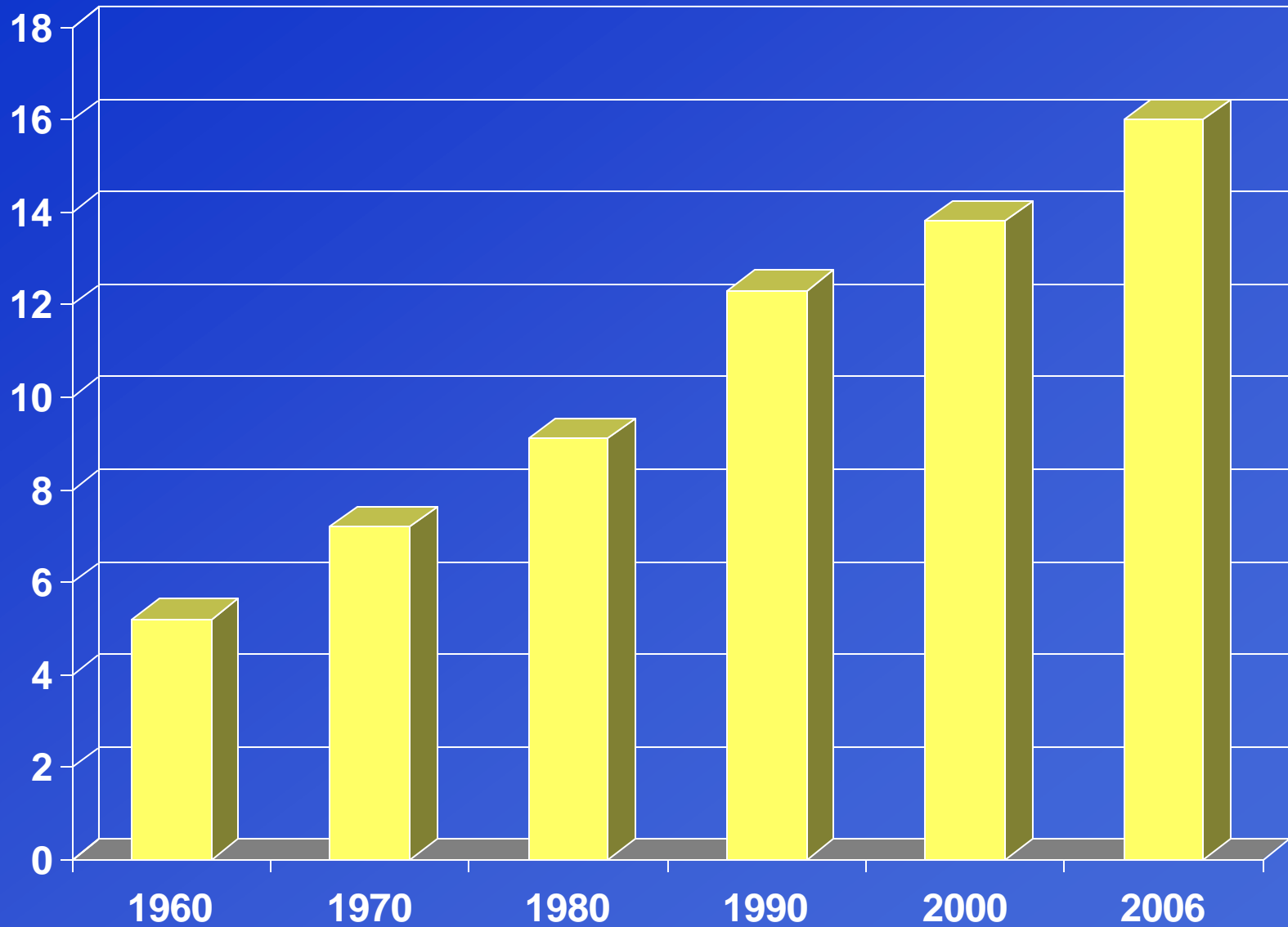
Outline

- Why Now
- Recent State Activity
- Specific Lessons from Key States
- Budding National Conversations
- Some Choices for Utah

Why NOW?

- Opportunity cost of status quo trajectory of health spending is high and rising

Share of GDP spent on Health

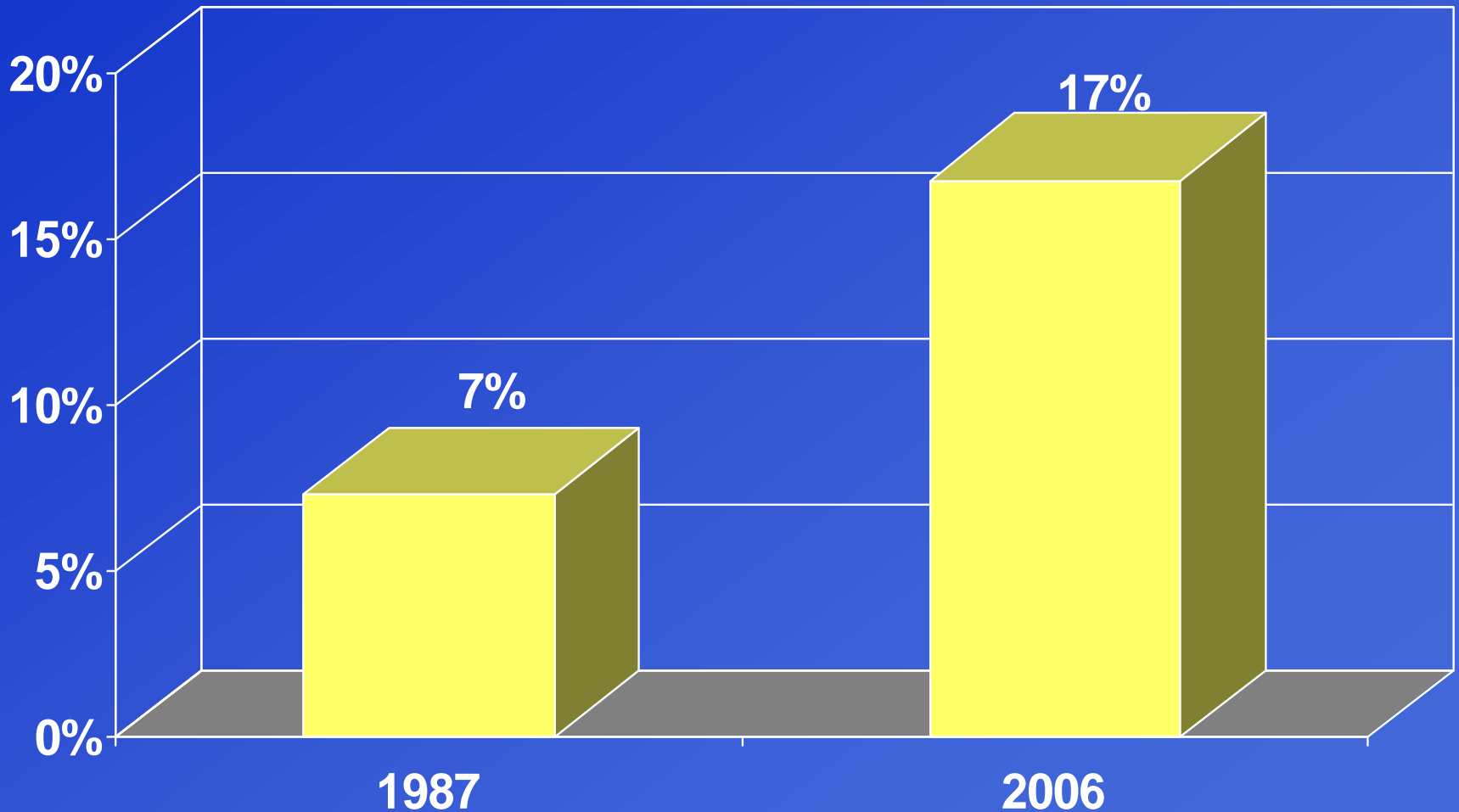


Source: CMS, National Health Expenditure Data

Why NOW?

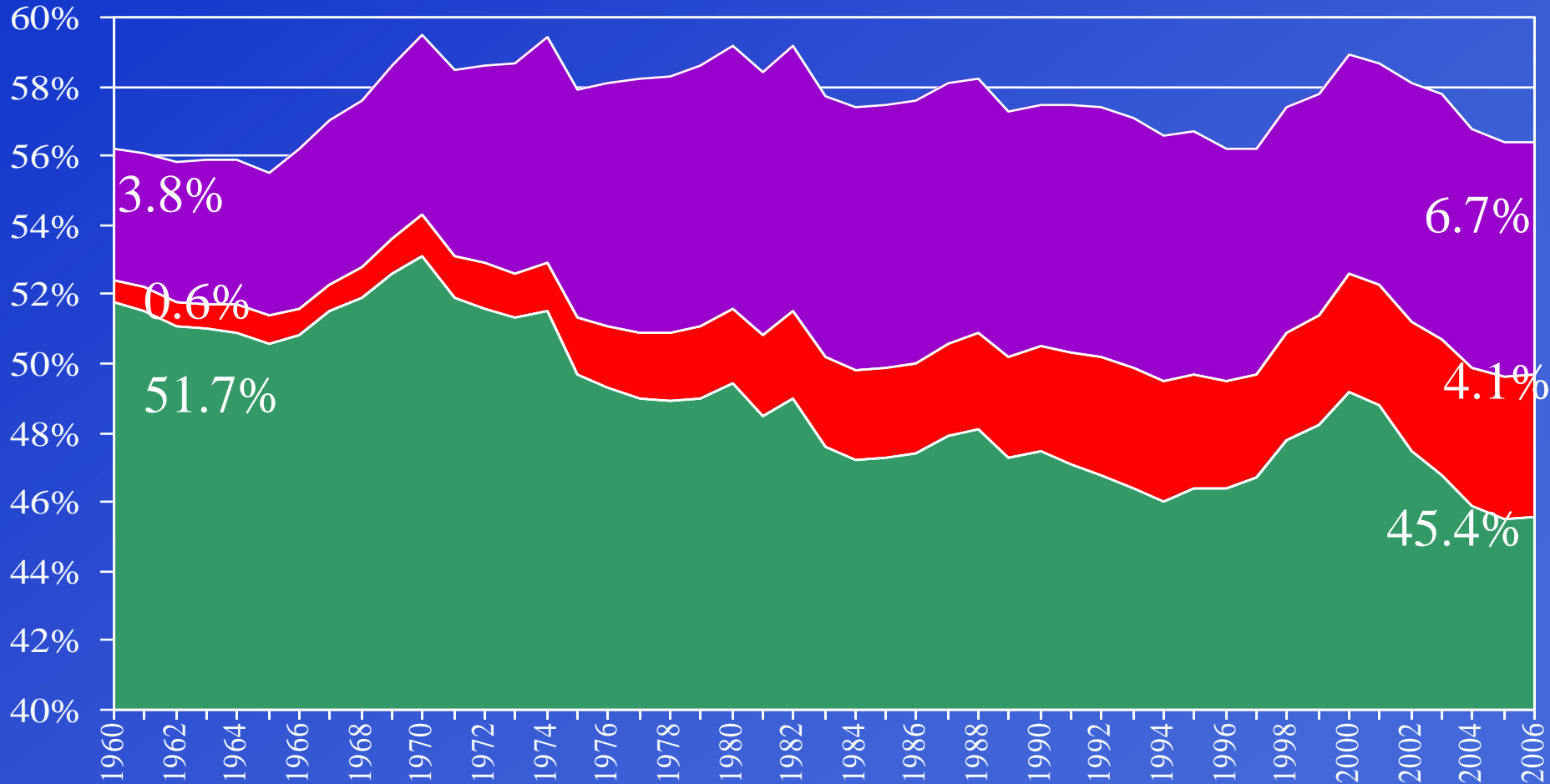
- Opportunity cost of health spending high and rising
- Premium / income is higher and growing

Percent of median family income required to buy family health insurance



Compensation Share of GDP

■ wages and salary ■ private group insurance ■ other non-wage benefits



Source: BEA, Dept. of Commerce, NIPA 1960-2006 data

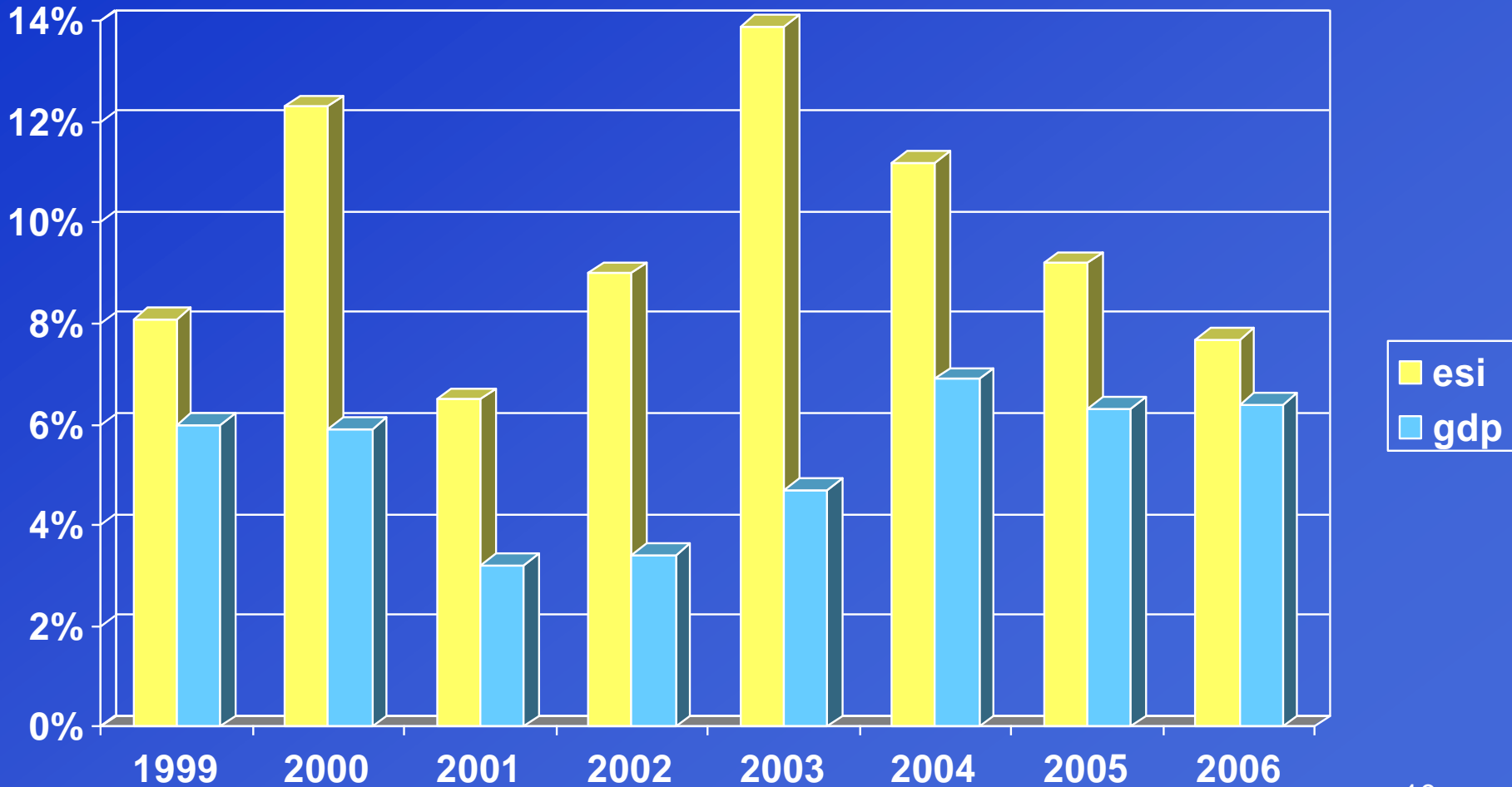
Why NOW?

- Premium / income is higher and growing
- International competition is more pervasive

Employer Contribution Rates and Hourly Cost of Health Benefits, Selected Top Trading Partners

Country (rank in total trade with the US, 2005)	Employer Contribution Rate	Hourly Pay, Manufacturing U.S. dollars	Hourly Cost of Health Benefits, Manufacturing US dollars
United States	11.3%		
	13.0% for Manufacturing	\$18.32	\$2.38
Canada (1)	4.5%*	\$19.21	\$0.86
Japan (4)	3.74%	\$18.06	\$0.68
Germany (5)	6.65%**	\$25.53	\$1.70
United Kingdom (6)	1.92%***	\$20.91	\$0.40
France (9)	12.8%****	\$16.93	\$2.17
Weighted avg.	4.9%	\$19.79	\$0.96

Premium Payments v. GDP Growth Rate



Why NOW?

- Premium / income is higher and growing
- International competition is more threatening
- More awareness of LINKAGES among problems
 - costs and frequency of spotty quality
 - “Hidden tax” cost-shift to insured and taxpayers
 - consequences (moral and economic) of being uninsured
- Status quo trajectory seems more unsustainable to more people
 - Delivery system stress (incentives, UNINS up 2 per. points)
 - Economic and fiscal pressures intensify provider stress

Why States?

- Tired of waiting for Washington
- State leaders closer to the people
- Community spirit still lives (in some places)
- State budgets felt flush in 2004-6

Which States?

- DID SOMETHING?

- Massachusetts*
- Vermont
- Illinois (kids)

- TRIED/TRYING

- California*
- Illinois*
- Colorado*
- Pennsylvania
- New Jersey
- Oregon
- Washington
- Kansas
- Wisconsin
- Minnesota

Preludes

- Massachusetts
 - BCBS Association, Medicaid waiver expiration, ambition
- California
 - Vetoed bills + ambition + system stress
- Illinois, Colorado
 - Blue Ribbon Commissions created in bi-partisan atmosphere, origin in legislatures

Coalition Building-Massachusetts

- BCBSA + HCFA + Romney/DeMasi/Kennedy
- Unions were reluctant, providers were worried, insurers felt squeezed, free riders were target of Romney
- Employers were paying now, mostly
- Left some hard decisions and authority with appointed “Connector” board
- Will have some mid-course correcting to do
 - Underestimated number of uninsured, esp. low income
 - Penalty for not signing up is too low
 - Cost growth harder to affect without Medicare as catalytic partner

Coalition Building-California

- Governor consulted widely, had insurers and employers (large and small) right away
 - Won hospitals fairly early
 - Lost physicians immediately, had to drop their tax
- Unions held legislators, individual mandate hostage for LONG time
- Republicans in legislature stalled effectively
- Some unions/advocates came around at end game
- Meanwhile, economy weakened, time ran out
 - Budget rules, polarization problematic

Coalition Building-Illinois

- Commission produced compromise proposal
 - Hybrid, with individual mandate and employer play or pay
 - Insurance industry not happy, but most other stakeholders were willing to go along
- Governor tried to finance the whole thing with business taxes alone
- Democratic legislature said “NO”

Coalition Building-Colorado

- Departing R Governor signed D bill to create very balanced commission
 - Commission was mindful of budget rules
 - Much more emphasis on cost growth control than in other states, along with coverage
- Stakeholders nervous
- Employer leaders not bought in (yet)
 - Elected Officials worried about ballot for tax hike in election year
 - Looking for building blocks they can do first without serious money, while not losing momentum from Commission's spadework

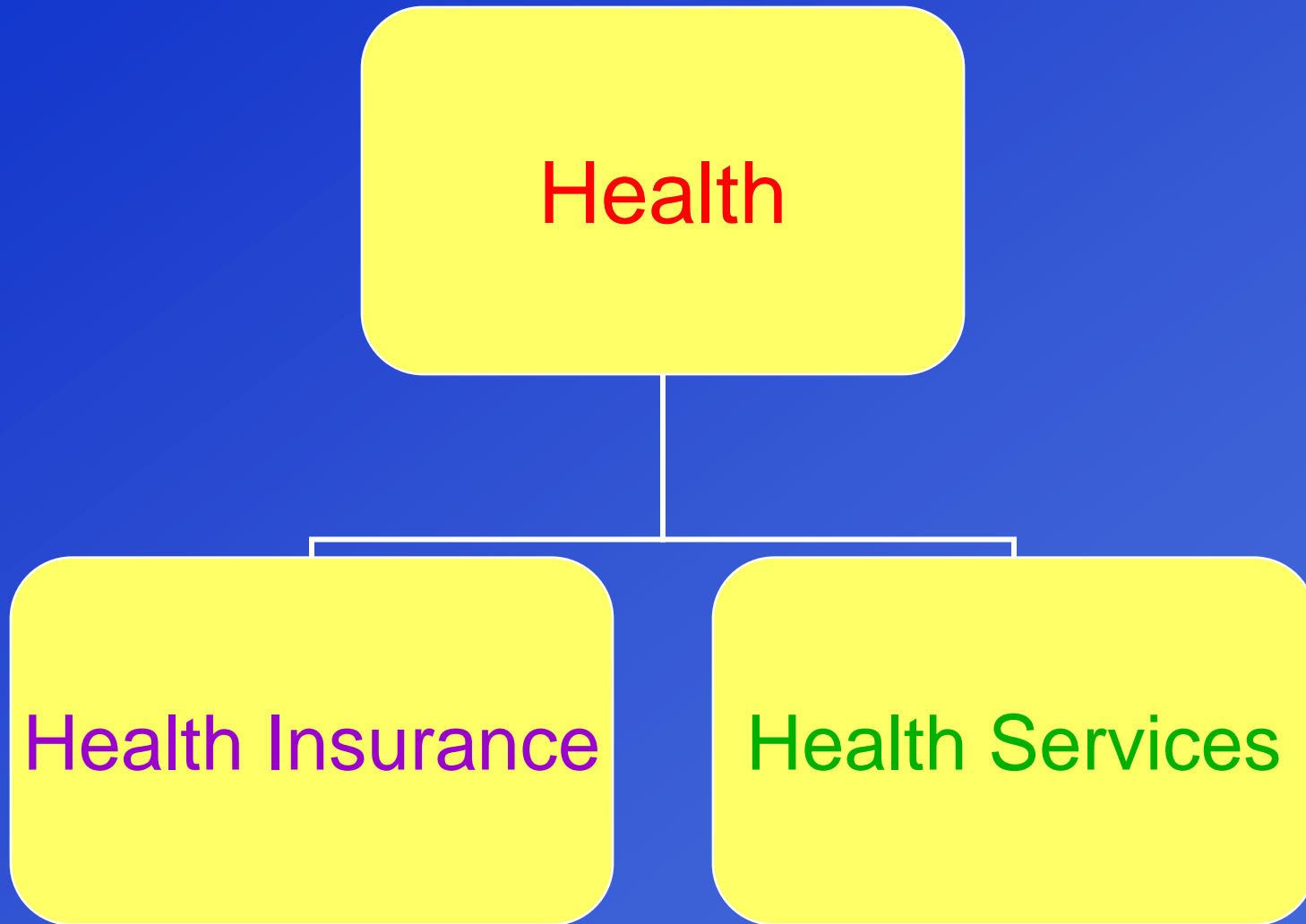
Process Lessons from Other States

- Start laying factual foundation a year before legislation will be tested
- Build political consensus that status quo trajectory is unacceptable
- Build support for bi-partisan reform elements within sub-sets of potential coalitions BEFORE legislative proposals are unveiled
- Understand limits of self-interest, community spirit as soon as possible
- Design policy to attract SOME from EACH key group

And what do you DO with a coalition once you have to make policy choices?



Two Markets for One Goal



Competing Visions of Reform

- Markets are Perfect
 - Deregulation is one answer
 - Consumer/patient incentives are the other
- Markets are Hopeless (and Cruel)
 - Government is the only effective answer
- Real Life (practical idealism)
 - Markets are powerful, but flawed
 - Smart regulation *and* re-aligned incentives can make them work better
 - People need information tools to improve choices
 - Health care costs too much
 - More people need more subsidies than most think

Smart Regulations

- Are you *kidding* me?
- Health insurance is not like ice cream
- Depends on goal:
- Health of population?
 - Want insurers to help *keep* and *make ALL* healthy
 - Want insurance market to work for all
- Absolute economic liberty and health of some?
 - Want insurers to continue to profit from selecting risk
 - Value freedom of insurers over health of unlucky

Tools for better choices

- Comparative quality information
 - About tests and procedures
 - About providers, networks, and insurance customer service
- Comparative price information
 - About episode of care, not specific services
- Standard benefit package
 - So shopping (apples to apples) is easier
- Cost-sharing adjusted for health benefit, income
- Incentives to choose health homes, care coordinators/guides, healthy lifestyles

Share of Family Income Required for Family Coverage, by Income Class

Single Mother with two Children

Average Premium= \$12,106 per year	Annual Income	Percent of Income Spent on Premium
At FPL	\$17,170	70.5%
2 times FPL	\$34,340	35.2%
3 times FPL	\$51,510	23.5%
4 times FPL	\$68,680	17.6%

Two wage-earners with two Children

Average Premium= \$12,106 per year	Annual Income	Percent of Income spent on Premium
At FPL	\$20,650	58.6%
2 times FPL	\$41,300	29.3%
3 times FPL	\$61,950	19.5%
4 times FPL	\$82,600	14.7%

Conclusion

- Cost of Doing Nothing is High and Rising
- Stewardship is required for Justice
- Utah can do this
- You will need to remind each other, gently, and often, to keep your eyes on the prize