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Debate over state health reform heats up

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Last week in a nod to governors who chafe at national health reform, President Barack Obama endorsed a bipartisan proposal that would allow states to opt out of some of the new law's requirements three years sooner than originally envisioned.

"If you can come up with a better system for your state to provide coverage of the same quality and affordability as the Affordable Care Act, you can take that route instead," Obama told governors at their annual visit to the White House.

But whether states can, or should, point the way to health reform is a matter for debate.

Advocates of a state-by-state approach, including Republican Utah Gov. Gary Herbert, say imposing a one-size-fits-all fix ignores local variations in health care markets, demographics and politics.

He and others are agitating to turn the joint federal-state Medicaid program into a system of block grants, money that states could spend as they see fit. "Real health care reform will rise from the states, the laboratories of democracy," Herbert said at a congressional hearing last week.

But supporters of a national approach contend cash-strapped states are in no position to fast-track innovations. Without some federal coordination, controlling costs will prove difficult.

And homegrown alternatives are few in number.

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Out of reach • To get out from under national reform, states must insure virtually all their citizens. The coverage must be affordable and as comprehensive as the federally-mandated basic plan. They can't spend more than the feds and they have to get it done by 2017 — or by 2014 if legislation to move up the date clears Congress.

"The reality is Utah's health reform has, of yet, done nothing to reduce the number of uninsured in the state. Until Utah is willing to



Straight on view of the Utah State Capitol building

invest in that side of the equation, the waiver will remain out of reach,” said Lincoln Nehring, senior health policy analyst at Voices for Utah Children.

So far, the only state to significantly reduce its uninsured rate is Massachusetts, which like Utah, rests its reforms on a health exchange.

They are the first states to experiment with an idea first floated by the conservative Heritage Foundation: state-controlled insurance marketplaces that work by pooling the purchasing power of individuals and small businesses, allowing them to enjoy the same economies of scale and lower-priced premiums as large companies. Massachusetts’ success is due, in large part, to the state’s embracing the individual mandate, the requirement that people purchase coverage or face a penalty, and its subsidization of coverage — the very aspects of federal health reform that Utah is fighting.

The Bay State also is able to keep premiums in check through stiffer insurance regulations than Utah has been willing to undertake.

Loathe to impose mandates on private insurers, Gov. Herbert rejects the idea of dictating how to design the required bare minimum policy. He also wants freedom to change the way health providers are paid under Medicaid and balks at expanding the program.

“Utah has the youngest population in the country. Many of our uninsured are so-called ‘young immortals,’ who have deemed traditional health insurance coverage to be either unnecessary or too expensive,” he told Congress last week, touting Utah’s Health Exchange as a market-driven model that can blunt the budget-busting effects of health reform.

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Wiggle room • Judi Hilman, Executive Director of the Utah Health Policy Projects, agrees states would benefit from a little wiggle room with Medicaid.

She supports Utah’s exchange, which gives workers information for comparing plans and allows them to pool their health dollars, including contributions from their employers. This is a boon for people with multiple part-time jobs because the coverage is portable and purchased with pretax dollars.

But in opposing the individual mandate, Utah won’t have a “leg to stand on,” she said, until “it bends over backward to make coverage affordable and creates a culture of personal responsibility (makes it cool for the young people to get coverage).”

Critics of the Massachusetts Connector, like former House Speaker David Clark, R-Santa Clara, note it costs \$32 million to operate, whereas Utah’s was built on a shoe-string budget of just over \$600,000.

But, plagued by high premiums, Utah’s exchange has been slow to catch on. As of March 1, 68 of the state’s 67,000 small businesses were enrolled spanning 811 employees and their dependents for a total of 2,181 customers. By comparison, the five-year-old Connector boasts 220,000 customers.

Looked at on a per customer basis the Connector actually runs leaner, costing \$145 per person to Utah’s \$275.

Of course, that’s excluding hundreds of millions of dollars that Massachusetts spends subsidizing coverage for 160,000 of the 220,000 Bay State residents enrolled its Connector.

But come 2014, subsidies will be paid by the federal government and more than 70 percent of Utah households will qualify, assuming they purchase coverage on the exchange.

Meanwhile, both states continue to improve on their plans.

“Our cost per capita will start to drop as we grow,” said Patti Conner, director of Utah’s Office of Consumer Health Services.

Massachusetts is redoubling its efforts to attract small businesses. More than 4,800 consumers are enrolled in its new Business Express product created in February.

“I can’t and won’t prescribe hard and fast rules for what will work in other states,” said Glen Shor, who heads up the Connector. “But I can tell you how we did it and how we’ve succeeded.”

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State-based health reforms

Vermont • The governor and lawmakers are considering adopting a single-payer system that is even more comprehensive than national reform.

California • A similar plan has come up twice but failed to win over the state’s former Governor Arnold Schwarzenegger.

Utah and Massachusetts • The first states to open online exchanges for buying health insurance have spent years tweaking their health systems. National health reform takes its cues from Massachusetts whereas the Utah model has yet to expand coverage or make it more affordable.

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