A Brief History of Utah's Health Reform Efforts: 2006 to the present

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Prologue

State health reform efforts began in earnest following publication of the 2006 United Way of Salt Lake report, "Living on the Edge: Utahns' Perspectives on Bankruptcy and Financial Security."[1] The report found five issues that greatly contributed to financial instability. Health insurance was one of them. This was not the first time Utah politicians were made aware of this issue, but it shed new light on an escalating problem and motivated them to look deeper for a solution. Just one year earlier, then Governor Huntsman organized a conference featuring both ends of the political spectrum: Robert Moffett of the Heritage Foundation and Dr. Joseph Jarvis, an outspoken proponent of single payer health care in Utah. At the conference, Gov. Huntsman announced his intent to undertake bold health system reforms, starting with covering all children within five years.

In April 2007 the UW brought together 130 of the most influential business and civic leaders in Utah to explore how to achieve affordable health care coverage. The "United Way Financial Stability Council" (UWFSC) formed a powerful consensus to reform health care around the mechanism of an Exchange, based on the Massachusetts model. Continuing the work of the UWFSC, Gov. Huntsman and then House Speaker David Clark began working on a "conservative, market-driven framework for reform that will enhance individual responsibility and consumer choice while improving overall quality and access."[2] Thus began Utah's multi-year journey into health system reform.

An effective framework for health reform must incorporate the three pillars of cost, quality, and access through a research driven process designed to prevent future cost shifting and inefficiencies. Legislators vowed to get it right, and hoped to see positive outcomes for all stakeholders, including the state's insurers. Fast forward to 2008 when much of UWFSC's vision for reform made its way into the first piece of reform legislation, HB 133—elements such as a requirement to cover everyone, affordability standards, benefit standards, and risk pooling—but these critical elements were dropped as the bill made its way through the legislative process, and HB 133 was passed without them. The result was that, in contrast to federal reform, which brings everyone into the coverage system early in the process, state reform is designed to

Businesses Drop Coverage as Costs Rise, Leaving Families Uninsured

Allisan and her husband were doing everything right. They were both working and had health insurance through her employer. They felt ready to start their family. However, 7 months into her pregnancy, the cost of providing employees with health coverage was just too much for her small business employer. Suddenly Allisan and her husband found themselves uninsured.

Since their company no longer offered benefits, they weren't eligible for COBRA; because pregnancy is considered a pre-existing condition, they couldn't buy an individual plan. Left with no other options, they accrued over $10,000 in medical debt from the birth of their baby girl.

"Luckily the hospital and pediatrician gave us breaks on the amount we owed, but I hate relying on charity when we work hard and are willing to pay our premiums," says Allisan. "Something has to change! Health care costs way too much, and insurance companies shouldn't be allowed to discriminate against pregnant women or anyone else with a so-called pre-existing condition."

[1] United Way of Utah. *Living on the Edge: Utahns' Perspectives on Bankruptcy and Financial Security.* 2006, available at http://www.uw.org/images/stories/Reports/UWBKReport.pdf.

[2] Summerhays, Lane (Chair of the United Way Financial Stability Council). *Strengthening our Economic Future.* January 10, 2008

contain costs as a first step, and then to use the savings at some future point to cover the uninsured. Both share the same goal, but Utah would take longer to get there. The overarching goal of Utah's reform is to provide quality, comprehensive, and affordable health care coverage for every Utahn.[3] Utah's multi-year reform process continues today with Rep. Jim Dunnigan's legislation for year 4: HB 128 "Health Reform Amendments."[4] This report gives a brief history of the main steps taken to reform Utah's health system and provides analysis of its interface with the federal Affordable Care Act.

THE PROBLEM

Since the beginning of Utah's reform process, insurance coverage rates have remained essentially unchanged. According to state data sources, 10.8 % of Utahns (302,400 individuals) were uninsured in 2009, up from 10.7% in 2008 and 10.6% in 2007 (see fig. 1).[5] Utah still has a long way to go in terms of increasing access to health care to all Utahns.

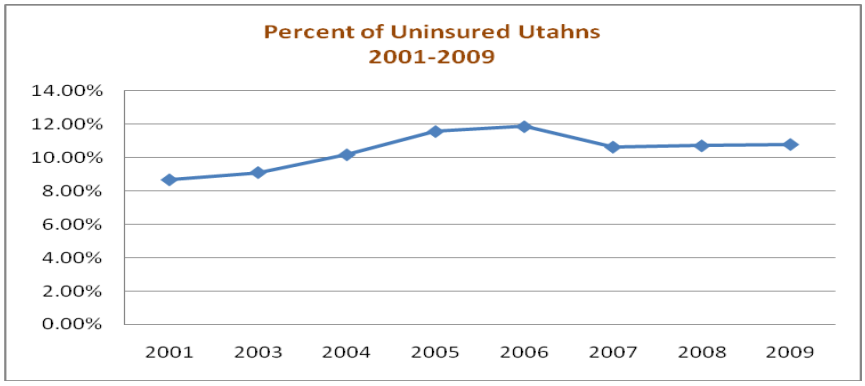


Fig. 1: Percent of Uninsured Utahns 2001-2008
Source: http://ibis.health.utah.gov/query/result/uhas/UHASMainCrude/HlthInsur.html

HEALTH SYSTEM REFORM TASKFORCE

The first major health reform bill Utah legislators tackled was HB 133 during the 2008 General Session.[6] HB133 established Utah's Health System Reform Task Force, comprised of 11 members from the Senate and the House, as well as five working groups organized around major health system stakeholders: employers, insurers, physicians, hospitals, and the community. The Task Force was asked to develop a strategic plan for reform. Since its inception, the Task Force has redesigned its working groups twice. In 2009 the Task Force consolidated its working groups into 3: Affordability and Access; Transparency, Quality, and Infrastructure; and Oversight and Implementation. In 2010 there were just 2 working groups: Implementation Oversight and Cost Containment.[7] Each of these working groups has included a cross section of stakeholders.

[3] Utah Health Policy Project. *HB 133: Put Utah on the Path to Health System Reform.* February 12, 2008. Available at http://www.healthpolicyproject.org/Publications_files/USHARE/HB133factsheet2-12-08.pdf.
[4] Utah H.B. 128 Health Reform Amendments—Dunnigan, J. General Session 2011. Available at http://le.utah.gov/~2011/htmdoc/hbillhtm/hb0128.htm
[5] Utah Department of Health News Release. *Utah's Uninsured Rate Holds Steady in 2009.* March 17, 2010. Available at http://health.utah.gov/pio/nr/2010/031710-Uninsured-NR.pdf.
[6] Utah H.B. 133 Health System Reform. 2008 General Session. Available at http://www.exchange.utah.gov/images/stories/PDFs/hb0133.pdf.
[7] Committee Overview Health System Reform Task Force. Available at http://le.utah.gov/asp/interim/Commit.asp?Year=2010&Com=TSKHSR.

Utah Health Exchange Milestones

Date	Event	Summary
2008	HB 133 Health System Reform	Created the Health System Reform Task Force and the Utah Health Exchange
2009	HB 188 Health System Reform-Insurance Market	Created virtual store front for the Exchange, and introduced defined contribution health insurance.
2009	Limited Launch Pilot Program	99 started, 19 dropped out due to application issues and 11 remained.
2010	HB 294 Amendments	Fixed problems presented during pilot
2010	Addition of Large Employees to Pilot	Announced that the pilot program would be extended to several large companies in order to lower costs.
2011	Large Employee Pilot ended (HB128) and UHE "Re-Launch"	HB 128 directs the Exchange to focus on small businesses. UHE sees steady but slow growth.

Fig. 2: Utah Health Exchange Milestones

THE UTAH HEALTH EXCHANGE

In addition to creating the Task Force, HB 133 created the Utah Health Exchange (fig 2), a web-based portal where employers and consumers can shop for insurance."[8] With passage of HB 188 in 2009, the Exchange was expanded to include a virtual storefront and a defined contribution system, which enables an employer to provide employees with a set dollar amount to purchase insurance.[9] Employees can then choose their plan and have the option to choose a more expensive plan by increasing their personal monetary contribution.

Later in 2009 the Exchange was ready for a "limited launch." Ninety-nine employers met the criteria established for small businesses out of the original 136 who began the enrollment process. The next step required employees to fill out a uniform health application or a waiver of coverage form, but many felt the application was "very difficult and hard to complete" and 19 employers dropped out at this point.[10] After the application process, employers had to select a default plan for employees who failed to pick a plan. Two problems arose: first, employees had a hard time shopping without seeing prices, and second, most employees picked the default plan. Of the 80 businesses that stayed with the Exchange after the application process, only 11 remained a year later. To address these issues, Speaker Clark introduced HB 294 during the 2010 Session.[11] HB 294 has been called the "fixer-upper" bill for the exchange. The bill did three things. First it aimed to ensure plans purchased inside the Exchange are not more expensive than outside the Exchange by introducing a risk adjuster outside the Exchange. The risk adjuster ensures the risk is spread among the entire small group market and not just the groups within the Exchange. Second, the bill simplified the application process by limiting the scope of health questions asked. Finally, the bill opened the Exchange for a large group pilot project, on the assumption this would drive down costs within the Exchange.[12] A pilot program that brings large employers into the Exchange is currently underway, but HB 128, the key reform legislation of the 2011 Session, puts a stop to it. HB 128 directs the Exchange to focus on small businesses and not the large companies who already have health care available to their employees.

STATE HEALTH REFORM IN THE SHADOW OF FEDERAL REFORM

The Affordable Care Act passed by Congress in March 2010 gives states the option to establish new SHOP (Small Business Health Option Program) and individual market exchanges for their citizens by January 1,

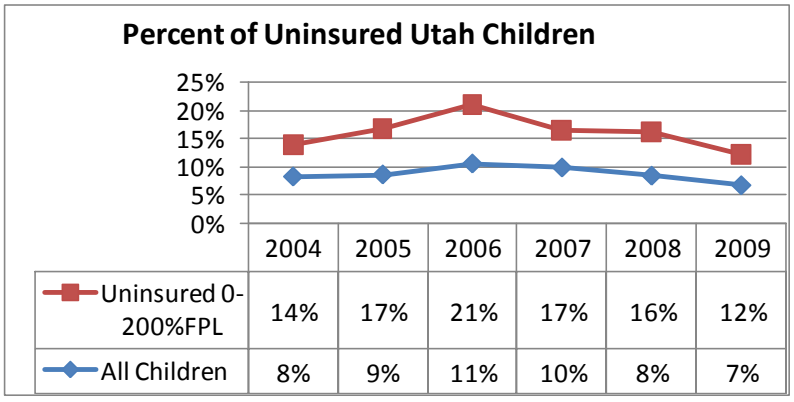
[8] Utah Health Policy Project Issue Brief. November 17, 2009. Available at http://www.healthpolicyproject.org/Publications_files/USHARE/StrengtheningTheExchangeFinal.pdf.
[9] Utah H.B. 188. *Health System Reform-Insurance*. 2009 General Session. Available at http://le.utah.gov/~2009/bills/hbillenr/hb0188.htm.
[10] Utah Health Policy Project Issue Brief. November 17, 2009. Available at http://www.healthpolicyproject.org/Publications_files/USHARE/StrengtheningTheExchangeFinal.pdf.
[11] Utah H.B. 294. *Health System Reform Amendments.* 2010 General Session. Available at http://www.exchange.utah.gov/images/stories/hb0294.pdf
[12] Utah Health Policy Project Issue Brief. *Reality Check on State Health Reform: Good News & Bad News on Bill 294* February 5, 2010. Available at http://www.healthpolicyproject.org/Publications_files/USHARE/HB294Analysis2-5-10.pdf

2014. States that do not elect to operate exchanges will be required to join a regional or federally-run exchange. Utah and Massachusetts are ahead of the game in one respect— they are the only two states with an exchange in place. Massachusetts' Connector was established in conjunction with a rule that everyone in the state carry insurance. This resulted in a 98% coverage rate in Massachusetts.[13] Utah's reform does not include a mandate, and the Utah Health Exchange is designed to serve only small businesses, excluding the individual market—at least for now.

While Utah may be years ahead of most of the country at least in terms of operational aspects of exchanges, it probably has further to go than most states on most of the key levers of reform (affordability standards, risk pooling, and benefit standards). Utah legislators need to take a closer look at the current Exchange and its results to date. They should then ask hard questions about whether the broader goals of reform can be achieved without an individual mandate to carry insurance and mechanisms for affordability. Legislators might then revisit their decision to pass HB 67, giving the state an "opt-out" option with regards to the ACA if the state feels like it does not benefit their citizens.

Conclusion

Thanks to Utah's innovative approach to health reform, Utah may be farther along the path of reform than most states. However, the state still has long way to go in meeting both the federal reform standards and the state's own expectations around cost containment. State leaders need to think about issues that have eluded their reform process to this point, starting with affordability mechanisms and measures to actually cover the uninsured. Utah can do it; in fact, the state has done it before. Early in the state reform process, lawmakers made the wise decision to keep CHIP open for children. As a result, the state has seen a 33% decline in uninsured kids since 2006 (see figure 3).[14]



	2004	2005	2006	2007	2008	2009
Uninsured 0-200%FPL	14%	17%	21%	17%	16%	12%
All Children	8%	9%	11%	10%	8%	7%

Fig. 3: Source, Utah Department of Health, 2004-2009.

Moving forward, and in response to the Medicaid eligibility expansions coming on line in 2014 as part of the ACA, state leaders hope to rein in Medicaid spending growth through ambitious payment and delivery system reform. Here is an area where Utah can shine and bring ideas to the nation's health care financing challenges.

Utah has come a long way and has a chance at a bright future as long as the ultimate goal of providing provide quality, comprehensive, and affordable health care coverage for every Utahn comes back into focus.

This report was prepared by Bobbi Lord, Master of Public Administration candidate at the University of Utah.

[13] http://www.mass.gov/Eeohhs2/docs/dhcfp/r/pubs/10/mhis_report_12-2010.pdf
[14] http://www.healthpolicyproject.org/Publications_files/Medicaid/CHIPfunding2-14-11.pdf