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## Health coverage reform follows state-by-state path

By Julie Appleby

Dianna Cramer of Fairmount, Ill., is happy and relieved that her two boys, ages 14 and 9, will soon have health insurance, thanks to a new program that makes it available to all uninsured children in Illinois, no matter their family income.

"One skateboard accident can wipe you out financially," says Cramer.

Under the Covering All Kids Health Insurance Act approved by the state legislature last year, parents pay for the coverage based on their income, with a sliding scale of \$40 a month to more than \$100 a month per child.

It's just one example of a state taking the initiative from the federal government in expanding health care coverage. As Washington continues to debate relatively minor changes to the health system, a growing number of states are thinking big:

- Massachusetts lawmakers on Tuesday approved a law that would require everyone in the state to carry health insurance by 2007 or risk losing tax

credits or facing fines. Employers would have to offer coverage or pay a \$295 per worker annual assessment.

- Maryland has a law requiring some large employers to pay for coverage — and more than two dozen others are considering similar rules.

- Kansas, Maine and Minnesota and others are creating ways to help small businesses buy insurance.

- Oregon, New Mexico, California and Arizona are debating proposals to create universal health coverage for all residents.

States are acting because the federal government is not, policy experts say. State lawmakers also are more likely to hear from local hospitals affected by rising numbers of uninsured patients and from business owners and individuals affected by rapidly rising health insurance premiums.

"At the state level, there is a sense of immediacy of the problem, frustration that there is not a policy solution coming

out of Washington and concern about rising health care costs," says Alice Burton, who tracks state health coverage efforts for Academy Health, a non-profit research group in Washington, D.C.

The debate comes as the number of uninsured people in the USA is estimated at 46 million — many of them working adults — and more companies are cutting back on health benefits for workers and retirees. Last year, lawmakers in 19 states debated some kind of health insurance coverage expansion proposal, up from 12 in 2003, according to the National Conference of State Legislatures.

Does that mean the USA is heading for universal coverage, state by state?

Most experts say states are likely to experiment with different approaches to covering the uninsured, but a true national solution would require federal action.

"I'm excited by what is going on out there," says Jack Meyer of the Economic & Social Research Institute, a think tank

in Washington, D.C. "I don't particularly want a 50-state solution, but we can certainly learn from what states are doing."

Such state experiments appeal even to some conservative groups, which generally oppose expansion of the government's role in health care.

"Let people try what they want in their states, providing it meets certain standards," says Stuart Butler of the Heritage Foundation. "It will mean diversity. It's also a way of building consensus over time of what needs to be done, something you can't do if you go nationally initially."

Still, there is opposition to state-by-state reforms.

"To think that every state might have a different health system is almost unbelievable," says Kim Clarke Maisch, Illinois state director of the National Federation of Independent Business. "True reform needs to take place at the federal level, so it's uniform."

### **Common ground is elusive**

Polls consistently show that Americans want to reform the health care system and provide insurance to just about everyone. How to get there is what causes problems.

"The two obstacles are fundamental disagreements on how to do it and coming up with the money to pay the bill," says Drew Altman, head

of the Kaiser Family Foundation, a research group based in California. Covering all those currently uninsured would cost about \$100 billion more than is spent now, he says.

Nationally, large reforms, such as a program to cover everyone, have been promoted by various leaders since just after World War II, including presidents Harry Truman, Lyndon Johnson and Richard Nixon. All failed. President Clinton was the last to try, proposing a complex plan that would have required employers to offer insurance and individuals to buy it.

In recent years, more modest reforms have been passed, such as expanding eligibility for a federal/state insurance program to include more children.

No matter what the reform proposal, changing the health care system is difficult, even for states.

Take Massachusetts, where Republican Gov. Mitt Romney last July confidently predicted passage of a health care-for-all plan in his state. Romney wants all individuals to be required to carry health insurance, with subsidies for those who can't afford it.

But it took longer than Romney expected to get a bill approved. Debate stalled when lawmakers got hung up on the same types of issues that reform advocates have hit for decades: Who should pay? Should employers who don't

offer insurance pay a subsidy? Should the aim be to cover everyone?

After much debate, the state's House and Senate approved a compromise measure Tuesday that included the requirement that everyone carry insurance, but also a \$295 per worker annual fee on employers that do not offer coverage, with revenue used to help support the program. Romney has said he supports the compromise.

"Massachusetts is an example of how hard it is," to come up with a plan to expand health coverage, says Len Nichols, an economist and policy analyst at the New America Foundation, a think tank in Washington.

It's not easy in other states, either.

Talk to folks on various sides of the debate in Illinois, where lawmakers last year approved the All Kids plan, which starts in July. Before, many of those children were left out because their families earned too much for them to qualify for state Medicaid programs.

Under the All Kids plan, Cramer will pay \$80 a month, and the boys will be covered. She still won't have insurance for herself.

"I'm glad Illinois has come out with this program, and I'm hoping this will be good for us," says Cramer, who says she and the kids rarely get sick.

Under separate legislation approved in the state in 2004, a

task force is traveling to all legislative districts to hear what residents think should be done — if anything — to expand coverage to uninsured adults like Cramer.

Mike Everett, a local business manager for Local 34 of the International Brotherhood of Electrical Workers, in Peoria, says the state needs to provide universal coverage.

"I represent a bunch of electricians and construction workers," says Everett. "We're just literally going out of business trying to maintain our health insurance."

The cost of providing insurance to the union worker adds about \$5.15 an hour to what contractors must pay for each worker, meaning some are opting to hire less expensive, non-union competition, says Everett.

He says the states need to take action.

"People have given up on anything happening on a national basis," Everett says.

### **Business owners don't want burden**

But business owners are wary. While many struggle with the cost of providing insurance, they don't want to face additional fees or requirements from the state.

"Most of us in business only want one thing from the government: Get out of my life, and don't put another burden on me," says Bob

Bonifas, CEO of Alarm Detection Systems, which has 210 employees.

He says his Aurora, Ill.-based company spends about \$600,000 each year providing health insurance, something he says is vital to attract quality workers. Still, annual premium increases annoy him, and changing plans to get a better price often means his employees have the hassle of changing doctors.

Even with all that, Bonifas says he does not like the idea of a state or national insurance plan for all, even if it meant all he would have to do is pay a fee rather than shop for an insurance plan each year.

"They're creating socialized medicine," Bonifas says. "The best system would be one where I — and other employers — give employees a voucher for an amount of money, and they take it and shop the system themselves and buy a plan."

The efforts in Illinois represent one way states are approaching health care reform: by expanding existing government programs or creating new ones. Supporters say such an approach offers the best chance of insuring everyone.

Arizona state Rep. Phil Lopes, a Democrat, says he introduced a bill to provide health coverage to everyone in the state because he believes there is already enough money spent to cover everyone — if it was just used wisely. It is no longer

safe to assume, he says, that employers will offer insurance coverage, leaving more people vulnerable.

"People are forced to go on television or stand on a street corner and say, 'Donate to this fund because I need to have an operation.' I don't want to live in a country where people are forced to do that sort of thing," Lopes says.

### **Another way: High deductibles, tax-free savings**

Bonifas' preference for a market-based approach that relies more on individual initiative rather than government programs. Such thinking represents a second major approach to covering the uninsured.

### **Along those lines, President Bush and many business and conservative thinkers, such as John Goodman of the National Center for Policy Analysis, promote high-deductible health insurance plans that are coupled with tax-free health savings accounts (HSAs) as one option for helping the uninsured.**

Such plans have somewhat lower premiums than more traditional insurance. But the main idea behind them is that people will be more judicious in their use of medical care, because more of their own money is on the line. What they don't spend, they can save for future medical costs in the tax-free accounts. Critics such as Consumers Union and the Commonwealth Fund fear the

high-deductible plans will cause people to skip needed medical care and will place financial burdens on many families.

**But supporters say HSAs are a better approach than expanding eligibility in government programs as a way to help the poor, says Goodman.**

**"The innovation is in the private sector," says Goodman. "It's not merely that people want choice. We need creative solutions to problems, and you don't get that when you have a government monopoly."**

Some states are taking that individual approach.

- Florida last year won federal approval to change its Medicaid program for the poor from one that offered a fixed set of benefits to one that

offered recipients a set amount of money so they could buy their own health insurance.

- South Carolina officials are seeking federal approval to allow Medicaid to offer health savings accounts.

"People in Medicaid ought to have access to the same insurance as the rest of the population," says Goodman.

"If they are segregated, it will be a poor plan for poor people."

But relying on a program here or a savings account there — each with different rules about who can qualify — won't work, says former Oregon governor John Kitzhaber. He is leading an effort to pool the money spent in Oregon on health care for the poor and elderly, plus lost revenue from tax breaks for employers who provide insurance, to offer a basic health plan to all.

In his vision, the nation's commitment to health care would look a lot more like its promise to offer publicly financed education to all children: "Nobody is left out," says Kitzhaber, a physician who served as Oregon's governor from 1995-2003 and successfully challenged federal rules during his governorship to expand the state's Medicaid system to cover more people.

Kitzhaber says Oregon and other states can lead the way. But, he says, most state efforts are doomed to failure without an overhaul of the current health system, which he says provides health coverage to people based on whether they are lucky enough to have a job with benefits, old enough to qualify for Medicare or poor enough to qualify for state aid.

"We're challenging the underlying structure of the U.S. health system," Kitzhaber says.