Public Employee Post-Employment Benefits Commission

National and State Health Care Reform Trends
State Initiative Trends

- Themes reflected in legislative alternatives in California are being played out across the nation
- Efforts to expand access to insurance and access to care
- Role of employers and “shared responsibility”
- Maximize Federal Financial Participation (FFP) through Medicaid and State Children’s Health Insurance Program (SCHIP)
- Expand or establish “high risk pools”
- Expand dependent coverage
Summary of Current California Proposals

- Governor’s proposal and AB 8 build upon existing linkage to labor market, expand existing public programs, expand public purchasing pools

- Governor’s proposal and AB 8 modify the insurance marketplace through guarantee issue, underwriting reform, and requirement that health plans spend at least 85% of premiums on patient care

- SB 840: Largely replaces existing insurance plans, insurers may sell supplemental policies
California Issues

- ERISA
- “Fees” vs. Taxes and 2/3 vote requirements
- Potential Proposition 98 Issues
- Number of Uninsured in California
- Current Public Program Reimbursements
- Structure of California Labor Market
- Initiative Process
Current Congressional Proposals

- Three basic reform approaches
  - Fundamental reform of the nation’s health insurance system
  - Expansion of existing public insurance programs
  - Strengthening employer-based health insurance
Fundamental Reforms of the Health Insurance System

- Deductibility of health insurance premiums and tax on employer contributions
- Regional insurance exchanges
- Federal-state partnerships to expand access to health insurance
- Expand coverage through Medicare
Expansion of Existing Public Insurance Programs

- Medicare buy-in for 55-64 age group
- Eliminate Medicare two year waiting period for disabled
- Expansion of Medicaid and SCHIP to older children and families with higher Federal Poverty Level
- Expand Medicaid and SCHIP to parents
Strengthen Employer-Based Health Insurance

- Employer mandate for large employers
- Improve affordability for small employers
All candidates recognize health care reform as a major issue.

Approaches largely reflect long standing differences between political parties.

Republicans tend to focus on tax incentives and private insurance.

Democrats tend to focus on strengthening the employer–based system with an expanded role for public programs.
Factors Affecting Health Care Costs

- While insurance premiums seem to be “moderating” this is the result of plan design changes, shifts in cost sharing, and reduction in pharmaceutical costs due to increased use of generics.

- Major factors affecting health care trends are continuing (demographics, utilization, technology, and provider consolidation).
Factors Behind Health Care Cost Trends

- Demographics: Aging population, “lifestyles,” cost shifting from public programs/uninsured to private insurance
- Utilization: New treatments, more intensive diagnostics, consumer demands
- Technology: Newer prescription drugs, new imaging technologies, digital backbone
- Provider Consolidation and enhanced market position for providers
Will Better Care Mean Cheaper Care?

- Will emphasizing “preventive care,” evidence based medicine, elimination of medical mistakes provide sufficient savings to cover the uninsured and reduce overall spending?

- Existing evidence is mixed at best

- “Too much money is wasted on care that doesn’t improve health”

- But who will say when and how to say NO?
“Fundamentally, if you are going to control health care costs, it involves denying people care they want – or things they’ve been trained to think they want … There is no easy answer.”

Jonathan Gruber
New York Times
August 8, 2007