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## Public Employee Post-Employment Benefits Commission

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# National and State Health Care Reform Trends

# State Initiative Trends

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- 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

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- 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

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- 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

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- 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

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- 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

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- 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

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- Employer mandate for large employers
- Improve affordability for small employers

# Presidential Candidate Proposals

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- 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

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- 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

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- 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?

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- 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?

## Will Better Care Mean Cheaper Care?

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“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