



Firstline Midwest

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Midwestern states launch efforts to reform their health care systems

by *Kathryn Schneider* (kschneider@csg.org)

On the long list of pressing challenges faced by lawmakers, ensuring quality, affordable health care for their states' residents is at or near the top.

In addition to calls from constituents to reform their health care systems, state policymakers are grappling with the increasing share of state dollars being spent on health care.

For example, in their proposed budgets for fiscal year 2009, U.S. governors recommended, on average, a 4.4 percent increase in state spending on Medicaid. This increase is four times the rate of general-fund growth, according to the National Association of State Budget Officers (NASBO).

The June report from NASBO also found a "significant increase in states seeing fiscal difficulties" as the result of a weakening economy. Still, almost half of the states' proposed FY 2009 budgets included proposals to expand health coverage.

Covering more residents, many policymakers say, is critical to improving access to quality, preventive care, which in turn helps contain costs and leads to better health outcomes. In 2004, the Kaiser Family Foundation says, caring for the uninsured account-


ed for \$40.7 billion in uncompensated medical costs.

And while a lack of access to health care can contribute to higher overall costs, rising costs can also limit access.

One example is the reduction or elimination of employer-based health benefits. In the first six years of this decade, every Midwestern state experienced a decline in the percentage of workers who receive health coverage through their employers, according to the Economic Policy Institute.

Covering the uninsured is only one of many reform strategies that policymakers in this region are exploring in an effort to better contain costs and improve the health of residents.

Some new state laws and programs are promoting healthier lifestyle choices and discouraging behaviors that can lead to costly medical conditions. Others are trying to better manage chronic diseases, which account for 75 percent of U.S. health care spending.

Other new policy initiatives are focusing on the potential for health information technology (HIT) to promote efficient, cost-effective care. A RAND Corp. study, for example, estimated that the widespread use of HIT could save \$77 billion a year. 

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Next month:

Making waves

New state laws seek to better manage and protect region's water resources



The Midwestern Office of The Council of State Governments supports several groups of state officials, including the Midwestern Governors Association and the Midwestern Legislative Conference, an association of all legislators in the region's 11 states. The Canadian provinces of Manitoba, Ontario and Saskatchewan are affiliate members of the MLC.



Efforts focus on prevention, health IT, expanding access to coverage

Focus on better care

State policymakers' recent efforts to reduce health care costs have often focused on reducing rates of chronic disease. The goal of many new initiatives is to promote wellness and/or discourage the unhealthy behaviors (such as smoking, poor nutrition and lack of exercise) that can lead to chronic conditions.

In 2007, **MICHIGAN** lawmakers approved SB 1, which provides incentives for Medicaid beneficiaries to make positive health choices. In exchange for healthy behaviors such as completing health screenings, attending doctors' appointments, quitting smoking and exercising, medical assistance beneficiaries will be eligible for rewards such as expanded benefits, lower co-payments or reduced premiums.

The bill also provides performance incentives for HMOs to help Medicaid patients meet chronic-disease compliance goals.

This year in **MINNESOTA**, legislators approved major health-reform legislation, which proponents estimate will reduce health care costs in the state by 12 percent by 2015.

The bill, SF 3780, includes a provision to pay medical providers who agree to serve as state-certified medical homes for Medicaid enrollees. By promoting medical homes, the state believes patients — especially those with chronic or complex conditions — will receive better-coordinated

care, thus improving health outcomes and reducing hospitalization rates. The bill provides \$6 million over three years for the incentive payments.

Beginning in 2010, physicians will also be permitted to offer “baskets of care” for several chronic diseases. Under these arrangements, doctors will be paid one price for managing all necessary care for a specific condition, such as asthma or heart disease.

Minnesota will also provide grants to local programs designed to reduce rates of obesity, tobacco use and unhealthy behaviors.

Policymakers in **IOWA** also passed legislation this year to overhaul the state's health care system. HF 2539 includes the Healthy Communities Initiative grant program, which will provide \$900,000 to support local programs that encourage healthy lifestyles.

In fiscal year 2007, two **ILLINOIS** programs produced \$34 million in savings by better managing care for health-program enrollees. Illinois Health Connect and Your Healthcare Plus work to improve rates of preventive care and promote chronic-disease management. The state used the savings to launch All Kids, its universal health program for children.

More access to coverage

In order to encourage healthy living, improve the use of preventive services and decrease the cost of uncompensated care, several states in the Midwest

have worked in recent years to increase access to health insurance.

Iowa's HF 2539 eliminates barriers for patients with pre-existing conditions who wish to move from a group plan to the individual market. The legislation prohibits insurance companies from using pre-existing conditions as a factor in underwriting.

HF 2539 also allows young people to remain on their parents' insurance plans until they finish school or until they turn 25, whichever comes last.

In an effort to reach its goal of covering all children by 2011, Iowa raised the eligibility limit for HAWK-I, its publicly funded health program for children, to 300 percent of the federal poverty level.

Minnesota's health reforms in 2008 included expanding eligibility for Minnesota Care, one of its publicly funded health programs. The measure is expected to expand coverage to about 8,000 uninsured residents.

Last year, **INDIANA** policymakers approved legislation to create the Healthy Indiana Plan, aimed at helping more low-income Hoosiers obtain health insurance. Using revenue from a 44-cents-per-pack increase in the state cigarette tax, **HB 1678** created a program that combines state-subsidized health insurance with individual health savings accounts.

Each participant is provided with \$500 in free preventive care, and can pay for additional health-related expenses with a health savings account. Enrollees pay

into the program on a sliding scale, with contributions capped at 5 percent of their income.

As part of the 2007-2009 state budget, **WISCONSIN** lawmakers approved a new program aimed at expanding affordable coverage to every child in the state. BadgerCare Plus streamlines the state's three health programs and partially subsidizes premiums for families under 300 percent of the federal poverty level. Families earning more than that amount can purchase insurance through the state program.

Help for businesses

Several states have also worked to make health insurance more affordable and available for small businesses and their employees.

One common strategy is to promote the use of Section 125, or "cafeteria" plans, which allow employees to withhold pre-tax funds for health expenses. The plans are attractive to businesses because they can reduce payroll taxes.

Under Minnesota's SF 3780, businesses that have 11 or more employees and do not offer health insurance benefits must establish Section 125 plans. The bill provides an opt-out provision.

A separate measure passed this year provides grants and tax credits to help Minnesota businesses with the start-up costs of Section 125 plans.

Through HF 2539, Iowa's insurance commissioner has been directed to help small businesses, those with 25

or fewer employees, create Section 125 plans.

In 2007, **KANSAS** legislators approved SB 11, which establishes the Small Employer Cafeteria Plan Development Program. Through the initiative, the state Department of Commerce provides businesses with 50 or fewer employees with grants to help with the start-up costs of implementing Section 125 plans.

Technology as a tool

Expanding the use of health information technology, or HIT, is regarded by many policymakers as an essential part of efforts to make health care more efficient and cost-effective.

By early next year, medical providers and payers in Minnesota will be required to conduct certain transactions electronically. Hospitals, physicians and insurance companies will use a new uniform billing process to conduct claims and eligibility transactions in electronic form instead of on paper. This new state requirement is based on a provision in Minnesota's 2007 omnibus health and human services appropriation bill.

In addition, the legislation requires all Minnesota hospitals and other health care providers to have an interoperable electronic health-records system in place by 2015. The bill directs the state to create a plan for reaching the goal and provides \$14 million to help small rural health care providers comply.

HF 3780 of 2008 requires all provid-

ers in Minnesota to use electronic prescribing by 2011.

Earlier this year, the Kansas Health Policy Authority formed a 14-member advisory panel to explore ways to encourage a greater use of HIT, including the possibility of a future "statewide community health record."

In the meantime, the state is currently partnering with a private company and several providers in the Medicaid program to create a "community health record" in Sedgwick County. Under the pilot program, a health-records system provides physicians with electronic access to patients' medical information.

Iowa's HF 2539 directs the state Department of Health to form an advisory committee to explore ways to increase the use of HIT in the state's health care system.

Several bills have been passed in Michigan in recent years to promote HIT. In 2006, HB 5336 created the Health Information Technology Commission and provided funds to support regional health information exchanges. That year, legislators also approved HB 6039, which established a separate HIT development fund.

In addition, SB 1 of 2007 directs the Michigan Department of Community Health to further the use of electronic health records. ★

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Annual Medicaid growth rates in Midwest

State	FY 07 (actual)		FY 08 (estimated)	
	State funds	Federal funds	State funds	Federal funds
Illinois	6.3%	9.1%	12.3%	10.8%
Indiana	6.7%	1.9%	4.7%	6.4%
Iowa	-1.1%	-4.5%	9.8%	7.2%
Kansas	8.5%	2.9%	6.1%	6.2%
Michigan	6.7%	5.7%	5.3%	12.2%
Minnesota	3.0%	6.8%	10.0%	10.1%
Nebraska	1.2%	4.0%	9.7%*	4.3%*
North Dakota	1.6%	-3.5%	15.5%	9.2%
Ohio	4.0%	-2.0%	7.8%	5.5%
South Dakota	4.0%	-2.8%	15.9%	10.1%
Wisconsin	4.8%	2.2%	1.0%	3.4%

*Represents actual FY 08 appropriations

Source: National Association of State Budget Officers' Fiscal Survey of the States, 2008

Source Guide

For more information on state health care reform and cost containment, please visit the following Web sites:

- AcademyHealth
www.academyhealth.org/issues/coverage.htm
- Alliance for Health Reform
www.allhealth.org
- Kaiser Family Foundation
www.kff.org/statepolicy
- National Academy of State Health Policy
www.nashp.org
- National Association of State Budget Officers
www.nasbo.org
- National Association of State Medicaid Directors:
Center for Medicaid Transformation
www.nasmd.org/issues/medicaid_transformation.asp
- "Practitioners of Change: Regional Case Studies in Health Care Reform and Cost Containment"
www.csgmidwest.org
- State Coverage Initiatives
www.statecoverage.net
- The Commonwealth Fund
www.commonwealthfund.org

Recent issues of *Firstline Midwest* have examined:

- State efforts to help more students afford higher education
- Initiatives aimed at putting more Midwesterners to work
- Strategies to address state transportation funding needs

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