

State Coverage Expansion a Casualty of Recession

BY DENISE NAPOLI

WASHINGTON — Massive budget shortfalls in 40 states, coupled with greater demand for Medicaid coverage, made it tough for states to expand health care coverage for their residents last year, according to the annual survey of state health care and insurance legislation done by the Blue Cross and Blue Shield Association.

However, the Recovery Act (formally known as the American Recovery and Reinvestment Act of 2009)—promises to make things easier in 2009, according to Susan Laudicina, director of state policy and research at the Blue Cross and Blue Shield Association. “The money in the [recovery] act is certainly going to help states avoid deep cuts to the Medicaid program. Is it adequate? Probably more money is needed.”

Nevertheless, according to Ms. Laudicina, states see better times ahead. “What’s happening right now is governors are actually redoing their budgets.

“States are immediately factoring in [the stimulus money].

In many cases, it is closing the budget gap, and in some cases, they are avoiding cuts. “Is it going to close all gaps? No.”

According to the annual State of the States report, the economic crisis meant that most expansion efforts fell short in 2008, even in high-profile states with governor backing, like California, New Mexico, and Pennsylvania.

“There has not been a consensus [to mandate universal coverage] since Massachusetts, now going on 3 years ago,” said Ms. Laudicina. Still, some states, including Connecticut, Hawaii, Minnesota, Oregon, and Washington, are now developing universal care strategies that they will try to pass into law in 2009.

“Now that Obama is pledging to reform some things this year, and put \$634 billion in his budget for use in future reforms, does that mean the states are going to hold off [on these plans]?” said Ms. Laudicina in an interview.

“Frankly, since we don’t know when a national health care re-

form bill will be enacted, we don’t know the tools that will be used. ... I expect that states such as Oregon ... and Minnesota and Connecticut that are interested in creating commissions are going to go ahead with their plans.

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They’re going to plan all they can. They’re going to assume that they’re going to be big players in whatever national bill comes down the pike.”

The State of the States report also showed that expansion of coverage for children was not spared from states’ fiscal problems last year, according to the report.

However, some states, including Colorado, Florida, Kansas, and Minnesota, did modestly expand their Children’s Health Insurance Programs (CHIP).

In New Jersey, the Health Care Reform Act (S. 1537) mandated coverage for all children under

age 18 years, though without any minimum benefit requirements. “Parents can comply with the mandate program by purchasing a licensed private product or by enrolling in Medicaid or CHIP,” according to the report. However, the funding source for such an expansion has yet to be determined, as does the enforcement mechanism.

The survey also reported on health care transparency efforts. In the 20 states that introduced such bills in 2008, nine laws were enacted, Ms. Laudicina said. Some of these, like H.B. 1393 in Colorado, require hospitals to display charges for common inpatient procedures on a publicly accessible Web site.

Others, like Louisiana’s Right to Know Act (S. 287), require that the state’s department of health and hospitals display not only cost information, but also data on quality measures among medical facilities, individual physicians, and health plans.

Regarding health information technology measures, Ms. Laudicina said that over the past 3 years, 33 states have enacted legislation promoting the adoption of electronic medical records, and bills are pending in 12 more. And the financial incentives for electronic medical records adoption in the stimulus package should mean that even more physicians and facilities implement them voluntarily.

Other proposals considered by states in 2008 included mandated coverage of adult dependent children until age 25, 26, or even 30 years, said Alissa Fox, senior vice president of the Office of Policy and Representation at the Blue Cross and Blue Shield Association. This possibility will remain on states’ agendas in 2009.

The report is based on a survey of the 39 independent Blue Cross and Blue Shield companies across the nation. ■

For details on how individual states will implement stimulus funds, Ms. Laudicina recommended the National Governor’s Association Web site, at www.nga.org/arra.

Recession Has Curbed Growth of Health Costs Somewhat

BY ALICIA AULT

WASHINGTON — Even as the economic downturn causes private health spending to slow, public sector health spending is rising, according to a federal analysis.

An estimated 3.4 million people may lose private health insurance coverage in 2009 and another 2.6 million may lose coverage in 2010, said Sean Keehan, an actuary at the Centers for Medicare and Medicaid Services’ Office of the Actuary.

Total U.S. health care spending was an estimated \$2.4 trillion in 2008—an increase of 6.1% over 2007, according to the annual projection of health spending trends published online in the journal Health Affairs. This year, spending is expected to grow by only 5.5%.

That rate of growth is expected to far outpace the nation’s gross domestic product in 2009. Economists for the CMS said they predict the GDP to shrink by 0.2% this year. Meanwhile, the health care share of GDP is expected to grow

1.4%—the biggest annual jump as a portion of GDP since economists first started tracking this indicator in 1960, said Christopher Truffer, a CMS actuary. Health spending will account for 17.6% of the GDP in 2009, according to the report (Health Affairs 2009 Feb. 24 [doi:10.1377/hlthaff.28.2.w346]).

Absent any policy changes, health care is on track to gobble up one-fifth of the nation’s dollar by 2018, Mr. Truffer and his colleagues said.

The economists projected that overall health spending will rise by only 4.6% in 2010, thanks largely to the mandated 21% reduction in physician payments required under the Sustainable Growth Rate target set by Medicare.

However, since Congress usually eliminates the cuts or grants a fee increase every year, the CMS economists calculated some alternative scenarios. If payments were kept constant, Medicare spending would rise 6.4%, or 3.9% faster than if the cuts went into effect. Overall national health spending would rise 5.4%, or 0.8% more.

Medicaid spending will grow 9.6% in 2009, up from 6.9% in 2008. Private health insurance benefits spending grew an estimated 5.8% in 2008, but will rise only 4.1% in 2009.

The CMS projections make it seem like cost-containment efforts are having a negligible effect on restraining overall health spending. The economists said the Medicare fee cuts would make a dif-

ference, but that they did not have the data to calculate whether other cost-containment efforts in the private sector in particular were having any effect on restraining health spending.

However, prescription drug spending has dropped as a result of insurers successfully driving an increase in the utilization of generic drugs, said John Poisal, deputy director of the Office of the Actuary. Overall, the public and private sector spent 3.5% more on drugs in 2008, compared with a 4.9% increase the previous year. Overall, the nation spent \$235 billion on prescriptions in 2008. The analysts expected a 4% rise in 2009.

Hospital spending is expected to grow only 5.7% in 2009, compared with a 7.2% increase in 2008, as cash-strapped Americans put off elective procedures and as insurers continue to clamp down, the actuaries said.

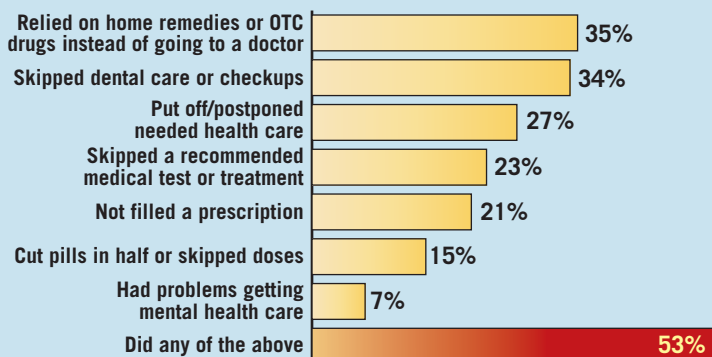
The analysts projected spending trends to 2018, but said that their assumptions would change if the recession continued beyond early 2010 or if any significant health care reform occurs.

CMS Chief Actuary Rick Foster said that he did not expect to see significant health reform proposals in the budget, however. “I don’t believe the administration is yet in the position to announce specifics or build a detailed plan,” he said. “I do expect there to be a discussion of the general idea or general thoughts” about health reform, he added. ■

DATA WATCH

More Than Half of Americans Skimp on Health Care

In the past 12 months, has a family member in your household done any of the following because of cost?



Note: Based on a survey conducted Feb. 3-12, 2009, among a nationally representative random sample of 1,204 adults.

Source: Kaiser Family Foundation