



State Health Care Reform Efforts Also Under Way

Amidst the flurry of health care reform activity at the federal level, state legislators have also elevated the issue at the state level. In mid-May, legislation was introduced into both the state House and the state Senate. The House bills (HB 4934 – 4943) were introduced by Representative Marc R. Corriveau, D–Northville, on May 11, and the Senate bills (SB 579 – 582) were introduced by Senator Tom George, R–Kalamazoo, on May 14. The stated intent of both sets of bills is to make affordable coverage available to residents who are uninsured, relieve the health care industry of the increasing burden of uncompensated care, and dramatically increase the number of people who have access to affordable coverage, and therefore, health care services.

Background

Several bills (HB 5282–5285) were introduced in the 2007 legislative session to reform the individual insurance market. The package of bills moved quickly through the House, with little debate, but encountered strong resistance in the Senate. The Senate Health Policy Committee spent months reviewing the bills and holding hearings, but by the end of the 2008 legislative session, the Senate decided not to move the bills, and instead the Senate Majority Leader requested that a bicameral, bipartisan workgroup be named to work toward a solution.

The work group studied not only the issues from the prior bills, but also reviewed and considered ways to provide a more comprehensive solution including making insurance more affordable and accessible for individuals, small businesses, and

others struggling with the high and rising cost of health care coverage.

Highlights of the House and Senate packages of bills follow. Both packages of bills have been referred to their respective Health Policy Committees, and no further action has been taken as of this writing.

The Senate Fiscal Agency analysis of the individual Senate bills can be found at <http://www.legislature.mi.gov/documents/2009-010/billanalysis/Senate/pdf/2009-SFA-0579-S.pdf>. As of this writing, the House Fiscal Agency analysis of the House bills has not been posted.

Following are key provisions of the House and Senate package of bills.

Public and Private Solutions

Both plans propose a combination of public and private solutions. The House plan calls for an expansion of MICHild, the state’s children’s health coverage program for those who are low income and not eligible for Medicaid, from its current eligibility level of 200 percent of the federal poverty level to 300 percent of the federal poverty level (\$66,200 for a family of four). The House plan calls for the development of “basic and basic enhanced” plans by insurance carriers, with subsidies provided for the basic plan to those with incomes up to 300 percent of the federal poverty level. The services included in each type of plan would be determined by the newly-created administrative board. The House proposal also includes subsidies for senior citizens with incomes up to 300 percent of the federal poverty level to assist with their costs for Medigap policies.

The Senate plan calls for a Medicaid waiver to expand coverage for adults with incomes up to 200 percent of the federal poverty level (children would already be eligible under Medicaid or MIChild at this income level). For those with incomes between 200 and 300 percent of the federal poverty level, individuals would be eligible for a sliding scale subsidy to allow them to purchase an insurance product in the private market through the newly created entity called MI-Health. The benefit would be limited and could include cost sharing (deductibles and/or copays), with specific services determined by an administrative board.

Benefits Package

Neither package of bills specifies the exact benefits that would be included in the new products to be offered, deferring instead to the newly created governance/administrative boards.

Catastrophic Fund

Both proposals include the creation of a catastrophic fund from which insurance companies would be reimbursed for an individual's claims that exceed \$25,000 in a year.

Governance Structures

The House proposal creates a new board to administer the catastrophic fund.

The Senate proposal includes the creation of two new boards—the “Cover Michigan Board” which would determine the benefits to be included in the insurance products, and the “Michigan Claims Board” which would determine the amount of assessments the private health insurers would be required to pay.

Financing

Both proposals rely on financing that does not come from the state's general fund. Funding for the House proposal to cover expanded populations would come from:

- Blue Cross Blue Shield in an amount equal to the value of their tax exempt status (House estimate—about \$100 million),
- the tax-exempt value from other nonprofits (about \$60 million).

Funding for the catastrophic fund would come from assessments based on the market share of insurance companies. The House proposal assumes that the \$160 million would be used to match federal Medicaid funds, increasing the available health care dollars to \$450 million.

The Senate proposal also assumes an assessment on Blue Cross Blue Shield up to the value of their tax exempt status (Senate estimate—about \$120 million), as well as an increase in the Medicaid hospital provider tax (about \$180 million), and up to a 1.8 percent assessment on all private paid claims, providing an estimated \$329 million per year. The combination of these funds, just over \$600 million, would be used to the degree possible to match federal Medicaid funds to provide the expanded coverage and subsidies included in the Senate proposal. The catastrophic fund would be financed from surcharges on the plans offered through MI-Health.

Insurance Reforms

Numerous reforms are proposed in the two packages of bills that are intended to provide consumer access and protections in the individual and small insurance markets. Both packages of bills limit preexisting condition exclusions to six months, as well as limiting policy cancellations for technical reasons. In addition, the catastrophic fund is intended to level the playing field among Blue Cross Blue Shield and other carriers, as other carriers will no longer be allowed to insure only “healthy” applicants.

Among other reforms in the House proposal are: a guaranteed access to coverage requirement that insurance companies must cover people with preexisting conditions (insurance companies can no longer select only healthy people to cover); a requirement that insurance companies cannot raise rates on people who become ill; an end to gender discrimination against women; a reduction in dramatic renewal increases for small businesses by ending experience rating; and a requirement that discounts for good health and adherence to healthy lifestyles be offered.

The Senate bills, while not guaranteeing issuance, do guarantee renewal, and insurers are prohibited

from raising rates at renewal for those who become ill. In addition, Blue Cross Blue Shield is allowed to charge rate differentials based on body mass index (BMI), tobacco use and adherence to health screenings and participation in covered wellness programs.

Initiatives

The House bills include a number of initiatives, among them:

- a mandate that prescriptions be electronically transmitted,
- the creation of a bulk prescription drug purchasing cooperative and drug program for the uninsured and underinsured,

- the mandated creation of a health assessment Website to promote healthy behaviors, and
- the requirement that a statewide advance health care directive registry be developed by the Secretary of State.

It is important to note that neither proposal represents universal, comprehensive coverage. To secure comprehensive, affordable, accountable, quality coverage for all Michigan residents will require much more work.

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