

## State Implementation of PPACA, the Federal Health Care Reform Law

*A summary of Washington Policy Center's 2011 Health Care Conference*

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Washington Policy Center held its 9th Annual Health Care Conference on Tuesday, June 7, in SeaTac. The four-part event featured a Legislative Update breakfast, two panel discussions, and concluded with lunch keynote speaker Congresswoman Cathy McMorris Rodgers. More than 300 attendees were provided key information regarding the implementation of the Patient Protection and Affordable Care Act (PPACA) in Washington state.

To begin the conference, Allen Schaffler of KING 5 TV moderated the Legislative Update panel. Senators Karen Keiser and Randi Becker participated along with Jonathan Seib, Health Care Policy Advisor to Governor Gregoire. They gave an overview of the health care-related bills that passed during the Legislative Session and the subsequent impacts each will have on Washington residents.

WPC Health Care Policy Analyst Dr. Roger Stark moderated the next panel, which discussed the implementation of health care reform in other states and what Washington can learn from these states. The third panel discussion was moderated by Senator Linda Evans Parlette, in which three panelists discussed health care reform specifically in Washington state. Finally, Congresswoman Cathy McMorris Rodgers talked about why she believes the national health care law is the wrong approach. She said a consumer-centered approach offers a better solution to the problem of providing people with affordable health care.

### Legislative Update Panel

- *Moderated by Allen Schaffler of KING 5 TV*
- *Senator Randi Becker, Ranking Minority Member, Senate Health and Long-Term Care Committee*
- *Senator Karen Keiser, Chair, Senate Health and Long-Term Care Committee*
- *Jonathan Seib, Health Care Policy Advisor to Governor Gregoire*

Jonathan Seib applauded the difficult decisions made during this year's Legislative Session. He highlighted two bills he sees as big accomplishments. First, SB 5445 established the framework for a health care benefit exchange in Washington state. Second, HB 1738, or the health purchasing consolidation bill, will establish a single state agency for managing Medicaid.

Senator Karen Keiser discussed additional bills that provided a positive outlook on implementation of PPACA in Washington state. She described SB 1505, which will require all parents to be informed about the importance of childhood immunization before their children start kindergarten. The senator also discussed passage of SB 5581, which will ensure that funding for nursing homes is

not cut to the point that would force many of them to shut down.

Senator Randi Becker described the bipartisan effort to pass a key mental health bill that requires facilities to tell parents they have the right to have their child admitted. She acknowledged she is not a great supporter of all of the federal health care legislation, but agrees Washington needs to have a plan in place before 2014, when the federal government would step in. Further, she supported passage of HB 1220, which regulates insurance rates and allows them to be transparent and constantly under public review.

Following these presentations, an audience member wanted assurance that core health care programs would remain intact. Senator Keiser told the audience the basic health plan, the disability lifeline and children's health program are essential to our state. Though the disability lifeline was partially cut, it will remain intact, she said.

Allen Schaffler asked each panelist what the biggest challenge would be in coming years. Senator Becker said she worries about the implementation of the health benefit exchange and the expansion of Medicaid. Senator Keiser discussed the difficulties legislators will have with implementing a new health care system given the dire budget situation. Finally, Mr. Seib said that affordability and the cost of long-term health care are the biggest challenges facing the state government.

#### **Summary Points:**

- Senators Keiser and Becker and Jonathan Seib are optimistic about what legislators were able to accomplish during this year's tough session.
- Regardless of their political views, all three panelists felt it necessary to establish the framework for a new health care system before 2014.
- While many difficult budget cuts were made, Washington's core health care programs have remained and will remain intact.

#### **Panel I: Implementation of Federal Health Care Reform in Other States**

- *Moderated by WPC Health Care Policy Analyst Dr. Roger Stark*
- *John R. Graham, Health Policy Analyst, Pacific Research Institute (California)*
- *Christie Herrera, Director, Health and Human Services Task Force, American Legislative Exchange Council*

John Graham compared the different approaches of Alaska, Oregon, Colorado, California and Rhode Island. He differentiated between states that support the Patient Protection and Affordable Care Act and those that are opposed. States like Alaska and Florida have refused to accept any federal money. Alaska's SB 70 seeks to create a competitive market through the Alaska Health Benefit Exchange.

On the other hand, Oregon and California are racing to lead the country when it comes to implementing PPACA. Both states, however, are finding many obstacles to establishing a system that would conform to federal standards by 2014. Rhode Island originally implemented free-market health care reforms, but now wants to put in place a health benefit exchange. Many view Rhode Island as an important pathfinder as Congress seeks to impose this federal movement at the state level.

Christie Herrera shared her thoughts on what PPACA and Medicaid would mean for the states. These reforms will require states to increase their Medicaid enrollment by 130 percent. Estimates project Washington state alone

will see a 22 percent jump in Medicaid recipients. Further, Ms. Herrera discussed the problems with federal spending on health care. For example, federal money is not “free,” she said. Everyone pays federal, state and local taxes. Additionally, Medicaid still does not cover everyone. One in four Americans who are eligible for Medicaid have not yet enrolled.

Ms. Herrera provided examples of emerging reforms around the nation. Connecticut and Washington, D.C. have each saved \$53 million through an early Medicaid expansion program. Florida’s Medicaid Pilot Program opened competition among providers, which resulted in lower costs for consumers and a lighter burden on the state’s budget. She then offered an alternative to the proposed federal health care reform: ALEC’s *Freedom of Choice in Health Care Act*. Under this proposal, individuals would have the right to pay directly for medical care, and the government would be unable to require citizens to purchase health insurance. Thus far, ten states have enacted this reform statutorily. Two states enacted it via constitutional amendment. Three states will have it on the 2012 ballot.

After their presentations, both Ms. Herrera and Mr. Graham were asked about the possibility that the Affordable Care Act will be repealed. Herrera mentioned that the federal rules have not yet been written, so it seems unlikely states will be in total conformity by 2014. She continued, “The affordable care act is repealing itself.” If states do not comply, this law will not get implemented. Mr. Graham initiated the idea that some states may form a cartel to opt out of the Medicaid program. If so, these states will not only wield legal weight, but also political weight, against implementing PPACA.

#### **Summary Points:**

- Mr. Graham reiterated that many states are against the Patient Protection and Affordable Care Act, and even those in favor are having a difficult time passing implementing legislation.
- Ms. Herrera focused on the increased costs of Medicaid under the new system and the higher levels of rationing leading to worse medical care
- Examples of alternatives were presented citing cases in Connecticut; Washington, D.C.; and Florida.
- Finally, both panelists acknowledged the lack of defined rules at the federal level, which may lead to states not complying and the PPACA ultimately not being implemented.

#### **Panel 2: Implementation of Federal Health Care Reform in Washington State**

- *Moderated by Senator Linda Evans Parlette*
- *Jim Grazko, Vice President, Premera Blue Cross*
- *Dean Martz, MD, President of the Washington State Medical Association*
- *Doug Porter, Director, Washington State Health Care Authority*

Jim Grazko’s presentation “Healthcare Reform and Exchange Impacts,” focused on the relationship between risk management and health insurance exchanges. The federal health care law calls for federal assistance in the initial implementation, but that states must be self-sufficient by 2015. Though the intentions of the reform call for matching consumers with “Qualified Health Plans,” in reality, many unanswered questions remain. He discussed the potential impacts to the individual market. In conclusion, Mr. Grazko said reform will increase access to coverage, but changes in benefit plans and new taxes and fees will drive costs higher.

Dr. Dean Martz provided a view on health care reform from the perspective of a caregiver. He discussed the increasing development of health care

teams and the reduction in solo practitioners from 35 percent in 1997 to 10 percent now. Martz noted the need for an increase in physician supply. By 2013, he said, 520,000 previously uninsured people will gain coverage. Washington medical schools do not train enough physicians to keep up with population growth and to replace retiring physicians. Martz emphasized the problem facing the health care industry in predicting these particular demand and supply changes.

Doug Porter's presentation was titled "Health Innovation in Washington: A comprehensive blueprint for modernizing Medicaid, improving quality of care and more effectively containing costs." He said half of all expenditures on health care are driven by five percent of the people covered by the program. Porter mentioned several areas of possible improvement for the Health Care Administration in Washington, including directing Medicaid dollars to prevention and wellness services and a pay-for-volume approach, as opposed to only paying for patient outcomes.

He said Washington will request \$25 million in federal subsidies over the next few years. In addition to the funding, Washington is also asking for management flexibility and technical assistance. Finally, Porter stressed the importance of stakeholder involvement in health innovation for Washington, seeking the input of advocates, providers, local government, and the general public.

In follow-up, Doug Porter was asked how to correct the supply and demand disconnect between new Medicaid patients and the supply of new physicians. Porter noted early estimates were that 20 percent of existing clinics might have to close under the proposed rate reductions and the elimination of dollars from the Health Care Authority grant program. He further lamented, "I don't know how that gets rebuilt by the expansions of 2014, and my fear is that it won't."

#### **Summary Points:**

- Jim Grazko discussed the extent to which health care reform will impact health insurance companies in Washington state, emphasizing that new taxes and fees under PPACA will drive costs higher than ever.
- Dr. Dean Martz focused on the changing dynamics in expanding coverage—both on recipients and on physicians—identifying the need to adapt to these changes as essential to the health care industry.
- Doug Porter spoke of the importance of flexibility in allowing Washington to implement health care reforms in a way that will not eliminate a large percentage of existing clinics.

#### **Lunch Keynote Address by Congresswoman Cathy McMorris Rodgers: Implementation of Federal Health Care Reform**

Dr. Roger Stark opened the lunch event by giving a brief update of the activities of WPC's Center for Health Care over the past year. He concluded by focusing on the issues the Center followed this past Legislative Session. Dr. Stark then welcomed Premera Blue Cross CEO Gubby Barlow who introduced Congresswoman McMorris Rodgers, noting, "She understands the complexity of the challenges that are before us."

Rep. McMorris Rodgers began by saying expanding access to high-quality and affordable health care is not only critical to patients but also to the long-term competitiveness of our country and economy. In 1980, health care costs were similar to those of other nations. Today, health care spending makes up 17 percent of total spending, significantly more than any other nation. Though the

congresswoman acknowledged the status quo to be unacceptable, she said PPACA imposes the wrong kind of reform.

Rep. McMorris Rogers noted that PPACA would increase premiums on working families by as much as 13 percent. Additionally, taxes on small businesses would increase by over \$500 billion. She then questioned whether increasing federal spending to this extent was appropriate given the \$14 trillion U.S. national debt. In all of 2010 and continuing into 2011, not a single national poll found the majority of Americans in favor of the PPACA law.

She used five news items in a one-week span last month to show how much Americans oppose PPACA:

- May 13: Obama Administration reported that 1,300 employers were granted waivers from the health care law.
- May 15, *The New York Times*: “Nursing homes seek exemption from health law.”
- May 18, Pricewaterhouse Coopers survey of 1,700 employers: 84 percent of employers plan to make major changes in health care benefits; over 50 percent said they would drop their health care coverage and dump their employees into state health care exchanges.
- May 19, MarketWatch: Employers can expect to see an acceleration in health care costs, rising 8.5 percent in the following year.
- May 20: Medicare payment reductions in PPACA could cause up to 40 percent of providers to become unprofitable.

Congresswoman McMorris Rodgers spoke of the efforts being made at the federal level. While the House of Representatives passed a bill to repeal PPACA, the Senate has yet to act on it. She said House Republicans spearheaded an effort to repeal the part of PPACA requiring businesses to send a form to the IRS for every payment of \$600 or more made to vendors. This repeal effort was successful, as it was signed by the president April 14th.

Rep. McMorris Rodgers described *The Seattle Times* op-ed she wrote with WPC Director for Government Reform Jason Mercier, which urges Congress to provide states with the maximum flexibility to make decisions about running their Medicaid programs. When asked what Governor Gregoire wished of the federal government regarding health care reform implementation, she quoted the governor as saying, “I need flexibility.” Along these lines, Congress introduced the State Flexibility Act that would change Medicaid from a one-size-fits-all program to a flexible program with state control and responsibility. Regarding Medicaid, Rep. McMorris Rodgers said, “The government closest to the people is the one that governs best.”

In her conclusion, the congresswoman affirmed her belief that the PPACA law needs to be repealed and replaced with patient choice, price competition and other consumer-based reforms. She said the government should allow consumers to buy health insurance across state lines, something that is currently illegal. She also said healthier lifestyles need to be promoted, and high-quality care must be preserved while taking steps to reduce costs. She noted, “Last year’s [PPACA] law put providers into a straightjacket of regulations.” She ended by affirming her view that while there is an appropriate role for government in regulating health care on behalf of consumers, there is no role for the total government takeover of health care.

The conference was taped by TVW and video links are available on WPC’s website.

*Joel Graves is a Research Assistant with Washington Policy Center as part of WPC’s Doug and Janet True Internship Program. WPC is a non-partisan, independent policy research organization in Washington state. Nothing here should be construed as an attempt to aid or hinder the passage of any legislation before any legislative body. For more information, visit [washingtonpolicy.org](http://washingtonpolicy.org).*