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What Washington, D.C. Could Learn from Washington State on Health Care Reform



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In a far away corner of the land, a long time ago, a health care battle took place. The place was Washington state, the year was 1993, and the debate centered on a controversial measure modeled on HillaryCare called the *Washington Health Services Act*.

Now, from ground zero of HillaryCare, a new movement of consumer-based health care solutions in Washington state has emerged led by a coalition of state lawmakers, the non-partisan Washington Policy Center, and ALEC.

President Bill Clinton recognized early in his first term that his national health care plan needed a state incubator. First Lady Hillary Clinton went on to say “features of the Washington plan will be features of any plan that comes out of Congress.” Washington Governor Mike Lowry reciprocated by emphasizing he was “pleased that President Clinton’s reform proposals so closely resemble Washington state’s new law.”

With pressure from the White House, the legislative process was top-down as bill revisions came across fax machines from Washington, D.C. By the time the final vote was taken, few state lawmakers had actually read the entire bill. The *Washington Health Services Act* passed on a near party-line vote by a liberal legislature and was signed by the governor in May 1993.

As their policy compass—HillaryCare—lie in ruins in the other Washington, those responsible for the state legislation were left to nervously watch

the implementation of new taxes, bureaucracy, premium caps, insurance regulations, mandatory health insurance coverage, and government-sponsored purchasing cooperatives.

While provisions of the *Washington Health Services Act* would be phased in over a six-year period, negative effects appeared in the first year. By 1995, many of the state’s private health insurers had pulled out of the market. From 1994 to 1997, the state’s six largest private health insurers lost more than \$116 million in the individual market. Those insurers that stayed had to raise premiums—by 40 percent in some instances. Rising costs prompted many consumers to drop their coverage, thus increasing the state’s uninsured rate. By 1999, the individual market had fallen apart—with individuals and families in 30 of Washington’s 39 counties not having any private health insurance options.

Washington state also became a magnet for patients from around the country who had serious and expensive medical conditions because they knew they could get immediate health insurance coverage. Many people took advantage of the new system in other ways. For example, some women would enroll in a health insurance plan after becoming pregnant and drop their coverage following the births of their babies. People would also change from a low-cost health insurance plan with a high deductible to a high-coverage health insurance plan with a low deductible, receive major medical procedures or treatments, and then

change back or drop their coverage.

The *Washington Health Services Act* led to rising health care costs and fewer options for consumers. These outcomes were generated by the legislation’s centralized financing and delivery of health care, including the rationing of health care, limiting consumer choices for doctors, and consumers paying for coverage they did not need or necessarily want.

The health care issue was on the minds of Washington state voters in the 1994 general election. The state House of Representatives went from 65 Democrats and 33 Republicans to 61 Republicans and 37 Democrats. The Democratic majority in the state senate was downsized to just one seat. Post-election analysis revealed that as voters learned more about the radical health care changes made by their citizens’ legislature, the greater their opposition grew.

While many provisions of the *Washington Health Services Act* were repealed in 1995, remaining issues caused private health insurers to leave the state. The state went from having 19 private health insurers in 1993, to only having three remaining today. The aftermath continues to hurt families, individuals and small businesses.

The story of Washington state should serve as a cautionary tale for those making decisions on health care reform in Washington, D.C., but the message has not yet been received. To understand where our country is going, all we have to know is where Washington state has been the last 17 years.

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On March 9, Speaker of the House Nancy Pelosi said, "...we have to pass the bill so that you can find out what is in it" when describing the new federal health care bill to the National Association of Counties. The paradigm has now shifted from whether the legislation will pass, to what it will mean for families, individuals, small businesses, and states. The more we learn, the more reason there is for concern.

The federal health care bill is expensive and complex. It is hard to know its exact costs and understand the new, expansive authority it provides to the Internal Revenue Service and Health and Human Services Department. With the analysis we have undertaken, our greatest concerns with the legislation are that it will:

- Increase taxes by \$500 billion, which will hit the middle class especially hard;
- Take us toward a government-controlled health care system, instead of a patient-controlled system;
- Cause health insurance premiums to rise due to mandates on private plans;
- Cut Medicare by \$500 billion, which could limit seniors' access to health care;
- Dramatically increase the number of people on Medicaid, when the program is already struggling financially;
- Result in more costs, time and mandates for small businesses; and
- Cost nearly \$1 trillion at a time when federal spending and the national debt are out of control.

We support the efforts of those, including Washington State Attorney General Rob McKenna, who believe the federal health care bill unconstitutional imposes new requirements on states and its citizens. The unprecedented federal mandate that requires all Washingtonians to purchase a certain type of health insurance appears to violate the Commerce Clause and 10th Amend-

ment of the U.S. Constitution. However, this question will likely be answered by the U.S. Supreme Court.

So, what can be done moving forward? First and foremost, the federal health care bill must be repealed. Unlike Washington state, the country should not wait two years to pursue repeal. By then, too much damage could be done.

Second, a top-down approach should not be used for health care reform. While Washington state's actions in 1993 were a prime example of how not to implement health care reform, this is not to say that states should refrain from taking the lead. On the contrary—states can, and should, play a leading role. However, it must be done right.

For example, new consumer-based health care solutions have come forward in Washington state. This movement is based on the principle of fixing what is broken, while protecting what is working well. It is focused on breaking down government-created barriers, protecting individual freedoms and limiting government growth.

This new movement of health care reform has specific goals and outcomes, which include lowering health care costs; providing more choices for health insurance; increasing access to health care; and strengthening the safety net for our most vulnerable citizens.

These principles, goals and outcomes are backed by solutions based upon the work of the ALEC Health and Human Services Task Force. The following solutions were part of a 10-point plan the Washington Policy Center recommended and House Republicans in Washington state put forward in the 2010 legislative session:

House Bill 1871 Allows Washingtonians to choose from a wide variety of health care plans available in other states.

House Bill 1868 Provides more benefit plan options that meet the needs and budgets of small employers.

House Bill 1866 Allows health care plans specifically designed to meet the needs and budgets of young adults.

House Bill 2875 Provides Health Savings Accounts (HSAs) for state employees.

House Bill 1383 Passed in 2006, this measure would require the Public Employees Benefit Board to move forward on an HSA option and report to the legislature if an HSA option will still not be available by January 2011. The governor has refused to implement this legislation.

House Bill 1867 Repeals certificate of need laws to allow more options and choices.

House Bill 1865 Allows the option of purchasing a health care plan that does not include the "every category" provider mandate.

House Bill 1872 Repeals the two percent insurance premium tax on HSAs, and provides all employers and self-employed individuals a tax credit for providing health insurance.

House Bill 2807 Transforms the state's Basic Health Plan into a premium-subsidy program for legal residents ages 35 to 64.

House Bill 2814 Brings comprehensive medical malpractice reform to keep doctors in the state and prevent lawsuit abuse.

House Bill 2669 Protects the rights of Washingtonians to make their own health care choices by prohibiting laws and rules that interfere with an individual's right to make his or her health care choices.

If these measures were allowed to move forward, Washington and other states would directly address many of their health care problems and be less reliant on whatever does or does not happen in Congress and Washington, D.C. ■