

## **Analysis of SB 5945: Creating a Washington Health Partnership Plan**

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### **Background**

In March 2008, the legislature passed SB 6333, a bill to establish a citizens' work group to review five health care reform plans for the state. The Mathematica Policy Research Company was commissioned to conduct a study of the proposed plans. Mathematica reported its findings to the Senate Health and Long-term Care committee on January 9th, 2009.<sup>1</sup>

One of the plans was called the Washington Health Partnership which, if adopted, would mandate enrollment of every state resident who is not already covered by another government program (Medicare, Medicaid, S-CHIP). It would triple the size of the state Medicaid program and provide "free" health care to almost 20% of enrollees.

The benefits offered through the Health Partnership plan would be modeled on the Public Employee Benefit Plan. Financing would come from a seven-to-eight percent increase in payroll taxes, a boost in federal matching funds, and co-payments collected from individuals. The initial total cost of the program is estimated at \$24.1 billion.

The other major reform plans proposed by SB 6333 were a single payer proposal, a "connector" or insurance exchange plan, and a mandatory taxpayer-funded catastrophic insurance plan. Mathematica provided a cost/benefit analysis of all five plans proposed for consideration in SB 6333.

### **Overview of SB 5945**

SB 5945 would create a Washington Health Partnership plan intended to provide comprehensive coverage to all residents of the state. However, the plan proposed in this bill is not the same as the one outlined in SB 6333 from 2008. The current bill calls for a further study group to select "a health care reform proposal to be considered for legislative action."

Hence, the "health partnership" proposed in SB 5945 is not a detailed plan. It is simply a

<sup>1</sup> "Analytic Support for Washington Citizens' Work Group on Health Care: Evaluation of Health Care Reform Proposals," Draft Report, by Deborah Chollet et al., Mathematica Policy Research, Inc., January 9, 2009, at <http://www.leg.wa.gov/documents/senate/scs/hea/MathematicaPolicyResearch.pdf>.

proposal to create a working group composed of “representatives from the department of social and health sciences, the health care authority, the office of financial management, and the committees of the house of representatives and the senate responsible for health care matters.” No mention is made of including patients or health care providers in the working group.

SB 5945 would marginally expand Medicaid and S-CHIP and does allow for maximizing federal reimbursements.

## **The Stated Reasons for Passing SB 5945**

The bill starts by listing 15 reasons health care coverage needs to be reformed in Washington State. Of these 15 reasons, at least six are either inaccurate or misleading. The fundamental problem with health care in our state, as in the rest of the country, is cost—not, as the bill claims, access, quality, or bankruptcies, and certainly not because other countries have socialized, universal health care.

## **What SB 5945 Would Do**

If passed, SB 5945 would establish the Washington Health Partnership which would initiate a comprehensive reform proposal designed to achieve the following goals:

- Include every Washington resident in a comprehensive health insurance plan by 2012
- Use the private health sector
- Maintain and improve the provider choice and quality
- Use cost containment strategies
- Provide affordable coverage
- Include innovative reform measures (such as cost sharing, managed care, etc.)

In addition to these broad goals, the specific provisions of the bill would:

- Permanently expand the state S-CHIP program
- Consolidate state purchasing pools
- Maximize federal funding for immunizations for low-income children
- Add low income adults (presumably without children) to Medicaid
- Eliminate the Basic Health Plan and consolidate all low-income plans
- Consider federal Medicaid waivers
- Consider expanding Apple Health to adults
- Review SB 6333 and “other proposals” to identify “one proposal best suited to meet the needs of Washingtonians”
- Refer the selected proposal to the appropriate House and Senate committees
- Work with the state’s Congressional delegation to obtain maximum “federal flexibility”
- If necessary under the new proposal, obtain a federal waiver to allow S-CHIP children to participate in employer-sponsored coverage
- Obtain a federal waiver for family planning

## Policy Analysis

The basic purpose of SB 5945 is to establish a study group that would develop a health care reform plan to be presented to a future legislature. The bill also includes provisions to marginally increase Medicaid and S-CHIP and to attempt to maximize federal dollars for state health care programs.

Washington has already spent millions of taxpayers' dollars on previous health care studies. There have been at least 17 such studies in the last four years alone. Given our current budget crisis, paying for yet another study would be of questionable value.

The fundamental problem with the health care system in Washington, as well as the rest of the country, is rising cost. This rise in costs is driven by the fact that demand for health care far exceeds the supply.

Demand is high and will remain high as long as a third party, either employers or the government, is paying for our health care. Over 87% of all health care in the United States is paid for by a third party—employers, states, or the federal government. It is a clear economic principle that if someone else pays for a service or a product, the recipient of that service will feel minimal restraint about utilizing it. In fact, the recipient of the service will demand ever increasing amounts, since for the recipient the service is free—someone else is bearing the cost.

SB 5945 does nothing to address this third party payer issue. Actually, the bill would compound the problem by inserting more government intrusion into our health care delivery system. The bill establishes a Health Partnership group to increase government control over health care funding and benefit packages, and ultimately determine how much and what kind of health care Washington residents would receive.

The natural consequence of government-controlled health care is rationing. Every country that has universal, government controlled health care has rationing in one form or another. This is done either through long waits, denied services, or a combination of these two. Both cost-control devices, waiting lists and denial of service, contribute to human suffering and reduce the quality of health care for patients.

The reality is that no government, national or state, can afford to provide high-quality health care for all of its residents. Just like any other economic activity, it is infinitely more equitable and more efficient for patients to decide, rather than government officials, how much and what kind of health care patients receive. Patients, not state government, know their own health situations and their own best interests. The government should be there to provide basic safety-net services to those who have no other options, while allowing a free and open market so that patients, as consumers, can access quality health care and with their providers make their own medical decisions.

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