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POLICY NOTE

Summary of Washington Policy Center's 13th Annual Health Care Event

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On Tuesday, November 3, 2015, Washington Policy Center held its 13th Annual Health Care event. Leaders in business, government and the general public gathered to hear an informing panel discussion on the latest health care policy developments in Washington state, followed by a keynote address by national expert Michael Tanner, Senior Fellow and Director of Health and Welfare Studies with the CATO Institute in Washington, D.C.

The panel discussion was moderated by Jerry Cornfield, the Capitol bureau reporter for *The (Everett) Herald* and featured Dr. Bob Crittenden, Senior Health Policy Advisor to Governor Jay Inslee; State Representative Eileen Cody (D), Chair of the House Health Care Committee; and State Senator Randi Becker (R), Chair of the Senate Health Care Committee.

This Policy Note provides an overview of the main topics discussed by the speakers and briefly summarizes their views on a range of current health-related issues. The panel discussion covered implementation of the Affordable Care Act, Certificate of Need laws, regulating vaping and state Medicaid expansion. Keynote speaker Michael Tanner discussed the state of our national debt and the critical role that entitlement reform, particularly in the federal Medicaid and Medicare programs, must play in order to address the debt.

Jerry Cornfield asked the panelists to explain what they see as the major issues coming in the 2016 legislative cycle. All the panelists were in general agreement in anticipating a lighter load this year compared to last year's agenda, which saw multiple special sessions and a midnight-budget deal that barely prevented a partial government shutdown. Dr. Crittenden advised the audience to expect a mental health and substance abuse bill to be introduced in 2016. Further, he said he felt that one item that needed to be addressed soon was regulation on "vaping," a tobacco-free alternative to smoking.

Senator Becker noted that she and Representative Cody had worked closely together to ensure they were hearing bills in an efficient manner in their respective committees. They considered most of the bills submitted during the 2015 legislative session, but said there were a few dozen more that would need to be heard in 2016. Representative Cody expressed concern over vertical and horizontal integration in Washington's health care system, and said she enjoyed working in a bi-partisan fashion with her senate counterpart (Sen. Becker) due to their shared goal of “bringing down the cost of health care.”

Dr. Crittenden’s mention of “vaping” as a public health concern led the panel to change direction, prompting discussion on how best to regulate the budding vaping industry. All three panelists had different stances on whether or not it was a behavior that the state should tax. Dr. Crittenden felt that at the least, any proposed tax would not be enacted during 2016 since it will be a short session.

Representative Cody felt that there absolutely should be a tax, citing how effective raising tobacco taxes have been in preventing smoking, specifically by minors. Senator Becker on the other hand promised to keep an open mind, but felt that taxing might not be the entire answer. When posed with the question of whether or not the regulation represented a state or local issue, the panelists agreed that though some regulation variability would exist and could create some problems, both local municipalities and the state government would need to play a role in developing new regulations.

The last question Cornfield asked the panelists was about evaluating the Affordable Care Act’s success in Washington state. Dr. Crittenden focused on the administrative savings. He noted that 150,000 people were going through the state exchange per year right now, and that 60 percent of those people were renewed automatically, drastically reducing administrative costs associated with paperwork renewal, freeing staff time and saving money. Senator Becker, on the other hand, expressed concern about the cost of running the state exchange currently, and felt that premium aggregation should be moved back to insurance carriers, so that carriers collect the premiums, not the state exchange. Her reasoning was that often the state exchange will not transfer the premium to the carrier, serving as an inefficient middle man who then induces insurers to drop people whose premiums have not yet reached the carrier. Representative Cody stressed that she believes the state exchange had been a big success, but wanted to pursue a “1332” waiver that would allow small employers to contribute to premiums as well as the state and employee, thus the state, individual and employer would all play a part in paying premiums.

Once the floor was opened up to audience questions, there were two main issues that the panelists debated: the role of brokers in the state exchange and the Certificate of Need law in Washington state.

One broker in attendance expressed frustration that insurance brokers who specialized in connecting people to affordable insurance had essentially been forced out of the process by the implementation of the Affordable Care Act. Dr. Crittenden responded that while the exchange is independent, he felt that over the last year the state had done a much better job at bringing in the broker’s association to play a role and continue to “make a good living” in the process as well.

Senator Becker concurred with the frustrated broker, saying she and her legislative office had heard the same complaints. She said she would like to work with the broker’s association to reduce the costs of coverage bought through the state exchange.

The discussion of the state Certificate of Need law represented the biggest divergence on policy between the two committee chairs. Representative Cody said she is a big supporter of the law, and said that it is not the Certificate of Need law that prevents new medical facilities from opening, but rather the market of whether or not there are enough people to fill up the beds. Senator Becker disagreed, saying there is a need for a pilot program that removes the regulatory barriers of the Certificate of Need and allows for free enterprise. She felt that the Certificate of Need law slows down the process of building new medical facilities, used to build barriers and block out certain groups and cost businesses more money.

At the formal lunch following the panel discussion, Dr. Roger Stark, Washington Policy Center's Health Care Policy Analyst talked about the scope of the Health Care Center. Dr. Stark noted that while Washington Policy Center is a state-based think tank, a lot of health care policy in our state is affected by federal government policies. Dr. Stark has done a tremendous amount of research on the Affordable Care Act and the impact it is having on Washington state. Dr. Stark has testified before three different Congressional committees in Washington, D.C. and recently published an in-depth study called "Health care reform: Lowering costs by putting patients in charge."

Dr. Stark then introduced the event's keynote speaker, Michael Tanner. Tanner is a Senior Fellow at the CATO Institute in Washington, D.C. He has authored numerous books and has been called "one of the authors of the private accounts movement" by *Time* Magazine. He was named "one of the nation's five most influential experts on social security" by *Congressional Quarterly*, and recently released a new book, "Going for Broke: Deficits, Debt, and the Entitlement Crisis."

Tanner opened his presentation by debunking the claim that our yearly deficit problem has "mostly been solved." While the deficit has decreased from $1.4 trillion a year to roughly $450 billion over the last five years, he stressed that this will likely be a short-lived phenomenon. Fiscal projections show the deficit returning to about $1 trillion a year within the next 10 years. Tanner stressed that this irresponsible fiscal behavior by Congress becomes a serious problem when it re-occurs year after year, saying the level of our future public debt is "unfathomable."

Tanner then broke down the combined federal debt into three different categories, the first two being debt to the public and intergovernmental debt and the two figures combined make up the debt of just under $19 trillion that we hear so much about in the media.

Public debt consists of U.S. securities held by state and local governments, private corporations, individuals and foreign governments. Sixty percent of this debt is held by the American public, while 40 percent is held by foreign countries. China and Japan hold the largest portions, at about 9 percent each. Tanner emphasized that government debt can hurt the economy because the government competes with the private sector for borrowed funds, thus limiting the private sector's ability to take on debt of its own. The United States has about $13.13 trillion in public debt.

Intergovernmental debt, on the other hand, is money the government owes to itself, allowing elected officials to set their own interest rate. The United States currently holds about $5.03 trillion in intergovernmental debt in the Social Security

Trust Fund, the Medicare Trust Fund, the Highway Trust Fund and numerous other public trust funds.

The third type of debt Tanner talked about is "implicit debt," which is made up of all of the United States' unfunded liabilities. Implicit debt stems from the obligations guaranteed under current law for government programs such as Medicare and Social Security in excess of anticipated revenue. The amount of implicit debt the federal government is facing is $69 trillion, according to Tanner. When factoring for implicit debt, the United States is second only to Greece in terms of debt, leaving us worse off than Italy, Ireland, Portugal and Spain.

These staggering statistics leave the United States in a precarious state. Tanner said that in order to be serious about reducing our debt, politicians must be willing to limit the rise in public spending that is causing long-term borrowing in the first place. Tanner pointed out that cutting foreign aid (one percent of the budget), or cutting funding to PBS and Planned Parenthood, for example (1/10,000th of the budget), will not make a dent in our national debt.

Tanner then pointed out that domestic discretionary spending on programs like the FBI, Department of Commerce, Department of Education and other departments only total about 14 percent of the budget. Many people call for the government to cut defense spending but again, that is only 14 percent of the budget in itself. Also, 6 percent of our annual budget goes to paying off the interest on our national debt, spending that does nothing to fund current programs. Tanner claimed that legislators cannot be serious about reducing the yearly deficit or our national debt without changing the Social Security, Medicare and Medicaid entitlement programs, which together make up half of all annual federal spending.

Tanner then moved on to ways to solve the debt crisis, focusing on the high costs associated with Medicare, Medicaid, Social Security and the Affordable Care Act.

With regards to Medicare, Tanner noted that there is currently a $300,000 gap between contributions and benefits. According to Tanner, a couple paying taxes for a household making $110,000 per year in income, would contribute about $150,000 to the Medicare Trust Fund over the course of a working career. Nevertheless, this same couple could expect on average $450,000 in lifetime benefits. This is where the $300,000-per-person funding gap comes from.

In President Obama's and Congressman Paul Ryan's most recent budget proposals, they say that Medicare growth needs to be reduced to no more than 0.5 percent over GDP growth to maintain the program's solvency. Tanner personally believes the rise in Medicare spending should be slowed further, but found it encouraging that both parties could come to agreement on a limited growth number, even if they planned on reaching it through different policy reforms.

Next, Tanner discussed the Medicaid entitlement program. He debunked the common myth that Medicaid is the "health care system for the poor," noting that two-thirds of Medicaid spending goes to seniors and disabled people living in nursing homes. These long-term care costs further exacerbate Medicaid's funding problems, which are similar to those of Medicare; both programs are currently suffering from decreased enrollment coupled with rapidly increasing expenditures.

Finally, Tanner briefly touched on the $1.2 trillion in debt that the Affordable Care Act is expected to add to the national debt over the next 10 years. Tanner stressed that this estimate comes from the Congressional Budget Office and that, while the Affordable Care Act will bring in a substantial amount of revenue over the next ten years (about $1.2 trillion), this is not enough to offset the $1 trillion in implementation costs. It is also not enough to cover the $716 billion that the Act cut from Medicare, routed through its trust fund, and used for subsidies, a federal bookkeeping process Tanner explained as "literally spending the same dollar twice."

Tanner concluded his presentation by stressing the serious and harmful effects the national debt has on our economy, noting that it decreases the potential rate of economic growth by 1-2 percent a year. He noted this means the next generation of working Americans will earn $3,000 to $5,000 less annually due to the public debt. Tanner encouraged people in the audience to vote, because it will be their problem in the future, stating that "as long as 70 percent of 70-year olds vote and only 30 percent of 30-year olds do, Congress will continue to charge the 30-year olds for the 70-year olds' bills."

You can learn more and watch the TVW broadcast of the event that will soon be available at: www.washingtonpolicy.org.

Tyler Pichette is a sophomore at the University of Washington where he studies Political Economy. Tyler is currently the Vice President of his fraternity and is involved with ASUW Office of Governmental relations, serving as a policy intern and as a volunteer on ASUW's Engage UW Committee. As a WPC Doug and Janet True intern, he has researched several policy issues including the energy efficiency of "green schools", the effect of Right-of-Way laws in King County and the feasibility of municipal broadband in the City of Seattle.

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