



# STATE OF THE STATES

February 2010



## The State We're In

Health Insurance Coverage of the Total Population, states (2007-2008), U.S. (2008)

	Employer	Individual	Medicaid
United States	52.3%	4.7%	3.3%
Alabama	55.2%	4.2%	4.7%
Alaska	47.0%	4.4%	6.1%
Arizona	45.9%	6.7%	4.6%
Arkansas	49.1%	3.9%	6.0%
California	56.6%	6.7%	3.9%
Colorado	60.1%	6.7%	6.0%
Connecticut	57.4%	3.9%	6.0%
Delaware	53.5%	6.0%	6.0%
District of Columbia	60.1%	6.7%	6.0%

Figure 7. Coverage by Type of Health Insurance (Percent)



Updated December 18, 2009

**AN UPDATE ON STATE BUDGET CUTS**

At Least 43 States Have Imposed Cuts in Federal Economic Recovery Funds

By Nicholas...

# Letter from the Director



We are delighted to release the State Coverage Initiatives (SCI) 2010 edition of *State of the States*, titled “The State We’re In.” It goes without saying that our flagship publication is being released during an unusual time.

While states have continued their work at the local level, our collective attention naturally has focused on the national debate and the scope of reforms being contemplated in Washington.

Because *State of the States* is being published during such a time of uncertainty—with all eyes on Washington and no clear sense of how negotiations will resolve—we are taking a slightly different approach this year. As usual, the publication will summarize the accomplishments of states during the previous year; however, in past years, we also typically would analyze the implications of state reform for future state and federal policymaking. This aspect of the report will be started in the 2010 *State of the States*, but will be continued in subsequent SCI publications as the landscape for state health reform becomes clearer. If national health reform is enacted, we intend to offer a second phase of

products and technical assistance that will help states understand the federal changes and their anticipated impact on states. If reform legislation at the national level does not pass, it will be even more critical for states to continue with their efforts at health reform at the local level. Finally, while we share the fondness that many of you have for our printed publication, we are distributing this year’s *State of the States* exclusively on-line. You can find it at [www.statecoverage.org/stateofthestates2010](http://www.statecoverage.org/stateofthestates2010).

In 2010, the SCI program stands ready to help states navigate state health reforms whether or not federal reform materializes. In particular, we plan to concentrate on exchanges/connectors and related insurance market reforms. We may be working to help states understand ways to improve and reorganize the market in the absence of federal reform or helping them navigate the responsibilities and options they will have in the context of federal legislation. In any case, states need to know both the possibilities and limitations of stronger regulation and better organization of the small group and individual markets. We have already begun this important work and encourage you to visit our Web site to read our new issue brief, “Preparing for Reform: The Role of the Health Insurance Exchange,”

([www.statecoverage.org/node/2147](http://www.statecoverage.org/node/2147)) which discusses the potential of state-based exchanges.

The Executive Summary that follows describes the state programs outlined in the 2010 *State of the States*. Once again, we are pleased to highlight the innovative and important accomplishments of states in 2009—achievements that are particularly notable given that states are facing more fiscal challenges than ever.

This year’s *State of the States*, in particular, feels more like a beginning than an end. We stand with state officials who are watching federal action with interest and are planning for difficult work ahead with or without federal assistance. We are preparing now to be able to offer timely and relevant assistance in the months ahead.

We hope you enjoy “The State We’re In.” Stay tuned for more from SCI.

Sincerely,

Enrique Martinez-Vidal

## Executive Summary

The 2010 *State of the States*, “The State We’re In,” describes a tumultuous year for states. They faced a historic recession that caused dramatic deficits in almost every state. Most enacted across-the-board cuts, hiring freezes, and furloughs. Every state program has been under scrutiny. At the same time, important federal legislation provided critical support to states. The reauthorization of the Children’s Health Insurance Program (CHIP) gave new incentives to states to expand outreach and coverage for kids and families. The American Recovery and Reinvestment Act (ARRA) increased the Federal Medical Assistance Percentages (FMAP), giving an \$87 billion boost to state revenues. ARRA also included the Health Information Technology for

Economic and Clinical Health (HITECH) Act, which bolstered states’ roles in the effort to spread the meaningful use of health information technology throughout the U.S. health care system.

Throughout the year, the debate over national health reform had many states in a wait-and-see mode, unsure how their reform plans might be impacted by any eventual federal legislation. Nonetheless, as has been a recurring theme in this annual report, states made many strides forward despite the challenges they faced in 2009. “The State We’re In” tells the story of several states that “stayed the course” on a policy improvement trajectory despite the uncertainty of 2009.

For example, Oregon passed comprehensive reform in 2009, completing a policy-development process that was set in motion by the 2007 legislature. Vermont’s two Blueprint pilot sites matured while the State prepared to launch a third site in January 2010, continuing work that began in 2006 with the passage of comprehensive reform. In Massachusetts, commissions and councils made recommendations for a new direction in how care is delivered and paid for in response to 2008 legislative directives.

“The State We’re In” also addresses trends in state health policy. It tells the story of how states protected Medicaid during tough times and increased coverage rates for children

through CHIP—a bright spot in the overall coverage picture over the last few years. It also details how states responded to a long trend of falling employer-sponsored coverage with insurance reforms aimed at the small group and individual markets, particularly experimenting with exchanges and other ways to better organize the market; how states responded to rising costs through efforts at delivery system reform; and how they focused on improving care coordination and on multi-payer initiatives to reform payment.

Following are the key sections of “The State We’re In.”

- **Surveying the Landscape** This section analyzes trends in health care cost and coverage. For the second year in a row, states faced a bleak financial landscape in 2009. The cost of health coverage continued its steady climb, while employer-sponsored coverage fell. While the full impact of the recession on employer-sponsored coverage (and overall rates of uninsurance) remains to be seen, state revenues declined just when demand for services rose.
- **Medicaid and CHIP** States received significant help from the federal government during 2009 in the form of an increased FMAP. This came with the requirement that states maintain Medicaid eligibility levels, causing many states to repeal or cancel planned cuts. States also reacted to incentives in the Children’s Health Insurance Program Reauthorization Act (CHIPRA). Eighteen states expanded eligibility for CHIP in 2009 and numerous states improved their outreach and enrollment efforts. The coverage expansions of Iowa, Oregon, and Colorado are highlighted along with the outreach and enrollment efforts of several states including Wisconsin.
- **Insurance Reform** Several states focused on improving the functioning of the small group and individual markets. Exchanges were a hot topic in the national debate, and a handful of states—including Maine, Oklahoma, Oregon, Utah, Washington

and West Virginia—enacted or made progress on a version of an exchange at the state level. (These are in addition to Massachusetts, which incited interest in this concept by creating a Connector as a part of its 2006 comprehensive reform.) Implementing an exchange was one way these states could improve the functioning of their insurance market without spending significant resources. These states may be well-positioned if federal reforms include a state-based exchange.

Rhode Island is catching the attention of state insurance commissioners with an innovative new approach to health plan oversight. Rhode Island’s Health Insurance Commissioner, working with the carriers and an advisory board, developed standards to improve affordability in that state. This tactic is a significant departure from typical carrier regulation, which primarily oversees financial solvency, consumer protection, product design, and rating requirements. One such affordability priority requires health plans to increase their investment in primary care; carriers will steadily redirect some of their spending to this area without increasing overall premiums. The state is working with carriers to track their investments and study the impact of reform.

- **Delivery System and Payment Reform** The rising cost of health care continues to be a major struggle for states. Health care costs have been absorbing an increasing portion of state budgets through the Medicaid and state employee insurance plans. After years of effort to control costs in state budgets, many state health policy officials have begun to recognize that they cannot reform the health system alone. Consequently, many states (including Vermont, Minnesota, Washington, and Pennsylvania, to name a few) have begun to lead multi-payer efforts to improve primary care and increase care coordination. States are also emphasizing price and quality transparency, consumer engagement, and

public health. While a few leading states have already paved the way in the area of health information technology (HIT), new legislation from the federal level has brought increased focus on this issue in every state. The states to watch are those establishing an HIT infrastructure that promotes the exchange of health information, assists all types of providers in the adoption of high-quality electronic medical records, and creates opportunities for training and education.

“The State We’re In” is being published during a time of great uncertainty for states; federal reform is still under consideration and the state role in implementing proposed changes is not yet clear. If comprehensive or incremental federal reform passes, it will surely impact state public programs, insurance markets, and delivery and payment systems. Tremendous intellectual and financial resources would be needed to implement the types of sweeping reforms that are being contemplated. States also continue to face economic uncertainty; while the economy appears to be improving, it is unclear how quickly employment levels and state revenues will recover. More cuts are likely to be necessary and many states are already operating with very limited resources.

Even in a challenging environment, states continued to show leadership in 2009. Indeed, the financial strain has forced states to be resourceful. At a time when all eyes are on the federal government, policymakers would still do well to look at the examples of leading states. We believe “The State We’re In” is a valuable resource to that end.

The State Coverage Initiatives (SCI) program provides timely, experience-based information and assistance to state leaders in order to help them move health care reform forward at the state level.

# STATE OF THE STATES

## Coming from State Coverage Initiatives in 2010...

- A focus on exchanges including:
  - A decision guide for states considering an exchange
  - A detailed implementation guide for states
  - Targeted technical assistance to help with the development and execution of exchanges
- If federal reform is enacted, a roadmap for state implementation
- All the usual technical assistance, reports, webinars and meetings including:
  - Guides to enacting and implementing an All-Payer Claims Database
  - A how-to brief on health care purchasing for state employees
  - Our annual summer meeting

**Give us a call and let us know how we can help your state!**

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