



# STATE OF THE STATES

February 2011

## Looking Forward

While Congress continues to debate the merits of the ACA, the real action will be at the state level. States will make critical decisions about the policy goals and strategies that will be carried out in the health care sector in 2011 and beyond. In doing so, they will lay the foundation not only for the immediate implementation of reform but for the direction of the health care system for years to come. Yet, states have many daunting tasks before them as they move into 2011 and how they deal with four key issues will be telling. The trends to watch in 2011 are:

**New Governors and Top Policymakers**—In the twenty-six states that have new governors, early 2011 will be marked by a spate of announcements of new state agency heads and key policy staff. Health policymakers will be watching the new state leaders, whose experience, perspective, and politics will have enormous influence over the way health reform is implemented. New governors will make their mark on state-based health reform in setting their own policy priorities, identifying their state leaders, and responding to federal timelines.

**Difficult Budgetary Decisions**—Budgets concerns will remain a key challenge for states. States used almost every budgetary tool available to them in 2010 to meet budget shortfalls averaging almost 20 percent, and similar shortfalls for 2011 are predicted due to slowly increasing revenues and the reduction of the federal matching rate in their Medicaid programs. Although states will receive some funding as a result of the Patient Protection

and Affordable Care Act (ACA), additional new resources are unlikely to appear from a cash-strapped and increasingly conservative Congress.

**Responding to Rising Costs**—The rising cost of health care is an issue that affects not only state budgets, but the pocketbooks of American families and businesses. In response, some states may pass new laws regulating the increase of health insurance premiums and most will use federal funding to improve their rate review procedures. In addition, many will work with communities and key stakeholders to achieve delivery system and payment reforms that have the potential to restrain cost growth and improve the quality of care. States will also contemplate public health strategies and begin to consider how exchanges can be used as a tool for cost containment.

### Reaction to ACA Implementation

**Deadlines** — In early 2011, the eyes of the health policy world also will be on state legislatures. It will be a critical year for establishing and

working on initial implementation of exchanges. Many will enact exchange authorizing legislation that will set those states on a path to hosting a state-based exchange. This legislation will likely establish the governance of the exchange and set a few basic policy ground rules. Most states will leave the specifics of implementation to the board or agency tasked with implementation. A few may decide not to establish an exchange and others may decide to wait until 2012 to raise the issue with the legislature. Those states will use 2011 to gather information and begin to map out a strategy for how to respond to reform. The states that simply wait, with minimal planning or only limited efforts to engage proactively with the federal reform legislation, may quickly find they are falling behind. It will be difficult for those states to catch up and successfully implement a state-based exchange.

