States and Cities Look for Creative Local Health Care Reform
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It is nearly impossible to open a newspaper or turn on the news without reading or hearing about health care reform. President Obama’s commitment to finding a comprehensive solution to the problems of rapidly rising costs and inadequate availability of care for uninsured and underinsured Americans has yet to provide results. In a recent Gallup Poll examining Democrat and Republican approval ratings of Obama’s handling of various issues, health care policy proved by far the most divisive, with 74% of Democrats approving of the President’s handling of the issue, while only 7% of Republicans approved[1]. Yet most people agree something must be done soon to curb the rapidly rising costs and maintain the high level of health care many Americans enjoy[2]. In a May 2009 survey conducted by the Center for Public Policy and Administration, 92% of respondents said they were somewhat concerned or very concerned about the cost of health care insurance[3]. While the federal government continues to argue over the nature and details of health care reform, some state and local governments are attempting to take matters into their own hands. States are approaching health care reform with various solutions such as offering government subsidized insurance for the uninsured, establishing insurance exchanges, and creating single-payer systems.

Massachusetts health care reform law enacted in 2006 has served as an early study of state subsidized insurance, with mixed results. This legislation compels nearly all state residents to carry health insurance, offering the state’s Commonwealth Care insurance program for those with an income at or below 300% of the federal poverty level. Commonwealth Care offers various health plans, subsidized at different rates dependent on level of income[4]. Massachusetts’ plan has proven successful in significantly reducing the percent of state residents without health insurance, from 11.7% in 2004 to 2.6% in June of 2008[5]. However, the state’s reform has been met with considerable criticism of both its sustainability and effectiveness. The costs of the program have outpaced inflation and critics have attributed state budget woes to this increasing expense. Additionally, some claim the high rate of residents carrying insurance does not sufficiently describe access to health care, which may still be limited for many who cannot afford care with high deductibles or copays. Looking solely at the measure of insured state residents, this approach appears successful, but looking deeper, it may not be effectively addressing affordability issues for both citizens and government, and improving access to care as much as claimed. Despite these mixed outcomes, several other states have implemented, or are proposing similar programs intended to expand insurance coverage[6].

Utah has been a leader in promoting the health exchange system, in which employers provide pre-tax dollars to employees and allow them to select from a wide range of plans offered by multiple insurance companies through one comprehensive website[7]. Health exchanges make available a range of options and provide easily comparable information about the available plans in order to allow consumers to make better informed decisions. These exchanges seek to empower consumers to take responsibility for their health care costs and consumption by selecting plans that best suit their needs through a defined contribution. A defined contribution is a specified amount of money, typically provided by the employer, for an employee to spend on health care. Giving consumers more control over their healthcare dollars is intended to reduce overuse and to incentivize participants to seek out better value for care. Additionally it offers employees of small businesses many more options than are typically available, allowing them to select a plan that is best suited to their needs.

In August of 2009, the Utah Health Exchange was initiated on a limited basis in order to assess the successes and setbacks that could be expected in statewide implementation. This test was successful in that it accomplished exactly what it was designed and intended to do: identify potential problems prior to a full-scale launch[8]. A significant setback was the difference in
premiums established by the participating insurance companies for those employers within and without the Exchange. Over half of the employers who dropped out of the trial program cited increased insurance premiums as the primary reason. Some of these increases can be attributed to loyalty discounts employers had previously received from their insurer, which were eliminated at the start of their participation in the Exchange. Utah House Speaker David Clark is currently sponsoring legislation (HB294) designed to address these issues by equalizing the two markets so that neither is unfairly advantaged.

It is difficult to assess the achievement of this approach so early in the program, but the Utah Health Exchange is planning to expand this summer, in hopes of serving as a model of health care reform. Future plans include increasing available information to make data on costs and outcomes of various providers easily accessible to consumers, improving transparency[9]. Oregon and Wisconsin are considering similar health exchanges, looking to consumer-driven health care as a possible measure to control costs and improve access in the states. A small number of states have sought to pass legislation enacting statewide single payer systems, seeking to greatly reduce administrative costs while making health care accessible to all residents regardless of ability to pay. The California legislature has endorsed universal state health care through publicly financed administration, twice passing single payer bills in both the state Senate and Assembly. Twice those bills have been vetoed by California Governor Arnold Schwarzenegger, who has pledged to veto any similar future legislation[10]. Several other states have seen comparable legislation introduced, such as New Mexico and Connecticut, but to date this approach has not been attempted statewide.

In recent years solutions to the problems of health care have been sought on an even smaller scale, such as San Francisco’s implementation of its Healthy San Francisco program. This program is available to all residents with an income at or below 500% of the federal poverty level who are not eligible for other state or federal assistance. Healthy San Francisco encourages the use of primary and preventive care by participants, rather than costly emergency care, with monthly premiums assessed on a sliding scale. While many San Franciscans who were previously uninsured have enrolled with Healthy San Francisco since its inception in 2007, the plan does not serve as a comprehensive substitute for insurance, as the health care offered through the program is only available within city limits. Outside of the city, no funding or assistance is available to participants through the program[11]. Additionally, although Healthy San Francisco has thus far proven viable, it may not be easily replicated in other cities, as San Francisco’s unique demographics contribute to the program’s success.

It is clear we have yet to find the silver bullet to alleviate our country’s health care woes, but while Congress struggles to find a compromise on health care reform, states and municipalities will work on their own solutions.


Two of the issues revealed involved
1) complexities with parallel markets and
2) applying previously-used rating methodologies in an altogether new market.