

CALIFORNIA WRESTLES WITH HOW TO DEAL WITH IMPACT OF HEALTHCARE REFORM

Ventura County Star -

Aug. 15, 2011: Sacramento - Even as a new round of federal budget-cutting that could target Medicaid is poised to take place and Republicans in Congress continue their fight to block the implementation of health care reform, health policy experts in Sacramento are plowing through a thicket of issues that must be resolved before a historic expansion of insurance coverage can be implemented in 2014.

"Regardless of the ongoing debate around the country about the Affordable Care Act, implementation from the federal perspective is full speed ahead," said Richard Figueroa, health reform manager for the nonprofit California Endowment. "And most states have been gearing up on the theory that it's better for them to own it."

Already this month two of the state's leading health policy think tanks have issued detailed reports outlining various challenges and opportunities that will be presented by adding up to 3 million new beneficiaries to Medi-Cal and opening a Health Benefit Exchange that is expected to facilitate the purchase of partially subsidized private insurance for 2 million Californians.

One of the core questions to emerge is how best to accommodate the working poor, the low-income workers who earn too much to qualify for Medi-Cal, are least likely to have job-based insurance coverage and are most likely to now be uninsured.

Should those on the bottom rungs of this group be left to fend for themselves to purchase private insurance through the exchange, or should the state avail itself of a little-known provision in the federal act that allows it to create what is known as a Basic Health Program that would offer insurance under slightly different rules?

The question has divided policymakers, as Senate Health Committee Chairman Ed Hernandez, D-Los Angeles, is backing legislation that would put California at the forefront in creating a state-run basic health plan, while the operators of the exchange are opposing the legislation unless it is put on hold for at least a year.

If approved, the program would go into effect at the same time the new federal law and the health insurance purchasing exchanges become operative, on Jan. 1, 2014.

The bill, SB 703, is sponsored by Local Health Plans of California, an association of a dozen safety-net health care plans around the state.

Executive Director John Ramey asserts creating a basic health plan would be a win-win-win proposition for California because it would provide better coverage at a better price to consumers, at less cost to taxpayers.

"What makes it possible is that California has an average-priced individual health insurance market and below-average Medi-Cal reimbursement rates," he said.

He believes a basic health plan, operated through a network of safety-net providers, can make insurance more affordable to consumers while also providing payments to providers that are above Medi-Cal rates.

The plan would be open only to those with incomes of between 133 percent and 200 percent of the federal poverty level, or between \$14,484 and \$21,780 a year for an individual.

Ramey estimates that plans purchased through the exchange would cost such individuals an average of \$200 a month, between premiums, copays and deductibles.

Directors of the Health Benefit Exchange say Hernandez and the bill's backers are getting too far out front, arguing the cost estimates are uncertain and federal regulators have yet to issue detailed guidelines on how the basic health programs would work.

The board voted last month to oppose the bill unless it is put on hold for at least a year. Without the federal guidelines, no one can "fully understand the risks and benefits for states associated with this optional program," acting Administrative Officer Patricia Powers wrote in a letter to Hernandez.

Officials with the Health Benefit Exchange are concerned that the creation of a Basic Health Program in California could significantly reduce the pool of consumers who would purchase private plans through the exchange and potentially adversely affect the risk pool, which would make it more difficult for the exchange to negotiate for low prices.

An analysis by the nonprofit California Healthcare Foundation estimates the exchange could enroll about 2 million people in the individual insurance market after three years of operation, but that enrollment would be "considerably lower" if the Basic Health Program is established.