



**Shared Responsibility:
(state) Government's Role in
Health System Reform**

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Essential Roles For Government

- Public Health Guarantor
- Market Maker
- Subsidy collector and distributor
- Steward of health system efficiency, equity
- Provide constant leadership in public debate, defining community and mutual self-interest

Market Maker

- Replace insurance markets altogether?
- Define rules of insurance markets
 - Pooling reforms are easier if all must be covered
- Create pools for enrollment, marketing and subsidy administration efficiencies
- Mind transition, boundaries, liberty

Evidence that many Californians need help paying for health care

- 1/5 are uninsured
 - 1/3 of these have income > 50k
- Family premium / median family income = 19%
- Avg. inpatient stay costs = \$10,704 (17%)
- Private premiums in CA roughly 10% higher due to uninsured

Sources: Census Bureau, CHCF, KFF, Families USA

Labor Market Realities

Occupation	Family premium/Median wage
Physician	7.9%
History professor	14.8%
Secretary	30.9%
Carpenter	25.6%
Cook	50.0%

Source: KFF premium and BLS wage data, 2004.

States as Laboratories

- No inpatient coverage
 - Utah, West Virginia
- Limited inpatient coverage
 - Arkansas, New Mexico, Tennessee
- Piggyback on state's purchasing power
 - West Virginia, Oklahoma
- Encourage offers within purchasing pools
 - Montana
- Adding Adults
 - Wyoming, Pennsylvania

States as Catalysts

- Maine
 - Build it, capture savings, hope they'll come
- Illinois, Pennsylvania
 - Cover all kids
- Vermont
 - Bipartisan, insurance home and subsidies for uninsured
- Massachusetts
 - Bipartisan, insurance home, individual mandate, subsidize lower income in smaller firms, hard budget constraint

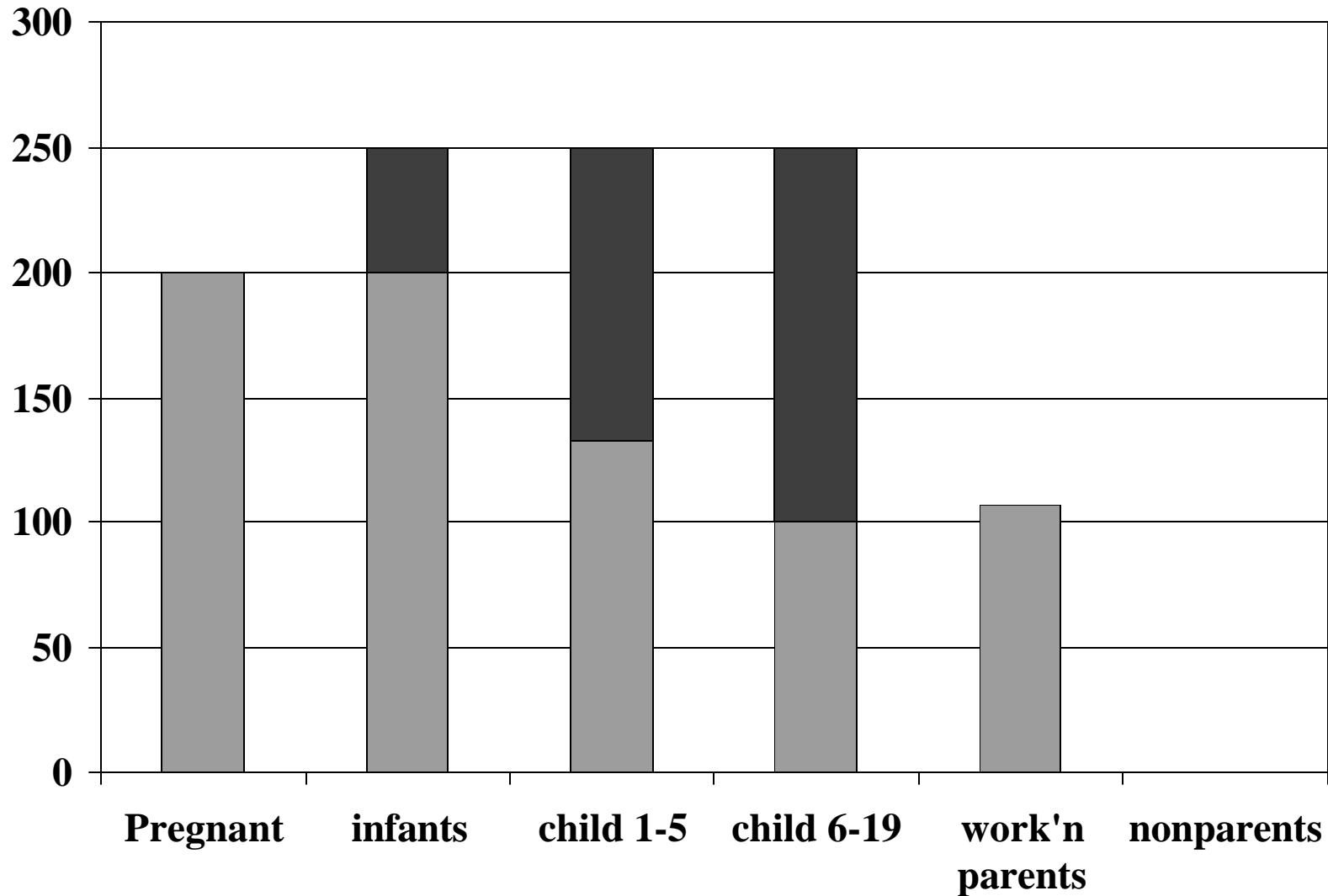
What *Should* California Do?

- Re-assume leadership, not followership
- Rationalize...
 - Subsidy structures
 - Insurance markets
 - Delivery system infrastructure
- Reject myths that impede progress
 - “uninsured get all the care they need”
 - “I can take care of myself”
- Recognize and invest in economic value of efficient and fair health system

Rational Subsidy Structure

- Tie to person, family income
- Integrate with/subsume Medical/HF
- Integrate with employer role

Eligibility income cutoffs, MediCal and HF



Source: Kaiser Family Foundation CA fact sheet.

What If...?

- Build insurance pool from which all could buy
 - Allow, but not require, businesses to buy through pool
- Require everyone to obtain basic coverage
 - Subsidies available *only* in pool
- Enroll all eligible in MediCal/HF to maximize federal matching funds
- Subsidize all Californians on sliding scale up to 3*FPL (full to 150%)
- Calculate additional subsidy amount required
 - Choose between tax on non-sponsoring businesses or other tax bases
 - Phase down employer role in exchange for wages *
- Work to make delivery system efficient to minimize tax burden over time