Approved: April 3, 2007
Date

MINUTES OF THE SENATE HEALTH CARE STRATEGIES COMMITTEE

The joint meeting of the Senate Health Care Strategies and the House Health and Human Services Committees was called to order by Vice- Chairman Pete Brungardt at 1:30 P.M. on February 6, 2007 in Room 231-N of the Capitol.

Committee members absent: Senator Susan Wagle (EA)
Senator David Haley- (A)
Senator Vicki Schmidt- (EA)

Committee staff present: Ms. Emalene Correll, Kansas Legislative Research Department
Mrs. Terri Weber, Kansas Legislative Research Department
Ms. Nobuko Folmsbee, Revisor of Statutes Office
Ms. Margaret Cianciarulo, Committee Secretary

Conferees appearing before the committee: Mr. Ed Haislmaier, Research Fellow,
The Heritage Foundation, Washington, D.C.

Others in attendance: Please see attached Guest List

Discussion, questions, and answers regarding "The Connector" presentation made earlier today at 11:30 on

Vice-Chairperson Brungardt opened the meeting by stating that Senator Wagle had a family emergency so will not be in attendance. He then called upon Mr. Ed Haislmaier, Research Fellow, The Heritage Foundation, who would speak on "The Massachusetts Approach: A New Way to Restructure State Health Insurance Markets and Public Programs."

Paraphrasing, Mr. Haislmaier stated the following:

When Massachusetts enacted major health care legislation in April, 2006, it sparked renewed national interest in state health reform efforts. The challenge for policymakers, he said, was to better understand what is different about the Massachusetts approach and the insights it might offer other states.

He stated, what initially attracted the most attention was the legislation's requirement that Massachusetts residents obtain health insurance coverage and the imposition of assessments on employers not offering coverage. Of lesser policy significance were the assessments the law imposes on "non providing" employers to comply with the law and avoid the penalties. However, there are two other concepts embodied in the Massachusetts legislation that should principally interest policymakers:

1) The reorganization of a large part of the state's private insurance system into a "single market" structure with uniform rules and a central "clearinghouse" for administering coverage; and,

2) The conversion of substantial public spending from a provider-subsidy system into a consumer-subsidy system for obtaining private coverage.

He went on to say, Massachusetts has embarked upon a new approach to state health insurance regulation combined with a new approach to delivering public subsidies. The two components offer a possible model for other states, either separately or in combination, and each is amenable to variation in scope and detail. General observations about their broad commonalities and how they differ from previous reform strategies are:

1) Both components fundamentally reorient the state's health policy toward the objective of meeting the needs and interests of individuals as opposed to those of providers, employers, insurers, or government. The Massachusetts legislation might also be viewed as the next state in the evolution of a consumer-focused approach to health system change.

2) Both elements represent a fundamental departure from the recent patter of state health reform efforts. Mr. Haislmaier stated that the heart of the Massachusetts approach is the creation of a novel, statewide health insurance "Connector" to serve as a clearinghouse, or exchange, facilitating the buying, selling, and administration of private health insurance coverage.

The idea being that a state health insurance exchange acts as a "market organizer" and "payment aggregator" through which individuals and employer groups can obtain coverage. It differs in three respects from previous pooling arrangements adopted or proposed at either the state or federal level, such as health insurance purchasing cooperative or association health plans.

1) A state health insurance exchange is deliberately designed to eliminate long-standing regulatory distinctions between separate individual and group, particularly small-group, insurance submarkets.

2) As part of a strategy for creating a "single market", a state health insurance exchange operates according to a new regulatory design that blends selected features from the existing individual and group markets.

3. Like a stock exchange or a farmers' market, a state health insurance exchange serves only as a clearinghouse; it is neither a direct purchaser nor a product regulator.

He added, that the key features of a state health insurance exchange and their implications are as follows:

A.) Availability
B.) Portability
C.) Standardization
D.) Compatibility with federal law
E.) Uniform payroll withholding system

The second major element of the Massachusetts legislation was to redesign part of the state's system of public funding for health services. Governor Mitt Romney's proposed solution was to convert funding for the uncompensated care pool into premium-support payments targeted to the low-income population below 300 percent of poverty, who were not otherwise eligible for Medicaid or SCHIP.

The premium-assistance approach enable Medicaid or SCHIP enrollees to obtain private health care coverage, most likely through an employer. Although the Massachusetts legislation imposes assessments on employers that do not offer coverage, it also gives them a much easier out then previous "play or pay" proposals. All an employer needs to avoid the penalties is enroll its workers in the Connector and offer them a Section 125 plan.

He concluded by stating that:

1) the most important insight behind the Massachusetts legislation was the realization that the whole was greater than the two parts. The two elements were combined into a single design based on the recognition that the administration of a premium support system for the low-income uninsured would be greatly simplified if administered through a broader state health insurance exchange;

2) this design also offers other advantages for policymakers seeking to promote coverage continuity and expand coverage;

3) the significance of the Massachusetts Legislation lies in the fact that the parts were combined into a unified design that seeks to meet the needs of the currently insured as well as the uninsured; and

4) the key lesson for policymakers is the realization that the problem of the uninsured can never be adequately and effectively addressed without first tacking the issues of coverage continuity and portability and that policymakers need to ensure that those who have or get health insurance today will be able to keep their coverage tomorrow. No written testimony was available.

The Vice Chair thanked Mr. Haislmaier and asked for questions or comments from both Committees. Questions came from Senators Brungardt and Barnett and Representatives Mast, Flaharty, Trimmer, Holland, Morrison and Colyer ranging from:

- How does this proposal address people working two or three part time jobs?
- Does this system help streamline paperwork?
- Modifying the poverty guidelines;
- Incentives from both the employer and employee;
- How do they regulate?
- How does this interface with other programs?
- Subsidizing;
- How do you accumulate a network in Kansas?
- Transparency issues.

Adjournment

As there were no further business and the Senate Health Care Strategy Committee members had already left for Senate session, Representative Landwehr, Chairperson for the Health and Human Services Committee adjourned the meeting. The time was 1:40 p.m.

The next meeting is scheduled for Monday, February 12, 2007.