

MINUTES OF THE SENATE FINANCIAL INSTITUTIONS AND INSURANCE COMMITTEE

The meeting was called to order by Chairman Ruth Teichman at 9:30 A.M. on February 8, 2007 in Room 234-N of the Capitol.

All members were present except Senator Barone, Senator Brungardt and Senator Wilson

Committee staff present:

Melissa Calderwood, Kansas Legislative Research Department
Terri Weber, Kansas Legislative Research Department
Ken Wilke, Office of Revisor of Statutes
Bev Beam, Committee Secretary

Conferees appearing before the committee:

Edmund F. Haislmaier, The Heritage Foundation in Washington , D.C.

Others attending:

See attached list.

The Chair asked Senator Barnett to introduce the guest speaker.

Senator Barnett said Edmund F. Haislmaier, Research Fellow, The Heritage Foundation in Washington, D.C., would speak on, "The Massachusetts Approach: A New Way to Restructure State Health Insurance Markets and Public Programs."

Paraphrasing, Mr. Haislmaier said 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, is to better understand what is different about the Massachusetts approach and the insights it might offer other states.

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 are the assessments the law imposes on "nonproviding" employers. It is relatively easy for employers to comply with the law and avoid the penalties. However, it is 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.

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. The first commonality is that 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 stage in the evolution of a consumer-focused approach to health system change.
2. The second commonality is that both elements represent a fundamental departure from the recent pattern of state health reform efforts.

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

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 8, 2007 in Room 234-N of the Capitol.

insurance coverage.

The idea is 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 cooperatives 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.

The key features of a state health insurance exchange and their implications are as follows:

- Availability
- Portability
- Standardization
- Compatibility with federal law
- 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 enables 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 than previous “play or pay” proposals. All an employer need do to avoid the penalties is enroll its workers in the Connector and offer them a Section 125 plan.

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.

This design also offers other advantages for policymakers seeking to promote coverage continuity and expand coverage.

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.

The key lesson for policymakers is the realization that the problem of the uninsured can never be adequately and effectively addressed without first tackling the issues of coverage continuity and portability. Policymakers need to ensure that those who have or get health insurance today will be able to keep their coverage tomorrow.

Mr. Haislmaier’s presentation ended with Q & A.

The meeting adjourned at 10:30 a.m.

CONTINUATION SHEET

MINUTES OF THE Senate Financial Institutions and Insurance Committee at 9:30 A.M. on January 8, 2007 in Room 234-N of the Capitol.