

Financing Health Care in New Jersey: Making Down Payments on Reform

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Sources of Funding for New Coverage

- New revenue: A shared responsibility
 - Who can and should pay?
- Slowing health care cost growth
 - Cost containment & shifting resources
- Both are necessary in the long run

Federal Partnership Is Critical

- Federal matching funds have been critical to state health reforms, e.g., MA, VT, CA proposal. Serve as base for low-income populations.
- In MA, 57% of health reform funds from Medicaid.
- MA and VT both had relatively high Medicaid/SCHIP eligibility and participation. Used waivers to shift other Medicaid funds and to get federal matching for new coverage.
- Bush Administration's recent restrictions
- Next President?

Federal Funding: Medicaid

- Traditionally, federal govt matches state Medicaid costs
- Recent HHS Medicaid regulations. NJ could lose \$347 million in federal funds over 5 years.
 - Governors and many in Congress seek regulatory moratorium
- Higher state Medicaid match for temporary state fiscal relief? Some interest for 2nd economic stimulus bill. NGA supports.

Federal Funding: SCHIP

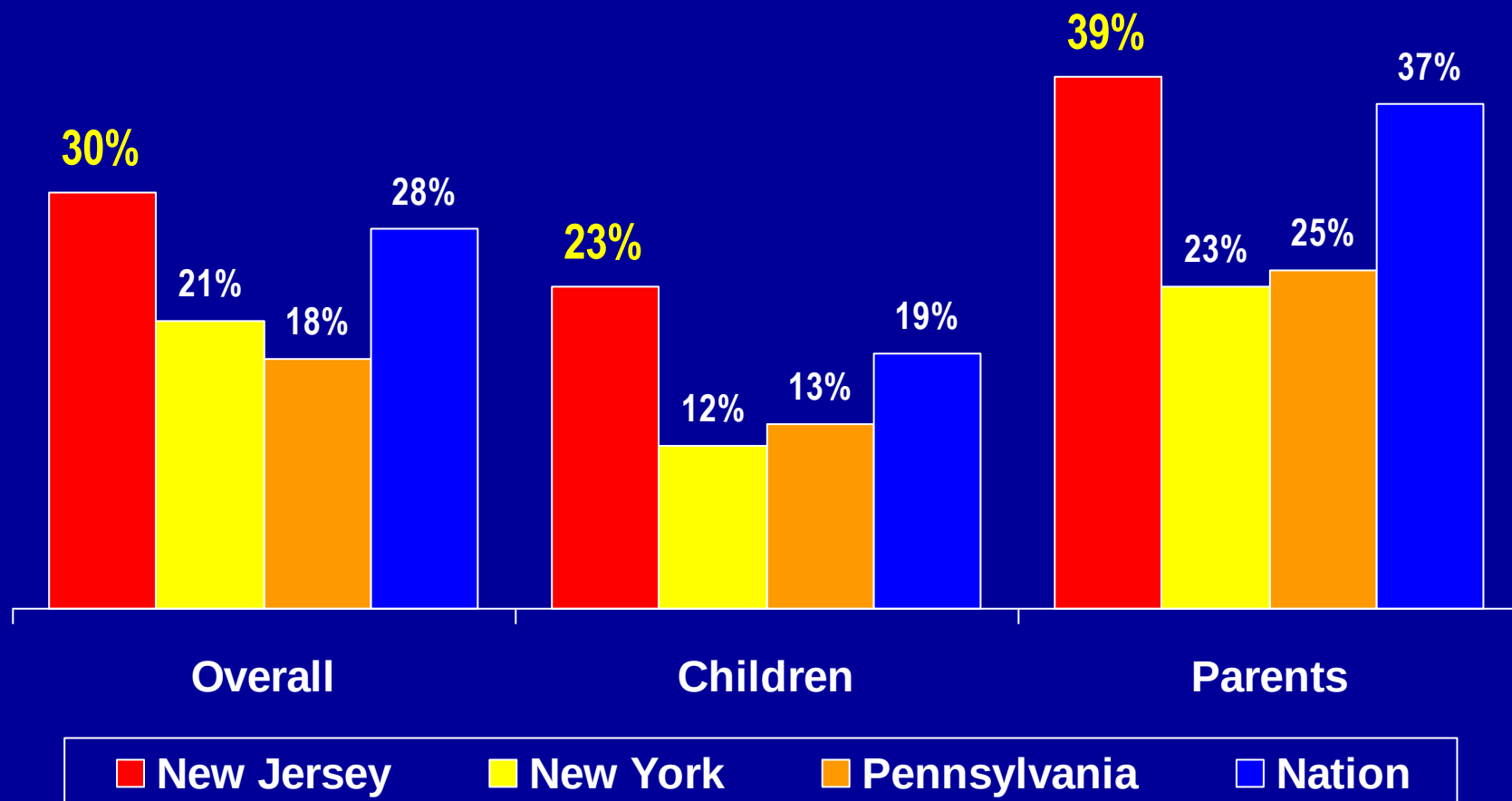
- SCHIP should have been reauthorized last year but was vetoed.
- HHS issued directive limited states' ability to expand SCHIP eligibility for children past 250% of poverty. NJ already at 350%.
- Fortunately, federal SCHIP funds likely to be adequate to avoid shortfall this year.

Boosting Enrollment Among Low-income Children and Parents

- NJ should try to improve enrollment and retention in Medicaid and SCHIP for low-income. Medicaid matching funds still available.
- On paper, NJ has good Medicaid and SCHIP eligibility and enrollment procedures.
- But Census data indicate high uninsurance rates and low Medicaid/SCHIP participation among low-income people.
- This was used to criticize NJ during SCHIP debate.

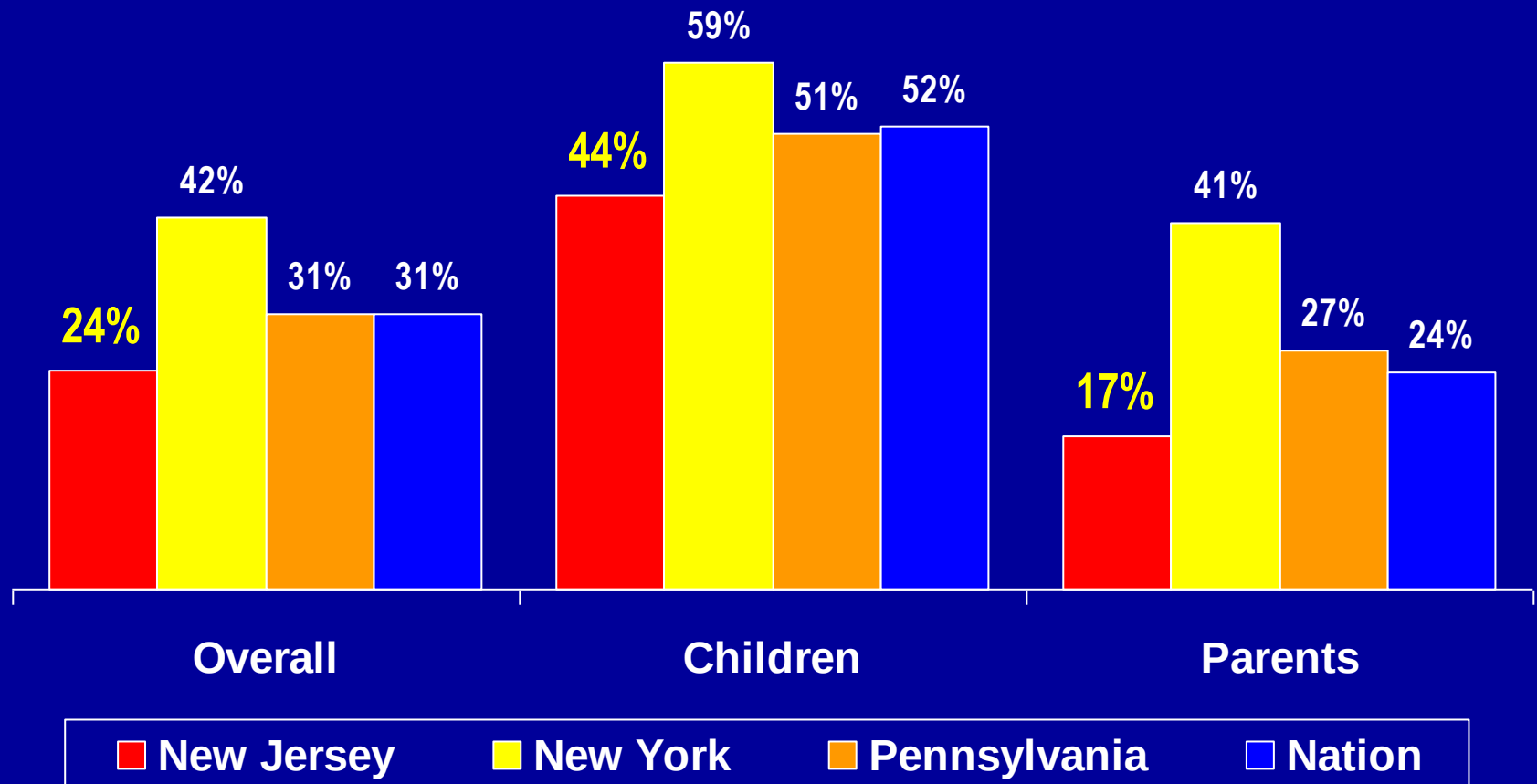
NJ Has More Low-income Uninsured

% of people under 200% of poverty 2005-2006



NJ Has Fewer Low-income on Medicaid or SCHIP

% under 200% of poverty on Medicaid/SCHIP, 2005-6



If NJ Could Raise Participation of Low-income Children & Parents

- Need to identify and overcome enrollment/retention barriers for low-income children.
- Could elevate parent eligibility to 200% FPL.
- Bring in federal revenue and build base for future reforms
- If NJ's low-income participation rate equaled average of NY and PA, NJ could cover ~ 30,000 more children and ~ 30,000 more parents.
- Could bring in ~ \$90 million federal revenue (but state would need to match)

Helping Parents Helps Children Too

- Parents more likely to be uninsured.
- Expanding parent coverage improves take-up rate among eligible children and improves retention rates.
- Parental coverage increases children's use of preventive health services.
- Policies that cut back parents' coverage reduces children's coverage.

State Revenue

- State has serious deficit. Structural problems (including health care costs) plus short-term economic slowdown.
- Even if possible to raise revenues this year, they would probably go to ease the cuts or reduce the deficit.

State Revenues in Long Run

- Polls suggest some (mixed) support for higher taxes to pay for health reform.
- Raising tobacco or alcohol taxes more popular, but...unlikely to keep pace with health care costs
 - Help for low-income families should offset harm to low-income smokers or drinkers
- Health care provider taxes could keep pace with health care costs.
 - Providers might resent but could support if plan reduces uncompensated care costs and evens out burdens.

State Revenues (contd)

- Other revenues? Should be broad and reflect changes in 21st century economy
 - Broadening tax base, e.g., taxing services
 - Tax goods purchased on internet
 - Reduce corporate loopholes
- If you care about health reform, you ***must*** care about revenues.
- Role of leaders to help connect the dots.

Mandates for Coverage?

- Employer mandates?
 - Small businesses often oppose
 - But MA included modest employer health assessments and many employers supported
- Individual mandates?
 - May be useful if seeking universal coverage
 - Affordability is critical issue
 - Penalties and compliance?

Cost Containment

- Cross-state studies suggest NJ has high health costs, but not better outcomes.
- Poor value in health care?
- Many proposals under discussion, e.g., pay for performance.
- Should begin to develop discussions on evidence of comparative effectiveness and value in health care, across all payors.
- NJ is home to many pharmaceutical companies, a natural part of corporate citizenship

Reallocation of Resources

- ‘Hidden tax’ – cost-shifting in health care. Private health costs rise to absorb uncompensated health costs
- Many costs for uninsured already covered, but not explicitly or efficiently
- In CA and MA, this was an important part of discussion.

Making Down Payments on Reform

- In current federal and state budget environment, hard to find funds for broad reform expansions this session
- But policy and economic environment can change.
- But some things could serve as down payments for future reforms.

Down Payments

- Identify policies to improve enrollment and retention in Medicaid and SCHIP for low-income, as base for future.
- Engage discussions about 'hidden tax' in health care and ways to reallocate resources and to contain costs.
- Build coalitions that want to expand coverage. What do parties want? What willing to give?
- Commit to securing adequate federal and state resources for health care.