

California & Oregon cheaper, all the more reason to go commercial not Medicaid.

Senate Bill 422 Explanation
for the Government Operations Committee

Thank you Mr. Chairman and committee members. It is a privilege to present to you my explanation of SB 422. I began work on this bill just about one year ago. I am now on draft ^{seven S-1} ~~six~~. Over the last year I have felt a bit like the Maytag repairman because of my work on this bill. I've been the loneliest guy in the world. I began work on it because I believed at the time that there would be a lot of unknowns associated with the Affordable Care Act implementation. Those concerns I had from a year ago are proving to be true. The ideas in this bill were developed solely by me. I took what others had already established in our state to get basic health care to our poorest citizens and expanded on it. The bill I will be explaining to you gives us the opportunity to stay out of the expansion of Medicaid for a period of three years or shorter or longer if we wish. This will give the legislature a much clearer picture of what expansion really means, how many people we are really talking about covering, and whether there is a better way to get health care coverage to our poorest citizens. Maybe a story will help illustrate my point. In the summer of 1996 my oldest son Mark came to me and told me he was not going to participate in the summer basketball camp because he was not going to play basketball the following winter, his senior year. I explained to him that if he did not go to the camp he definitely would not be able to play on the team the following winter, but that if he did spend a week at camp he would keep his options open for the following season if he changed his mind and decided to play his senior year. He agreed to this. In his final football game at the silver dome he blew out his ACL and could not play basketball. As my dad always said, if you wait long enough to make your decision, it will generally get made for you and become obvious. I believe this same philosophy holds true for the situation with which we are now confronted. My bill will also allow our working poor to get their health insurance off the exchange with a federal subsidy. This will enable them to have the same kind of commercial insurance that I have. I think our hardworking lowest paid citizens should be able to access the same kind of health insurance that I have.

My bill would supply basic health coverage to those below 100% of the FPL based on the MAGI requirements of the ACA. The number of citizens we are talking about is somewhere in the neighborhood of 200,000-300,000 or 2-3% of our population. Everyone else would be able to get their insurance off the exchange with a federal subsidy. Before a client is accepted into my plan the state would be required to aggressively find other insurance for these customers. We have at least 10,000 veterans who are eligible for VA insurance. There are some who say it is at least 20,000. That is where we must help them get their insurance. We have a number of disabled clients who can and should be signed up for SSI or SSDI. An aggressive campaign to do just that would further reduce those clients who would depend on the coverage SB 422 would provide. Of those who are left, in order to build self sufficiency and personal responsibility there would be a premium payment required of every enrollee. This would vary from \$5 per month for the poorest clients to \$20 per month for those between 75% and 100% of the FPL. These premiums could be paid for by businesses or non profits if they saw fit. It is also possible that local communities could help provide additional financial help for these customers if they saw fit, including enhanced benefits. FQHCs would be paid for these customers at the 2011-2012 DRG rate for Medicaid if they accepted them as patients. I have also been informed that about 40% of the clients my bill would effect fall between 75-100% of the FPL, another 40% between 50-75%, and the remaining 20% below 50% of the FPL. Nearly all of this population are single adults or childless couples.

Mr. Angelotti has provided the committee with a fiscal analysis of my bill. There are a series of assumptions in his analysis which overall I accept. The SBO has presented you with a separate analysis which shows my bill would be considerably more expensive. This committee will have to decide which is more correct but I would point out to this committee that I do not have a reputation as a fiscally irresponsible legislator. Looking at Mr. Angelotti's analysis I would point out several areas

where he is making a conservative estimate. The first is in the number of veterans who can get VA insurance. As I said earlier, this number could be twice what he is estimating. Second is the take up rate. Steve is estimating 75%. In conversations with other knowledgeable people a rate of 66% has been mentioned. Other states, Virginia I believe, has used a take up rate of 60%. No one knows for sure what it will be. All the more reason to be careful in what we do. Third is the average premium cost. Steve is estimating about \$15 per month. I believe about 40% of our customers fall between 75% and 100% of the FPL and another 40% fall between 50% and 75% of the FPL. If this is true then the average premium cost for the entire population will be more like \$17 pp pm.

The number of enrollees is also an unknown number. When the Medicaid expansion discussion began, we heard numbers as high as 1 million for new customers. Then we heard 500,000. Now we are hearing over a period of time it will get to about 450,000. Some of these folks are between 100-133% of the FPL and would not be affected by this bill as they would get their insurance off the exchange. As I mentioned earlier I believe the numbers are between 200,000-300,000. The fact is, no one knows for sure. All the more reason to be careful in what we do. In addition, we do not know how many of our clients will work to improve their economic status, or even can do so, to get over 100% of the FPL so that they will be able to access the same kind of commercial insurance that I have.

One of the chief concerns I've heard about SB 422 is its cost. Whether it is \$200 million the first year or \$380 million each year thereafter, those costs are considerably less than the \$2 billion the federal government will pay each year for Medicaid expansion. I understand SB 422 will require us to use all state money, but at the end of the day we are all using taxpayer money. So how do I propose to pay for the costs of SB 422? In year one I believe we will be able to access another \$120 million from the CMH GF, as our working poor will have commercial insurance and be covered there. We can also capture the \$50 million or so that BC/BS will be paying in taxes as a private concern. I also am

confident that we can achieve additional revenues of \$6 million because of a higher average premium payment, at least another \$10 million of revenues from placing additional veterans on VA insurance, and another \$27 million from a take up rate of 65% instead of 75%. In year two of the program I believe we can achieve additional revenue from \$50 million from BC/BS taxes, \$60 million additional from CMH GF money, additional veterans savings of about \$30 million, and additional premium savings of \$7 million. In addition we will need to make a decision as a state on what we are going to do with the artificially inflated DRG rates for primary care physicians which has been funded by all federal money. If we choose to keep these rates at the level they are now, we will have to spend \$140 million GF. If we choose to let the rates return to where they were in 2011-2012 it will mean considerably less access for our Medicaid customers. Why would we want to put more people into a program where access is being reduced? On the other hand if we decide to raise the rates we will be spending the \$140 million anyway. So let's put that money toward the program I am suggesting and maintain our flexibility. We also can achieve revenue of \$50 million from a take up rate assumption of 65% instead of 75%. That leaves us \$50 million to find in the GF budget. Again, we will have to decide if that is a worthy thing to do in order to protect the taxpayers of the state from all of the unknowns inherent in the implementation of the ^{Med. Exp.} ACA. I also believe we can achieve savings by ^{some} making a concerted effort to move as many of the wrap around services from the CMH GF budget to the MRS budget. This is an area worth exploring. I will finish this financial discussion by saying that there are lots of other areas in our GF budget to access money for this program and I welcome the help of everyone in doing that. The monies are available if the political will is there.

^{7 5-1}
In draft ^{7 5-1} before you there have been at least 15 changes made in order to address the concerns that have been raised by those who have examined the bill. You have a sheet before you that explains those changes

In conclusion, there are some general points I would like to mention. By putting more people in commercial insurance we will be bringing in large federal subsidies to the state. These plans will pay more to the doctors and hospitals than Medicaid does. Reductions to DSH payments to the hospitals can be avoided for three years because with the implementation of SB 422 we can eliminate all the county health plans and, according to the information I have, those reductions will be able to absorb all the DSH cuts for the next three years.

There have been a lot of changes in the ACA in the last year. Long term care insurance has been eliminated. The high risk pool money allocated for our sickest people in America was used up in one year not two as was estimated by the CBO. What if other estimates are similarly wrong? The requirement that businesses have to provide health insurance or pay a penalty has been delayed for at least a year. We also know that when the total federal subsidies reach .5% of the national GDP for the ACA those subsidies will be capped. The CBO estimates that will happen by 2018. After that, who will pay for these subsidies or will these costs be pushed back on the states? Based on earlier errors in estimates for other parts of the program I suspect we will reach this cap well before 2018. Then what? Will the 133% Medicaid cap be changed to 150%? And what about the concept of blended rates that was floated by the federal government over a year ago. The proposal at that time, before it was withdrawn, would have resulted in higher costs for every state in their Medicaid program. We also now know there will be a delay in verifying income and insurance status on the exchanges. With all these changes and delays swirling around us I believe caution is the word of the day. Let's be careful in what we do now so that we preserve our options for the future.

*HIEA Tax changes
LTY, Health Plans changes*

For me this is not an ideological discussion. There are no bad people in this debate. This is about dollars and cents for the state taxpayers I represent. At the same time I am trying to get some level of health care to all of our citizens because I do believe it makes sense for the health system as a whole for

everyone to have access to basic care. This bill is a simple and humble attempt to balance the need for health coverage with fiscal prudence. This bill will be available should we decide not to expand Medicaid at this time. There are Mr. Chairman and committee members, three aspects to this discussion. One is philosophical, one is financial, and one is moral. Philosophically each of us has our beliefs in the proper role and size of government. Medicaid expansion is just that, an expansion of government. That may be good or bad depending on your beliefs. Also to be considered is the proper role of self sufficiency and personal responsibility for each citizen when we set up such programs. Financially, each of us has to decide how much money is to be spent and whether there is a difference between spending taxpayer money coming to us from the federal government or taxpayer money coming to us through the state government. Also, there is a moral aspect to this question of health care. Does it make sense for each of our citizens to have some kind of health coverage? If so, what should that coverage look like? As we proceed with this debate, each of us will have to examine each of these three aspects and decide for ourselves where we stand and then to weigh all three together to come up with our final decision. Mr. Chairman, I have presented you with a lot of numbers and I want to say that I humbly and respectfully stand to be corrected on any of them. This is not about my ego, this is about searching for as much of the truth as possible so that we can all make a proper decision. Thank you, Mr. Chairman.