States Need Ways to Boost Health Care Coverage

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WASHINGTON — Rewarding states based on quality is one way to cover more uninsured Americans, Henry J. Aaron said at the annual meeting of the National Governors Association.

Following up on a trend that has already affected the physician community, Mr. Aaron proposed a "pay-for-performance" system, where states could receive federal grants based on their "actual measured progress of increasing the number and proportion of state residents covered by health insurance." The grants would be set to cover much or all of the costs of extending health insurance coverage.

"Any state that succeeded in boosting a fraction of its population [covered by] health insurance would receive federal support. The states that made no such progress would receive nothing," said Mr. Aaron, senior fellow for economic studies at the Brookings Institution.

States need 'flexibility to modernize Medicaid but within the limits that maintain the per capita protection of the most vulnerable populations.'

The federal government should first define a standard for health insurance coverage, Mr. Aaron said.

Mr. Aaron suggested that the minimum standard for coverage should be "similar to the actuarial value of the Federal Employees Health Benefits Program."

In addition, Mr. Aaron's plan would include a "first do no harm" standard, which would prohibit states from materially eroding coverage for the current Medicaid population.

"Even now, Medicaid is substantially less costly than private insurance of the same scope. Still, state costs for long-term care [are] on track to rise relentlessly as baby boomers age," he said.

This means that states are in need of continued financial protection from adverse trends—and not a cap on support from the federal government.

"[States] also need flexibility to modernize Medicaid but within the limits that maintain the per capita protection of the most vulnerable populations in our nation," Mr. Aaron said.

Within these broad guidelines, it is important that states be encouraged to pursue any approach that would lead to an increase in the proportion of state residents who possess health insurance coverage, he continued.

Depending on local conditions and political preferences, states could use refundable tax credits or vouchers as a means to promote individual insurance coverage.

States could also facilitate new insurance groups by allowing churches, unions, and other organizations to create association health plans; extend Medicaid or the State Children's Health Insurance Program; impose employer mandates; or try to create an intrastate single-payer plan.

None of these options would be mandatory, he said.

Another panelist, Stuart M. Butler, Ph.D., vice president, domestic and economic policy studies, the Heritage Foundation, Washington, suggested that Congress enact a policy "toolbox" that would make a range of ideas available to states, on a voluntary basis.

Under such an approach, states would be able to propose an initiative for preserving coverage, select certain elements from the toolbox, and negotiate with the U.S. Health and Human Services department on appropriate waivers that would be used to pull such an option together, Mr. Butler explained.

In an attempt to maintain and extend the functional equivalent of Medicaid during these very tight budget times, states could utilize an enhanced federal refundable tax credit from the policy toolbox. By this means, states would be able to use additional federal funds to create purchasing alliances or pools, he said.

The key is to make sure that Medicaid populations are protected, "encouraging innovations through the states [and] rewarding pay-for-performance successes by the states, to reach these goals," he said. ■