

## States To Play A More Crucial Role On Health Care

May 26--States have always played a key role in shaping health policy. Passage of a sweeping federal insurance reform law thrusts them into an even more crucial position.

Decisions at the state level will determine how much some doctors and hospitals are paid and how much "free" care should be provided to people who choose to go without insurance.

Although the new federal law is titled the Patient Protection and Affordable Care Act, it leaves much of the responsibility for reining in costs to the states. Although some states are still blustering about "opting out" of federal health reform (are you listening, Missouri?), more savvy capitals are working to get a clear picture of how they will be affected by the new law.

Kansas is one such state. The Kansas Health Policy Authority, which is responsible for administering state health plans and recommending efficient ways to deliver services, recently commissioned a study by an Arizona firm that assesses the financial risks of health care policies.

One of the key findings is that, contrary to warnings by opponents, the new law doesn't spell fiscal doom for Kansas or its businesses.

And the number of uninsured Kansans, who currently account for 12 percent of the population, is expected to drop by more than half, or about 190,000 people.

More of the report's findings:

--About 87,000 people who are uninsured will qualify for Medicaid under new income guidelines. Kansas' share of those costs are expected to be offset by higher federal matching Medicaid rates and a shift of high-risk, high-cost patients from state programs to private insurance.

The expanded Medicaid rolls will require tough decisions by Kansas politicians about how much to reimburse providers who treat Medicaid patients and also patients who choose to remain uninsured. Depending on what leaders decide, the amount of general fund money Kansas spends on health care could remain flat or either increase or decrease by about \$35 million.

--Larger employers will spend slightly more on health care because of mandates that they insure more workers.

--Many small businesses, which struggle now with health care costs and paperwork, are expected to drop coverage and send employees to the regulated insurance exchanges.

--The costs of many individual policies will be reduced by federal subsidies and rules forbidding or limiting insurers from discriminating based on pre-existing health conditions, gender or age.

These are largely positive findings. But progress, as Andy Allison, executive director of the Kansas Health Policy Authority noted, "doesn't come cheap."

Researchers expect overall health care spending in Kansas -- by the federal and state governments,

employers and individuals -- to increase by 1.1 percent after the new law is fully in place. (The actuarial report didn't take into account Medicare costs or federal tax obligations.)

Of that 1.1 percent increase, 30 percent, or \$800 million, will come in the form of new federal spending, mostly to subsidize insurance policies or expand Medicaid eligibility.

But health care spending was escalating rapidly in Kansas before the reform vote in Washington. Medicaid spending in the state grew by an average of 8 percent a year from 2000 to 2009.

The continuing challenge for Kansas and other states is to find innovative ways to control health costs within expanding Medicaid programs. If states lead the way, it's likely that insurers and federal policymakers will follow.

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