

Promoting Health Reform by Embracing State Experiments

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Wedded to controversy, the national media makes repeal of Affordable Care seem possible. Congressional Republicans and right-wing talking heads loudly proclaim failure and keep beating the drum for repeal. During the federal website snafus of late 2013, many political reporters locked onto the story that ObamaCare's troubles will drag Democrats down in 2014. But actually, reform is moving steadily forward – above all in the states.

New Affordable Care rules and subsidies are locking in through long-running negotiations among regulators, insurance companies, health care providers, and consumer advocates. Mounting numbers of Republican governors and other officials are breaking with national GOP obstructionism, and insurance enrollments are mounting – both through Medicaid and via purchases of private plans on the regulated online marketplaces called exchanges. Indeed, state-level developments offer the key to Affordable Care's success, and supporters of reform would do well to further such efforts, including creative experiments on the right and left.

The March of Medicaid

Even as national website troubles reignited controversies over the Affordable Care law, one Republican governor after another signed on to expand his or her state's Medicaid program. Expansion of Medicaid to cover people just above the poverty line is one of Affordable Care's major means for expanding coverage to some 16 million uninsured Americans. However, in its June 2012 decision upholding the law's constitutionality, the Supreme Court strengthened the hand of state legislatures and governors in deciding whether to proceed with this expansion. As of early 2013, all Democratic-led states had decided to go forward, but up to two thirds of the states where Republicans are fully or partially in charge were refusing or hanging back. But the solid wall of GOP resistance crumbled during 2013, in two crucial ways:

- Republican governors in Arizona, North Dakota, Michigan, Ohio, and (most recently) Utah pushed GOP legislatures and bucked ultra-conservative activists to accept the full Medicaid expansion. Hospital executives, business leaders, and consumer advocates urged this course, and the fiscal payoffs for governors who must balance state budgets are compelling, because Medicaid expansion is paid for by 100% federal funding from 2014 through 2016, declining after that to a permanent 90% federal subsidy from 2020 on.
- Republican governors have also gone along with Medicaid expansion in states – such as New Mexico and New Jersey – where Democrats control one or both houses in the legislature.
- Even in GOP-dominated states where conservative governors have national political ambitions, other kinds of Medicaid reforms and expansion have proved irresistible. In Wisconsin, for example, Governor Scott Walker refused the Affordable Care expansion but came up with his own alternative to sign up more state residents on a more restrictive Medicaid program.
- Administrative modernization is happening in 45 states – including Texas and many other states not accepting full Medicaid expansion. Buried in the Affordable Care Act are requirements and 90% funding for Medicaid eligibility to be streamlined through automated searches of federal and state databases and notifications of citizens who are eligible. In the name of a "technical fix," states have used the new federal funding to update their information technology and administrative systems. This leads to new enrollments, as tens of thousands of low-income people learn that they are eligible for already-existing Medicaid programs.

Because Medicaid expansion is popular and feeds the economic bottom line of businesses, health care providers, and state governments, more states are likely to jump on the bandwagon in 2014 – ranging from Virginia, where a Democrat just took control of the governorship, and Pennsylvania, New Hampshire, and

Maine where GOP officeholders are looking for compromises, to other states where Republicans may seek federal government permission – called “waivers” – to use Medicaid money to subsidize purchases of private health insurance.

State Experiments, Right and Left

Implementation of Affordable Care could eventually stall unless reforms continue to be accepted by Republicans. Reform supporters inside and beyond the federal government should keep doing all they can to encourage GOP pragmatists to put their own stamp on reform.

Adjustments in federal standards to accommodate opposition is not unusual or a sign of any special Obama penchant for caving in. The Affordable Care law explicitly empowers federal officials to approve state-level innovations that require modifications in health laws. In the past, federal legislation across a wide array of policy areas (from living wills to abortion and previous health reforms) has been modified to get more states on board and allow adjustments to real-world realities and political pushback. During just the first four years after Congressional adoption in 1997, the Child Health Insurance Program was changed over 100 times by the states.

- Obama administration officials are trying to find the sweet spot for granting waiver requests from Republican officials – not compromising national Medicaid standards too much, while at the same time allowing state officials to implement some limits on Medicaid coverage and use federal funds to subsidize private businesses or insurance plans. So far, such waivers have been granted to Arkansas, Iowa, and Wisconsin – and more are likely to come.
- Granting state waivers also opens the door to progressive state-level experiments under Affordable Care. Vermont is already planning to request a waiver to implement a single-payer health insurance plan (along the lines of Medicare for all). Other states or sets of states – for example, in the Northwest – may push ahead with innovative Medicaid programs or proposals to include “public option” Medicare-style plans on their health insurance exchanges.

Now is the Time

Right now, the window is open for wide-ranging state experiments that push Affordable Care forward in various ways – but the window will narrow before long. The Obama administration is moving into its final years, and research suggests that waves of reforms across the states often plateau after five years. Currently, most U.S. states are much more receptive to experimentation with health reform than national media portrayals of frozen, partisan-polarized ObamaCare politics suggest. While the opportunities for state-level experimentation are there, health reformers should welcome and seize them.