



# HEALTH POLICY BULLETIN

## FOCUS: STATE HEALTH CARE REFORM, ROUND TWO

Rep. Michael J. Bennane, D-Detroit, in a letter to Governor Engler dated June 7, 1993, marked several points of similarity between the House Democratic Health Care Initiative (see the May 1993 *Health Policy Bulletin*) and the governor's position on health care reform as outlined in his March letter to Hillary Rodham Clinton and a draft report written by Denise Holmes, Chief, Office of Planning, Policy and Evaluation, Michigan Department of Public Health (MDPH). The report, "Integrated Health Care Systems in Michigan," discusses the characteristics and barriers and incentives to integrated health systems in the state and accompanied a memo from Vernice Davis Anthony, Director, MDPH, to the Regional Health Systems Workgroup.

Bennane observes that he and the governor apparently agree on 23 significant items. Those include universal coverage, cost containment, and managed competition, although as noted below, there is some disagreement about the details of cost containment and managed competition. Quality health care for every state resident would be supported by an equitable financing structure and delivered through advanced health maintenance organization-like structures (certified plans or integrated health systems). Both are in agreement about the need for outcomes research and the establishment of practice guidelines. There would be a single price for a defined set of benefits and a capitated payment system. Among the details to be worked out is the cost of benefits within different areas of the state and what an equitable financing structure is.

The areas of disagreement appear to be global budgeting and voluntary enrollment in a certified health plan or an integrated health system. Bennane favors global budgeting and mandatory enrollments, while the governor remains opposed to both. Bennane argues that voluntary enrollment would lead to adverse selection, thus driving up the cost of the plan and making it extremely difficult, if not impossible, to arrive at accurate cost estimates for a plan. The goals of cost containment, managed competition, and capitated payments, he comments, are difficult to attain without global budgeting. Bennane also says that, while the integrated health systems would end fee-for-service

plans, his bill would continue to allow them to exist, hence preserving free choice of providers for plan members.

Cindy Peruchiatti, legislative aide to Bennane, said, "We were glad to see that conceptually, at least, the governor and the representative are in the same place—we are both on the same page in the same book and are working toward common goals, especially universal coverage. This was not clear from speeches given by some members of the Republican caucus." She observed that phasing in the Michigan Health Access Plan (Bennane's proposal) was an option. Peruchiatti commented that incremental changes (tax credits, incentives to provide benefits, and an emphasis on primary care) proposed by Republicans were entirely acceptable as steps toward the goal of comprehensive and universal coverage, especially if the changes enabled the state to start addressing the health care problems of residents immediately.

The Bennane letter also refers to Rep. John Jamian, R-Bloomfield Hills, the co-chair of the House Committee on Public Health. Bennane wrote, "I have spoken with Representative Jamian concerning the need for such an effort, and we have agreed in concept that we will attempt to hammer out a package of bills that has both Democratic and Republican sponsorship and that meets the needs of the citizens of the State of Michigan with regard to access to quality, affordable health care." Given Bennane's comprehensive approach and Jamian's preference for a more limited approach (see FOCUS piece below), a bipartisan package of health care reform bills will require significant negotiations.

At this point, it appears that Engler and Bennane share a more comprehensive orientation than Jamian. Assuming that the area of philosophical agreement between Bennane and Engler is as great as Bennane's letter suggests, the result of the bipartisan collaboration proposed would most certainly be a massive restructuring of the state's health care delivery system and universal coverage for its residents. The extent of this philosophical agreement, however, will be tested in the coming weeks, as a major announcement on health care is expected from the governor.

Governor Engler's office has received the Bennane letter and is still reviewing it; therefore, they were unable to give us their response to the letter at this time.

## **FOCUS: REPUBLICAN HEALTH CARE TASK FORCE**

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Rep. John Jamian announced the formation of a House Republican health care task force last month. The task force will look at the health care delivery system and draft proposals on low-cost health insurance policies, equitable copayment systems, incentives to increase the number of primary care health providers, and enhancement of the current system to provide coverage for uninsured people. In taking this approach, Jamian appears to be joining the growing number of people who are arguing that a revolution in the American health care delivery system is not necessary.

The task force, Jamian says, "is going to focus on incremental changes because radical changes are not needed. The efforts of the task force will be targeted to specific areas that need to be addressed. I expect the 30-35 people we will be getting input from to work within the parameters and guidelines for the task force." He expects to have legislation written and ready for introduction by early fall.

Jamian's view is that, although major reform or a revolution in the American health care delivery system is not necessary, some changes are. For example, he notes that some major service industries are very profitable in part because they do not provide health care benefits to their employees. He wants a more level playing field in this area; the cost for health care benefits could be shared by the employer and the employee. Tax incentives for employees and employers could provide "marginal incentives for everybody" to participate in offering benefits.

He is very concerned about four areas: (1) The ability of the working poor to gain access to health insurance, (2) the uninsured, (3) costs, and (4) primary care. One of his ideas is to enhance the Medicaid system so that people who work full time for an employer that does not provide health benefits could at least buy a catastrophic coverage policy through the Medicaid program. Jamian believes that most of the uninsured are young adults who work for companies that do not provide health benefits. On costs, he observed, "One of the problems with the system is that people have no awareness of costs." He favors copays as a way to "make people more responsible for their costs." Jamian also noted that, while our system is expensive, it has provided many benefits to many people. On the issue of the primary care needs in urban and rural environments, the task force will be looking at scope of practice and reimbursement issues for various health care professionals such as nurse practitioners.

According to Bill Evans, Jamian's legislative aide, the task force will be collecting information from as

wide a variety of groups as possible before holding hearings. Among those being consulted are small and large businesses, unions, health care providers, insurers, and consumer advocacy groups. Evans said that fostering a feeling of inclusiveness is one of Jamian's objectives.

Although House Republicans have already introduced some legislation affecting health care issues, Jamian is not necessarily committed to the current bills. House Bill 4594, introduced by Rep. Sandra Hill, R-Montrose, recasts the low-cost insurance policies favored by House Republicans in the 1991-92 legislative session and includes some requirements for standardized forms, claims processing through regional claims centers, and coordination of claims by the first insurer to whom a claim has been submitted. Legislation (HBs 4793-4798) requiring copayments for prescription drug coverage for state employees and retirees has been introduced by Rep. Jessie Dalman, R-Holland.

### **OF INTEREST**

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Our congratulations to Gail Warden, President and Chief Executive Officer, Henry Ford Health Systems, on his recent nomination as chairman-elect of the American Hospital Association.

In the next 30 days, look for the legislature to be engrossed in budgets, school aid, and school finance reform. The deadline in the Senate for reporting out bills has passed. The House Committee on Public Health will probably report out the following:

- HB 4049, which provides for HIV testing for persons accused of criminal sexual conduct
- HB 4529, which defines standards for interpreting mammograms
- HB 4629, which requires HIV testing for persons accused of sexually molesting children
- HB 4657, which creates a board for dental hygienists
- HB 4749, which creates the Health Care Information Act

SB 270, Substitute (H-2), the medical liability tort reform bill, is scheduled to be taken up by the Senate on Wednesday, June 30. Most observers think the Senate will pass this version of the bill—as substituted and amended by the House—to avoid a conference committee.