

STATE HEALTH POLICY

STATE HEALTH POLICY BRIEFING PROVIDES AN OVERVIEW AND ANALYSIS OF EMERGING ISSUES AND DEVELOPMENTS IN STATE HEALTH POLICY.

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With funding from the Foundation for a Healthy Kentucky, the National Academy for State Health Policy (NASHP) worked with national consumer health advocacy organization, Community Catalyst, to develop and facilitate a Kentucky-specific conference to help consumer advocates, state policymakers, and local funders prepare for the post-health reform environment. Together, NASHP and Community Catalyst conducted a meeting on May 18, 2010 in Frankfort, Kentucky.

This *State Health Policy Briefing* reports on information collected through background research and key informant interviews conducted in preparation for the event, as well as issues discussed at the conference itself. The paper also focuses on priority issues for state officials, policymakers, and other stakeholders to consider as health reform implementation moves forward in the Commonwealth of Kentucky.



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Briefing

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What Does Health Reform Mean for Kentucky?

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On March 23, 2010, President Obama signed the Patient Protection and Affordable Care Act (PPACA) into law.¹ With this action, state implementation of health reform was set in motion. Over the next several years, state officials and policymakers in Kentucky and across the country will need to work hard to prepare and implement changes to their health care programs and systems in order to ensure coverage is expanded through major initiatives beginning in 2014.

This is not Kentucky's first experience with health reform, however. In the 1990s, the Commonwealth of Kentucky enacted a comprehensive health reform plan, but a significant portion was repealed two years after enactment due to opposition by the health care industry. Although the Commonwealth has been down this path before, preparing for implementation of the PPACA will come with its own set of challenges.

METHODOLOGY

With funding from the Foundation for a Healthy Kentucky, the National Academy for State Health Policy (NASHP) worked with national consumer health advocacy organization, Community Catalyst, to develop and facilitate a Kentucky-specific conference to help consumer advocates, state policymakers, and local funders prepare for the post-health reform environment. Together, NASHP and Community Catalyst conducted a meeting on May 18, 2010 in Frankfort, Kentucky. Almost 120 state officials, legislators, and advocates registered to attend the event. During the session, the organizations covered substantive provisions of the health reform law, public messaging on the law, and the role of the state in health reform implementation. Additionally, participants had the opportunity to break out into small groups to consider and discuss what they saw as the opportunities and

challenges under health reform given their roles as a providers, state officials, or advocates.

In preparation for this convening, NASHP conducted a number of key informant interviews with a broad range of stakeholders in order to understand the political environment, the Commonwealth's readiness for implementation, and its priorities for health reform. Interviews were conducted with representatives from the Foundation for a Healthy Kentucky, Kentucky Voices for Health, the Cabinet for Health and Family Services, various Cabinet sub-agencies, and the Kentucky Department of Insurance. NASHP also interviewed a number of leaders from health and/or insurance committees in the state legislature. During the interviews, we asked questions regarding the state's and agencies' health reform implementation plans; coordinated efforts between agencies; work with advocates; and priorities, opportunities, and challenges under health reform implementation.

BACKGROUND — WHERE IS THE STATE NOW?

Health Status of Kentuckians — Kentucky ranked 45th relative to other states in the Commonwealth Fund's State Scorecard on Health System Performance in 2009. This report assesses states' performance on health care relative to achievable benchmarks for 38 indicators of access, quality, costs and health outcomes.² Based upon additional data, Kentuckians lag behind when it comes to overall health status. For example:

- 37 percent of Kentucky's children (ages 10-17) are overweight or obese, compared to an overall rate of 31.6 percent in the United States.
- 8.2 out of every 100 adult Kentuckians have diabetes compared to 5.5 of every 100 adults in the United States.
- There are 235.5 deaths due to heart disease in Kentucky per 100,000 compared to 200.2 deaths per 100,000 people overall in the United States.
- 25 percent of adults in Kentucky smoke compared to 18.3 percent of the adult population in the United States.³

State officials and policymakers in the Commonwealth have made improving the health of the population a priority over the last several years. The passage of health reform pres-

ents an enormous opportunity to make even more strides in improving the health status of Kentuckians.

Health Insurance in Kentucky — There are approximately 619,000 uninsured individuals in Kentucky.⁴ At 62 percent of the federal poverty level, the income guideline for Medicaid coverage for parents with children is low, and childless adults under 65 without disabilities are ineligible.

Under health reform, it is estimated that 482,000 of these people will be eligible for coverage post-health reform either through the expansion of Medicaid or by qualifying for subsidies to purchase insurance through a state-based exchange.⁵

OPPORTUNITIES AND CHALLENGES IN HEALTH REFORM

Health care reform will bring significant changes to Kentucky's health care system and public programs, including coverage for thousands more people, better access to health care services, and increased funding for community providers. Although there are numerous health reform priorities for Kentucky leaders, due to the limited time to discuss issues at the convening, two were focused on in detail: the Medicaid expansion and private insurance reforms. The state officials and policymakers we interviewed and the meeting attendees highlighted these issues as being of great importance, along with the need for developing an overall strategy and approach to health reform implementation.

OVERALL STRATEGY AND PROCESS

At the time of our interviews in late April and early May 2010, most state officials indicated they were still reading through the law or trying to understand the law and its implications, as well as their agency's role in health reform. Although some meetings were being conducted at the agency level, there was no formal workgroup or commission in place as in some other states. State officials frequently mentioned that their immediate priority was dealing with the lack of a Fiscal Year 2011 budget. (The regular 2010 legislative session ended on April 15, 2010 without the passage of a budget, although a budget was passed and signed into law by early June.⁶) State policymakers noted that they were not very aware of the details of the health reform law, but expected that upcoming briefings—through the Foundation's event and others—would give them the necessary information and analysis to begin to move forward on implementation.

IMMEDIATE PRIORITIES

There are a number of provisions in the health reform law that require immediate attention. Many of the measures that require the attention of state insurance departments take effect or require substantial work in 2010. Kentucky officials and policymakers we spoke with cited a number of these provisions as high priorities, such as decision-making around the high-risk pool; oversight and rate review; and dependent coverage for young adults up to age 26.

LONG-TERM PRIORITIES

In addition to the work required to put these immediate provisions into effect, the Commonwealth must also look more broadly at what needs to be accomplished over the long-term. Implementing the Medicaid expansion and developing an exchange are two of these long-term priorities, which were discussed at the May convening.

- *Medicaid Expansion* – The expansion of Medicaid to individuals at or below 133 percent of the federal poverty level will make over 40 percent of Kentucky's currently uninsured population eligible for Medicaid.⁷ At the time NASHP conducted its interviews, state officials and policymakers, as well as consumer advocates, cited the expansion as an obvious priority for the state. Importantly, some officials recognized that this was an extension, rather than a shift, in priorities for the Commonwealth, since Kentucky had invested heavily in increasing enrollment in Kentucky Children's Health Insurance Program (KCHIP) for the last few years.
- *Insurance Exchange* – It is estimated that approximately 35 percent of Kentucky's currently uninsured will be eligible for subsidies, which will allow individuals to purchase health insurance through newly-created exchanges.⁸ In interviews, state officials noted that the creation of an exchange was a high priority for Kentucky, although little conversation had begun on this topic. States will have a host of decisions to make in this area, and the partnering between agencies will be vital to the successful creation of an exchange.

The small group breakout session focused on opportunities and challenges under health reform. The small groups identified the specific issues noted above, as well as a range of

other issues, including integrating systems, delivery system reforms, prevention and public health, provider shortages, and eligibility system issues.

RESOURCE ISSUES

A key consideration for Kentucky must be its resource needs and administrative capacity for implementing health reform provisions. In interviews, state officials noted staffing concerns in the context of moving forward with implementation. State agencies are already struggling with inadequate staffing levels. Adding health reform implementation duties that require new skills by an already overtaxed staff will make implementation even more challenging for the state.

MOVING FORWARD

The Foundation's educational event was just the first step towards the realization of health reform in Kentucky. As health reform implementation moves forward, all stakeholders are poised to work together as a result of this convening.

With a state budget now passed, state officials should be in a better position to focus on health reform implementation; however, as in other states, the dismal budget situation will continue to present serious obstacles to implementation. As state officials shift their attention to implementing the law, there are a number of issues that will require attention. First, developing an overall strategy and process for implementation is critical. The state must take into consideration a number of issues already mentioned above: timing, including immediate priorities and planning on the longer-term priorities, and resource allocation and administrative capacity issues. In order to do this, it is necessary to develop a coordinated approach among state agencies. In conjunction with the development of this overall strategy comes gaining a solid understanding of the provisions of the law and the implications for the state.

Furthermore, there are aspects of health reform that the Commonwealth must get right if they are to be truly successful in implementation.⁹ These areas include:

- *Be Strategic In Developing the State's Insurance Exchange* – Structural choices regarding the exchange will affect the state's ability to integrate the exchange into the overall implementation plan. These choices include governance structure, whether it incorporates the individual and small business

markets or not, and whether it is statewide or regional in scope. Furthermore, how Kentucky approaches the functions of the exchange (i.e. how active a role the state plays in defining health insurance options within the exchange) will have a real impact on the shape of the health insurance marketplace.

- *Regulate the Commercial Health Insurance Market Effectively* – Effective regulation of the insurance market is essential to assuring the availability of affordable coverage, to avoiding risk selection between the exchange and the external market, and to focusing the health insurance industry on delivery system improvements. It is critical to ensure the Department of Insurance has adequate capacity to carry out its expanded mission under the new law.
- *Simplify and Integrate Eligibility Systems* – Health reform moves Medicaid eligibility standards to modified adjusted gross income defined by the tax code. The exchange-based subsidies will do the same. To ensure seamless transitions for families as their incomes fluctuate, eligibility systems across Medicaid, CHIP and the exchange will need to be coordinated at the state level. Given the significant increase in the number of newly insured resulting from health reform, it will be important for Kentucky to identify a set of people to take a look at these issues early on in the process.
- *Focus on the Dually Eligible* – Health reform incorporates many new opportunities to improve care for the highest cost Medicaid beneficiaries, including the Community Living Assistance Services and Supports (CLASS) Act, expanding the Money Follows the Person (MFTP) demonstration program, incentives to rebalance states' long-term care programs, and a new federal office that focuses on dual eligibles. It will be important for Kentucky to take advantage of the opportunities related to dual eligibles given its current efforts around prevention and improving health outcomes for the chronically ill.
- *Use Your Data* – There are many provisions in the law that call for the collection of new data. Purchasers can use this data to drive improvement in outcomes and quality. In interviews, many state officials and policymakers noted the state's emphasis on reducing overall rates of diabetes and obesity, especially in children. The state can aggregate data across systems to monitor popula-

tion health, identify priorities for improvement, and track progress toward improvement goals.

- *Expand Provider and Health System Capacity* – Expanding coverage will increase demand for services, which will strain the capacity of the parts of the health care system that already suffer. The federal law provides some grant opportunities and new funding streams to support and expand provider capacity. Kentucky must analyze the diverse health needs of its citizens in order to determine how to fill gaps in the health workforce. It will be important to determine not only the type of services needed (primary care, pediatrics, etc.), but also the method and location of delivery (outreach services by community based workers, rural health care delivery systems, etc.). Once these determinations are made, the state can successfully target its efforts to take advantage of federal grant opportunities.
- *Attend to Benefit Design* – Benefit design initially affects how the enrollee interacts with the health care system, but when considered across purchasers, effective benefit design can push the entire health care system toward an emphasis on prevention and coordination and away from services and procedures that have limited value. As state officials and policymakers focus on prevention and improving health outcomes for Kentuckians, benefit design is one step in working to achieve that goal.
- *Pursue Population Health Goals* – The prevention and public health components of the health reform law include a number of state grants to address surveillance needs, public health laboratories, childhood obesity, and ways to address racial and ethnic disparities. Preventive services are expanded in Medicaid and payment levels to primary care providers are increased in Medicaid. These provisions offer opportunities for the Commonwealth to continue its efforts around improving the overall health of its citizens and reducing chronic conditions, like obesity and diabetes.
- *Engage the Public in Policy Development and Implementation* – Given the breadth and complexity of the law, it will be important for the leadership within the state to develop a clear approach for achieving an effective information flow between an engaged public and elected and career officials and policymakers. This will allow for public input

on options the state is considering, decisions that are made, and for feedback on how things are going so that they can be improved. Communicating with and engaging the public in implementation is extremely critical.¹⁰ This communication began at the Foundation-sponsored event in May, but will need to continue to ensure health reform implementation is successful in the Commonwealth of Kentucky.

- *Demand Quality and Efficiency from the Health Care System* – The health reform law gives states new tools for improving the health care system. There are a number of payment reform demonstration programs in which Kentucky may want to participate. Additionally, states

may align their purchasing power with public and state employee programs and the new exchange, and Kentucky may be interested in further investigating this issue.

As the Commonwealth of Kentucky moves forward with health reform, it will need to ensure that it integrates and coordinates these efforts with existing efforts around health system improvement. This was acknowledged by many of the state officials we interviewed. Finally, having a strategic plan for Kentucky that incorporates the elements discussed above, which includes a clear set of progress indicators for each, will lay the foundation and be a guidepost for successful implementation of the health reform law in the state.

ENDNOTES

1 *Patient Protection and Affordable Care Act*, Public Law 111-148, U.S. Statute at Large (2010).

2 D. McCarthy, S. K. H. How, C. Schoen, J. C. Cantor, D. Belloff, *Aiming Higher Results from a State Scorecard on Health System Performance* (New York, NY: The Commonwealth Fund, October 2009).

3 See Kaiser Family Foundation, <http://www.statehealthfacts.org> for the health status statistics for Kentucky.

4 Number of uninsured in Kentucky as of 2007-2008, Kaiser Family Foundation, <http://www.statehealthfacts.org> as cited in Community Catalyst, *What National Health Reform Means for Kentucky* (Boston, MA: Community Catalyst, May 2010).

5 Urban Institute, *How Would States Be Affected by Health Reform?* Table 7: Health Reform and the Uninsured, by State www.urban.org/UploadedPDF/412015_affected_by_health_reform.pdf as cited in Community Catalyst, *What National Health Reform Means for Kentucky* (Boston, MA: Community Catalyst, May 2010).

6 The state legislature went into special session in May and a FY 2011 budget was passed by the legislature in late May. The budget bill was signed into law by Governor Beshear on June 4, 2010. Governor's Office, Governor Beshear takes final action on bills passed during special session, Press release, June 4, 2010, available at <http://governor.ky.gov/pressrelease.htm?PostingGUID={4F426067-FBC3-4FEC-AAAE-87925875FEF3}>.

7 Urban Institute, op. cit.

8 Ibid.

9 For more information, see Alan Weil, *State Priorities for Successful Implementation of Health Reform*, (Portland, ME: National Academy for State Health Policy, May 2010).

10 Alan Weil, Jacqueline Scott, Anne Gauthier and Sonya Schwartz, *Supporting Policymakers' Implementation of Federal Health Reform* (Portland, ME: National Academy for State Health Policy, November 2009).

NATIONAL ACADEMY for STATE HEALTH POLICY

About the National Academy for State Health Policy:

The National Academy for State Health Policy (NASHP) is an independent academy of state health policymakers working together to identify emerging issues, develop policy solutions, and improve state health policy and practice. As a non-profit, non-partisan organization dedicated to helping states achieve excellence in health policy and practice, NASHP provides a forum on critical health issues across branches and agencies of state government. NASHP resources are available at: www.nashp.org.

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