



Healthcare Reform Ideas from the States

By Robert N. Stewart

In recent years, rising healthcare costs have made large dents in family budgets, increased business costs, and created major problems for state legislators. In recent years, states have experimented with new ideas and new technology in order to make healthcare more affordable. This INSTITUTE BRIEF highlights two of these efforts.

The Travelocity Approach to Prescription Drug Shopping. Seven states have established websites that report the retail price of prescription drugs, allowing consumers to compare and contrast popular drug prices online. The concept is similar to that of travel websites such as Travelocity.com: a consumer enters his or her location and prescribed drug and dosage and can then see the prices at every pharmacy in that area. Admittedly, such a reform may not be the sexiest, but it does have the potential to save consumers time and money. For example, according to Florida's retail drug website, MyFloridarx.com, 30 20-mg tablets of Zocor cost \$316.72 at B and S Drugs, Inc., in Miami; by contrast, that same prescription sells for \$137.19 at Oriente Pharmacy, also in Miami.¹ A recent report by the New York Attorney General's Office found that consumers in that state saved, on average, \$17.36 per prescription by purchasing their medications at the location with the lowest retail price this past January.²

One of the biggest proponents of retail price websites is former U.S. House Speaker Newt Gingrich. In testimony before Congress, Gingrich claimed that such a website costs less than \$200,000 per year to operate, and encouraged every state to adopt one.³ A similar website being modeled by his organization, the Center for Health Transformation, is claimed to "take 20-40 percent out of the cost of prescription drugs by offering real-time online prices to patients."⁴

Health Insurance for all of Massachusetts' residents. This past April, Massachusetts Governor Mitt Romney signed legislation that sought to provide health insurance to every resident of the state. To accomplish this goal, the new legislation requires every resident to purchase health insurance by July 1, 2007 or face tax penalties. Businesses with at least 10 employees must provide health insurance for their workers or pay a fine of \$295 per employee. Businesses whose employees use at least \$50,000 in free healthcare (that's emergency treatment that, by law, cannot be refused, regardless of whether or not one can pay) are responsible for between 10% and 100% of the hospital costs.⁵ The new legislation also merges the individual and small-group insurance, the projected result of which is 24% decrease in individual premium costs.⁶ To eliminate the issue of affordability, the government has provided sliding-scale subsidies to individuals with incomes below 300% of the federal poverty line who don't qualify for Medicaid. These subsidies come from a fund currently used to reimburse providers for providing free healthcare. According to the Kaiser Family Foundation, 207,500 residents are expected to receive subsidized care.⁷

From that brief description above, there are obviously some negative features to this bill. For starters, it doesn't address the costs of healthcare services, and it indirectly forces employers to provide health insurance by threatening them with the cost of a full medical bill if an employee uses more than \$50,000 in free care. However, there are some features that should be watched closely. One of the most popular features is the health insurance "Connector," a single, private marketplace that connects individuals and small businesses with health insurance plans. For example, rather than having an employer negotiate with an insurance company, and provide a one-size fits-all policy to every employee, that employer can now designate the Connector for its group health insurance plan. With the company subsidies, each employee can choose among all of the plans offered through the Connector. Edmund F. Haislmaier notes that under this plan, married couples can combine their employer contributions to buy a plan, rather than having to choose one spouse's plan or the other.⁸ Furthermore, the Connector will offer lower priced plans with fewer mandates to individuals aged 19 to 26, a group that the architects

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of this policy found were likely to be young and healthy, and therefore lacking health insurance.⁹ As the British publication *Economist* noted, adding more healthy people to the pool will be helpful in reducing the cost of premiums.¹⁰ According to the Kaiser Family Foundation, 215,000 residents are expected to receive insurance through the Connector.¹¹

Final Thoughts. States are proving that they are capable of taking the initiative to enact policies that attempt to make healthcare affordable to their residents. Will these reforms be successful? The answer is not clear. However, states across the country should watch these reforms closely and duplicate the successful results.

(Endnotes)

¹ Miami-Dade County, City of Miami, Price of Zocor, 30 20-mg tablets, usual and customary prices from March 1-31, 2006, <<http://myfloridarx.com/rxmar.nsf/City?OpenView&RestrictToCategory=MIAMI~26533&DN=ZOCOR%2020%20MG%20TABLET&count=1000>>, (May 3, 2006).

² Rashmi Vasisht, Hampton Finer, and Lisa Vura-Weis, "The benefits of comparison shopping for prescription drugs: A report on consumers' potential savings," New York Attorney General's Office, <<http://www.oag.state.ny.us/press/2006/feb/NYAGR%20savings%20report.pdf>>, (May 3, 2006).

³ Newt Gingrich, "Every American's right to know the price and quality of medical services," Testimony before the Committee on Energy and Commerce (U.S. House of Representatives), March 15, 2006, <http://www.aei.org/include/pub_print.asp?pubID=24155> (May 3, 2006).

⁴ *Ibid.*

⁵ Massachusetts Office of the Governor, "Summary of Key Features: An Act Providing Access to Affordable, Quality, and Accessible Health Care," <http://www.mass.gov/pageID=gov2terminal&&L=3&L0=Home&L1=In+Focus&L2=Governor's+Health+Care+Plan&sid=Agov2&b=terminalcontent&f=health_care_reform_narrative&csid=Agov2> (May 5, 2006).

⁶ Kaiser Family Foundation, "Massachusetts Health Care Reform Plan," April 2006, <<http://www.kff.org/uninsured/7494.cfm>> (May 4, 2006).

⁷ *Ibid.*

⁸ Edmund F. Haislmaier, "The Significance of the Massachusetts Health Reform," WebMemo #1035, Heritage Foundation, April 11, 2006, <<http://www.heritage.org/Research/HealthCare/wm1035.cfm>> (May 5, 2006).

⁹ Governor Mitt Romney, "Health Care for Everyone? We've Found a Way," *Wall Street Journal*, April 11, 2006, <<http://www.opinionjournal.com/editorial/feature.html?id=110008213>> (May 5, 2006).

¹⁰ *Economist*, "Health care for everyone," April 6, 2006, <http://www.economist.com/world/na/displaystory.cfm?story_id=6772453> (May 8, 2006).

¹¹ Kaiser Family Foundation, 2006.

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