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A HISTORY OF CONSUMER-DRIVEN HEALTH CARE REFORM IN KANSAS

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Executive Summary

The health care moment has arrived. With competing plans on the table from a variety of different interest and constituent groups in Kansas, health care reform promises to be a crucial issue in next year's legislative session. This paper explores the history of consumer-driven reform options at the legislative level since 2003. It not only establishes the strong history of such reform efforts in Kansas but also highlights the significant accomplishments achieved since the legislature began focusing on ways to empower individuals and energize markets in health care policy.

Introduction

Consumer-driven health care reform encompasses a variety of approaches that seek to maintain a role for individuals and families to engage the health care marketplace in ways that best meet their needs. This movement in Kansas is perhaps best summed up by an excerpt from a 2004 statement of principles issued by the Kansas Medical Society:

Public policies should encourage the development of health insurance products which emphasize greater consumer financial responsibility for their health care purchasing decisions, such as through the use of percentage-based coinsurance and Health Savings Accounts combined with higher deductible insurance policies. Where appropriate, Medicare, Medicaid and other government health programs should incorporate this model.

Government control of health care prices, resources, and services should be avoided because it ultimately results in market distortion and price inflation.



Since 2004 the Flint Hills Center for Public Policy has served Kansas policymakers as an advocate of consumer-driven health care reforms. Over the past three years Flint Hills Center policy scholars have focused attention on the problems facing the current health care system, offering solutions based on the empowerment of individuals and unleashing the power of the marketplace to deliver high quality health care in the most effective and efficient manner possible.

In the 2007 Kansas state legislative session the debate over health care reform reached a crescendo. Consumer-driven health care reforms were at the center of this discussion. This policy brief explores the setting for consumer-driven health care in Kansas over the past three years, focusing on how policymakers have come to understand the importance of this vital reform movement to the health care system.

Senate President's Task Force

In February 2003 the Kansas Senate began the most comprehensive review of the state's Medicaid program in its close to 40-year history. Less than two months later, the Senate President's Task Force on Medicaid Reform presented the Senate with a Final Report on improving the program's level of quality with an emphasis on consumer-driven reforms.

Included among the recommendations were the following:

- Increased public education efforts and tax incentives to encourage reasonable planning for Long Term Care (LTC);
- Restricting eligibility to the truly needy;
- Continued exploration of home-based care to improve beneficiary satisfaction without greatly increasing costs;
- Care management;
- Exploration of ways for Kansas to increase its flexibility in operating Medicaid, such as applying for federal waivers;
- The introduction of Medical Benefit Accounts (now named Health Savings Accounts)

While the majority of the recommendations did not immediately become policy, Kansas has applied for waivers to explore flexibility in operating Medicaid programs. Federal changes to the law governing Long-Term Care (2005's Deficit Reduction Act) have recommended extending the look-back period from three to five years for those applying for LTC under Medicaid, as well as tightening eligibility requirements on home mortgage deductions. Kansas has yet to implement these changes.



Legislative Action

Since the Senate Task Force produced its recommendations Kansas has represented fertile ground for reform efforts in health care. In 2004 the legislature passed several important consumer-driven measures.

- House Bill 2545 brought Kansas into federal compliance by allowing for Health Savings Accounts (HSAs) and created a tax deduction for long-term care insurance;
- Senate Bill 272 enhanced estate recovery and closed eligibility loopholes for Medicaid.

In early 2005, Devon Herrick of the National Center for Policy Analysis called for HSAs to be offered to state and local government employees as well as Medicaid recipients. Later that year Governor Kathleen Sebelius announced her 2006 health plan, accomplishing the first goal: "Health Savings accounts can help individuals control their health care spending," explained the Governor. "They're a useful addition to existing health coverage options."

Also, in 2005 Governor Sebelius signed into law:

- House Bill 2098 and House Bill 2276 which authorize any bank to act as trustee or custodian to manage HSAs and medical savings accounts;
- Senate Bill 257 which provide that contributions to HSAs by certain employers (small employers, sole proprietors, business partners and limited partners) are eligible for employers' state income tax credits up to \$70 per month in year one; \$50 per month in year two; and \$35 per month in year three;
- Senate Bill 272 created the Kansas Health Policy Authority (KHPA) to coordinate a statewide health policy agenda.

The KHPA was the biggest contribution to health care reform. In 2006 it took over responsibility for the fiscal management of the state's Medicaid program (with the exception of LTC which remains in the Department of Aging) as well as the state employees' health care system. The KHPA board, with appointments by the Governor, the Speaker of the Kansas House, and the Senate President, was empowered to investigate and to deliberate over health care reform proposals, including consumer-driven proposals. The KHPA is an independent agency of the state government but the legislature retains oversight regarding its activities and its funding.

In 2007, the state legislature was particularly active in focusing attention on health care reform. Senator James Barnett from Emporia focused reform attention on a Massachusetts-style Connector program to provide mandatory health insurance for all Kansans. The Governor established the Health for All Kansans Steering Committee, with members including representatives from the Governor's office, the Speaker of the House, the KHPA board and Representative Jeff Colyer, Chairman of the House Health Care Task Force – a special committee of the 2007 legislature dedicated to exploring health reform proposals.

Representative Colyer, a first-term legislator from Overland Park and a practicing physician, became chairman of the House Health Care Task Force. Colyer held hearings exploring



consumer-driven health care strategies. At the hearings legislators heard testimony from Michael Tanner of the CATO Institute, Ed Huslmeier of the Heritage Foundation and Michael Bond, Greg Schneider and Stephen Moses of the Flint Hills Center for Public Policy.

Colyer proposed an ambitious bill that would have created KanCare. The intent was to emphasize the preservation of Medicaid as a safety net and increase consumer-driven reforms across the board in the delivery of health care. A compromise bill, Senate Bill 11, included parts of all the goals of health reformers, offering premium assistance to help those under 100 percent of the federal poverty line; money to pay for private health insurance (to be phased in over three years); the exploration of a Health Connector; and strategies designed to empower individual consumers through consumer-driven health reforms.

Senate Bill 11 passed the legislature unanimously. The KHPA was given until November 1, 2007 to report to the legislature on a reform package which could be discussed and debated (and acted upon) during the 2008 legislative session. Early reports have focused on the KHPA selecting a Connector style, mandated health care system. The consideration of consumer-driven strategies was not part of the KHPA discussions, however. Indeed, advisory groups created by the KHPA deliberately left consumer-driven representatives off of the consumer advisory council.

Legislative Academies

In order to continue to inform the debate over consumer-driven health reform, the Flint Hills Center sponsored two Legislative Academies on the Insured and the Uninsured in Kansas. Held in Lawrence and Wichita, more than 80 individuals (half legislators and half representatives from insurance agencies, doctors and hospitals), attended the academies. Attendees gained insights into the pitfalls of individual mandates (as the Massachusetts connector established) and the potential benefits arising from focusing reform efforts instead on empowering the individual to oversee their own care. Participants included Representative Jeff Colyer, Speaker of the House Melvin Neufeld, Michael Bond and Richard Warner, a past president of the Kansas Medical Society.

The model for the legislative academies was the 2005 academies on Long-Term Care sponsored by the Flint Hills Center and featuring Stephen Moses of the Center for LTC Reform. Since LTC accounted for 50 percent of Medicaid costs at the time, Moses argued for significant reform of the Medicaid eligibility for LTC in the state. He has since argued for implementing the provisions of the Deficit Reduction Act in a 2006 policy paper, "Plain(s) Talk on Medicaid Reform," published by the Flint Hills Center.

Those urging the consideration of consumer-driven health care reform include not only the Flint Hills Center but also state legislators concerned about the fiscal health of the state and the continued viability of the private health insurance system. The 2008 legislative session promises continued discussion on health care reform. The health care moment has arrived in Kansas.

Conclusion

The Flint Hills Center for Public Policy views the events, actions, and voices as testifying to the fruitful emergence of a new paradigm in health care. Truly, the history of legislative action



concerning consumer-driven health reforms in Kansas is impressive. Kansas policymakers have already made significant strides in reforming Medicaid and the wider health care system.

Many opportunities yet remain, however, to contain inflation in the health care market and preserve an individual's ability to find affordable and responsive care. The Flint Hills Center for Public Policy will therefore continue to monitor these ongoing developments and strive to serve as a vehicle for the education of legislators, policymakers and the public on consumer-driven health care.

About the Author



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