

HEALTH POLICY ROUNDUP

# STATE POLICY ANALYSIS



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# BACKGROUND

While significant attention has been paid to shifts in federal health policy, it is equally important to understand the promises, tradeoffs, and impacts of state policies on the health care system. Federal and state governments have different authorities and priorities when it comes to health policy. State governments also face different budgetary considerations than the federal government, meaning rising health care costs pose more immediate challenges to state budgets. Perhaps most importantly, from a federal perspective, the vast majority of states – 46 states and the District of Columbia (D.C.) – have balanced budget requirements.

These balanced budget requirements vary across states, but 40 require the governor to sign a balanced budget in which projected spending cannot exceed expected revenue. State policymakers also face rising concerns from constituents, who are feeling the effects of rising out-of-pocket health care costs. Governors and state legislatures across the U.S. are pursuing policy reforms to reduce state health care costs and promote health care affordability for consumers. States are important to look to for innovation in health care, as they often lead the way for federal legislation.

## RESOURCES

[Health Policy Handbook: Chapter 1](#)

*Foundational information about the state and federal budget processes*

[Health Policy Handbook: Chapter 6](#)

*Overview of dual eligible beneficiaries*

[Subject Matter Experts](#)

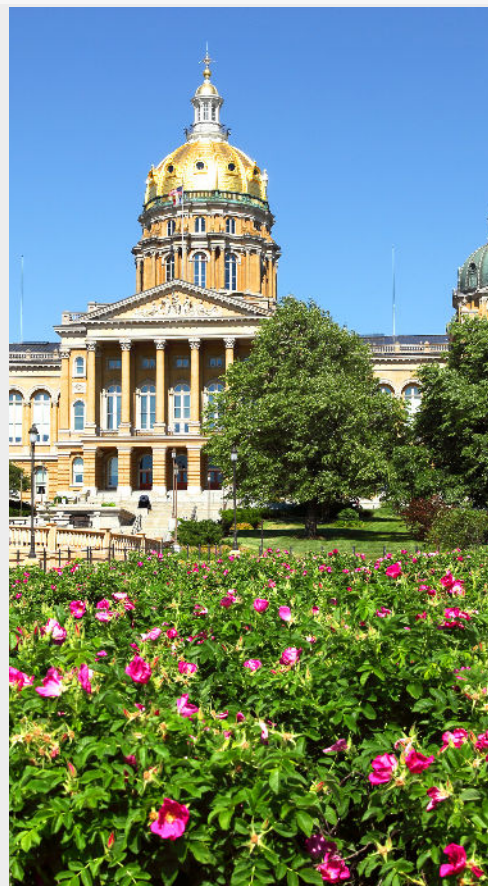
*Download a list of contact info*

[State Policy Analysis Webinar](#)

*Review additional resources & recording*

[Understanding the Future of COVID-Related Medicare and Medicaid Flexibilities Webinar](#)

*Overview of COVID-era program flexibilities*



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# STATE POLICY APPROACHES TO REDUCE HEALTH CARE COSTS

- State policies to address health care costs often work to achieve two objectives: Lowering state health expenditures and/ or reducing health care costs for consumers
- Most state strategies to address health care costs fall into one of five policy [approaches](#) – (1) Gathering data on health care costs; (2) Active state purchasing; (3) Mitigating consolidation and abuses of market power; (4) Overseeing hospital cost growth, and (5) Limiting hospital rates.
- Ultimately, states will need to deploy a combination of policies to have an effective policy agenda in place that makes the health care markets more competitive and makes prices more affordable. To address these market imbalances, some states have enacted discrete state policy interventions to address imbalances in market power, lower prices, and enhance competition on quality of care rather than prices. Two examples include [Rhode Island](#) capping prices that health plans pay providers and [California](#) enacting a ban of “gag clauses” that prevent pharmacists from discussing price options with consumers.
- Prescription drug costs are driving up public and private health expenditures. Prescription drugs account for 9-10 percent of national expenditures, 5-10 percent of state Medicaid costs, and 12-15 percent of personal consumer health care spending, averaging about \$1,200 per consumer per year. [Since 2017](#), every state has introduced legislation to address prescription drug costs and 49 states have collectively enacted over 200 laws to address those prices.
- Hospitals, physician services, and prescription drugs account for a majority of health care [expenditures](#).
- From what states have indicated they are prioritizing, it is likely that they will work on enhancing care management for patients with complex care needs, as well social determinants of health (SDOH). States will also likely continue to improve integrated care plans for those who are dually-eligible for Medicare and Medicaid.
- States are increasingly examining the impact of racial and economic health disparities on state budgets and advancing policies to address drivers of SDOH.

**"I THINK THE [PATIENT] AFFORDABILITY ISSUE REALLY IS WHAT SPARKED THE DESIRE FOR REFORM, WHETHER IT IS PAYMENT REFORM, DELIVERY REFORM, BENEFIT DESIGN CHANGES, NETWORK CHANGES, ETC. WE HAVE GOTTEN TO A POINT WHERE MOST AMERICANS...CANNOT AFFORD TO USE IT AND THAT IS A CRISIS."**

– Suzanne Delbanco, *Catalyst for Payment Reform*

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# IMPACT OF COVID-19 ON STATE HEALTH POLICY

- COVID-19 led many states to invest in their public health infrastructure. The [American Rescue Plan](#) and other federal funding made available during the public health emergency gave states billions of dollars to invest in COVID-19 testing, treatment, and vaccinations.
  - With the COVID-19 pandemic and the resulting Public Health Emergency (PHE) declaration, many people newly enrolled in Medicaid or maintained Medicaid coverage through the federal “continuous enrollment condition,” which offered states additional federal Medicaid dollars—the [Federal...](#)
- ...[Medical Assistance Percentage \(FMAP\)](#)—to keep beneficiaries enrolled in coverage. When the Public Health Emergency (PHE) ends, states will make new determinations about Medicaid eligibility for existing enrollees, which could cause beneficiaries to lose coverage. The Centers for Medicare and Medicaid Services (CMS) has already issued [guidance](#) directing states to limit disruptions to Medicaid coverage when the PHE ends.

**"WHEN WE THINK ABOUT STATE ACTIVITY IN 2021, STATES HAD THEIR FEET IN TWO WORLDS, THE PRESENT AND THE FUTURE. THEY WERE CONTINUING TO RESPOND TO THE ONGOING PANDEMIC...AND LOOKING FORWARD A BIT AND STRATEGICALLY INVESTING IN STRENGTHENING THEIR LONG TERM CARE, LONG TERM SERVICES, AND SUPPORTS SYSTEMS."**

– Stephanie Anthony, Manatt Health