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If ACA Stands, What California Stands To Gain (or Lose)

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Rumor has it that the Supreme Court's ruling on ObamaCare is due ... oh, [any day now](#) ... although regular court-watchers don't expect a decision until the end of June. Many analysts have already focused on what happens if the law is partly or fully struck down -- a range of public programs will be in flux, patients will face significant upheaval and states will [deploy patchwork contingency plans](#).

So "Road to Reform" is going to head in the opposite direction: Here's a reminder of what comes next for California if the law stands.

Overall: Relatively Speedy Implementation has Golden State in Pole Position

California has moved [fairly aggressively](#) to implement the Affordable Care Act's reforms. The state was the first to enact a health benefit exchange, already has the nation's largest Pre-Existing Coverage Insurance Plan, and last year began [offering coverage to low-income individuals](#) ahead of the scheduled Medi-Cal expansion in 2014.

(The California HealthCare Foundation, *California Healthline's* publisher, offers a [collection of studies](#) that further detail the reforms already implemented in the state.)

And on paper, the Supreme Court's ruling on ObamaCare may matter less for the Golden State than others. Gov. Jerry Brown's administration [has suggested](#) that if the ACA is overturned, California would keep or carry out its own package of health reforms, such as enacting universal coverage. However, that may be overly optimistic, considering the state's difficult financial situation and repeated failures to pass comprehensive health reform in recent years.

So upholding the ACA would remove some clear budget pressures; it also would push California to close the gap on some reforms that have been left in limbo. For example, although California led the way in creating a health exchange, the state still [hasn't signed a contract](#) with an IT vendor to actually build the infrastructure -- more than two months after its self-imposed deadline passed.

Health Insurance: 3.4 Million Would Gain Coverage

Of course, there are a slew of still-pending ACA reforms, from ObamaCare's planned Medicaid expansion to the controversial individual mandate, which would take effect if

the law is allowed to stand. A handful of studies have examined these changes, generally concluding that they would be positive for California residents and businesses. Drawing on Census Bureau and Congressional Budget Office data, Peter Long from the Blue Shield of California Foundation and MIT economist Jonathan Gruber last year [modeled the ACA's impact on the Golden State](#). According to their predictive model, the law by 2016 would:

- More than halve the number of the state's uninsured, from 6.53 million to 3.10 million;
- Reduce employers' health insurance spending by 6%; and
- Add about \$280 in average economic benefits to each household.

"No state has as much to gain from health reform as California," [according to Long](#), "but we will need to work hard ... to make good on its promise."

Employment: Nearly 100,000 New Jobs

The trickle-down effect of reform also would boost state employers, according to a [recent report](#) from the Bay Area Council Economic Institute. BACEI concluded that if the law had been fully implemented in 2010, the Golden State would have added nearly 100,000 jobs that year, mostly in Southern California.

Study co-authors Jon Haveman and Micah Weinberg contend that the ACA would boost California's spending on health care and other medical services, and infuse other parts of the economy, spurring employment gains.

Weinberg [added that the findings](#) are "perhaps surprising to a lot of folks in the public debate where the Affordable Care Act is sometimes called 'job-killing.' But there is no evidence for those claims."

What California Loses

But some warn that the ACA is bad medicine for the Golden State: too much new spending and not enough return.

For example, the Cato Institute's Michael Cannon -- [expressing his broader pessimism about the law](#) -- cautions that workers in California would face marginal tax rates in excess of 50% under the ACA. He also cites a [2003 study](#) by the Public Policy Institute of California, suggesting that an employer mandate in California could lead to job loss. (However, the ACA's mandate imposes significantly less-expensive penalties than the proposal reviewed by PPIC in 2003, and a similar mandate imposed in Massachusetts has not led to job loss.)

Others suggest that studies celebrating the ACA's impact on California are overly positive. According to John Graham, a health care economist with the Pacific Research Institute, BACEI's findings suggest that many new jobs created under the ACA will be in the Sacramento area. Graham wonders how many of the new jobs "are not going to be delivering health care to patients but are going to be bureaucrats working in the state government or in the county government complying with federal regulations?"

And even some prominent liberals fear that if the ACA is upheld, the nation will continue to rely on a patchwork health system that is overly bureaucratic and complex. In the view of Robert Reich, the former U.S. secretary of labor and current University of California-

Berkeley professor, striking down the law presents the best chance for the United States to [achieve universal health coverage](#).

Looking Ahead

Of course, the ACA's impact will be shaped by a number of unanswered questions -- and not just "how will the Supreme Court rule?"

Even if the law stands, can California feasibly implement the ACA's reforms? Will all of the law's measures survive Congress? Would a Republican president overturn the law? All questions for another day, or a future column. Meanwhile, the current consensus in Washington, D.C., is that the Supreme Court's ruling will be handed down the week of June 25 -- and "Road to Reform" is counting the days.

Here's what else is happening around the nation.

Administration Actions

- Last week, [HHS announced](#) that it will provide about \$5 million in grants under the federal health reform law to **Family-to-Family Health Information Centers**, which serve children with special needs and their families. The health centers are operated by the families of children with special needs and provide counseling to other families (Baker, "[Healthwatch](#)," *The Hill*, 5/23).
- Last week, a **Treasury Department** official said the **Internal Revenue Service** is taking steps to raise awareness about the federal health reform law's small business tax credit. The announcement follows the release of a [Government Accountability Office report](#) finding that the credit is not big enough to incentivize businesses to offer health benefits (Baker, "[Healthwatch](#)," *The Hill*, 5/22).
- Last week, Republican lawmakers criticized a \$20 million contract that **HHS** awarded to public relations firm **Porter Novelli** to launch a multimedia advertising campaign designed to promote the federal health reform law. **Senate Minority Leader Mitch McConnell (R-Ky.)** said the Obama administration is spending overhaul funding in the wrong place (Baker, "[Healthwatch](#)," *The Hill*, 5/22). [In a letter](#) to **HHS Secretary Kathleen Sebelius**, **Sen. Rob Portman (R-Ohio)** asked for evidence showing that the contract complies with a provision in the fiscal year 2012 appropriations bill that prohibits federal spending on activities deemed "propaganda" (Shiner, [Roll Call](#), 5/22).

On the Hill

- Last week, the **Senate** rejected competing Democratic and Republican plans to extend low-interest rates for subsidized student loans ([AP/New York Times](#), 5/24). The GOP bill would have paid for the extension by eliminating the federal health reform law's **Prevention and Public Health Fund** (Kim, [Politico](#), 5/24). In contrast, the Democratic version would have funded an extension by eliminating a loophole that allows businesses to pay less Medicare payroll taxes (Dinan, [Washington Times](#), 5/24).

Rolling Out Reform

- In September, 173 million U.S. residents will begin to receive the easy-to-understand [summary of benefits](#) and out-of-pocket costs of their health plans, as required under the federal health reform law, [according to a report](#) released last week by **Families USA**. Insurers and employer groups urged the **Obama administration** to delay the summaries, arguing that they

would be too difficult to put together by the Sept. 23 deadline, but the request was denied (Reichard, *CQ HealthBeat*, 5/24).

- Come 2014, the federal government is expected to play a large role in running the health insurance exchanges mandated by the federal health reform law. Only about five to 20 states will be ready to operate on their own exchanges by then, according to estimates from several health policy experts. Although **HHS** officials have said it is too early to project how involved the department will be in the exchanges, they still hope states will ramp up implementation if the **U.S. Supreme Court** upholds the constitutionality of the overhaul (Feder/Millman, *Politico*, 5/21).
Studying Its Effects
- About 10% of the nation's 12.5 million non-elderly veterans lack health insurance and are not using the **Veterans Affairs** health system, but could be helped by the federal health reform law, according to a study by the **Urban Institute** (Galewitz, "Capsules," *Kaiser Health News*, 5/25). The study, funded by the **Robert Wood Johnson Foundation**, found that nearly 50% of the uninsured veterans would be eligible for Medicaid under the overhaul's expanded coverage. Another 40.1% would have incomes low enough to receive subsidies through state health exchanges (Fox, *National Journal*, 5/24).