



State Health Policy Update, June 2007

Both of the Major Coverage Expansion Bills, SB840 and AB8, Will Advance to Appropriations Committees

AB8 (Núñez/Perata) remains a "work in progress," says Assembly Speaker Fabian Núñez, and he expects more amendments to the proposal as it reaches the Senate Appropriations Committee. During the summer break, beginning July 20, the legislative leaders will begin negotiating a health deal with Gov. Schwarzenegger.

Bills have until August 31st to clear the fiscal appropriation committees. September 15th is the deadline to pass both houses of the Legislature in order to be on the Governor's desk this year.

The Bill:

AB8 would provide more security to those with insurance and expand coverage to 3.4 million Californians who are uninsured. Núñez described the bill: "It is based on the principle of shared responsibility between government, individuals, and employers. The key components are the following: major reforms for the insurance industry, expansion of public insurance programs, key measures to contain the cost of health care, measures to improve and reward health care quality, and provisions that will improve the private health care market."

AB8 would expand public insurance programs to children and parents up to 300% of the federal poverty level (\$30,000 for an individual, \$62,000 for a family of four), and remove many of the administrative barriers to enrollment to Medi-Cal and other programs, such as the assets test, deprivation test, and semi-annual status reports.

It would set a minimum employer contribution to health care of 7.5% of payroll, and also provide new option for employers to pay such a fee to a statewide purchasing pool that would provide coverage for all their workers. Such a pool would be funded by employer contributions, worker contributions, reinvested state savings, federal matching funds, and new use of federal and state tax breaks.

The bill would makes reforms to insurance market, including a minimum medical loss ratio so that 85% of premium dollars go to patient care, and more protections for mid-size employers and purchasers.

With AB2, a companion bill which also passes the committee, reforms would prevent insurers from denying all but 3-5% of consumers because of health status, and would fund a high-risk pool to provide better access to coverage for those with pre-existing conditions.

Saying he didn't want to "oversell" the bill, Assembly Speaker Núñez acknowledged the bill was still a work in progress.

"While this is not a perfect plan, we believe it is a thoughtful plan that will help pave the way for comprehensive reform," he said. "...Clearly there is no greater issue of state interest or urgency that we can be working on today than improving on our fragile health care system. This is a rare opportunity we have...we need to act now. We need to take advantage of the opportunity we have before us."

Senate President Don Perata said it was important to move AB8 this year, but indicated his preference was a national solution. "There's no doubt that we ought to have a national health care program... It's scandalous that a country like ours is woeful in the way it treats and responds to people who are in ill health," he said. "Until that day comes, California must provide leadership, not unlike what we did with AB32," last year's global warming bill.

Amendments Debated:

In preparation for the committee and at the hearing, Speaker Núñez took a range of amendments suggested by Kuehl's Health Committee. However, Núñez said he could not, at this time, accept the committee suggestion -- which consumer groups supported -- that total health care costs (including premiums, deductibles and other out-of-pocket costs) be limited to 5% of a family's income. Right now, under AB8, only families in the purchasing pool under 300% of poverty (\$62,000 for a family of four annually) are guaranteed to not have to pay more than 5% on just their premium.

"We're still working on many aspects of the bill...that's not to say that Sen. Perata and I are not committed to making sure that as we more fully develop the bill, that we can allow people to purchase an affordable plan." he said. "Particularly if you are going to require them to have insurance, we believe it is our obligation and our responsibility to be able to make available to them a health care product that is affordable."

He went on to say, "Otherwise, it is not good government to impose upon people, to have a requirement, and not be able to provide them with a health insurance premium that when they pay [with] their out-of-pocket share, is [not] going to cost them more than what [they need] to keep a roof over their head." Núñez later said he "would love nothing more" to place a cap on costs for all consumers, he could not commit to it at the moment because he wasn't sure if there would be enough money to do that.

Kuehl urged that negotiations with the governor include the concept of affordability. She pointed out that Massachusetts did exempt individuals from a requirement to get coverage if that coverage wasn't affordable.

Núñez also did not accept amendments that would have established minimum package of benefits for private group coverage, with regard to preventative care and cost sharing. AB8 does have a basic HMO benefit (Knox/Keene and prescription drugs) in the purchasing pool. Núñez responded that AB8 does establish three standardized products in the overall private market, to help consumers better make comparisons between plans, allowing for apples-to-apples comparisons.

Consumers groups echoed similar requests, asking for assurances about affordability for consumers, both for premiums and out-of-pocket costs, and offered several cost containment suggestions, including oversight of rate increases, creation of public insurers to compete with private plans to drive down costs; bulk purchasing of prescription drugs, and the ability for health purchasers to have more transparency for what they're paying for. Given the larger role for the Managed Risk Medical Insurance Board (MRMIB), some also asked that lawmakers review how the board is structured and governed.

Many consumer and community groups did appreciate many of the provisions of the AB8, from the statewide purchasing pool to the expanded public programs to the increased access for those with pre-existing conditions.

Other advocates and lobbyists called for coverage and access for childless adults without children at home, due process protections for those in the Medi-Cal expansions, consideration for adequate health care workforce and facilities and primary care capacity, specific provisions on prevention of health problems and medical errors, cultural and linguistic access for patients, and increased Medi-Cal provider reimbursements.

Many patient groups urged full guaranteed issue, and some said they would support an individual mandate to reach that goal. Health plans Blue Shield and Kaiser Permanente also announced their tentative support for that position, saying if they were required to offer coverage to everyone, all Californians should also be required to have coverage.

Health underwriters disputed that a large purchasing pool could bring down costs, and expressed concern on the minimum medical loss ratio. Health plans opposed the insurance market reforms in both the small group and individual markets, and the lack of an individual mandate.

Legislative Debate:

Sen. Sam Aanestad (R) said he was concerned that AB8 was the main vehicle, but with so much contention in opposition, and even supporters seeking amendments, he urged Núñez to take another year. Aanestad said he feared that the legislature was trying to do too much too quickly and might end up fouling up the system – as lawmakers did with electricity deregulation.

Sen. Darrell Steinberg (D) countered there was momentum on health care this year. "Sometimes, you just have to capture the moment." The moment, Steinberg also said, may never come to naysayers who continue to hold reform back year after year. While they profess to want an improved health care system, they are unwilling to support spending money on it. "You either want to get something done or you don't. It's not free," he said.

Sen. Mark Wyland (R) said "this is the sort of bill we should be working on," but raised concerns. He's watched over the years as his own businesses started paying less and less for employee health care, and urged more cost containment. He said lawmakers need to consider that not all businesses will be affected the same way. He also said lawmakers needed to think about how to help businesses that must compete on an international level with companies that do not have to factor in environmental quality and health costs.

Kuehl said she would vote for AB8 passage out of committee, so that the Legislature needed to have a bill that was better than the governor's proposal. But, she said, "my job has been to push as hard as I can on behalf of the people to hammer on the issue of affordability and coverage," and she urged those principles as touchstones in negotiations with the governor.

In closing, Núñez cited his support for Senator Kuehl's SB840 last year and this year. On his bill, he also acknowledged the opposing viewpoints on his bill, but cautioned, "There are too many problems (in the health care system) for us to wait and come up with a perfect solution that everybody can support...I would argue when you come up with a good solution...you will always have people who oppose it." He continued, "While it is not a perfect bill, it is a very solid piece of legislation that Senator Perata and I are very proud of... The framework is there.... There are still amendments that we are working on taking."

"There is nothing in this bill that will prevent people who like the current system, for those who it works for, to continue to enjoy it... There are 3.4 million who are going to get health care. We're going to work to improve upon the market and make it more friendly to the ordinary Californian, working California, middle-class California. In the end, it is our goal to expand coverage, improve quality and do no harm," Núñez said.

Governor, Democrats Likely To Compromise on Reform Plan

Gov. Schwarzenegger continues to promote his proposal to overhaul California's health care system, but a compromise plan with Democratic lawmakers is more likely as summer negotiations draw closer, the Wall Street Journal reports. A key difference between both plans is that the Democrats oppose an individual mandate.

Assembly Speaker Núñez said, "It's irresponsible to require people to purchase health care insurance when you can't guarantee that there's an affordable health care product for them to purchase."

Labor unions and consumer groups also oppose the individual mandate, arguing that working-class residents could not afford coverage.

The Wall Street Journal reports, "Despite the wrangling, there's still a decent chance that the Democrats and Schwarzenegger will agree on a major overhaul."

Republican lawmakers oppose both the Democrats' and Schwarzenegger's plan alleging that they assess a new tax on businesses through mandatory contributions. Republican lawmakers said they will vote against any proposal that includes mandatory contributions.

However, Democrats crafted their bill to prevent anything being ruled a new tax, and any final agreement will likely not include a requirement for physicians and hospitals to share the cost of expanding coverage, according to The Wall Street Journal.

Other Opposition

Blue Cross of California, the state's largest insurer and a leading critic of the governor's plan, warns that premiums will rise for affordable coverage if insurers are forced to provide coverage to everyone.

Business groups are considering a lawsuit challenging any taxes in the final legislation. Another suit, meanwhile, could challenge that the final plan violates a 1974 federal law (ERISA) that limits states' authority to regulate health care coverage for employers.

Opponents also could seek to repeal legislation through a ballot initiative, similar to a voter referendum in 2004 that repealed a law (SB2) intended to expand health insurance coverage. Schwarzenegger campaigned in favor of repealing that law, arguing that it would be costly for employers (Wilde Mathews/Rundle, The Wall Street Journal, 7/17).

Other Health Legislation

Health advocates also followed several other bills with high interest, including two other bills that were seen as complementary to AB8: AB2 (Dymally) and AB1554 (Jones).

AB2 would reform the individual insurance market, restricting insurers' practices of denying coverage to consumers with pre-existing conditions. Instead, the bill places MRMIB in charge of coming up with a standardized questionnaire for insurers to use in determining eligibility for coverage.

Those consumers who were denied coverage in the private market would still be able to get coverage through an improved version of the state's current MRMIP program. That program would no longer have a \$75,000 annual cap on benefits, and all California enrollees would pay a small assessment 50¢ to fund the high-risk pool. All Democrats voted in favor of AB2, and no organizations opposed the measure.

AB1554 would have regulated insurance rates, requiring health plans to seek permission whenever they wanted rate increases. The bill fell one vote short of passage. Five Democrats voted for the bill, but Sens. Leland Yee and Gloria Negrete McLeod declined to vote for the bill.

Other health bills of interest:

- AB1 (Laird) – PASSED – Would allow children in families up to 300% of poverty to enroll in Healthy Families.
- AB12 (Beall) – PASSED – Creates the Adult Health Coverage Expansion Program in Santa Clara County.
- AB55 (Dymally) -- PASSED -- Would increase Medi-Cal eligibility for adults to 133% of poverty.
- AB1113 (Brownley) – PASSED – Extends and increases eligibility for the Medi-Cal California Working Disabled Program.
- AB1472 (Leno) – PASSED – Encourages healthy communities.

California Assembly OKs Budget; Health Care Funds Intact as of July 20, 2007

A state budget proposal was approved on July 19th by the State Assembly for fiscal year 2007-2008 cutting \$1.3 billion from the original \$104.4 billion general fund budget proposal backed by Democrats, the [San Diego Union-Tribune](#) reports.

The budget proposal, passed on a bipartisan vote, is still \$700 million shy of a \$2 billion across-the-board cut that was proposed by Senate Republicans.

Republicans backing the \$2 billion cut argue that it is necessary to balance the budget with projected revenue in the new fiscal year, without using reserves from fiscal year 2006-2007 (Mendel, San Diego Union-Tribune, 7/20).

The proposal approved by the Assembly would provide sufficient funding to most public health programs to handle growing caseloads (Chorneau/Lucas, [San Francisco Chronicle](#), 7/20).

However, Senate President pro Tempore Don Perata (D-Oakland) criticized the proposal because it included up to \$500 million in tax breaks for research and development, jet fuel, movie and television production.

Perata said Democrats have already made concessions in the budget cutting new funding for education, postponing benefit increases for the state's low-income residents and blocking cuts to K-12 and higher education (Lin, Sacramento Bee, 7/20).

Budget negotiations began in May after Gov. Schwarzenegger unveiled a \$103.8 billion general fund plan for fiscal year 2007-2008.

The governor's overall budget proposal would increase general fund spending for health and human services by \$239 million. Federal matching funds will account for some funding increases (California Healthline, 7/19).

Gov. Schwarzenegger is hoping to use momentum created from the Legislature's agreement on a new budget to help him achieve a compromise on health care reform, according to the Chronicle (San Francisco Chronicle, 7/20).

California Budget Debate Snagged on Mental Health Funding

Lawmakers and mental health advocates said they would sue the state to block the adoption of a proposal under consideration by Gov. Schwarzenegger that would eliminate state funding for a mental health program for homeless people, the [Los Angeles Times](#) reports.

The Integrated Services for Homeless Adults with Serious Mental Illnesses program provides housing, substance abuse treatment, job training and education services, as well as medical care. The state provides \$55 million to 34 counties for the program.

Sen. Darrel Steinberg (D-Sacramento) said he hopes Democratic lawmakers would block any state budget agreement that would cut funding for the program.

Schwarzenegger proposed cutting funding for the program to help address a \$3 billion state budget deficit, but mental health advocates and some state lawmakers argue the move would violate provisions of Proposition 63, a 2004 ballot measure to fund mental health care services.

Under Proposition 63 the state is barred from reducing funding for mental health care services below 2004 levels, and counties are prohibited from using money from the ballot initiative to fund existing programs.

However, state officials maintain that eliminating state funding for the program would not breach terms of the ballot initiative because funding increases in other programs would keep overall state mental health care spending above 2004 levels.

State officials suggest counties use funds from Proposition 63 to create similar programs, but advocates warn current beneficiaries of the program would be hurt while counties seek approval to get such funding and start new programs.

Campaign to Revise Terms Wins Funds From Health Care Groups

Stakeholders in the health care reform debate in California have contributed at least \$500,000 to a campaign to revise term limits. The move would extend the amount of time that legislative leaders leading the health care debate could hold their positions, the [Sacramento Bee](#) reports.

The donations from health care-related groups represent about 1/5 of the total amount collected for the proposed ballot initiative. The measure would lower the total number of years from 14 to 12 a lawmaker could serve but increase the number of years spent in one house.

This would allow Assembly Speaker Fabian Núñez (D-Los Angeles) and Senate President pro Tempore Don Perata (D-Oakland) to hold their leadership roles beyond 2008 for up to six and four years, respectively.

Erosion of California's Job-Based Insurance Highlights Need for Health Care System Reforms, Says UCLA Report

The continued erosion of California's job-based health insurance - which the vast majority of insured residents rely upon to pay for medical services - is a clear indication of the need to reform the state's health care system, according to a new report from the UCLA Center for Health Policy Research.

Job-based health insurance, the foundation of coverage for the non-elderly population, continued to decline, falling from 56.4 % in 2001 to 54.3 % in 2005.

"This research underscores everything we have been talking about. Coverage is eroding because costs are out of control for businesses and workers, making it harder for them to compete," said Gov. Schwarzenegger. "All this points out once again that we need comprehensive health care reform that insures everyone and guarantees all Californians have access to affordable and reliable care."

The decline in employment-based insurance occurred despite strong economic growth and falling unemployment during this period. Although more affluent workers' job-based coverage held steady, coverage rates for moderate and low-income workers plummeted. Job-based coverage plummeted for adults and children with family incomes below 300 % of the federal poverty level (\$60,000 a year for a family of four in 2005).

The study also reported that uninsurance rates differ among racial and ethnic groups. Non-elderly Latinos have the highest rates of uninsurance (33.8 %), followed by American Indian/Alaska Natives (22 %), Asian Americans and Pacific Islanders (17.7 %), African Americans (15.3 %) and whites (12.5 %).

Full article at the [UCLA Center for Health Policy Research...](#)

Enrollment Begins in San Francisco Health Care Access Program

Patients at two clinics in San Francisco's Chinatown began enrolling in Healthy San Francisco on July 2nd. The program is intended to ensure access to health care services for uninsured adults in the city, the [San Francisco Chronicle](#) reports.

The program will expand to include patients at other city clinics in September, although enrollment will be limited to city residents whose incomes do not exceed the federal poverty level until Jan. 1, 2008.

Beginning in 2008, the program is slated to be open to all uninsured residents who are ineligible for Medi-Cal or other publicly funded health insurance initiatives. Eligibility for the program will not take into account immigration status, pre-existing medical conditions or employment (San Francisco Chronicle, 7/14).

Federal Health Policy Update

New Estimates on the Number of U.S. Uninsured

A new center for disease control study estimates that 43.6 million people in the U.S. were without health insurance at some point in 2006. The overall number of uninsured has been between 41 and 44 million for the last five years and does not show an upward trend.

For non-elderly adults, 18-64 however, there was a statistically significant increase in the number of uninsured from 2005 to 2006 (Stobbe, AP/Long Island Newsday, 6/25). [Read the full report...](#)

The potential impact of this increase in uninsured adults is discussed in a study published in the New England Journal of Medicine. Uninsured adults with common chronic illnesses had greater health expenditures and more frequent physician office visits and hospitalizations after they became eligible for Medicare compared with those who had insurance before age 65, according to the study [Reuters reported](#).

Health care expenses were 51% greater for previously uninsured beneficiaries who were diagnosed with chronic conditions (cardiovascular disease or diabetes) before they turned age 65, the study found. In addition, the previously uninsured beneficiaries had 13% more doctor visits and 20% more hospitalizations than the previously insured group ([Kolata, New York Times, 7/12](#)).

Lead researcher John Ayanian, an associate professor of medicine and health care policy at Harvard, said the study suggests the cost of providing universal health coverage might be less than expected, because it would prevent people from waiting until late in life to receive treatment for chronic illnesses. Ayanian said, "A lot of the prior research focused on the health benefits of extending insurance coverage. Our study suggested that it may be cost effective" (New York Times, 7/12).

Kaiser Launches a Web Hub for Information about Health Care and the Presidential Campaign

With health care emerging as a top domestic issue in the 2008 presidential election, the Kaiser Family Foundation launched a new web site this week -- health08.org. It will serve as an information hub about health and the election, including original content produced by Kaiser and easy access to health-related resources from the campaigns, other organizations, and news outlets.

Recently Published Newspaper Articles on the Presidential Candidates and Health Care

Former [Massachusetts Gov. Romney's \(R\)](#) television ads do not mention what is arguably his most impressive accomplishment as governor: pushing through universal health care for state residents," the McClatchy/Miami Herald reports. "He hasn't talked about health much," Drew Altman, President and CEO of the [Kaiser Family Foundation](#), said.

Robert Blendon, a health policy professor at Harvard University, gave two reasons why Romney is not focusing his campaign on the Massachusetts reform law:

1. Republican voters generally do not like the idea of having the government require individuals to obtain health insurance and
2. Republicans generally are less interested than other voters in health care as a political issue.

Romney spokesperson Kevin Madden said that Romney was not advocating the Massachusetts reform as a national model. "Gov. Romney believes this particular approach works well for one state, and states should be given the flexibility they need to be innovative in their effort to expand access to care while making it more affordable," Madden said (Thomma, McClatchy/Miami Herald, 7/15).

More Candidates To Release Health Proposals

Democratic presidential candidate [Sen. Hillary Rodham Clinton](#) (N.Y.) and Republican candidates Giuliani and [Sen. John McCain](#) (Ariz.) will release health care proposals in the coming weeks, according to staffers, the New York Post reports.

Clinton, like fellow Democratic presidential candidates [Sen. Barack Obama](#) (Ill.) and Edwards, endorses universal health insurance "even if the government shoulders more of the costs," according to the Post.

Clinton has yet to announce her position regarding a mandate requiring individuals to have insurance, which Edwards supports and Obama does not. However, none of their proposals is expected to appease hard-line reformers who are demanding a single-payer system, the Post reports.

In speeches and debates, Giuliani has advocated the purchase of individual insurance and would provide a tax incentive to purchase coverage. McCain has stated that he supports providing tax incentives to low-income individuals to purchase health insurance and expanding community health centers (Adams Otis, New York Post, 7/15).

Clinton Pledges To Increase Federal Aid for Kids' Health Insurance

Democratic presidential candidate Clinton (N.Y.), said if elected, she would shift federal funding from Iraq to domestic needs, including money that would expand the State Children's Health Insurance Program to cover nine million uninsured children, the AP/Newport News Daily Press reports.

She said, "How about reversing our priorities? Let's ... start insuring every single child." Clinton indicated that if elected, she would use SCHIP as a step toward universal health care, the Virginian-Pilot reports. She is expected to unveil additional details of her health plan in the coming weeks.

The State Children's Health Insurance Program Debate Continues

[Senate Finance Committee](#) members on Friday finalized a bipartisan agreement on SCHIP reauthorization that would increase five-year funding for the program from \$25 billion to \$60 billion (a \$35B increase versus \$50B), the New York Times reports. SCHIP expires on Sept. 30.

The plan -- negotiated by committee Chair Max Baucus (D-Mont.), ranking member Chuck Grassley (R-Iowa) and committee members Orrin Hatch (R-Utah) and Jay Rockefeller (D-W.Va.) -- would increase the federal cigarette tax from 39¢ to \$1 to fund an expansion of SCHIP (Pear, New York Times, 7/14).

However, White House spokesperson Tony Fratto said President Bush's senior advisers "will certainly recommend a veto of this proposal. And there is no question that the president would veto it," (Pear, New York Times, 7/15).

Under the bipartisan plan, children in families with incomes up to 300% of the federal poverty level would be eligible for the program. The group of senators said that the 6.6 million children currently enrolled in SCHIP would continue to receive benefits under the plan, and an additional 3.3 million children could be enrolled in the program.

States that provide SCHIP to children in families with incomes higher than 300% of the poverty level would receive lower Medicaid matching payments for those children. The plan also would prevent HHS from approving additional waivers that allow states to enroll adults in SCHIP (Reichard/Carey, CQ HealthBeat, 7/13). Note: This would limit state flexibility in adapting existing programs and funding to the needs of its residents.

The Senate Finance Committee Committee is expected to begin mark up of the legislation on Tuesday (CongressDaily, 7/16). Note: Marking up legislation refers to

committee suggestions for amendments that are recommended for inclusion in the bill as it moves to the House floor.

SCHIP Reauthorization, Expansion Debate Suggests Larger Efforts at U.S. Health Reform Will Be Difficult, Experts Say

Some health care experts are saying that a brewing battle over the scale of SCHIP reauthorization "does not bode well for broader efforts to stem escalating medical costs and help those without health insurance" in the [U.S., Reuters](#) reports (Dixon, Reuters, 7/16).

Drew Altman, president and CEO of the Kaiser Family Foundation, said that the debate over SCHIP reauthorization is a really bad sign for future health care reforms. Altman asked, "If they can't agree in Washington on covering kids, how are they going to agree on a much more challenging health care reform?" He added, "There is a genuine Grand Canyon-wide policy difference about the role of government in the market. While there is momentum for reform in 2009, the deep divisions in Washington haven't gone away" (Reuters, 7/16).

Additional Provisions

According to a statement by the senators, additional provisions of the plan would:

- Change the state funding formula to "reflect actual projected spending";
- Provide funding for outreach and enrollment efforts;
- Provide assistance for premium payments, as well as a "contingency fund to address unforeseen emergencies";
- Allow states to use information from food stamp programs and other programs to identify and enroll eligible children;
- Allow states to enroll pregnant women in SCHIP for prenatal care;
- Improve quality measures for pediatric care in SCHIP and Medicaid;
- Move childless adults currently enrolled in SCHIP into Medicaid;
- Transition "funds for existing coverage of low-income parents ... into separate small block grants at a lower federal matching rate";

Meanwhile, House Democrats said they hope to pass a \$50 billion SCHIP expansion before a congressional recess in August.

Rep. Henry Waxman (D-Calif.) said that he and his colleagues are discussing a bill that would cost between \$50 billion and \$100 billion over five years and that would be funded by a tobacco tax, cuts in payments to Medicare Advantage plans and potentially other sources (Reichard, CQ HealthBeat, 7/17).

President Opposes Tobacco Tax Hike To Fund Kids' Insurance

HHS Secretary Mike Leavitt in a letter to Senate Finance Committee Chair Max Baucus (D-Mont.) and ranking member Chuck Grassley (R-Iowa) wrote that a proposal to increase the federal cigarette tax to fund a State Children's Health Insurance Program expansion "would increase taxes on low-income taxpayers," the AP/Houston Chronicle reports (Freking, AP/Houston Chronicle, 7/17).

House Education and Labor Committee Approves Mental Health Parity Bill

The House of Representatives' Education and Labor Committee approved a mental health parity bill, the Paul Wellstone Mental Health and Addiction Equity Act (H.R. 1424), on July 18 by a vote of 33-9.

The bill would require group health plans, that offer any mental health or substance abuse coverage, to provide benefits for mental illness that are equivalent to the benefits they offer for other medical conditions.

Prior to the vote, the committee rejected an amendment by Rep. John Kline (R-MN) to replace H.R. 1424, the Mental Health Parity Act (S. 558), which was passed by the Senate Committee on Health, Education, Labor and Pensions. S. 558 has the endorsement of business, mental health advocates, and health insurers; H.R. 1424 does not have the support of business.

ERISA Exempts Many Indiana Employer Health Plans From State Law Requiring Insurers To Cover Workers' Adult Children

An Indiana state law that took effect July 1 and requires health insurers to cover policyholders' children until age 24 surprised Indiana lawmakers and residents by leaving certain employer plans exempt from the law because their plans are exempt from state regulation, the [Indianapolis Star](#) reported.

The measure was part of legislation that increased the state's cigarette tax to fund health programs. According to state Rep. Charlie Brown (D), the legislation was approved close to the end of the General Assembly's session, and legislative services did not have much time to research the provision.

Carol Cutter, Chief Deputy of Health and Legislative Affairs for the Indiana Department of Insurance, said the state law applied only to employer plans that are fully insured, meaning the employer pays premiums to an insurer.

Self-funded plans offered by employers, meaning the employer pays its own medical expenses and often uses insurers to administer the benefits, are regulated solely under the federal Employee Retirement Income Security Act and are exempt from the state law.

Most labor unions' health plans are regulated through ERISA, and according to the Star, as many as half of Indiana's businesses have self-funded health plans.

Brown said lawmakers were unaware of the issue at the time the legislation was approved, adding, "The intent was that we would get as many 24-year-olds and younger on some kind of plan." Note: this is why reform legislation should be carefully reviewed for unintended consequences resulting from legislative language or provisions for implementation.