

UNIVERSAL HEALTH CARE IN NEW JERSEY – ON THE HORIZON

By: Steven I. Kern, Esq.*

Is Universal Healthcare about to become a reality in New Jersey? If Senator Joseph Vitale has his way, the answer is an unqualified yes. In legislation introduced on March 17th, Senator Vitale would require all New Jersey residents to have health coverage within three years. The plan, to be implemented in two phases, will first require that all NJ children be insured. Phase II would create a state-managed, and state subsidized health insurance product which would be available to all New Jersey residents. If funded, the cost of Phase I is placed at \$123.3 million and Phase II at \$1 billion per year. The transition to Phase II will also require an initial investment to ensure the solvency of hospitals that have provided extensive amounts of charity care. Reportedly, that investment will come from Horizon Blue Cross/Blue Shield paying between one and two and one-half billion dollars to the state for the right to become a for profit company. The number is determined by the amount of tax benefit Horizon has received from being a not-for-profit corporation for the past 70 years. One possible wrinkle in the plan, however, is Horizon's claimed lack of interest in converting to a for-profit corporation.

In a "White Paper" which accompanied the bill introduced by Senator Vitale, he details the legislation, as well as the reasons why he believes the law is necessary. According to Vitale, the mission of the legislation is to stop the escalating costs of health insurance in the private market; to cover the growing uninsured population with "an affordable, portable, universal and sustainable health insurance product"; and to secure the long-term cost-containment of New Jersey's limited financial resources. The plan is intended to address the fact that the uninsured currently cost New Jersey an estimated \$2.9 billion each year, far more, according to Vitale, than the cost of providing health coverage to all uninsured New Jersey residents. That number includes more than \$946 million in hospital costs for charity care.

Phase I will concentrate on enrolling parents of children whose incomes are up to 200% of the federal poverty level by expanding NJ FamilyCare and providing health insurance market reform. It is targeted at the one in ten New Jersey children who are currently uninsured, and who account for nearly \$16 million of charity care. The goal of enrolling every child in an insurance plan will be driven by a "robust outreach and enrollment strategy" using schools and other points of contact, including clinics and hospitals, as points of enrollment.

Families with incomes over 350% of the federal poverty level will be able to purchase insurance coverage for their children through the NJ FamilyCare Advantage Program. The benefit package is the same as the NJ FamilyCare Plan D, without Medicaid fee-for-service wraparound. The monthly premium for one child will be \$137, two children: \$274 and three or more children: \$411.

In addition to covering children, adults with incomes below 200% of the federal poverty level will be encouraged to participate in NJ FamilyCare. By doing so, the state will be able to take full advantage of the available federal funding, which provides sixty-five percent of every dollar for families with an income of up to 133% of the federal poverty level. The expansion of NJ FamilyCare to parents up to 200% of the federal poverty level is based upon the fact that 96.3% of all charity care is used to pay for the care of persons with incomes below 200% of the federal poverty level.

Phase I also calls for substantial market reform affecting the 2.5 million people currently insured through individual and group contracts, at a premium of \$8.9 billion annually. \$1.6 billion of this

premium goes to administrative costs and revenue.

Under current law, all New Jersey health insurers must offer or participate in the cost of offering individual health coverage as standardized, open-enrollment, community rated products. Community rating, however, has been the main contributing factor to the decline of this market because an insurance plan may not take into account factors such as one's age, health status or sex when deciding their premium. Over the years, those who continue to purchase on this market have become older and sicker and younger people have exited the market. Only 69,000 residents were covered through this market in 2005, compared to 154,000 individuals in 1997.

Ten percent of the state's population is covered under the New Jersey Small Employer Health Benefit Program (SEH), available to employers with two to fifty employees. It, too, assures guaranteed issue. While it allows for some variability in premiums, based on age, sex and geography, it limits the premium ratio to 2 to 1. The SEH currently enrolls 900,000, but premium rates have grown steadily.

Under Phase I of the Vitale plan insurers would be able to modify the community rating to allow a 3.5 to 1 ratio, thus making the plan far more affordable to young, healthy individuals, though at increased cost to older residents.

Phase II of the Vitale plan would create a state-managed, commercial-grade health insurance product which would be available to all New Jersey residents regardless of their income or family size. Subsidies would be provided to low-income households to ensure affordability. The plan would be similar to the most commonly offered small group products that exist today and would include hospitalization, preventive care and prescription drugs.

According to Vitale, by grouping all individuals into one state-sponsored plan, premium rates for individuals will be reduced by 75%! Every individual, except those receiving coverage from their employer, will be required to be enrolled in this state plan, including those eligible for Medicaid and NJ FamilyCare. To ensure affordability, premiums for the new plan will be subsidized based on household income.

Since non-citizens will not be eligible for subsidized insurance through this plan, and since many people who earn less than 200% of the federal poverty level turn to the hospital for all of their care, efforts will also be taken to move these patients from inefficient hospital emergency rooms to a clinic setting.

Hospitals will remain obligated to triage and stabilize uninsured patients that arrive in their emergency departments, but then will refer patients to the appropriate level of care. Patients requiring primary care will be directed to clinics. Those requiring higher levels of non-emergent care will be referred to hospitals designated by the state to treat the uninsured. Uninsured patients will be responsible to contribute to the cost of delivering their care, based on their income.

Employers, today, provide seventy percent of New Jersey residents with health coverage. Those that do not will be required to establish Section 125 flexible spending accounts permitted under Federal tax law in order for their employees to obtain health coverage using pre-tax dollars. Employers that only offer health coverage to full-time employees will also be required to set up these accounts for their part-time and seasonal employees.

No one can argue the benefits of universal health care. If the economic projections hold, and this plan can truly provide the coverage it promises at less cost than the existing structure, Senator Vitale will have provided New Jersey with a tremendous benefit for years to come. Let's hope that his bill is not decimated by special interests during the legislative process, and that legislators on both sides of the aisle will work together with physicians, hospitals, healthcare providers and those that pay for healthcare to assure the best possible care at affordable prices.

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