

# HEALTH REFORM IN NORTH CAROLINA

## *Health Care Reform in 2009: Full-Speed Ahead*

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Health care reform is a politically risky pursuit. Former President Bill Clinton learned that lesson the hard way. His ambitious health plan died in Congress in 1994 without coming close to passage, and its defeat contributed to Democrats losing majority control of both houses of Congress in that year's election.

It is all the more striking, then, that newly-elected President Barack Obama is making health care an immediate priority. The Obama administration may believe that the prospects for reform will only diminish with time if the president's power fades and that the ongoing economic crisis provides an extraordinary opportunity to overhaul the health care system. In any case, the Obama team is losing little time in pushing for an overhaul of the health system.

Already the new administration has convened a White House Forum on Health Care and has released a budget that calls for new funds for health reform to create a path to universal coverage. In a speech to a joint session of Congress, President Obama declared that health care reform "cannot wait, must not wait, and will not wait another year."

While the administration clearly has its eyes on the prize of comprehensive reform that expands coverage and controls costs, in the short term it has embraced health care incrementalism as an instrument of economic stimulus. The American Recovery and Reinvestment Act, adopted by Congress in February 2009, contains a number of significant health care provisions. The law provides states an additional \$87 billion in federal funds for Medicaid. This aid is crucial. What the historian Niall Ferguson has termed the "Great Recession" is exacting a terrible toll in the economy: over four million Americans have lost their jobs since the recession began and the national unemployment rate now stands at 8.5%.

Medicaid is a counter-cyclical program, designed to expand when the economy contracts. When newly unemployed Americans (and their families) lose health insurance and become eligible for Medicaid, it puts tremendous fiscal pressure on Medicaid programs just as state tax revenues are plummeting (a casualty of the weakened economy).

For North Carolina and other states, the new federal money is imperative to finance expanding Medicaid enrollment. The federal government is also providing newly unemployed workers who have lost health

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insurance with a temporary subsidy to help them afford COBRA coverage so that they can continue to buy into their employer's health plan.

In addition, in February 2009 Congress passed and President Obama signed legislation reauthorizing the Children's Health Insurance Program (CHIP). The legislation provided \$32.8 billion in funds over the next four and a half years so that CHIP can cover an estimated four million more uninsured children. Notably, the legislation authorized states to use federal money to cover legal immigrant children and pregnant women who have been in the country for less than five years; previously they faced a five-year waiting period before they were eligible for Medicaid or CHIP.

Finally, Congress and the administration have made a down-payment on delivery system reform. The federal government is investing \$19 billion to promote the adoption of health information technology and \$1 billion in comparative-effectiveness research to identify preferred treatment options.

The Obama administration and Congress have, then, already accomplished much in health reform in 2009. But the administration and key Congressional leaders want to do much more. Where does health reform go from here?

The quest for comprehensive health reform remains an uphill struggle. There are deep partisan divisions in Congress over how to remake the health care system; while health system stakeholders now voice support for reform, that support will be tested once actual legislation is drafted; and there is not yet a politically viable way to pay for universal (or even near-universal) coverage or to control costs. Indeed, President Obama's proposal to limit tax deductions for wealthier Americans to help pay for health reform is sure to face opposition in Congress.

Still, the Obama administration has moved quickly and boldly to make health care a priority and that provides ample grounds for optimism. We can, after all, say something in 2009 that has not been heard for a long time: health reform has a chance. **NCMJ**

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