

Building a New Partnership Between the Federal Government and the States

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The Climate for Action

- **States are taking action**
- **And there is growing national acceptance of some new approaches**

BUT:

- **Little public or congressional enthusiasm**
- **Partisanship and gridlock**

Aims of Enhanced Federalism

- *Test major federal-state initiatives in willing states*
- *Break the political logjam in Washington*
 - Enable Members of Congress to accept approaches they would block for their state
 - Test rival liberal and conservative strategies

Core Elements of the Strategy

(Aaron-Butler version)

- 1. Congress sets goals for reductions in uninsurance and general protections**

Core Elements – contd.

1. Congress sets goals for reductions in uninsurance and general protections
2. **Congress enacts *a la carte* “policy toolbox”**
 - Bottled-up policies made available to states, not imposed on them
 - E.g. Large-scale tax credits
 - E.g. FEHBP-style programs
 - E.g. SCHIP/Medicaid expansions
 - E.g. Association plans, new risk-adjusted state pools

Core Elements – contd.

1. Congress sets goals for reductions in uninsurance and general protections
2. Congress enacts *a la carte* policy toolbox
3. **States initiate and federal government agree on policy initiatives**
 - State proposals combine toolbox items and other steps. Run for five years
 - Slate of proposals agreed by bipartisan commission
 - Agreed milestones and auditing of progress
 - Independent testing of benchmark proposals

Core Elements – contd.

1. Congress sets goals for reductions in uninsurance and general protections
2. Congress enacts *a la carte* policy toolbox
3. States and federal government agree on policy covenants
4. **Congress pays for performance. Funds for:**
 - Technical assistance
 - Federal component of approaches to be tested
 - Monitoring and data collection
 - Bonuses to successful states

Crafting a Viable Bill

- **The number and scale of state initiatives**
 - Best to focus funding on fewer proposals
 - Could cover counties in adjacent states
 - Ideological proposals

Crafting a Viable Bill

- **Process for selecting the state initiatives**
 - Base closing commission approach
 - Slate sent to Congress for up-or-down vote
 - Or could send slate to the Secretary of HHS

Crafting a Viable Bill

- **Designing the toolbox**

- Turns demonstrations from appeasement items to core of approach
- Importance of ideological symmetry and logrolling
- Toolbox enacted before or after slate assembled?

Crafting a Viable Bill

- **Protections and Boundaries**
 - Would need agreement on “coverage”
 - Protections for some existing groups

Crafting a Viable Bill

- **Rewarding Success**
 - Trust but verify: third-party evaluation
 - A formula for federal contribution to proposals?
 - Maybe a bidding process

Crafting a Viable Bill

- **Designing “outlier” proposals**
 - Avoid areas of opposition – design a Texas congressional district
 - Apply only to certain populations