

# *A* Ideas in Action



1114 Thomasville Rd. ■ P.O. Box 10209 ■ Tallahassee, FL 32302 ■ Phone: (904) 222-5052 ■ FAX (904) 222-7476  
Dominic M. Calabro, President and Chief Executive Officer

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## **Florida Leads the Way In Health Care Reform**

*By: M. Clayton Hollis, Chairman, Florida Retail Federation, Founding Member, Florida TaxWatch and Director of Government Affairs, Publix Super Markets, Inc.*

President Bill Clinton promised change on the campaign trail, but I could have told him that change was going to happen whether he promoted it or not. Even writer and philosopher Hareclitus pointed out way back in 510 B.C. that, "Nothing endures, but change."

I think the same winds of change that buffeted former Soviet President Mikhail Gorbachev along much farther than he probably ever intended to go in reform are the same winds that are shifting the sands right under President Clinton's feet. These are the winds of decentralization and the return to power and decision-making to the local level. As the U.S.S.R., IBM and General Motors have learned, "you can't compete if you got big feet!"

Businesses and government must be nimble, quick and able to pivot on a dime to assure quality in this dynamic era. I believe the state of Florida recognized this trend in the development of its Health Care Reform Act of 1993. While the President and First Lady Clinton ponder what sometimes sounds like a cumbersome, centralized health care delivery system, Florida bolted ahead with a plan that harnesses market forces, contains no employer mandates or job-killing taxes and delivers purchasing power to small business.

Instrumental to many of the problems in this strange system of health care in the U.S. was the federal government inserting itself, like a bear in a sandbox, into the U.S. health care marketplace beginning in the 1960s with the creating of Medicare and Medicaid. These and a host of other federal legislative mandates distorted the marketplace, resulting in one disincentive being stacked upon another to create the cost spiral we have today. Politically, though, the people have not asked the government to necessarily retreat, but to act even further to correct the inequities.

What encourages me is that, in stepping in, the Florida Legislature, Governor Chiles and his agency for Health Care Administration recognized historic trends and sought to reform health care not by creating mandates willy-nilly or setting up arbitrary wage and price controls, but by energizing free-market forces and balancing the inherent inequities in the system.

What are the inherent inequities of the system? Well, allow me to illustrate with what I know best, grocery stores. What if you came to a grocery store to buy some food for a big cookout this weekend? Instead of wandering down the aisle to compare cost, quality and whatever else you wanted to bring to bear in your purchasing decision, what if you were asked to sit in a chair and wait?

After sitting for an hour, a store clerk came to interview you. Why are you here? What do you need this food for? How much will you eat? After answering the questions, you're escorted down to another room, asked to take a grocery cart and sit down again. Finally, the store manager wanders in. She is behind schedule because she was speaking with some manufacturers and their own food purchasing agents. Some of the new products are pretty strange, but since the store manager decides who will buy what and how much, she ordered all the new products at whatever price was asked, knowing she can simply pass on the cost. Sixty dollars is a lot for a loaf of bread, but that new titanium plastic wrap costs money, doesn't it?

The store manager squints at you and then begins leafing through your file. How long have you been hosting cookouts? About once a year, you reply quietly. The store manager begins writing rapidly and tears off a sheet of paper, "Buy these products for your cookout and call my office if you have any problems," she says. "Remember, easy on the lighter fluid." She briskly exits the room before you can ask any questions.

A clerk escorts you up and down the aisles, handing you what you're supposed to buy. All the items are packaged plainly and you have no idea what tastes better or costs less. It's all been directed by the store manager. In fact, you're irritated. She's ordered you another grill. You already have one and you have little space on the deck for another. "Maybe that's why my food insurance premium keeps going up," you think to yourself. You will only pay \$5 for the grill since it is covered under the Food Insurance Plan. However, your insurance premium keeps going up.

To further illustrate, let's say that the government has mandated that those in poverty get virtually free food. Those without insurance, of whom you may soon join if your rates keep going up, are on a pay-as-you-go basis, if they pay at all. After all, at \$60 a loaf, a few loaves of bread creates considerable debt. The store manager is not really interested in what you're paying, but what your **insurer is willing to cover**. If the insurer covers grills, then everybody is getting grills, and the nice ones, too, with the German designed ball-bearings and the NASA Space Shuttle, heat-resistant outer-plates. Nothing but the best. This is America.

You return home with your \$600 in groceries and unpack. The directions on the new "Spontaneous Combustion Charcoal" aren't clear, so you call the store back. You are put on hold twice for 10 minutes before anyone can talk to you. No, no one is available, but the store manager is wearing a beeper and will return calls. You leave your message and hope she calls.

I think you now understand what I mean by "inherent inequities." There are things we put up with in the delivery of health care that would simply be unacceptable in any other industry. By dint of habit, we have grown to tolerate a system blithely unaware of market-forces and consumer demand. My illustration brought home two inequities that I believe the Health Care Reform Act of 1993 will address directly; **the lack of consumer purchasing power and the lack of consumer data**.

First, in laymen's terms, the bill brings together large groups with the intent that they use their collective size and leverage in negotiations with insurers, hospitals and doctors to push down prices. That's real purchasing power. The groups are called Community Health Purchasing Alliances (CHPAs). Even before the passage of the law, businesses were banding together to seek leverage in negotiating with health providers, albeit in spite of great obstacles. This law will facilitate those efforts.

To facilitate, the CHPAs will perform two key roles: data collection and establishing standards and criteria for provider groups offering their services to the CHPA members. The data collection will empower the groups to purchase health care based on quality, efficiency and cost. The standards and criteria will allow the CHPA to rank the provider services for the business owner. This way, small business will be able to make informed decisions about health care just as they would before purchasing any other service. Amazing, isn't it?

The provider groups are called Accountable Health Partnerships and they are envisioned as including insurers, doctors, hospitals, pharmacists and other providers linking together in order to compete for the business of these large groups. Joining a CHPA is optional. The law does not require businesses to pay part of the employee's premiums. However, the law requires that participating small businesses must offer at least two plans to their employees and three plans if they have 30 or more employees. An unfortunate hoop to jump through, but hopefully this will not damage their participation.

CHPA membership is limited to employers with employees from 1 to 50, Medicaid participants, and state employees in Florida. There will be 11 CHPAs in Florida. The Governor wishes to expand this to include all employers and individuals eventually. There is also substantive insurance reform aimed at small business; guarantee-issue for employers is expanded from the current 3 to 25 employees to 1 to 50 employees and modified community rating based on tobacco use, gender, age, family composition and geographic region.

How effective these changes will be is yet to be seen. Will small business flock to the CHPAs? We don't know. Whatever the case, change has come to Florida's health care system. And, unlike those who would like to turn back the clock to the days when government was thought to be the solution to all our problems, the Governor, the Florida Legislature and reformers from all corners of the industry seem to be heading in the right direction, the direction of free enterprise.

In a burst of great political science and bad syntax, former House Speaker Tip O'Neill once noted, "all politics are local." So is health care. Let's hope the President and the First Lady allow us to address these and other issues here at the local level, here at home. They have enough big buildings in Washington D.C., anyway. Not building another one would be a nice change, wouldn't it?



#### About the Author

M. Clayton Hollis, Jr. earned a Bachelor of Science degree in Marketing/Management from Florida Southern College. Mr. Hollis began his career with Publix Super Markets in 1972 and by 1986 had been promoted several times to the level of Manager. In 1988, he was named Director of Government Relations, a position he holds today. Mr. Hollis and Publix are founders of Florida TaxWatch, and have been active in Florida TaxWatch. He also serves as Chairman of the Florida Retail Federation, and is Past Chairman of the Polk Economic Education Council and Leadership Lakeland.

## ABOUT FLORIDA TAXWATCH

Florida TaxWatch is the only statewide organization entirely devoted to state taxing and spending issues in Florida. Since its inception in 1979, Florida TaxWatch has become widely recognized as the watchdog of citizens' hard earned tax dollars. The nationally distributed City and State magazine in 1989 published a poll of the nation's statewide taxpayer research centers. Based on this poll, the publication cited Florida TaxWatch as one of the six most influential and respected taxpayer assistance institutes in the nation.

During one three-month period in 1991 and 1992, Florida TaxWatch was featured in the **Wall Street Journal**, the **New York Times**, and the **Washington Post**. In early 1992, Florida TaxWatch was featured on the prestigious **MacNeil/Lehrer Newshour** and several times in the **Wall Street Journal**.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported entirely by voluntary, tax-deductible membership contributions and philanthropic foundation grants. Membership is open to any organization or individual interested in supporting a credible research effort that promotes positive change. Florida TaxWatch members, through their loyal support, help Florida TaxWatch to bring about an effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, professional firms, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens. Florida TaxWatch is well-known and respected for its empirically sound research products which recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: three out of four of TaxWatch's cost saving recommendations have been implemented--that translates to nearly \$300 for every Florida family.

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1114 Thomasville Road  
P.O. Box 10209  
Tallahassee, FL 32302  
Phone: (904) 222-5052  
Fax: (904) 222-7476