In lieu of an abstract, here is a brief excerpt of the content:

Obamacare: Cautionary Lessons from the Tennessee Prequel

Gordon Bonnyman, JD (bio) and Tony Garr (bio)
January 1, 2014 was the date set in the Affordable Care Act (ACA), commonly known as Obamacare, for implementation of those provisions of the Act that were to expand health coverage to tens of millions of uninsured Americans.¹ That date also happened to be the 20th anniversary of TennCare, an earlier attempt at health reform that shared many of the goals of the ACA.² TennCare holds important lessons for anyone, regardless of their views on the ACA, who believes that health reform is in the nation’s interest.

The ACA is intended to reform the American health care system comprehensively. The three goals of such reform are expansion of coverage, improved quality, and control of health care costs.³ While the ACA itself is very controversial, and there are sharp disagreements about how to pursue reform, a broad bipartisan consensus has existed for decades that comprehensive health reform is needed and that its success will be defined by its ability to achieve those three goals.¹

Twenty years ago, the Clinton Administration was in the midst of an unsuccessful attempt to win enactment of national health reform legislation. Several states were experimenting with different approaches to reforming health care within their borders. Tennessee obtained a federal waiver that enabled it to use federal Medicaid matching funds for a program it called TennCare. The program sought to broaden coverage, control costs, and improve quality by enrolling all Medicaid beneficiaries in capitated managed care, and by liberalizing Medicaid eligibility. The new coverage was free to those with incomes below poverty. Enrollees with incomes above poverty paid premiums that were subsidized on a sliding scale. There was no medical underwriting, and coverage was available to anyone who had been denied commercial insurance due to a preexisting health condition.⁴

TennCare’s launch, like the ACA’s, was beset by political controversy and programmatic difficulties. There was extensive media coverage throughout Tennessee of initial problems keeping track of beneficiaries’
premiums, and of providers’ complaints about difficulties getting paid. Tennessee officials were frank in acknowledging that they designed TennCare to save the state money, as well as to cover the uninsured, and that acknowledgement prompted some national experts to dismiss the program as a budget gimmick rather than real reform. Physicians opposed TennCare with a boycott, an aggressive public relations campaign, an unsuccessful legal challenge, and by using political campaign contributions to pressure state officials to repeal the program. The National Association of Community Health Centers pursued a separate unsuccessful legal challenge to the federal government’s approval of the TennCare waiver.

In spite of the controversy and initial implementation stumbles, TennCare made impressive progress towards its goals. Within two years, the percentage of Tennessee’s population that lacked health coverage was among the lowest of any state in the nation. TennCare had the second lowest per enrollee costs of any Medicaid program. Researchers also began to see small but significant improvement in quality.

Those who benefited from these gains were primarily blue-collar families with modest incomes and no organized political voice. On the other hand, TennCare’s opponents were health care providers with both economic power and political influence. Their opposition ensured that media coverage and political attention would continue to focus on complaints and ignore TennCare’s success.

Tennessee’s lax regulatory oversight of the insurance industry, a longstanding problem that predated TennCare, enabled two managed care companies to win TennCare contracts without having adequate capitalization or infrastructure. Those plans became insolvent, leaving providers unpaid and temporarily disrupting some enrollees’ provider relationships. While the plans’ failure was not due to TennCare’s design and did not significantly affect TennCare’s overall performance, the publicity attending the plans’ closing further discredited TennCare in the public’s eyes.
Five years into TennCare’s operation, and just as national researchers were confirming its achievements, the program became collateral damage in a bitter political fight that had little to do with TennCare’s merits. Confronted by yawning budget deficits, the governor sought legislative approval for a state income tax, which...

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