Ask state legislators what the top health issues will be in the upcoming 2011 session and the answer is likely to be "Medicaid, Medicaid and Medicaid." States will struggle to maintain service levels for current enrollees. At the same time, states need to begin planning for the coverage expansions mandated by federal health reform even as many fear the budget math is simply unworkable.

Along with Medicaid budget issues, state legislators need to address how their states will design the health insurance exchanges in federal health reform. State legislators will continue to wrestle with policy options to bring down health care costs and improve health status, including reforms in payment, information technology and chronic disease treatment. Lastly, lawmakers will seek policies to reap the promise of prevention.

1 **Medicaid**
States face a cliff in Medicaid funding, as the enhanced federal matching formula expires at the end of June 2011. In the last six months of the 2011 fiscal year alone, the federal infusion of extra funds totals $14 billion. Enrollment growth averaged 8.5 percent in 2010, exceeding projections of 6.6 percent as the impact of the Great Recession drags on. States must begin planning for the expansion of Medicaid eligibility required under federal health reform, due to begin in 2014. The Congressional Budget Office projected states' costs at $20 billion between now and 2019, contrasted to the federal cost of $434 billion. A Kaiser Family Foundation and Urban Institute report projected possible costs as high as $43 billion under a "high enrollment" scenario.

2 **Health Insurance Exchange Enabling Legislation**
States must make governance decisions as well as consider how aggressive they want to be in shaping the products offered to consumers under the exchange. The exchange must have a method to determine Medicaid eligibility as well as eligibility for federal subsidies to purchase private insurance. States must demonstrate by Jan. 1, 2013, that they are ready for full implementation by Jan. 1, 2014; otherwise the federal government will step in. States may form multiple exchanges for different geographical areas and may work together to form regional exchanges, via interstate compact or other agreement.

3 **State Regulation of Health Insurance Industry**
Many states need to expand their statutory authority to meet the requirements of federal health reform. For instance, states vary in how they review rates and whether they can reject large increases. State departments of insurance will be coming forward with legislative packages.

4 **Health Information Technology**
State policymakers are responsible for ensuring infrastructure is in place for the coming health information technology revolution. Physicians will be moving to electronic medical records and digital information sharing.

5 **Health Policy Innovations**
Legislators will strive to identify innovative policies to address rising health care costs, increasing obesity rates, especially among youth, and effective smoking cessation programs. However, state budgets are unlikely to be able to absorb new spending, even if it is likely to save money in the long run.