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The Consumer Connection

... linking consumers with health care news and information

Michigan Consumer Health Care Coalition
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Reform Michigan's Health Care System

The following is excerpted from Governor-elect Rick Snyder's pre-election policy paper on reforming Michigan's health care system from his Guiding Principles for Reinventing Michigan. The full report can be accessed at http://www.governorelectricksnyder.com/sites/default/files/health.pdf

Introduction

Promoting Patient-Centered Medical Homes And Personal Responsibility Will Improve Michigan's Overall Health And Decrease Chronic Illness

Michigan needs a reformed healthcare delivery model that is affordable, accessible, and efficient. Transitioning to a patient-centered approach will save Michigan over $1 billion by improving the management of Medicaid, expanding access to care, fielding innovative Health IT systems, and identifying health problems and focusing on wellness prevention early, before issues become severe or chronic. Citizens should be educated and encouraged to get routine vaccinations and examinations, and to make healthy lifestyle decisions concerning nutrition, exercise, smoking, drinking, and other factors.

Building Public-Private Partnerships And Implementing Cost-Effective Solutions Will Increase Access

Increases in Medicaid costs and uncompensated care patients have placed unprecedented strain on already limited public financial resources. Local community pilot projects, public-private partnerships, and federally qualified health centers (FQHCs) can be used to help reduce costs and increase access for vulnerable citizens. These programs provide a viable alternative for the uninsured and under-insured who would normally go directly to the emergency room for costly care. Some integrated community programs also provide opportunities for long-term home healthcare services for the elderly as well as mental health services and counseling for at-risk individuals. Treating these patients before they need the emergency room improves the quality of care, preserves the emergency room for real emergencies, and creates significant cost-savings.

Background

The Cost And Complexity Of Healthcare Compel Some People Needing Help To Postpone Or Forego Treatment, Often Resulting In Increased Future Hardships

The expense and severity of health problems, coupled with complex diagnostic and treatment technologies, can be intimidating, especially for those without insurance. With healthcare costs rising rapidly during a tough economy, many people make the choice to forego care, postpone procedures, and leave prescription drugs unfilled in order to save money. This often leads to greater long-term costs for emergency care and hospitalizations. Early use of less costly health services can prevent this situation from materializing.

Unhealthy Lifestyles Contribute To Michigan's Growing Caseload Of Preventable Chronic Illness

Michigan is one of the unhealthiest states in the nation. Preventable disease adds to the cost of healthcare and decreases the quality of life. Roughly half of the causes of death in Michigan are related to preventable risk factors. Eliminating or reducing unhealthy lifestyle choices such as cigarette smoking, overeating, and lack of exercise improves productivity, quality of life,

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and shortens the length of time between the onset of disability and death.[1] Table 1 illustrates Michigan's ranking in relation to the rest of the country, but more importantly, it is a sad commentary about how people in Michigan approach healthcare. For years, people have thought about healthcare as a way to treat disease. People are now beginning to understand that is only half of the equation. The fact is that today's medical care offers us many ways to improve quality of life and reduce the chances of chronic illness through prevention and wellness efforts

Fortunately, the statistics in Table 1 can be improved with simple lifestyle changes including a healthy diet, routine check-ups, and regular physical activity. It is important for people to understand the impact of personal decisions and take responsibility for changing them when necessary. For example, Michigan's obesity rate is one of the highest in the nation, with nearly 30% of the adult population considered obese. As a result, the estimated direct healthcare cost for obesity in Michigan is $3.1 billion each year. That money is used to treat diseases that result from obesity, such as high blood pressure, diabetes, and heart disease. If current trends of increased obesity continue analysts project that Michigan's costs will increase to $12.4 billion by 2018.[2]

Michigan cannot afford to sit idly by while a significant portion of the public remains unaware of the dangers associated with poor health decisions. The state needs to take an aggressive position and lead by example. As can be seen from Table 1, Michigan is 3rd in the nation in routine children's immunizations, which help keep our children and communities healthy. This is evidence that the state has the potential to do better.

Table 1:

Michigan Health and Healthcare Rankings, Compared with Other States[4]

State Ranking	Description
42nd	Coronary Heart Disease Death Rate
37th	Adult Obesity
37th	Infant Mortality
34th	Binge Drinking: 18% adults binge on alcohol at least once a month
33rd	Cancer Death Rate
26th	Stroke Related Death Rate
15th	Adults who do not exercise
12th	Reduction of Adolescent Smoking; 18% of H.S. students report smoking
3rd	Child Immunizations

A Decade Of Job Loss Has Altered Michigan's Health Insurance Market

Ten years ago, Michigan had one of the lowest uninsured populations in the country. But the economic decline and changed automotive industry have left Michigan scrambling to provide coverage for its citizens. Today, 1.2 million Michigan citizens are uninsured.[3] This increase has placed considerable strain on community health centers, physicians, emergency rooms, and hospitals. When uninsured patients cannot pay for their care, doctors and hospitals must somehow make up for that "uncompensated" care by charging more to insured people in Michigan. Last year, uncompensated care totaled over $2 billion, placing a huge burden on healthcare providers and on Michigan's insured population.[5] As a result, the typical insured family in Michigan is paying about $1,000 per year to cover the uncompensated costs of people without insurance and without the means to pay their medical bills.[6]

Job losses over the past decade have also significantly increased the size of Michigan's Medicaid program. Since FY 1999-2000, the state has experienced a 53% increase in caseloads, which amounts to 564,000 additional cases and an 88.4% increase in Medicaid funding.[7] In 2009, one in six Michigan residents were eligible for Medicaid.

Going forward, Michigan will continue to experience a turbulent health insurance market. Projections show that the ranks of the uninsured will continue to rise throughout 2010

[1] McGinnis JM, Foege WH. Actual causes of death in the United States. JAMA. Vol 270, #18, 1993. Nusselder WJ et al. (2000). Smoking & the compression of morbidity. Journal of Epidemiology & Community Health. 54:566-574
[2] "Obesity – Michigan", America's Health Rankings, 2009
[3] State Health Facts, Kaiser Foundation
[4] "Characteristics of the Uninsured and Individuals with Select Insurance Coverage in Michigan", MDCH Report, June 2009
[5] "Michigan's Hospitals Nearing Fiscal Crisis", Crain's Detroit, February 2009
[6] "Needed: Rx For Affordable Healthcare In Michigan", Dome Magazine, May 16, 2009
[7] "Michigan's Economy and Budget", Michigan House Fiscal Agency, November 2009

by over 1000 every week[8]—a frightening trend that Michigan's taxpayers can ill-afford to support. As a result, Michigan must position itself to better manage healthcare expenditures and improve efficiency in order to care for the state's uninsured/ underinsured population.

The Remedy

Promote Wellness Programs To Reduce Cost, Improve Quality of Life, And Increase The Chances Of Detecting Health Conditions Before They Become Chronic

Fortunately, most of the high-risk health categories facing Michigan's citizens can be prevented by eating healthy, exercising regularly, and avoiding harmful habits like smoking. State government should lead by example by requiring government facilities to provide healthy food options and review school-based nutrition programming to ensure that Michigan's children have access to the healthiest and most nutritious options that will enhance learning.

Those participating in Michigan's state health insurance plans and programs should be required to enroll in a Patient-Centered Medical Home where routine screenings, immunizations, preventative services, and appointments are coordinated to ensure the highest quality medical care with the best opportunity for early detection of health problems before they become chronic or catastrophic illnesses.

The state should also offer incentives to challenge Michigan's citizens to get serious about improving the state's health. Partnering with non-profits and the private sector to design wellness incentives will create innovative methods that encourage healthy living and show people the value of healthy choices. The state can launch a www.MIhealth.gov website to provide citizens access to a virtual trainer. The site should contain an individualized health portal where citizens could complete a personal health assessment and design a training plan to achieve goals like weight loss and quitting smoking. Additional resources, like a wellness toolkit, could contain healthy living guides, suggestions for outdoor and recreational activities, and tips for cooking and eating healthy for families on the go. North Carolina has a similar website that has been a catalyst for workplace competitions and weight loss success stories.[9]

Create Patient-Centered Medical Homes For Medicaid Populations Not Enrolled In Coordinated Care Programs To Improve The Quality And Efficiency Of Care

One of the greatest cost saving opportunities for Michigan is to better manage two unique Medicaid populations that total nearly 500,000 Michigan citizens. The first group includes beneficiaries enrolled in foster care, the Children's Special Health Care Services program, and in transitional Medicaid. Transitional Medicaid includes beneficiaries that are coming off public assistance and earn just enough to no longer qualify for Medicaid.

The second population, which is eligible for both Medicare and Medicaid, is better known as the "dual eligibles." These beneficiaries are generally the most chronically ill patients within both Medicare and Medicaid. They suffer from health problems such as diabetes, heart disease, Alzheimer's disease and often from some degree of cognitive impairment or disability because of their illness. Dual eligibles require an array of services from multiple healthcare providers. This often leads to treatment silos, where physicians are unaware of ongoing treatment for other conditions. This results in a duplication of services and a lack of continuity in patient-centered care planning. Although Medicare covers basic healthcare services, including physician and hospital care, Medicaid covers long-term care and services as well as Medicare premiums and cost sharing. Nationwide, dual eligibles represent just 18% of the Medicaid population but account for 46% of Medicaid expenditures.[10]

The State pays fee-for-service for all health procedures performed for participants in these Medicaid groups which adds significant cost—nearly $4 billion annually. Enrolling these Medicaid patients in a Patient-Centered Medical Home could save Michigan over $800 million a year and improve the quality of their care.[11] The amount is a conservative estimate based on the savings from a new health plan design, lower premium based on capitation, improved efficiency in service delivery, and federal matching dollars based on changing health plans.

Texas initiated a similar program called Star Plus in 1998. Today, the program has enrolled over 152,000 patients, increased the use of preventative and support services by over 32%, and decreased acute hospital admissions by 28%.[12] A

[8] "Report: 1,040 in state will lose insurance weekly through 2010", The Detroit News, July 2009
[9] North Carolina – Eat Smart Move More
[10] "Supporting Integrated Care For Dual Eligibles", Center For Health Care Strategies, Inc., July 2009
[11] Based on Independent Research
[12] Texas Star Plus

quality review of the program in 2003 compared the cost savings of a Star Plus patient versus a non-enrolled pay-for-fee patient. The Star Plus patient cost an average of $3,226 per month versus $13,160 for the non-enrolled patient.[13] In 2009, Lewin Group, a healthcare policy research and management group estimated that Star Plus has reduced state Medicaid costs by nearly 17% and continues to grow annually.[14]

Today, Texas is considering expanding the Star Plus program further based upon the success it has demonstrated thus far.[15] New Mexico created a similar program called Coordination of Long-Term Services (CoLTS), and other states are beginning to construct models to emulate the success of Texas to control rising Medicaid costs.

Increase Medicaid Reimbursement Rates

Michigan needs to increase Medicaid reimbursement rates because years of rate cuts and freezes have created access problems for insured patients and passed along unnecessary burden to taxpayers. The number of patients eligible for Medicaid has increased throughout the decade while reimbursement rates have not. In fact, payments to providers have been reduced to balance the state budget. As a result, the number of physicians attending to Medicaid patients has dropped by over 27% in recent years.[16]

These cuts contribute to Michigan's growing shortage of physicians for all citizens, including those with private health insurance. The cuts make it difficult for hospitals and physicians to maintain the level of service to the community. Fewer physicians servicing Medicaid patients create longer ER wait times while non-emergent patients are treated for symptoms that should be addressed by a primary care physician. It reduces the quality of care for Medicaid beneficiaries because they cannot access a Patient-Centered Medical Home, so routine examinations and vaccinations are often missed, leading to chronic illness and higher medical bills that are avoidable. Increased levels of uncompensated care also create difficult trade-offs for hospitals, who must decide between foregoing improved technologies or additional staff to service the community.

In addition to the quality and availability of care, the growing disparity also hurts taxpayers. Each year, hundreds of millions in charity care and uncompensated care could be avoided by a better coordinated Medicaid program. The rate reduction has essentially created a "cost-shift" from government to private citizens in the form of higher health insurance premiums and higher taxes to offset the growth of uncompensated care. Furthermore, cuts to Medicaid leave federal money on the table. According to the Michigan Health and Hospital Association, every $1 in state Medicaid cuts causes Michigan to lose $2.74 in federal funding.[17] Michigan cannot afford to lose this funding.

Increasing reimbursement rates will increase the number of physicians attending to Medicaid beneficiaries, improve the coordination of their care, and reduce the number of uncompensated and unnecessary emergency room visits. It will also draw more federal dollars to allow Michigan to treat the growing number of Medicaid patients in the most efficient means possible.

Use Federally Qualified Health Centers To Increase Access And Reduce Costs

The state needs community treatment opportunities that enroll patients into coordinated care programs close to where they live so that they receive services before they need the emergency room. This can best be accomplished by increasing the number of Federally Qualified Health Centers (FQHC) and Community Health Centers (CHC) in underserved areas of the state, incentivizing participating providers, and empowering local communities to pilot programs and innovative solutions to care for the uninsured and underinsured.

FQHCs, CHCs and safety-net providers are tremendous community healthcare assets that provide low-cost, high-quality care to uninsured and underinsured citizens. They can also generate a significant savings in overall healthcare expenditures by reducing the number of emergency room visits, hospital admissions, and by shortening the average length of inpatient treatment.[18] A pilot project being developed in Southeastern Michigan involves co-locating FQHC satellites in hospital emergency rooms (ERs) to reduce the burden of uncompensated care. This project will provide a medical home and better access to the emergency department for non-emergency patients.[19] For hospitals, this cooperative arrangement means that FQHC personnel can treat non-

[13] "Managed Long Term Services", Texas Health and Human Services Commission, October 2007
[14] "Medicaid Managed Care Cost Savings – A Synthesis of 24 Studies", The Lewin Group, March 2009
[15] "Star Plus Medicaid Managed Care: The Best Option For Texas", March 2009
[16] "Don't Balance State Budget on Backs of Children, Senior Citizens and the Disabled", MHA, September 2009
[17] Ibid
[18] The Effect of Community Health Centers on Healthcare Spending and Utilization, Avalere Health, 2009
[19] "The Plan: Put Health Centers in ERs", Crain's Detroit Business, June 23, 2009

emergency patients so that ER staff can provide faster and more efficient emergency care to those patients that are in dire need of assistance.

FQHCs are also able to administer care at a fraction of the cost of ER services without degradation of quality. The cost for an uninsured ER visit could range as high as $500, where costs for treatment of the same medical problem in an FQHC could be $40 to $50.[20] Fee-for-service prices for treatment of the same diagnosis can vary greatly by location and source of treatment (See Table 2).

For FQHC staff, the arrangement allows the health center to treat the patient and, if uninsured, enroll them into a coverage plan for which they qualify (such as Medicaid or a community health plan) to meet their needs. FQHC staff also use the opportunity to create a coordinated care plan for the patient to ensure access to high quality, routine care at a convenient location.

Table 2:

Comparing Treatment Costs Between Health Centers and ERs

Symptom	Average Description Treatment Charge	Average East MI Billed Charges	Average West MI Billed Charges
Inner Ear Infection	$75	$460.70	$355.95
Strep/Sore Throat	$75	$653.45	$469.50

The Southeastern Michigan pilot project is being funded by federal grants and payments from the hospital to the FQHC. For the hospital, this arrangement still saves money by reducing the hospital's uncompensated care burden. Overall, the benefits of this program are expected to far exceed initial start-up costs. More cost-effective care will reduce taxpayer burden while improving healthcare services to both the insured and uninsured.

Moving forward, the Southeastern Michigan pilot project is a good investment for Michigan that should be adapted and applied to underserved areas of the state to ensure easy access to affordable and high-quality care in both urban and rural settings. Participating physicians should be offered an incentive to be a part of the project. Early data show significant cost savings that will reduce the uncompensated care burden for Michigan taxpayers. A conservative estimate of 10% savings on the state's $2 billion uncompensated care burden will generate the initial funding needed to expand the project and enroll physicians to realize even greater savings.[21]

Leverage Community Solutions To Provide Immediate Support For High-Risk Populations

Michigan also needs to consider the benefits of conducting an aggressive outreach campaign to enroll individuals into a care plan and Patient-Centered Medical Home before the ER visit occurs. The economic reality is that the face of Michigan health coverage has changed. Many citizens that used to have employer-sponsored health plans are now uninsured and unaware of what they qualify for. For some, the first time they confront health coverage is when they have to go to the ER. This costly scenario could be avoided if Michigan would take steps to inform the public about existing care options and conduct outreach efforts to enroll people into Medicaid, Medicare, MIChild, and appropriate community health plans.

The state needs to develop a partnership between health plan management, care providers, and community service programs to conduct outreach into high-risk communities to inform citizens of their care options, conduct risk assessments, and help aging citizens gain access to high quality, patient-centered medical care. This program could be adapted to encourage Michigan's uninsured population to "get to know us before you need us" by enrolling citizens into care plans and ensuring access to quality care.

Community-based solutions are the best way for local communities to quickly identify a plan that provides immediate help to high-risk individuals. Several communities across Michigan have created partnerships that have increased access to care, expanded coverage to uninsured and underinsured, and improved the health of their community. Programs such as Ingham Community Voices (ICV) and Washtenaw Health Plan (WHP) successfully illustrate how public and private partnerships can be leveraged to facilitate solutions. In Ingham County, the plan provides coverage to nearly 18,000 people

[20] "The Plan: Put Health Centers in ERs", Crain's Detroit Business, June 23, 2009
[21] "Michigan's Healthcare Safety Net In Jeopardy", MHA, February 2009

per year.[22] In Washtenaw County, the health plan provides coverage for nearly 8,500 people per year. The community-based solutions are a good interim investment for Michigan to reduce the amount of uncompensated care and to facilitate the temporary coverage for the working uninsured until they can pay for health insurance.

Implement Health IT Initiatives To Reduce Administrative Costs, Enhance Fraud Protection, And Eliminate Costly Redundant Testing

Archaic recordkeeping systems and a lack of transparency keep healthcare information technology well behind other industries and tie the hands of those committed to keeping costs down. Michigan should increase the adoption of healthcare information technology such as electronic medical records, patient health records, disease registries, e-prescribing, and single swipe insurance technology. The improved efficiency from Health IT systems is projected to save the state $150 million annually in reduced administrative costs and decreased duplication of testing.[23]

Effective Health IT systems also allow greater transparency of healthcare costs to administrators, clinicians, and patients alike. The changes are expected to improve the quality of patient care by enabling better coordination of testing, treatment, and prescriptions while streamlining payments to protect against fraud. Increasing efforts to combat fraudulent activity will save Michigan an estimated $100 million per year.[24] Michigan should also partner with providers to develop pilot programs using technology to monitor and enhance the care of individuals with chronic diseases such as asthma, diabetes, and congestive heart failure. Partnering with patients to monitor and manage their health problems at home enhances their quality of life and saves major healthcare costs by avoiding expensive emergency room visits and hospitalizations.

Conclusion

It is essential that we maintain the physical and mental health of Michigan citizens as we work to reinvent the state. A healthcare system designed to reduce costs, improve efficiency, increase access, and promote wellness is exactly what Michigan needs to ensure the health and well-being of our communities. The recession has changed the dynamics of Michigan healthcare, leaving many people unemployed and uninsured for the first time in their lives. Now, Michigan must respond by leveraging a proven combination of innovative methods and investment to drive costs down, expand access, and promote personal commitments to living healthier and longer.

We want to hear from you—suggestions for improvements and topics, questions, even encouragement!

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[22] "Ingham Community Voices, Final Evaluation Report", Public Sector Consultants Inc., 2008
[23] Legislative Commission on Government Efficiency Final Report, 2009
[24] Legislative Commission on Government Efficiency Final Report, 2009

From the consumers' perspective...

In this issue we reprint parts of Michigan's new Governor Rick Snyder's pre-election policy paper on reforming the state's healthcare system. In short, he asserts that "every citizen should have access to affordable and quality healthcare" and expresses his strong belief in "prevention, wellness and personal responsibility." Reform would move Michigan towards a "more patient-centered model to achieve cost savings, promote wellness, and improve service quality." (Emphasis added.)

The paper suggests that over $1 billion could be saved through better Medicaid management, expansion of access, innovative IT systems and a focus on wellness to keep people out of the state's Emergency Departments. The paper further suggests that reform would save the typical family $1,000 per year on its health care bill if it didn't have to pay for uncompensated care of the uninsured. Crain's, the business weekly report in southeast Michigan, notes that the total state uncompensated care burden was $2 billion in 2009.

Which gets us to the other issue we address in this month's Consumer Connection—the cost of a unit of health care in the US as compared to other countries. Most of us would agree that healthy eating and exercise would reduce our health care bill but it is a stretch to think that US prices would be closer to other countries' if we all just lived a more healthy lifestyle. First, we need to understand that poverty and poor housing are major contributors to poor health—and Michigan has more than its share of these problems.

And as we go forward, we would be well advised to remember that a woman over 75, or one without a car, or a family living in a low income neighborhood without a super market—or a primary care clinic—is not likely to develop a health plan that will keep all medical care needs out of the ED.

For solutions to our cost issues, we have to go where the decisions are made, and the only decision a consumer makes is to go to the doctor or the ED. After that the decisions are all out of their hands.

Beverley McDonald, Chair
Michigan Consumer Health Care Coalition

Health Care Cost Issues

It's the (US) cost, stupid…

Over the years, discussion has continued about the high cost of a unit of health care in the U.S. as compared to other countries. Costs are continuously raised as the reason that the nation has so many uninsured-in the first quarter of 2010, the U.S. Center for Disease Control and Prevention reports an estimated 59.1 million persons with no health insurance for at least part of the year, an increase of 400,000 when compared to 58.7 million uninsured in 2009 and 56.4 million in 2008.[1]

Most of the uninsured were persons between 18 and 64 years of age. The uninsured counted among their ranks many individuals with income of three to four times the poverty rate ($65,000 - $87,000 for a family of four). One in five were uninsured for at least part of the year.

PRICE COMPARISONS PRESENTED

The International Federation of Health Plans presented a Comparative Price Report of Medical and Hospital Fees by Country at its Council meeting in November 2010 in San Francisco. Member plans of the iFHP meet regularly to share information about health care financing and delivery in their home countries.

The following cost data (in US dollars) by selected areas shared at this year's meeting strongly correlate to higher uninsured rates in the U.S.[2]

[1] Centers for Disease Control and Prevention *MMWR Morbidity and Mortality Weekly Report* November 9, 2010.
[2] 2010 COMPARATIVE PRICE REPORT, International Federation of Health Plans *Medical and Hospital Fees by Country* presented at the iFHP meeting in November 2010 in San Francisco, California.

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- Average Cost per Hospital Day (US$)
  Canada: $340; Germany: $554; France: $909
  US: $3,612 (avg)
- Average Cost per Hospital Stay (US$)
  Spain: $1,679; France: $4,715; Canada: $7,707
  US: $14,427 (avg)
- Physician Fees - Routine Office Visit (US$)
  Germany: $15; Canada: $39; Australia: $47
  US: $86 (avg)
- Total Hospital and Physician Costs
  Normal Delivery (US$)
  Germany: $2,147; Canada: $2,667; France: $3,768
  US: $8,435 (avg)

  Bypass Surgery
  Switzerland: $11,618; Canada: $22,212
  US: $59,770 (avg)

  Cataract Surgery
  Canada: $927; Netherlands: $1,815; France: $3,352
  US: $14,764 (avg)
- Drug Prices[3] Nexium (US$)
  UK: $30; Canada: $32; Chile: $49; Germany: $136
  US: $186

[3] Price reflects one month supply covering base ingredient costs excluding mark-up and dispensing fees; given that Nexium is not included in the New Brunswick formulary, the comparable drug, Losec, was used.