



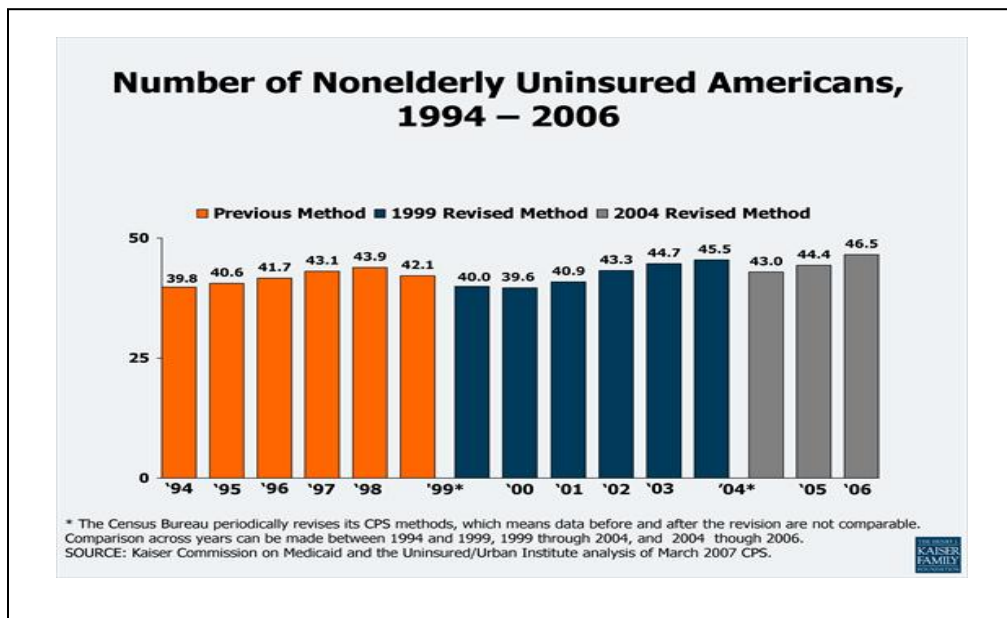
A Case for National Health Reform

Health care is a basic right in every industrialized nation except the United States, where there are millions of people who are uninsured – and the vast majority are employed. Most people agree this situation demands change. The Census Bureau estimated 46 million people were without health care coverage for all of 2007. When the 2008 estimates are released (September 2009), they are expected to be higher in view of the growing numbers of unemployed workers who often also lose their health care coverage when they lose their jobs. A reduction in employers providing health care

coverage is also expected to contribute to an increase in the number of uninsured. The availability of public programs such as Medicaid or the State Children’s Health Insurance Program (MICHild in Michigan) may somewhat mitigate the expected increase in the number of uninsured.

Uninsured Numbers High and Growing

The following chart provides an historical perspective of the number of uninsured persons over the last 13 years. By any methodology, this is a serious national problem.



The number of unnecessary deaths attributed to the lack of insurance continues to rise as the number of uninsured increases. In 2008, when the Urban Institute released its update of an Institute of Medicine (IOM) study from 2002, it estimated that 22,000 people died in 2006 from being uninsured, up from the 18,000 estimated by the IOM in 2000. This update equates to one unnecessary death every 30 minutes.

The majority of health care coverage is tied to employment. With unemployment rising, and more employers dropping or reducing the benefits they offer due to cost, millions of Americans are at risk of losing the health care coverage they have or finding it inadequate when they need it. COBRA, the program created to allow continued access to coverage when employment terminates, has not provided an effective bridge due to its high cost (105 percent of the cost of the former employer-sponsored insurance), particularly for those who are unemployed.

Results of a study commissioned by Families USA, a national health care advocacy organization, are striking:

- Nationally, 86.7 million people under the age of 65 went without health insurance for some or all of the two-year period from 2007 to 2008.
- In Michigan, nearly 2.5 million Michiganians, about 29 percent of residents under age 65, were reported as being without health insurance for all or part of that two-year period.

Three quarters of the uninsured were members of working families. (Families USA. *Americans at Risk: One in Three Uninsured*. March 2009. <http://www.familiesusa.org/resources/publications/reports/americans-at-risk-findings.html>.)

Another report published by Families USA, based on national estimates reported in *Health Affairs* in May 2009, forecasts that for the period January 2008 - December 2010, 6.9 million people will lose their health care coverage. For Michigan, the estimate is 162,100 newly uninsured by December 2010. These estimates assume continued health care policies, no reform or major changes, and income growth and per capita health spending among insured adults follow current projections. (Families USA. *The Clock is Ticking: More Americans Losing Health Coverage*. July 2009. <http://www.familiesusa.org/assets/pdfs/health-reform/clock-is-ticking.pdf>).

The current employer-based system is clearly not sufficient to ensure coverage and to meet the health care needs of all Americans.

Coverage Unaffordable for Millions

Millions of people have also been “priced out” of health care coverage as premiums have increased - 119 percent over the last 10 years, and cost sharing in the forms of deductibles or copays continues to increase. During this same 10-year period, wages grew by only 34 percent. According to the Kaiser Commission, while employers continue to cover a similar percentage of employee premium costs, the increases each year in the premiums result in higher and higher costs for both the employer and the employee.

Without changes to control costs, the Commonwealth Fund projects that health care premiums will increase to 24 percent of median family income by 2020, pricing more and more families and individuals out of coverage, as families will be unable to devote one-fourth of their incomes just to health insurance premiums. As individuals are priced out of insurance coverage, so also are employers as their costs have also skyrocketed, particularly in small businesses.

Unemployment Results in Loss of Coverage and State Revenues, Increased Need for Public Programs

The Kaiser Commission on Medicaid and the Uninsured reported in their January 2009 “snapshot” that, on a national basis, every percentage point increase in the national unemployment rate results in 1 million more Medicaid and State Children’s Health Insurance Program (SCHIP) enrollees, and 1.1 million more uninsured. Correspondingly, state revenue losses of 3 percent to 4 percent are also estimated for each percentage point increase in the unemployment rate. (Kaiser Commission on Medicaid and the Uninsured. *Rising Unemployment Medicaid and the Uninsured: A Multi-Year Snapshot of State Financing Effects*. January 2009. http://www.kff.org/uninsured/upload/7850_FS.pdf.)

Falling state revenues and rising Medicaid caseloads are a recipe for safety net disaster in the states. The resulting dilemma has been reported across the states during 2009 as they have struggled to balance budgets in the face of declining revenues and increasing need. Since December 2008, Michigan’s Medicaid eligible population increased by nearly 100,000 persons, to a total of 1,752,800. While a supplemental appropriation was recently approved by the Legislature to recognize the increased caseload and corresponding costs, prior actions had included Executive Order reductions in which essential health care services (e.g., dental and podiatric) for adults were eliminated and provider payments were reduced in the Medicaid program, key public health and prevention programs were reduced or eliminated, and funding was reduced for mental health services.

For FY2010, the Senate approach to addressing the increased need and reduced revenues has been to slash budgets, rather than increase revenues to maintain even the tattered safety net. The FY2010 Senate-passed budget for the Department of Community Health

continues most of the Executive-ordered reductions, and proposes additional savings through such policies as increased cost sharing for Medicaid recipients, deeper provider rate reductions, and further reduced funding for mental health services. Reductions in crucial health care services leave low-income residents with few options for obtaining needed services other than through hospital emergency rooms, the most expensive setting for provision of basic care.

While these cuts may make the budgets balance on paper, their actual impacts may be to increase, rather than reduce costs, as needed services are provided in higher cost settings or when medical conditions have escalated to more serious levels.

Financial Insecurity for Millions

Health care coverage, for those who have it, does not equate to financial security as is demonstrated by the number of bankruptcies related to medical debt. A recent study published in the American Journal of Medicine found that over 62 percent of bankruptcies were related to medical debt (*Medical Bankruptcy in the United States, 2007: Results of a National Study*. June 5, 2009. http://www.washingtonpost.com/wp-srv/politics/documents/american_journal_of_medicine_09.pdf). This is particularly alarming in view of the finding that 75 percent of those filing for bankruptcy had some type of medical insurance. In addition, the number of people spending more than 25 percent of their family income on health care costs has been rising dramatically over the last 10 years, and will likely continue without reform. The vast majority of these people are also insured.

U.S. Health Care Costs Double That of Other Nations’

Costs are increasing, not just for those with insurance or seeking medical care, but also for the nation. Health care costs at the national level continue to increase at what many describe as an unsustainable rate. Without change, it is estimated that health care

spending will increase from 16 percent of gross domestic product in 2006 (up from 8 percent in 1975) to nearly 20 percent in 2017. This is nearly double what other developed countries spend, averaging about 8 percent of gross domestic product in 2006. U.S. outcomes are not twice as good as other countries, and, in fact, on many measures, such as life expectancy, infant mortality, obesity, and chronic disease mortality, the United States ranks far below other developed countries.

The health care system is often described as broken because of its consistently low rankings among developed countries in access, quality, safety, and efficiency. The right care at the right time in the right setting is often not delivered. Fragmented, rather than coordinated care is often the rule rather than the exception. The health care “system” is focused on sickness and cures, rather than prevention and managing chronic disease even though health care needs have changed. The United States spends about 95 percent of its health care dollars on sick care treatments and research, and only about 5 percent on public health promotion and disease prevention.

Even though overall life expectancy has improved, costly chronic illnesses are increasing, developing at younger and younger ages, while health disparities by race and socioeconomic status continue to increase. By nearly any measure, the U.S. spends the most and has poorer health outcomes than many other developed nations. This is not a new phenomenon; rather it is an escalating problem that most economists and health care professionals believe must be addressed.

Current Insurance System Not Stable or Fair

The current system of employer-sponsored insurance offers no guarantees of stability or fairness. If an employer rebids his health care coverage, employees must often change in response. If an insurance plan changes networks or affiliations, patients may not only lose services, but may be required to change

physicians, pharmacies, or medical suppliers, or incur new or increased out-of-pocket costs, in accordance with new requirements. It is unfair that health insurance companies, whose goal may be to pay the fewest claims, determine the treatment a patient will receive rather than the medical community. Since insurance companies determine the scope and duration of covered services for which they will pay, treatments are often prescribed based on insurance company standards, rather than comprehensive medical need. In addition, insurance companies have a long history of collecting premiums from the healthy, rejecting the sick (“pre-existing conditions”), and terminating coverage for those diagnosed with a costly condition.

A former health insurance industry executive, Wendell Potter, who fought against prior health reform efforts but is now supportive, recently observed in a *New York Times* article that his colleagues are not evil people, they are removed from the consequences of their decisions, as he was, and are obsessed with sustaining the company’s stock price — which means paying fewer medical bills. *Health Care Fit for Animals, New York Times*, (August 27, 2009). We need a health care system with more humane motivations.

Conclusion

Our employer-sponsored system of providing health care coverage is inadequate, often unfair, and shrinking; the safety net is shredding, while predictions for rising unemployment and increasing need continue. Health care services are often not delivered in a coordinated, efficient manner, driving up the cost to unnecessary levels, while the cost of premiums continue to escalate to projected unaffordable levels for millions of families. A comprehensive solution to this continuing and ever mounting problem is needed. Health care reform will certainly result in change, but it may simply be change that is different, not bad.

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