



The Consumer Connection

... linking consumers with health care news and information

Health Care Costs: An Increasing Burden

Considerable national attention has been focused on the uninsured, but less on rising health care costs—the major factor in the growing number of uninsured. Increasing health care costs are biting into the budgets of many Michigan families. A recent report by the consumer advocacy organization Families USA, *Too Great a Burden: Michigan's Families at Risk*, looks at how these increases are affecting Michiganders.

Key Findings

The report focuses on the number of people in families that spend a sizeable share of their pre-tax income on health care costs.

Insured Michiganders spending more than 10 percent of pretax income on health care are projected to number 1.7 million in 2008

- In 2000, **1,424,000 non-elderly Michiganders** were in families that spent more than 10 percent of their pre-tax income on health care.
- **Between 2000 and 2008, the number of people in such families will have increased by 580,000**, to more than the combined population of Grand Rapids, Warren, Sterling Heights, and Flint.
- Nearly **nine out of 10 people (86.8%)** in families spending more than 10 percent of their pre-tax income on health care **are insured**.
- **1,740,000 non-elderly Michiganders** with insurance are in families that will spend more than 10 percent of their pre-tax income on health care in 2008.

Insured Michiganders spending more than 25 percent of their pre-tax income on health care projected to number almost half a million in 2008

- In 2000, **379,000 Michigan residents** were in families that spent more than 25 percent of their pre-tax income on health care.
- **Between 2000 and 2008, the number of people in such families will have increased**

by 158,000—three times the population of Battle Creek.

- **Four out of five people (80.1%)** in families spending more than 25 percent of their pre-tax income on health care **are insured**.
- **430,000 Michigan residents** with insurance are in families that will spend more than 25 percent of their pre-tax income on health care **in 2008**.

Factors Driving Increased Health Care Costs

A number of factors have driven up health costs for families, number one being the increase in health insurance premiums, the report noted. As premiums rise, employers are forced to make tough decisions about the coverage they offer to their employees: some drop coverage, others increase the share of the premium that employees must pay, and more offer insurance that covers fewer services and/or requires high out-of-pockets costs. As a result, families must shoulder a greater portion of health care costs, forcing many into higher credit card debt, bankruptcies, foreclosures, and other economic hardships.

Increased health care costs are particularly burdensome to Michiganders already facing one of the worst economic slowdowns in the state's history, fueled by downsizing of the domestic auto industry. The November unemployment rate, at 7.4 percent, is highest in the nation. The nearly two million Michigan families projected to spend one in every ten dollars on health care in 2008 are faced with in an unmanageable burden.

Impact on a Family Budget

An example cited in the report shows how a family earning a gross income of \$60,000 a year would only have \$2,990 available for health care expenses after paying taxes and household expenses, and not the \$6,000 it would need if it spent 10 percent of its pre-tax income on health care costs.

A Typical Family Budget

Gross Annual Income	\$60,000
Less Taxes (federal, state, and local)	11,160
Disposable Income (gross income minus taxes)	\$48,840
Annual Expenses	
Housing and Utilities	16,680
Transportation	10,940
Food, Beverages and Personal Care Items	9,650
Pets, Sports, Entertainment, and Reading Materials	2,660
Education and Miscellaneous Expenses	2,530
Clothing and Footwear	2,310
Personal Insurance (non-health) and Pensions	1,080
Less Total Expenses	\$45,850
Amount Left to Pay for Health Care (disposable income minus expenses)	\$2,990

Source: Families USA

This \$2,990 is a far cry from the \$15,000 it would need to make available if the family's health care costs are 25 percent of its before tax income.

Sources: The full report is available on line at <http://www.familiesusa.org/assets/pdfs/too-great-a-burden/michigan.pdf>.

Group Launches Ballot Drive

A coalition representing religious, civic and labor organizations has launched a drive to pass an amendment to Michigan's constitution directed at expanding health care coverage in the state and creating a right to health care for all.

Titled the "Health Care Security Amendment," the group's goal is to amend the Michigan Constitution (Article 4, Section 51) by adding the following language:

The State Legislature shall pass laws to make sure that every Michigan resident has affordable and comprehensive health care coverage through a fair and cost-effective financing system. The Legislature is required to pass a plan that, through public or private measures, controls health care costs and provides for medically necessary preventive, primary, acute and chronic health care needs.

The group, "Health Care for Michigan," does not propose any particular solution to covering the uninsured and underinsured, but rather proposes that the placement of the amendment on the November 2008 ballot will drive an open discussion on health care financing and costs.

On December 20, 2007, the Board of State Canvassers approved the petition's language, giving the Health Care for Michigan group the green light to start collecting signatures.

The petition drive will begin on January 15; 475,000 signatures must be collected to assure a place on the November 2008 ballot.

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The Health Care Happenings...

Michigan: Not So Healthy

Michigan ranked 27th in the nation in a composite of ten child well-being measures, according to the 2007 *KIDS COUNT Data Book* produced by the Annie E. Casey Foundation. Michigan ranked 31st among U.S. states in the overall health status of its residents in 2007, dropping from a rank of 27th in 2006, according to the report *America's Health Rankings 2007* issued by the United Health Foundation. Following are highlights from *America's Health Rankings 2007*:

Michigan's Strengths:

- Low percentage of uninsured statewide at 10.5 percent
- Nearly 81 percent of pregnant women receive adequate prenatal care
- Low rate of workplace fatalities

Challenges:

- High rate of obesity at nearly 29 percent of the population
- High level of binge drinking by 17.5 percent of the state's residents
- High rate (above the national average) of deaths due to heart disease at 336 deaths per 100,000 population

Significant Changes:

- In the past year, the percentage of children in poverty increased by 18 percent
- In the past year, the prevalence of obesity increased by 10 percent
- Since 1990, the rate of uninsurance among the population increased by 46 percent
- Over the same period, the incidence of infectious diseases decreased by 43 percent

Disparities:

In Michigan, African Americans experience 92 percent more premature deaths than the white population. In the large metropolitan areas, residents in the central counties experience 74 percent more premature death than residents of the fringe counties.

America's Health Rankings 2007 combines individual measures of each of four determinants:

1. personal behaviors,
2. community environment,
3. public and health policies; and
4. clinical care.

The report is based on data from the U.S. Departments of Health and Human Services, Commerce, Education and Labor; American Medical Association; Dartmouth Atlas Project; and the National Association of State Budget Officers. The full report can be reviewed at <http://www.unitedhealthfoundation.org/media2007/shrmediakit/ahr2007.pdf>.

HEALTH CARE BY THE NUMBERS

Health Care Premium \$\$\$: Where They Go

24%	Physician services
22%	Outpatient services and free-standing clinics
18%	Inpatient hospital bills
16%	Outpatient prescription drugs
11%	Administrative costs
6%	Other medical services*
3%	Insurer profits**

*Home health care, nursing homes, medical goods

**Reflects for-profit and not-for-profit insurers

Data: PricewaterhouseCoopers

Source: *Businessweek*, December 10, 2007



Who Gets Free Drug Samples?

Pharmaceutical manufacturers have long claimed that one of the main reasons they provide free drug samples to doctors is so that they can pass the medicine along to poor or uninsured patients. However, that may not be the case. Patients with the highest incomes were the most likely to get free samples, according to a survey of nearly 33,000 Americans in the February issue of the *American Journal of Public Health*. Only 28 percent of those who got samples were poor, whether insured or not, with incomes less than twice the federal poverty level—\$18,400 for a family of four in 2003, when the survey was taken.

More than 12 percent of Americans received one or more free drug samples in 2003. Among those already taking prescription drugs, nearly 20 percent received free samples. But among patients who received drug freebies, the vast majority had health insurance and less than a third qualified as low income.

The fact that wealthier people with insurance tended to receive drug samples doesn't mean doctors were intentionally withholding the drugs from the poor, the study authors note. It simply reflects the economic reality that wealthier people tend to have better access to medical care. The uninsured are more likely to get care from emergency rooms and clinics rather than a personal physician.

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