HEALTH CARE TOUR

FOURTH DISTRICT OF SOUTH CAROLINA

U.S. Rep. Bob Inglis

Executive Summary

From February to October 2008, U.S. Rep. Bob Inglis, (SC-4) directed a health care tour of more than 75 locations, along with organizing conferences, roundtables and town meetings to better understand how health care is being delivered and paid for in the Fourth District of South Carolina.

Inglis met with patients, families, small and large business owners and managers, physicians, insurers, hospital CEOs, clinic managers, pharmacists, and key government agencies.

This report summarizes the Health Care Tour's findings into four key principles for health care reform. When the pieces are examined and addressed individually – access, cost, and the quality – patient centered, market-based options offer a way forward.

Solutions start with principles:

- *Spread the big risks and own the little risks.*
- *Do health care, not sick care.*
- *Everyone is covered.*
- *Everyone pays in.*

Principle #1: Spread the Big Risks, Own the Little Risks

Currently, when an insured patient is diagnosed with a major medical condition, such as leukemia, insurance companies act to minimize costs and maximize controls at the one key time in a patient's life that insurance is most needed.

A small business insurance group could be relatively healthy across its membership, but should one member encounter a major medical problem and the whole group's rates skyrocket.

Even the insured in large group policies are feeling the weight of increased premiums. The City of Mauldin's health insurance premiums through the state's Blue

Cross Blue Shield plan increased 21% in one year (2006-2007). Human resource officials said that risk, not volume, was the determining factor behind the cost spikes.

A few major expensive medical conditions are causing a majority of the medical costs. About 80% of health care dollars are spent on 20% of the United States population.[1]

If we spread the big risks over a large pool of beneficiaries, and individually own the risk and responsibility for small things like checkups and dental appointments, then insurance companies can do what they do best, insure for the big expenses, and individuals can use the power of markets and individual choice to take care of the small stuff.

Here are three ways to spread big risks and own the small risks:

- First, charge each family/individual a premium (with incentives to reduce premiums for controlled weight, non-smokers, etc.) but include them within a large national pool.
- Second, offer coverage for catastrophic illness. Set a stop-loss for catastrophic expenses at $10,000-$20,000. Low income patients would pay on a sliding scale based on income.
- Third, assist with an annual health account contribution to help cover the small costs.

Medicare, Medicaid and SCHIP ($654.5 billion annually[2]) will still present a fiscal problem, but as more and more individuals own the costs and risks, we will develop a firm foundation and public confidence for reforming entitlement programs.

Principle #2: Do health care, not sick care.

When Mitsubishi Polyester-Films, a manufacturing plant that employs more than 500 workers in the Upstate of South Carolina, discovered their health care costs had doubled from 2000-2004, they took a new approach – put the incentives in the patients' hands.

The company offered a Consumer-Driven Health Plan that paid 100% preventative care and contributed $1,000/year to each employee's Health Reimbursement Account. The company also brought a family clinic on site for use exclusively by employees and their families. In addition to family care physicians, the clinic also offered one-on-one health coaching, a disease management program, and employee assistance programs for mental health, depression and stress. After these changes, employee health improved, the work site went tobacco-free, and the company's health care costs actually leveled off and dropped in 2006-2007.

The City of Mauldin tackled drastic premium increases by switching from the state's health insurance program to a broker that supplements traditional coverage with incentives to stay well. By changing to a preventative model for care, Mauldin was able

[1] Taken from Health Care Tour 2008, 2/21/08 Greenville Memorial Hospital visit, page 32

[2] Taken from Congressional Research Service telephone meeting with H. Chaikind on 12/11/2008

to offer expanded coverage to its 150 employees with a saving to employees of up to $200/month.

We need to take a lesson from Mitsubishi Polyester-Films and the City of Mauldin. Using the revenues gained from removing the deduction on the employer health benefit contribution ($225 billion annually[3]), taxpayers could receive a $1,000 annual wellness account contribution that can be used for physical exams, tests, health counseling, fitness programs or other approved best practices in preventative health and wellness.

Principle #3: Everyone is covered.

Philip Raimondo, Sr. is 55 years old, married with two children, and currently unemployed. He suffers from Type I diabetes, neuropathy, polycythemia (abnormal increase in red blood cells), arthritis, and hypertension. Philip was a painter for his professional life, but had to stop painting in 2005 due to his disabilities.

His wife receives health insurance through her job and his children are eligible for Medicaid coverage. Because his family income is just slightly higher than the minimum, Philip is not able to obtain or afford health insurance. Philip has no insurance coverage and cannot get it.

Philip is one of at least [4]46 million people in the United States (not including all those affected by the recent economic crisis) that don't have health insurance coverage.

These individuals have no access to a primary care physician but they do have health treatment – often the emergency rooms, when free clinics aren't available. Community health care providers will provide treatment for Philip, and all uninsured, should they have an emergency and need immediate care.

For the uninsured, they have few options to buy in even limited health care coverage and so opt for the most expensive available option: emergency rooms. For the private and self-insured, they are asked to pay the costs shifted from other patients.

The government currently pays 87% of costs for Medicaid patients and 92% of costs for Medicare. Add in the increasing number of uninsured patients who are going to emergency rooms for primary care and we are seeing a huge cost shift to the privately insured and self-insured. This cost shifting means privately insured patients are paying on average 129% of the actual cost of treatments. [5]

[3] Taken from Congressional Research Service telephone meeting with H. Chaikind on 12/11/2008

[4] C. DeNavas-Walt, B. Proctor, J. Smith, *Income, Poverty, and Health Insurance Coverage in the United States, 2007: Current Population Report* August 2008:19
http://www.census.gov/prod/2008pubs/p60-235.pdf

[5] Need to cite the BCBS manual for proper citation

Is it possible to promise coverage to people like Philip without presuming it will either result in restricted access to contain costs or an overwhelming burden on an already stretched health care system? Yes. Universal coverage is the first step to reforming health care.

- First, mandate individual coverage for everyone with the expectation that each will own their little risks by paying premiums and health care costs according to their means.
- Require insurance companies to issue policies to individuals regardless of pre-existing conditions and allow risks and costs to be assessed according to a "community rating."
- Attach that coverage to the individual, not their employer, to maintain consistency and continuity of care especially during unemployment or changing jobs.
- Encourage utilization in all the right places – primary care physicians, clinics, or other innovative approaches.

Principle #4: Everyone pays in.

Lynn Irby works at supermarket in Greenville. She would like to be a full-time employee but was hired part-time, working 15-35 hours per week at $8.50 an hour. The company has an insurance plan for its workers, but Lynn isn't eligible until she has worked 1000 hours or becomes a full-time employee. Her wages place her above the threshold for Medicaid. Yet after paying rent, buying food and other basics, Lynn couldn't afford her employer's health insurance even if she were eligible to purchase it.

Instead of setting a minimum dollar amount necessary to access health care, we can set the minimum standard at "health care should be accessible for everyone," and then work on how much an individual is able to pay.

Taking personal responsibility for health care can only help insofar as that care is affordable. Asking someone with a $20,000/year salary to pay the same for care as someone with a $100,000/year salary encourages people to make health decisions based on their ability to pay, not on their sense of personal responsibility.

A mammogram today, can avoid a major public expense, and even spare a life when an undiagnosed breast cancer becomes an emergency tomorrow.

Health reform will not accomplish the end goal of fostering individual ownership of care if the patient has to choose between care and cost.

As Ed Sellers, CEO of Blue Cross Blue Shield of South Carolina, said, "Capacity to pay is the soft underbelly of personal responsibility."

Means-testing Medicare was widely accepted as a good way to lower expenditures on providing care for those who could afford it by other means. The idea is that if you have a comfortable salary or pension from which to pay health bills, Medicare would cover less of your health expenses.

What if you means-test basic health care? Create a sliding scale based on an individual's income to determine how much they should contribute to their health care.

- After using the $1,000 to pay for the small costs, an individual would pay a percentage of health care costs, based upon income, up to a deductible of $10,000 to $20,000, and then they would receive high-deductible coverage above this limit.
- Each beneficiary would be contributing to an individual/family premium as well, providing capital to insure the big risks of larger pool.