

Health Plans: Working to Make Quality Healthcare Affordable

Thirty Years Later...

When federal legislation was signed in 1973 expanding the role of health plans in America, the true impact it would have on healthcare in this country was unknown. Leaders hoped the historic legislation would help contain the rapidly increasing costs of care while also making it more accessible and affordable for individuals and families. It seems safe to say that those goals were realized, at least in part, and that the legislation fundamentally changed the delivery of healthcare in our country. Three decades later, the role of health plans within our country's healthcare infrastructure continues to evolve.

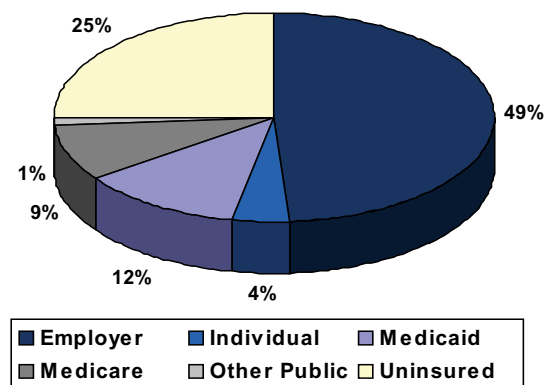
While examples vary depending on the kind of health plan one has, twenty dollar co-payments for doctor office visits and deductibles that all but eliminate the financial devastation that comes with many illnesses have changed the outlook many have about access and affordability of healthcare. Health plans ensure a single mom no longer has to be overwhelmed by children's medical bills, a family of four can afford coverage for all, and a senior citizen does not have to fear the cost of illness and a doctor visit. By guaranteeing access to primary care, health plans ensure that minor illnesses don't become major illnesses.

Employment and access to an employer based plan are very often determining factors for coverage. However, an increasing trend toward individual or consumer-driven health plans as well as government based programs, combine with employment related health benefits to provide the bulk of today's health care coverage.

Unfortunately, the number of Americans who lack coverage continues to rise with Texas leading the nation in the number of uninsured.¹ And, as the uninsured turn to more expensive means of receiving medical care such as emergency room treatment, the uncompensated costs of that care is driving up health insurance premiums for other consumers while also being passed on to local taxpayers.

The costs associated with the uninsured are one of many factors contributing to an increase in overall healthcare expenses. As healthcare costs continue to rise, more and more large employers are making the decision to drop their employee coverage. These increases also provide even more challenges to families and individuals who seek their own personal health plans. These developments, as well as limited coverage options for small businesses, and recent efforts to trim government health insurance programs are contributing to the increasing number of uninsured in our state and the country.

Texas Health Coverage Type² (2003-2004)



Sources: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2004 and 2005 Current Population Survey (CPS: Annual Social and Economic Supplements).

Thirty years after Congress provided incentives for the creation of health maintenance organizations, cost and uninsured issues are once again placing a strain on our society's healthcare resources. As healthcare, government, and business leaders search for solutions to those challenges, health plans will play a critical role in helping identify appropriate and cost-effective solutions to increase the availability of healthcare and ensure that we are a society where such coverage is the norm rather than the exception.

...HEALTH PLANS WILL PLAY A CRITICAL ROLE IN HELPING IDENTIFY APPROPRIATE AND COST-EFFECTIVE SOLUTIONS TO INCREASE THE AVAILABILITY AND AFFORDABILITY OF HEALTHCARE AND ENSURE THAT WE ARE A SOCIETY WHERE SUCH COVERAGE IS THE NORM RATHER THAN THE EXCEPTION.

Containing Healthcare Costs and Eliminating Abuse

Health plans continue to have a prominent role in helping contain the rising costs of healthcare. From their inception, a central part of their operations involved negotiating reasonable rates with hospitals and providers for services delivered to their patients. Health plans also continue to help manage escalating costs by identifying unnecessary expenses, including fraud and waste.

In response to their efforts to contain costs and eliminate fraud and waste, some attempt to demonize health plans by attacking claim denials and blaming increasing healthcare expenses on the health plan's administrative costs and executive salaries. These attacks are misguided and attempt to distract from the larger debate of increasing healthcare availability and affordability.

According to a report released by the Midwest Business Group on Health in 2003, an estimated 30 percent of all direct healthcare outlays are the result of poor-quality care, consisting primarily of overuse, misuse, and waste.³ While a small number of claims are denied, health plans ensure a fair appeals process is in place to address those instances. A recent survey by the Kaiser Family Foundation supports the approval of how health plans manage their operations with some seventy-eight percent of insured individuals indicating they were satisfied with their health coverage.⁴

In order to manage claims and coordinate the care of patients, a small percentage of the healthcare costs are directed toward "administrative costs." While some attempt to distort the importance of these expenses, placing them in proper context reveals the inaccuracy of their misrepresentations. The majority of these expenses involve costs for customer service, medical management and products to improve the patient's quality of life, such as: health education and wellness programs, 24-hour nurse advice, outreach efforts to improve care in the minority and disadvantaged communities, as well as disease management tools.

Attacks to link increasing health care costs to the salaries of health plan executives also fall short of their intended goal. In fact, total annual salaries including bonuses of the top fifteen highest paid executives in publicly traded health plans **account for less than four-one thousandths of one percent** of overall health care expenses in 2004⁵. They are also comparable with the salaries of the executives who lead companies of similar size.

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These attacks seem to be most prevalent in response to efforts by health plan executives to keep provider fees in check by negotiating fair and reasonable rates. The attacks also appear to be in response to health plan attempts to identify and hold accountable providers responsible for the waste, fraud, and abuse within our healthcare system estimated in 2003 to be **"\$85 billion, or five percent of the \$1.7 trillion spent on healthcare in 2003."**⁶

THE COMMON GOAL OF KEEPING PEOPLE HEALTHY DRIVES OUR HEALTH SYSTEM BUT WHETHER YOU ARE A GOVERNMENT, BUSINESS, OR PHYSICIAN, BECAUSE HEALTHCARE IS NOT FREE, FINANCIAL FACTORS DO PLAY A ROLE IN DETERMINING THE LEVEL OF CARE THAT IS AVAILABLE.

Despite the different approaches to ensuring the delivery of quality care, in the end, health plans care about lives, providers care about patients, and individuals care about loved ones. The common goal of keeping people healthy drives our health system but whether you are a government, business, or physician, because healthcare is not free, financial factors do play a role in determining the level of care that is available.

The Facts Behind the Rising Costs of Healthcare

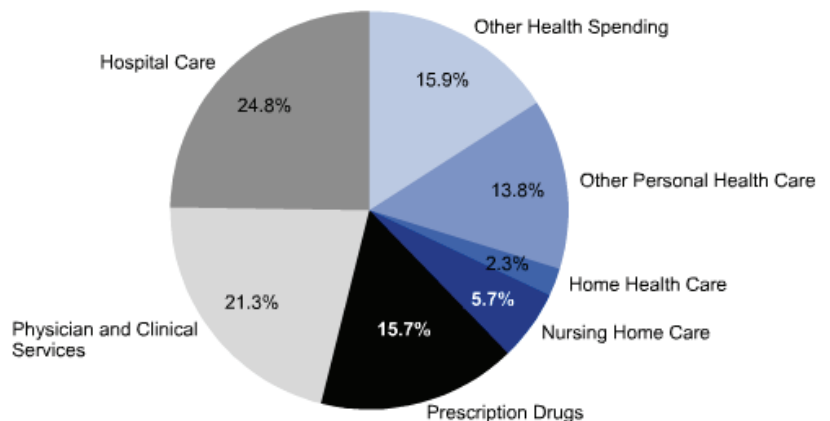
Understanding what is driving up the costs of healthcare may hold the key to helping all of those within the healthcare system devise new and better ways to increase access and delivery while balancing the interests of those who must pay for it.

... SPENDING FOR PHYSICIAN AND HOSPITAL SERVICES ACCOUNTED FOR 67% OF THE TOTAL GROWTH IN PERSONAL HEALTH CARE EXPENSES IN 2004.

Several significant reports in recent years have identified the leading contributors to increasing healthcare costs. Earlier this month, the Centers for Medicare and Medicaid Services (CMS) released their report on Healthcare Spending for 2004. While 2004 found the lowest increase in healthcare spending since 2000, 7.9 percent, the report highlighted several areas of concern. Among their key findings was that spending for physician and hospital services accounted for 67 percent of the total growth in personal healthcare expenses in 2004.⁷

According to a report released by the Kaiser Foundation hospital care accounted for the largest share of health expenditures in 2003.⁸ Physician services are the next largest items comprising one-fifth of the national healthcare spending. The same report provided the following breakdown of healthcare expenses for 2003:

Relative Contributions of Different Types of Health Services to Total Growth in National Health Expenditures, 1993-2003



Source: Kaiser Family Foundation calculations using data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group.

Texas Health Source

In 2002, PriceWaterhouseCoopers conducted an extensive review of the rising costs of healthcare. According to their findings, leading contributors to those increases are:⁹

- **Drugs, Medical Devices and other Medical Advances**

With an increase in medical technology comes an increase in demand for more expensive treatments.

- **Government Mandates and Regulation**

Over 1,500 mandated benefits exist at the state and federal level, with many more on the horizon. Each mandate adds its own cost, and collectively they have significantly increased healthcare costs. Healthcare mandates have increased 25-fold from 1970-1996, an average of 15 percent per year.

- **Increased Demand**

As Americans age into their 40s, 50s and beyond, they consume more medical resources. The biggest surge of baby boomers is currently between the ages of 55 and 59. This group will grow by 41 percent between 2001 and 2010, according to the Census Bureau. Baby boomers who used few healthcare services for two decades are turning to physicians, hospitals, and other providers with increasing regularity.

The report found that health plans were a contributing factor in restraining the growth of healthcare costs.

An aging population, longer life spans, and increasing chronic illnesses make clear the intensity of demand that will be placed on our state and nation's healthcare resources in the years ahead. Additionally, the market dynamics among players within the healthcare system to arrive at fair and reasonable rates for services, to identify and eliminate fraud and waste, and to empower consumers to make informed choices about healthcare will add to the complicated healthcare debate. While these challenges are central to the debate that will determine the future of healthcare in America, they should not be allowed to be obstacles which impede work toward critical solutions that will meet the healthcare demands of our society. Government's critical role in leading dialogue, advancing policies, and offering programs that will increase the availability and affordability of quality healthcare for all is undeniable.

HEALTH PLANS ARE EAGER AND WELL-POSITIONED TO WORK WITH THE BUSINESS COMMUNITY, PROVIDERS, THE PUBLIC, AND OUR GOVERNMENTS TO DEVELOP HEALTHCARE SOLUTIONS FOR THE FUTURE—SOLUTIONS THAT WILL REDUCE COSTS, INCREASE ACCESS, AND INCREASE AWARENESS OF THE PATH TO GOOD HEALTH.

A Healthier Society ... A Brighter Future

When a business' workforce is healthy, it's operations are more productive, the business can be more prosperous, and less of its resources must be spent on healthcare. From a government's perspective, a healthier population means greater productivity, less chronic illness, and fewer tax dollars needed for healthcare programs. Most importantly, when individuals are healthy, they are often happier, their personal and professional outlook tends to be more positive, they enhance their chances of living longer lives, and they spend less of their income on medical expenses.

DISEASE MANAGEMENT PROGRAMS, SMOKING CESSATION EFFORTS, 24-HOUR NURSE HOTLINES, WELLNESS PROGRAMS, AND HEALTH PROMOTIONS ARE EXAMPLES OF HOW HEALTH PLANS ARE LEADING THE WAY IN ENCOURAGING HEALTHY LIVING.

While our society seems to be slowly moving toward embracing the pursuit of preventive health, much more can and should be done. State governments are realizing the financial soundness of investing in greater care coordination and disease management while also recognizing the longer-term benefits of addressing the increasingly sedentary lifestyles of our children. Programs increasing physical activity in schools are being implemented, youth anti-smoking programs are being adopted, and policies governing nutritional content of school lunches and snacks are a part of a growing movement to steer our young people toward healthy choices, healthier lives, and a future of lower medical bills.

Local governments and businesses are also joining in the trend to promote a healthy population. Communities are providing facilities to encourage exercise. Policies to reduce public exposure to second-hand smoke are being approved. Workplace wellness programs and expanded menus of restaurants offering healthy choices are also a part of the movement toward a more health conscious society.

The Texas Association of Health Plans supports the efforts of governments and businesses to foster personal responsibility for healthy living. Health plans are also prepared to do their part to ensure that the limited healthcare resources are maximized to not only treat but also prevent illness. Disease management programs, smoking cessation efforts, 24-hour nurse hotlines, wellness programs, and health promotions are examples of how health plans are leading the way in encouraging healthy living.

Access Is the Key

Having the ability to prevent and treat illness is driven by an individual's access to healthcare. The three primary avenues for access are:

- 1. Employer-based health plans**
- 2. Consumer-based individual plans**
- 3. Government-based health plans**

THE FUTURE OF EMPLOYER-BASED HEALTH BENEFITS

In 2004, employer-based health plans provided coverage to almost 59.8 percent of the nation's population.¹⁰ However, as healthcare costs increase, more employers are reducing if not eliminating their participation in their employees health insurance. Additionally, a limited number of affordable healthcare options for small businesses forces a huge segment of our population to live uninsured. Because of their importance to providing healthcare to millions, efforts to maintain the feasibility of employer provided health options are a prominent part of healthcare policy considerations. Whether their contribution is through a traditional benefits plan or other options such as Health Savings Accounts, employer-based health opportunities provide a central pillar to the healthcare infrastructure of our country.

Texas Health Source

Measures to help contain healthcare costs and tax credits for employers are essential to maintaining affordability for employer-based benefits. Additional incentives that encourage employers to provide financial assistance to their employees' own efforts to coordinate their healthcare could also maintain and extend employment related coverage. Equally critical is the need to identify viable options for small businesses to increase the chance that coverage can be extended to the 2.7 million they employ in Texas.¹¹ Options that involve cost sharing among the public sector, employers, and consumers as well as the expansion of small business cooperatives hold the greatest promise to reducing costs of and increasing access to healthcare for small businesses.

Tax credits and other incentives that encourage employers to contribute to their employees healthcare benefits should be among the leading considerations in the healthcare policy debate.

EMPOWERING CONSUMERS TO MAKE THE RIGHT CHOICES

As more employers are opting out of maintaining healthcare coverage for their employees, that responsibility is increasingly falling upon individuals and families to make their own choices for coverage. Health plans driven by consumer needs are a rapidly growing segment of healthcare coverage across the country. Often times these plans include choices for specific coverage and higher deductibles that make these options more affordable for consumers who seek them.

Several policy considerations can enhance the growth of this coverage option and empower consumers to make informed choices about their selections for coverage. The adoption of consumer right to know legislation, public posting of hospital and provider performance on key illnesses, public disclosure of physician and hospital pricing, and protections from balanced-billing by providers will not only empower but also protect consumers as they manage their healthcare.

Consumer right-to-know legislation, public posting of hospital and provider performance as well as pricing, and protections from balanced-billing by providers will strengthen consumers ability to be informed and confident in the management of their healthcare coverage.

PUBLIC PROGRAMS – THE ONLY HOPE FOR MANY

Government based health programs provide the last hope of hundreds of thousands of low-income Texans to have access to needed healthcare coverage. With Texas leading the nation in uninsured, these programs play a crucial role in making healthcare available to some of our state's most vulnerable citizens and reducing the growing pool of uninsured.

The three most prominent programs in Texas are Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). Medicare, which serves primarily elderly individuals, is administered by the federal government leaving Medicaid and CHIP to be implemented and funded through a joint state-federal partnership.

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Managed care has played a key role in the implementation of both programs with a Medicaid program in Harris County serving the aged, blind, and disabled demonstrating significant savings for the state through its enhanced care coordination. Through this program each Medicaid managed care patient is assigned a Care Coordinator, has a needs assessment performed, and receives assistance in accessing a primary care doctor and specialty care. The Care coordinator links the patient with critical community resources and assists them with accessing and maintaining basic care needs. Unlike traditional Medicaid, managed care patients receive unlimited, medically necessary prescriptions and they are eligible for unlimited inpatient days. The program was able to offer this increased level of services and produce significant savings for the state. While it is unlikely to yield the level of savings as the Harris County program, state healthcare leaders are moving forward with plans to offer, throughout most of the state, a scaled-down version of the Harris county model. They are also working to develop a new concept for delivery of Medicaid services to low-income Texans in the Dallas/Fort Worth area. While the future of the concept is uncertain, if it is introduced as initially proposed, it will require a significant provider rate cut to generate savings near the level of the Harris County program.

Expanding Medicaid opportunities to needy Texans, in whatever form, has an overall favorable impact on the cost of healthcare in the state. The same holds true for an expansion of CHIP. Low-income Texans and uninsured children are more likely to seek care through the emergency rooms of the state's safety-net hospitals. As previously mentioned, this uncompensated care, often as much as three times higher than regular care, is ultimately passed on to taxpayers and consumers through higher taxes and increasing insurance premiums.

Expanding Medicaid and CHIP opportunities through managed care improves care coordination, saves state funds, and protects safety net hospitals and local taxpayers from the costs of uncompensated care.

Health Information Technology: Improving Quality and Efficiency

The use of healthcare information technology can also be a significant contributor to reducing costs and increasing the efficiency of our healthcare system. Legislation adopted during the 79th Regular session is intended to move Texas forward in utilizing healthcare information technology for such things as electronic personal health records, computerized clinical support systems, computerized physician order entry, regional data sharing interchanges for healthcare information, and other methods of incorporating information technology in pursuit of greater cost-effectiveness and better patient outcomes.

TAHP supports the state's efforts to streamline the management of healthcare information and reduce medical costs through advancing the use of healthcare information technology.

FINDING THE SOLUTIONS

Health plans believe that advancing access to high quality, affordable healthcare coverage significantly improves health outcomes, the health of all citizens, and the quality of life for a society. It cannot be done overnight, but Texas can be a leader by improving the health of its citizens one step at a time. It will take the combined commitment of business, healthcare, and government leaders to work toward patient-focused solutions that provide an integrated approach to maximizing the limited resources of consumers, employers, and government available for medical care.

The range of options to increase healthcare opportunities for Texans is unlimited. Finding the balance of affordability and feasibility for governments, businesses, and consumers is the challenge for all parties involved. Health plans believe this goal is best achieved through efforts that focus on quality, access, and affordability.

QUALITY

Make evidence-based medicine the standard for healthcare, and advance quality and transparency to improve outcomes, eliminate errors, reduce costs, and help consumers make informed healthcare choices.

ACCESS

Use targeted strategies to give all individuals access through public and private coverage and through support for the public health infrastructure.

AFFORDABILITY

Maximize the cost savings that can be achieved through improvements in access and quality and, at the same time, take additional steps to make healthcare more affordable through regulatory, legal, and other reforms.

Health plans stand ready to join a renewed commitment to moving Texas forward in providing quality healthcare for all citizens. Together, one step at a time, Texas can be a leader in providing healthcare opportunities for its citizens.

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