As Costs Rise, Employer Insurance Coverage Falls

BY JOEL B. FINKELSTEIN
Contributing Writer

WASHINGTON — Companies both large and small are finding it increasingly difficult to afford the health insurance coverage they have traditionally provided to their workers, experts warned at a conference sponsored by AcademyHealth.

Employer-based insurance remains the dominant source of coverage in the American health care system. However, the proportion of companies that provide health benefits dropped from 70% in 2000 to 60% in 2005. Small businesses, those with only a handful of employees, have been especially hard hit by rising premiums, said Todd McCracken, president of the National Small Business Association.

"We have reached a point in the past couple of years where for the first time in memory, most of these companies now do not provide health benefits to their employees," he said.

Of the small companies that can still offer health coverage, few can give their workers a choice of health plans, and they are often not happy with the plans they can offer.

In any given year, 60% of small companies are shopping around for another health plan, but only 24% make a switch, according to data from the Kaiser Family Foundation.

"Small businesses are constantly in the marketplace looking for a better deal, sure that there's something out there for them that can bring prices in line, when in fact, they don't find much or they find choices that are even worse," he said.

When they come up empty, most companies have few options available other than shifting more of the cost of premiums to their workers or reducing benefits, a trend that will continue over the next 5 years, according to projections by the Bureau of Labor Statistics.

"The share that employees will be asked to bear simply outstrips any realistic ability they may have to pay," Mr. McCracken said.

Large companies also face rising health insurance premiums and are passing them on to their employees, said Mary Kay Henry, who leads the health systems division of the Service Employees International Union.

The proportion of companies providing health benefits fell from 70% in 2000 to 60% in 2005. Small businesses are especially hard hit by rising premiums.

The union represents 700,000 workers worldwide. About half of them have no health coverage and the other half are being asked to share more of the cost of their health insurance.

Over the past few years, the Service Employees International Union has increasingly found itself in difficult negotiations with employers over health benefits at both the level of collective bargaining and that of individual workers. "Beyond the bargaining problem, we also had a crisis happening for individual workers, which was [that] they were, by virtue of no coverage, having to face not getting the medical care they needed in order to live," she said.

Every physician has a horror story about some uninsured patient who should have come in sooner, said Dr. Eduardo Sanchez, director of the Institute for Health Policy at the University of Texas Health Science Center in Houston.

"My horror story involves a gentleman, a laborer who came in to see me for a 'blister.' When we got his shoe off, he actually had a through-and-through diabetic ulcer on one of this toes. He went straight to a hospital and had a couple of toes amputated. Do the math and you can figure out that had this gentleman been diagnosed with diabetes 5 years earlier, it would have cost a whole lot less money with a whole lot less trauma," he said.

The uninsured end up with a greater level of need for care, which is often uncompensated. That cost is passed on to those who can pay, which in turn causes insurance premiums to rise. The result is that more employers drop coverage because of high premiums and the cycle starts all over again.

That cycle needs to be broken, he said.

What the solution will look like is not clear, but there does seem to be a movement for everyone to come to the table, the experts said.

"We're not going to stand on the sidelines of a political debate, we're going to engage the debate in our mutual interest and figure out a solution for everyone in this country," said Ms. Henry. ■

SCHIP Reauthorization, Other Health Bills Likely This Year

BY JOEL B. FINKELSTEIN
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WASHINGTON — The 110th Congress is fertile ground for health care legislation, from expanding coverage to fixing physician pay, according to Capitol Hill insiders and observers speaking at a conference sponsored by AcademyHealth.

"You can feel it in the air, not just in Washington but all across the country. The season is changing," said Sen. Max Baucus (D-Mont.), chairman of the Senate Finance Committee. "The season is for real debate on health care reform. And it is long overdue."

In the last election, Democrats won new seats in the House and Senate without losing any of their own by pointing to Republicans' lack of accomplishment, said Norman J. Ornstein, Ph.D., a resident scholar at the American Enterprise Institute, a conservative think tank in Washington.

Reauthorization of SCHIP brings a chance to make changes to the program: for instance, more flexibility for states to stretch their funds as far as possible.

"Having run vigorously against a do-nothing Congress, Democrats ... now have to show that they are the do-something Congress," said Dr. Ornstein.

There is also a sense that America's employers are ready to support health care reform, said Sen. Ron Wyden (D-Ore.).

"In 1994, the business community said, 'We can't afford health care reform.' In 2007, the business community is saying, 'We can't afford not to fix American health care,' " he said.

Meanwhile, democrats' first focus is on covering the uninsured, said Sen. Wyden.

"You cannot fix American health care unless you get everybody covered," he said, drawing a round of applause. "And the reason that's so important is not only is it morally the right thing to do, which it clearly is, but if you don't get everybody covered, what we all know is the costs of people who don't have coverage get passed on to people who do."

However, a Democratic congressional staffer pointed out that the tight federal budget means compromises and choices will have to be made.

"What we have done is target our efforts on children. And trying to make sure that we improve on the coverage that is there today and certainly try to find those children who would qualify for the public programs that we have and who yet aren't enrolled," she said.

Approximately 25% of children in the United States have health coverage through either Medicaid or the State Children's Health Insurance Program (SCHIP).

However, 9 million children currently have no health insurance, and two-thirds of those are actually eligible for public coverage.

States have been increasing their outreach efforts, but have been stymied by shortfalls in federal matching funds for the program.

This year, 14 states are expected to run out of federal funds by May.

The federal government currently is spending $5 billion a year on SCHIP.

To keep the program running at current levels of enrollment, Congress will need to add $13 billion to $15 billion in funding to the program over the next 5 years, according to an estimate by the Congressional Budget Office.

It will cost even more if lawmakers want to enable states to expand coverage to those children who are not currently enrolled and a lot more for those not currently eligible.

As Congress considers SCHIP reauthorization this year—its mandate expires Sept. 30—some Democrats have suggested it's time to make the program an entitlement.

SCHIP currently is funded on a pay-as-you-go basis, meaning that any increased funding must be offset by a cut somewhere else in the federal budget.

With reauthorization also comes the chance to make other changes. Republicans have suggested that states may need more flexibility in how they spend their SCHIP funds to make them go as far as possible.

SGR Fix

Both parties are interested in finding a solution to decreasing physician pay under the sustainable growth rate formula, but no one has yet to come up with a remedy that fits into the current budget outlook.

"In order to get the physicians back to zero, we're talking costs of probably approximately $22 billion. And that isn't addressing the longer-term problem that Medicare's current payment formula is going to call for cuts for an additional 5 years beyond that," a Republican congressional staffer said.

Recent proposals to fix the SGR have ranged in cost from $4 billion in the short-term to $250 billion in the long term.

Refining Medicare Part D

Democrats speaking at the conference said they hope to make refinements to the Medicare Part D drug benefit, such as improvements in the low-income subsidies and a reassessment of the higher payments that Medicare Advantage plans currently receive. Several proposals have already been introduced to allow the government to negotiate drug prices.

Republicans are expected to oppose significant changes to the program.

"From our perspective this program has been wildly successful beyond any estimation that we could have made back in 2003 when we passed the Medicare Modernization Act. [In light of this], why are we talking about making fundamental changes to this program?" said the Republican congressional staffer.

Short Window for Action

While action seems likely, there is a short window of opportunity before election politics come into play, said Dr. Ornstein.

"The conventional wisdom is that in a presidential election year where there's an open contest in the final 2 years of a two-term president, you have about an 8-month window to move things along. That doesn't mean you have to finish everything, but ... you better be pretty close to field goal range at the end of that 8 months," he said.

That seems likely to hold true now this year given that, at last count, at least 26 members of Congress have announced or are considering announcing a run for the White House, Dr. Ornstein said. ■

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