

# LeadersLens

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## 10 Change Drivers for Health Care Policy

by Trudi Matthews and Sarah Donta



The Council of State Governments' Health Policy Group is dedicated to equipping state leaders with a competitive edge by alerting them to emerging trends that are most likely to alter state resource allocations and policy priorities. As part of its 2005 trends research, CSG will monitor the following 10 change drivers as they impact health care providers, patients and the policy-makers who work with them.

These emerging patterns of change are reshaping health care and the future of how health care is paid for and received. Today's successful state and local policy-makers must be able to respond strategically to these change drivers.

### New Forces at Work

#### *Health Care in a Global Economy*

In our interconnected world, what happens in China may be as important as what happens in Washington, D.C., or next door. Global concerns will have a profound impact on the states, especially on health care.

#### *Infectious Disease, Public Health Crises and the International Community*

Increased foreign travel has made the spread of infectious diseases such as HIV/AIDS and SARS a worldwide problem. Controlling the spread of such diseases requires collaborative efforts among the U.S. government, foreign nations and nongovernmental partners. At no time was this more evident than after the December 26 tsunami in Southeast Asia. The quick response of the Red Cross, the World Health Organization and other international support has undoubtedly assisted in cleanup efforts and controlling infectious diseases. Technological advances such as satellite phones and e-mail have helped tremendously with communication among doctors, researchers and public health officials across the globe.

#### *Prescription Drug Importation*

The rise of online commerce has granted American consumers unprecedented access to lower prices for drugs and other health care products from other countries. States traditionally were concerned about unlicensed and unscrupulous vendors taking

advantage of consumers over the Internet. As health care costs have increased, however, states have looked to Canada and even Europe as a way to save money on prescription drug costs. Illinois, Wisconsin, Missouri, Vermont and Kansas are all part of an initiative called I-SaveRx that assists customers with reimportation. Such efforts have proved so popular that the Canadian government has expressed concern about shortages of medicine for Canadian consumers. States are also working with Ireland and the United Kingdom as a source for more affordable medicine for their constituents.

## The Economy in Flux

# 2

#### *Rising Health Care Costs*

Current economic trends are shaping the future of health care in America. Health care costs have risen at or near double-digit rates for both Medicaid and private insurance over the past four years. What has changed are states' and companies' ability to absorb those costs. Slow economic growth combined with rising health care costs have taken a bite out of states' and companies' bottom lines, forcing them to make tough cutbacks in coverage to control costs.

#### *Medicaid in the Crosshairs*

According to the National Governors Association, health care costs comprise about 30 percent of state budgets, with roughly 22 percent of state budgets going toward Medicaid. Unfortunately, state officials have been forced to cut Medicaid benefits, provider payments and eligibility to eliminate shortfalls. Tennessee Governor Phil Bredesen announced in January that more than 300,000 recipients will lose their TennCare coverage, the state's once innovative expansion of Medicaid. An additional 300,000 will lose some benefits. Rising use of health care services, higher than expected enrollments, growing pharmaceutical drug costs and long-term care costs are all contributors to the Medicaid cost crisis.

#### *Health Insurance Affordability*

As health plans have raised rates and employers have shifted more of the cost to employees, many Americans are facing a financial crisis paying for health insurance. The Commonwealth Fund's Biennial Health Insurance Survey reports that more than a quarter of all



adults in the United States—more than 42 million people—were without insurance for some or all of 2003. Even those who maintained coverage saw benefits erode: 49 percent had benefits scaled back, premiums grow, or out-of-pocket medical expenses increase. Local, state and federal governments have all jumped into this void with strategies, including high-risk insurance pools, medical savings accounts, allowing the sale of bare-bones insurance policies, tax credits and association health plans. The future of employer-based health insurance is uncertain, and affordable health insurance is a top concern for state officials.

## The Age Wave **3**

### *The Graying of America*

The U.S. population is aging rapidly. As the baby boom generation ages, the number of Americans over 65 will double to nearly 82 million by 2050, while those 85 and older will quadruple. The graying of America presents a number of challenges to states' health care systems.

### *Aging Workforce*

Currently, baby boomers make up a large portion of the nation's health workforce. As the baby boomers enter retirement, many analysts fear shortages in the health fields will only increase further. Compounding the problem, more health care workers will be needed to care for an aging population. States will need to find ways to increase the number of people pursuing health careers and ensure there is adequate capacity to educate and train personnel. New kinds of incentive programs may be necessary to attract workers to areas with the greatest shortages.

### *Long-term Care*

According to the American Association of Retired Persons, Medicaid spending for long-term care more than doubled from 1987 through 1997, rising from \$21.1 billion to \$56.1 billion. With an aging population and people living longer lives, state governments are faced with a growing need to assist seniors through nursing home care, in-home services and transportation. Because few Americans own long-term care insurance, much of the responsibility for financing care of disabled older Americans will fall to Medicaid, unless significant policy changes occur.

### *Health Care Costs Rising*

The increased number of older Americans also means an inevitable increase in the demand for health care, and consequently a rise in costs. Older individuals become sick more frequently. The risk of developing a chronic illness such as heart disease, cancer or diabetes increases with age. New treatments, while improving quality and longevity of life, also can be very costly. To meet these challenges, states and the federal government will have to develop new models to pay for health care and new ways to control costs, such as helping elderly residents stay independent longer; helping families serve as caretakers, and improving the health status of younger generations to reduce future costs.

## A Nation of Immigrants **4**

### *Meeting the Health Needs of Immigrants*

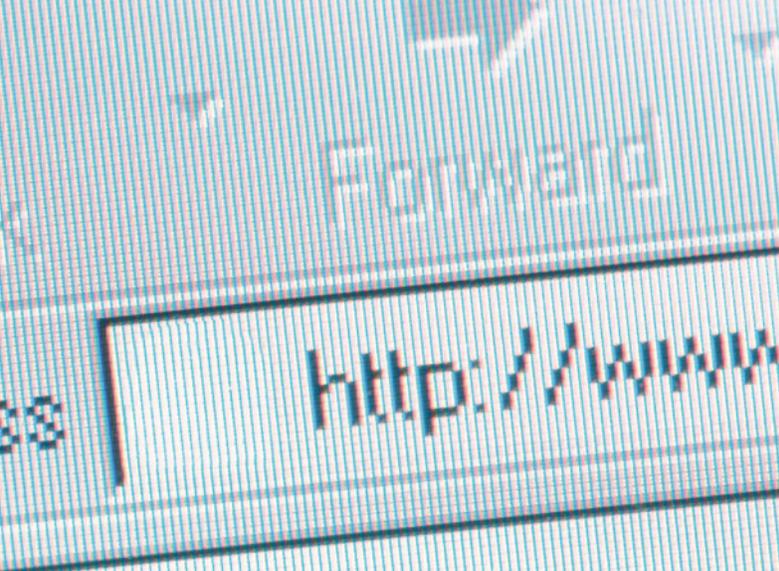
Always a nation of immigrants, the United States currently receives twice as many immigrants per year as any other country. Immigration now accounts for one-third or more of annual U.S. population growth, affecting the cross section of tomorrow's patients.

### *Immigrant Health Workforce*

The U.S. Department of Health and Human Services estimates 34.9 million Americans live in areas designated as Health Professional Shortage Areas. Very often, the medical community relies on immigration to address this shortage. Foreign-born workers can be found in numerous doctors' offices, hospitals and nursing homes. The current and looming shortage of health care workers will continue to force the health care industry to look globally for workers. According to the Migration Information Source, the Philippines, India and Cuba have purposefully trained health workers to send to the United States in hopes that some workers will send back income and return with better skills ([www.migrationinformation.org/Feature/display.cfm?id=271](http://www.migrationinformation.org/Feature/display.cfm?id=271)).

### *Uninsured Immigrants*

Fifty-two percent of immigrants who have been here less than six years do not have health coverage, according to the Kaiser Family Foundation. Although most immigrants work, their low-income jobs often do not offer health insurance. Health care coverage for legal immigrants under Medicaid and SCHIP is limited. As the



nation's immigrant population grows, so too may the number of uninsured, placing additional demands on safety net providers to offer needed care.

### ***Need for Cultural Competency***

Growing diversity in the nation's population may compound existing problems in the health care system. Language barriers and cultural differences have long been roadblocks for health care professionals treating foreign-born patients. States already face the growing need for translators for non-English speakers. Cultural competency training is becoming more common in health professions, helping new doctors and nurses to understand cultural differences that may hinder effective communication between them and their patients. There is also growing concern about racial and ethnic health disparities, i.e., differences in access to care and in health outcomes for different populations. To address these issues, states may need to develop new ways to educate minority and immigrant populations about their health and increase health care access for diverse groups.

## **Disseminating Information 5**

### ***New Access to Health Care Information***

Information now flows at a dizzying and unprecedented pace, with instant access available from virtually any place at any time. But the new information age has not penetrated to all sectors of the economy, and there are particular challenges related to health care.

### ***Health Information Technology***

As other industries have rushed to incorporate the latest technological advancements, health care has been slower to adopt new information technology. Electronic prescribing capabilities and sharing of electronic medical records are under development in some states, and preliminary results show promising changes ahead. Although a substantial initial investment is needed, states look to save millions through reduced medical errors, improved quality of care and less paperwork.

### ***Health Literacy***

The Internet has opened a Pandora's box for many patients. Although more health care information and resources are now

available online than ever, understanding this information and finding reliable resources is a daunting task for almost anyone. For those without computer access and limited literacy skills, new online health care information sources are useless. States may increasingly assist consumers in finding reliable resources, and may also need to ensure that individuals at many reading levels have access to informational materials to help them make informed decisions.

## **Privacy and Security 6**

### ***A Balancing Act for Government***

Advances in health information technology offer hope for keeping health care professionals up-to-date on the latest techniques, reducing paperwork and improving care. They also raise concerns about the privacy and security of medical information. Yet officials must balance the need for privacy and security against the benefit to society of sharing information efficiently. Although recent privacy and security standards issued by the federal government have addressed these concerns, the march of technology will raise new issues. Just as financial institutions have worked hard to ensure the highest level of protection and privacy for their customers, state officials may need to bring together health care stakeholders to guarantee privacy for patients.

## **On the Move 7**

### ***Adapting to Shifting Populations***

The United States is a nation on the move. States in the South and West have experienced tremendous population growth over the past decade, while other states in the Northeast and Midwest have seen their populations stagnate or decline. The United States is also becoming more suburban and less rural. Yet as the needs of different demographic groups change, particular areas of the country or of a region may draw a cross section of the population, due to jobs, amenities or resources that fit their needs. These shifting population patterns also affect health care resources and the distribution of services.

In many rural areas, clinics and hospitals are struggling to survive as the population base shrinks. In growing suburban areas, specialty hospitals and other health care facilities may spring up that siphon off patients from urban hospitals that meet the needs of a diverse

client mix, including the poor and the uninsured. Without more profitable private pay clients, operating margins at safety net hospitals and clinics can plummet, threatening health care access for many urban residents. States may need to examine how population shifts affect access to care to ensure the needs of those residing in urban, rural and suburban areas are met in a cost-efficient manner.

## Quality of Life

### *Managing Community and Personal Needs*

Suburban sprawl, hectic lifestyles and the rise of the automotive society have affected Americans' health in many ways. A

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decline in physical activity and more reliance on convenience foods and restaurants are contributing to fatter adults and children.

Since 1991, obesity rates have grown by 74 percent in the United States.

A study by the Centers for Disease Control and Prevention estimates that as many as one in three children will develop diabetes as adults, if eating and activity patterns do not change.

In the rush to accommodate housing needs, community developers have often overlooked the impact that sprawling communities have on Americans' waistlines. Building communities that lend themselves to walking, biking and other physical activities requires foresight and planning. Public health policies that effectively address our nation's sedentary lifestyle and poor eating habits will require partnerships involving numerous private and non-governmental organizations as well as all levels of government. State officials will need to work with stakeholders in their communities

to develop more walking trails, parks and stores within walking distance of housing to improve public health and reduce health care woes for future generations.

## A Growing Chasm

### *Increasing Polarization*

The United States is seeing a growing polarization of society. In many states there is a disparity in both income and political choices between urban and rural areas, red states and blue states, seniors and the younger generation. Income inequalities are growing. Americans are more diverse now than ever. The coming age wave will upset the neat division of responsibilities for financing and providing health care services. Baby boomers are demanding customers who may not tolerate accepted health care practices that their parents did not question. Younger generations may question paying for health

and social services that may be exhausted by the time they retire. As mediators in these disputes over resources and rights, political systems—and state governments in particular—need to be prepared to deal with a new, more polarized electorate.

## The Role of Government

### *Shifting Responsibilities*

The role of government in American society has shifted many times during our country's history. Its role in health care can not be overestimated. In a day of shrinking government, publicly funded health care programs are among the largest purchasers of health care. Local, state and federal governments have a tremendous effect on health care as financiers, providers and regulators.

Rising health care costs are sure to strain relationships between states and the federal government, and between local governments and the states, over financing Medicaid and safety net programs. The continued challenge of the growing number of uninsured is another policy area where local, state and federal governments debate over roles in addressing the problem.

CSG will continue to monitor and advise state officials of the impact of these change drivers. Through our national meetings, programs like Suggested State Legislation and the Innovations Awards Program, and our policy task forces and committees, CSG will help identify those areas of change with the greatest potential impact on states and share multibranch, multistate solutions to address the challenges ahead.

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