Stateline Midwest

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Paul Ginsburg, president of the Center for Studying Health System Change, addresses attendess of the Midwestern Legislative Conference, which was held July 29-Aug. 1 in Lincoln, Neb. His presentation focused on changes to the current health care system and how they will affect costs, quality of care and the number of people without insurance.

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Challenges ahead

Expert warns MLC about rising health care costs, more uninsured

by Tim Anderson

Paul Ginsburg remembers when health care was an issue studied intently by only a few state legislators serving on select health committees. Times have changed.

As Ginsburg prepared to address members of the Midwestern Legislative Conference at their Annual Meeting in Lincoln, Neb., he was struck by the agenda, which included an entire morning devoted to health care issues.

"That shows what a big issue it has become, particularly for state governments," Ginsburg — president of the Center for Studying Health System Change, an independent research organization funded by the Robert Wood Johnson Foundation — told MLC attendees.

As his hour-long speech to lawmakers underscored, state officials will increasingly have to plan for and react to what he believes is a "tough road ahead for the nation's health care system."

Ginsburg predicts a sharpening rise in future health care costs, which could result in higher numbers of uninsured people and difficult challenges for state governments.

"There will be double-digit premium increases in 2001, and they could be even higher in 2002," he said.

Many factors are causing the rise in expenditures. First, pharmaceutical spending has risen dramatically in recent years (18 percent in 1999 and slightly less in 2000). Second, higher payment rates are being made to hospitals and physicians. Third, the health care system is experiencing a greater use of services. Finally, compounding the effects of the above factors, the nation finds itself on the less-desirous side of the insurance underwriting cycle, with premiums rising more rapidly than actual costs.

Consumers and state and federal policymakers have faced sharp increases in health care costs before, but their responses this time will be different from what was seen in the early and mid-1990s, Ginsburg believes. Then, higher expenditures led to a steep rise in enrollment in tightly managed health care organizations. Recent years, though, have been marked by a backlash against HMOs due to concerns about a lack of consumer choice and control over health care decisions.

Some changes already have been made in the managed health care field, both through state regulatory legislation and the reduction of authorization requirements by HMOs themselves.

Ginsburg expects health plans to increasingly emphasize choice, but at greater costs. Those expenditures will not be absorbed by employers like they were in the late 1990s, a period marked by high business profits and a tight labor market.

"With the slowing economy and rising health care costs, it's likely we're going to see a lot more cost sharing [with employees paying more]," Ginsburg said.

And if a decision must be made between higher cost sharing with more choice or tighter management of care, Ginsburg believes most people will prefer the former. "Consumers are just as unhappy about tight management of care as they were five years ago, when the backlash began."

This change in the health care system could lead to new barriers to insurance access for

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Drug costs one of many challenges related to health care access

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certain sectors of the population because, for all the concerns expressed about tightly managed care, the system has kept down the amount being paid by many people.

"Health care cost increases do lead to more people being uninsured," Ginsburg told legislators. "It happens through two mechanisms. One is that small carriers are less likely to offer coverage when premiums are high. Another way this happens is through employee take-up. Not all employees are able or willing to enroll in health insurance that they're eligible for. This trend has been rising and will clearly rise more if employee contributions increase rapidly."

According to Ginsburg, when premiums increase 1 percent faster than general inflation, the proportion of uninsured can be expected to increase by two-tenths of a percentage point. "The potential is there, through employee take-up, to have a significant increase in the number of people uninsured."

The expected rise in health care costs also would mean greater expenditures on state Medicaid and Children's Health Insurance Program initiatives. Lawmakers already are facing tight budget restraints due to a slowing economy, and finding ways to help the uninsured and pay for significant increases in health care costs could make their jobs even more daunting.

More barriers

Other trends in the health care system also point to significant future barriers to health care access, Ginsburg believes. One is the instability of various health care networks. The number of conflicts between plans and providers over payments has risen in recent years and has affected consumers in adverse ways. For example, a provider might decide to drop out of a plan if the dispute with a health care organization cannot be resolved. This can leave patients in a vulnerable position, and Ginsburg told state lawmakers that they will be expected to step in and provide consumer protections from the plan/provider conflicts.

Another emerging barrier to health care access is the overcrowding of emergency rooms around the country. More and more ERs are implementing closure and diversion programs because they cannot handle the number of people coming through their doors.

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> *President of the Center for Studying Health System Change*

This has been caused in part by recent hospital closures and mergers, decisions to reduce inpatient capacity, and labor shortages in areas such as nursing. Meanwhile, the number of people visiting emergency rooms increased by 15 percent in the 1990s.

All of these forces are putting an enormous strain on emergency rooms, which play a critical role in the health care delivery system, Ginsburg contends.

Annual change in health care expenditures, by component

Year	All benefits	Hospital inpatient	Hospital outpatient	Physician	Prescription drug
1991	6.9%	3.5%	16.8%	5.4%	12.4%
1992	6.6%	2.8%	13.9%	5.9%	11.7%
1993	5.0%	4.8%	8.9%	3.3%	7.1%
1994	2.1%	-2.0%	8.7%	1.7%	5.2%
1995	2.2%	-3.5%	7.9%	1.9%	10.6%
1996	2.0%	-4.4%	7.7%	1.6%	11.0%
1997	3.3%	-5.3%	9.5%	3.4%	11.5%
1998	5.1%	-0.9%	7.8%	4.7%	14.1%
1999	6.6%	0.6%	8.4%	5.2%	18.4%
2000*	6.5%	1.0%	8.2%	5.2%	17.2%

* Data through March 2000, compared with corresponding months in 1999

Source: Milliman & Robertson Health Cost Index

The increased use of emergency rooms also is having its effect on state Medicaid budgets. After Ginsburg's presentation, Iowa Rep. David Heaton shared with fellow Midwestern legislators his state's experiences with "runaway Medicaid costs."

"The problem here is increased utilization of the emergency room," the Republican from Mt. Pleasant said at the meeting. "Some of that is the reluctance of doctors to take on additional Medicaid payments, and that you don't have to make appointments when you to go the emergency room."

The result has been higher costs in Medicaid that the state is having "great difficulty in trying to control," Heaton added. Ginsburg said Iowa is far from alone, but that the problem is not a simple one to address.

Two possible solutions could be implementing a different co-payment level for ER patients or developing more alternative clinics for people to get treatment without an appointment, Ginsburg said.

Prescription drugs

In recent years, perhaps the single biggest issue related to health care access has been prescription drugs. Ginsburg discussed the issue during his presentation, and it was talked about in detail during one of the MLC's three breakout sessions on health care.

Prescription drugs have become an increasingly important part of medical treatment, but many people — most notably Medicare beneficiaries — lack reliable drug coverage.

"Too many seniors are forced to choose between food and medicine, between medicine to improve quality of life and medicine to lengthen it, or between medicine for the husband or medicine for the wife," says Wisconsin Senate Republican Leader Mary Panzer of West Bend.

This summer, she and fellow Wisconsin lawmakers agreed on a plan that makes the Badger State the 22nd in the nation and fifth in the Midwest (along with Illinois, Indiana, Michigan and Minnesota) to pass a direct benefit prescription drug assistance program for seniors.

Approval of the measure came after negotiations failed in 2000.

"We went home [after last year's session] and heard more of the horror stories," Democrat Sen. Judy Robson of Beloit says. "This past winter was particularly difficult because of the high heating costs. We came back knowing that we had to leave this session with a bill."

Wisconsin's Senior Care initiative, which will be implemented in September 2002, is expected to help approximately 260,000 seniors, making it one of the largest state programs in the country. Senior citizens making up to $20,616 and couples earning $27,864 or less will be eligible for state help. The plan calls for a $500 deductible, but that would be waived for lower-income seniors. The new initiative will be paid for through an increase in the state's cigarette tax.

Wisconsin's recent legislative action highlights how states must often react to changes in the health care system. As prescription drug usage and costs rose, so did calls for help from the state.

If Ginsburg's predictions about other parts of the health care market are correct, states will have to respond to some very difficult challenges in the future.