



# HEALTH POLICY PROGRAM

## ISSUE BRIEF

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# WHAT HILL STAFF SHOULD KNOW ABOUT HEALTH CARE

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Whether you are a veteran of the 1993-94 health debate, or someone who is just beginning to explore the complex language of health care, the most important message is not a technical one:

**Health reform is neither possible nor sustainable without broad-based, bipartisan support.**

At New America, we strive to facilitate bipartisan conversation amongst Congressional staff. We recognize that both sides may never reach a consensus on every issue. However, if at the end of the day conservatives, liberals, and centrists are having a fact-based dialogue about health care, we have done our job.

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## **THE CASE FOR HEALTH REFORM**

Our current health system is not sustainable. It leaves many Americans without access to quality, affordable health coverage, weakens the ability for U.S. businesses to compete internationally, and threatens the stability of our economy.

There are many ways that we could achieve a system of coverage for all Americans. However, in order to be economically and politically sustainable over time, any comprehensive reform plan must:

- Cover all Americans
- Control health care cost growth
- Improve quality

*Why do we need to cover all Americans?*

Lack of health insurance negatively affects the overall productivity of society, the stability of emergency care, and the health and financial well-being of individuals.

### **Economic Costs to Society**

In 2000, the Institute of Medicine (IOM) estimated that the economic costs to society – losses in productivity and income, premature mortality, and prevalence of disease – stemming from the large U.S. uninsured populations were between \$65 and \$135 billion dollars per year. Since 2000, a number of driving factors have changed:

- There are more uninsured Americans. In 2000, there were 40 million uninsured. In August 2007, the Census Bureau estimated that 47 million Americans lack health insurance.
- The economy has grown (as measured through GDP) and the value of the dollar has changed.

Given these factors, we conclude that a more accurate range of the economic cost of the uninsured is between \$107 and \$213 billion.

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### Higher Premiums for the Insured

Americans pay higher premiums or a “hidden tax” equaling roughly \$700-1300 per family each year to provide health care to the uninsured.<sup>1</sup> When medical bills go unpaid, providers attempt to recoup the lost revenues by raising rates for services. As a result, insurers raise premiums. This vicious cycle of “cost-shifting” inextricably links the uninsured to health care costs and premium rates for the insured.

### Overburdened Emergency Departments

Uninsured individuals place an additional burden on already over-taxed Emergency Departments (EDs). The costs associated with uncompensated care for the uninsured and underinsured has caused many EDs to close or reduce the number of emergency beds. Between 1993 and 2003, 425 emergency departments closed nationwide.<sup>2</sup> Median ED waiting times increased by 36% between 1997 and 2004.<sup>3</sup>

### Diminished Health and Shorter Lifespan of the Uninsured

The uninsured are more likely to remain sick longer and die prematurely. Controlling for other factors like race, age, income, and geography, the uninsured are 25 percent more likely to die than the insured.<sup>4</sup> Based on this finding, the Institute of Medicine estimates that 18,000 uninsured people died in 2000 simply because they did not have access to the care that health insurance affords. The Urban Institute recently updated the 2000 data and found that in 2004, 20,000 people died because they lacked health insurance.

The uninsured often forgo preventive screening, which leads to a higher probability of late stage, untreatable diagnoses. The uninsured are far less likely to have a colonoscopy, mammogram or pap smear than the insured.<sup>5</sup> They are also more likely to be diagnosed with late-stage melanoma, breast, cervical, colorectal, and prostate cancers.

### *Why do we need to control health care cost growth?*

No health reform proposal will be sustainable over time without serious efforts to control health care cost growth. Rising health care costs are the most pressing economic challenge facing our nation and have left many Americans simply unable to afford health insurance. In addition, the cost of health care threatens the competitiveness of U.S. businesses and the solvency of the Medicare program.

### Americans Can No Longer Afford Health Care

In 1987, the average health insurance premium accounted for 7.3% of the median family income in the U.S. In 2006, that had risen to 17%.

### The Business Case

Health care costs threaten the competitiveness and profitability of many U.S. businesses. In 2005, employers spent \$440 billion on health care, which represents 24% of all national health expenditures. The average U.S. employer spends 9.9% of payroll on health care compared to 4.9% for major competitors. Employer health costs put U.S. firms at a competitive disadvantage compared to foreign firms and result in more and more “good jobs” being lost overseas.

### Pressure on the Federal Budget

Health care entitlement programs like Medicare place strain on the federal budget. Recently, CBO Director Peter Orszag stated that rising health care costs, not the retirement of the baby boom generation, are the biggest threat to the solvency of the Medicare program and the U.S. economy.

*Is there really a quality problem in our health care system?*

The Institute of Medicine estimates that almost 100,000 people die every year as a result of preventable medical errors. This is far higher than the OECD average.

The quality chasm is particularly evident when considering care for chronic conditions. Americans receive the recommended course of treatment for diabetes less than half of the time, and Americans with high blood pressure received less than 65% of recommended care.

**We Want to Hear from You!**

Please let us know what information would be useful and what kinds of questions you are getting from your colleagues, bosses, and constituents. Your feedback is our best resource. Our ongoing series of issue briefs is available at:

[http://www.newamerica.net/programs/health\\_policy](http://www.newamerica.net/programs/health_policy).

Also read our blog: <http://www.newhealthdialogue.org>.

**ENDNOTES**

<sup>1</sup> In Len Nichols and Peter Harbage, "Estimating the Hidden Tax," *New America Foundation*, (2007), the authors estimate a 6-11% hidden tax from uncompensated care. Applying this number to the cost of the average family health insurance plan yields a range of \$700-\$1300 in increased premiums per family. Average health insurance plan costs are from: Gary Claxton, et al., "Employer Health Benefits 2007 Annual Survey," *Kaiser Family Foundation and Health Research and Educational Trust*, (2007).

<sup>2</sup> Institute of Medicine, *Hospital-Based Emergency Care: At the Breaking Point*, (Washington, D.C.: National Academy Press, 2006).

<sup>3</sup> Andrew P. Wilper, et al., "Waits to See an Emergency Department Physician," *Health Affairs* 27 (2008).

<sup>4</sup> Peter Franks, et al., "Health Insurance and Mortality: Evidence from a National Cohort," *Journal of the American Medical Association* 270, no. 6 (1993).

<sup>5</sup> National Center for Health Statistics, *Health, United States, 2007: with Chartbook on Trends in the Health of Americans*, (Hyatsville, MD: U.S. Department of Health and Human Services, 2007).