

The Health Care Crisis In America

Facing Problems, Finding Solutions

- Losing Health Insurance ■**
- Rising Health Care Costs ■**
- The Medicare Prescription Drug Law ■**

Facing the Problem

More and more Americans are living without health insurance. Even a short time without health insurance can threaten your health and economic security.

How Many Americans Are Uninsured?

- 43.6 million Americans were uninsured *for the entire calendar year of 2002*. This number exceeds the combined total population of 24 states plus the District of Columbia.
- 81.8 million Americans under the age of 65 went without health insurance *for all or part of 2002 and 2003*. More than half of these Americans were uninsured for nine months or more.

Who Is Uninsured?

- Workers: Four out of five uninsured Americans were in working families.
- The middle class: One out of four middle-income Americans lacked health insurance at some point in 2002-2003.
- People of all races: Half of the uninsured are non-Hispanic whites, but minorities are more likely to lack insurance: 59.5% of non-elderly Hispanics and 42.9% of African Americans were uninsured, compared to 23.5% of white, non-Hispanics, in the 2002-2003 period.
- People in all states: The rate of uninsurance varies by state: In 2002-2003, Texas had the highest percentage of non-elderly uninsured (43.4%), while Minnesota had the lowest (22.4%).

What Are the Consequences?

- We all pay the price in higher health insurance costs. One estimate found that the cost of private insurance was nearly 9% higher than it would have been if everyone were insured.
- The uninsured are sicker and die earlier than those who have insurance. Each year, more than 18,000 adults in America die because they are uninsured, according to the Institute of Medicine.
- The uninsured often delay or forgo needed medical care. Uninsured adults are more likely than adults with health insurance to put off or delay seeking medical care (39% versus 10%).

Why Are So Many Americans Uninsured?

- Workers aren't offered health insurance through their jobs, or they can't afford their share of the premiums. In 2003, 34% of firms did not offer health insurance coverage and, in firms that did, workers were asked to contribute unaffordable amounts.
- People are between jobs and can't afford the cost of COBRA or other health insurance. Workers who lose their jobs often lose their health insurance. In 2003, the average monthly unemployment benefit was \$1,041, and the average cost of COBRA for a family would have consumed nearly three-quarters of that monthly benefit (\$771 per month).
- Many low-income workers fall through the holes in the safety net. Although public programs provide a critical safety net for 56 million Americans, the patchwork of eligibility rules prevents nearly 14 million working, low-income Americans from gaining coverage.

Finding Solutions

There are a number of common-sense steps that can make a big difference.

Help Workers Receive Health Coverage from Their Employers

- Give small businesses a tax credit to help pay for health insurance.
- Make catastrophic costs more predictable for employers. High-cost claims account for less than half of 1% of all claims but generate 20% of the nation's health care costs. The federal government should pick up most of the cost for medical bills over \$50,000 that a worker runs up in a year.
- Make comprehensive group coverage—similar to the health care coverage members of Congress receive—available to small businesses and people who are self-employed.

Help Workers Retain Coverage between Jobs

- Give individuals a tax credit to help them pay for COBRA or other good health coverage when they are between jobs.

Strengthen the Health Care Safety Net for Low-Income Americans

- Ensure that the federal government provides more help to states so they can pay for health coverage for low-income Americans who don't get coverage through their employers.
- Increase Medicaid and other public health coverage so that all children and more families have a reliable health safety net.

Facing the Problem

The costs of health care keep going up, leading employers to drop coverage or shift costs to workers and forcing American families to delay getting needed care.

The Cost of Health Care Is Rising Rapidly

- Average health care spending per American grew from \$4,670 in 2000 to a projected \$6,167 in 2004—a 32% increase.
- Prescription drug spending alone is increasing dramatically—by 13.8% in 2001, 13.2% in 2002, and another 9.1% in 2003. Last year, the prices of the top 30 brand-name drugs prescribed for seniors rose by 4.3 times the rate of inflation.
- As hospitals consolidate, prices for hospital services are increasing at an accelerating rate.

Employers Are Struggling and Pass Costs on to Workers

- The cost of providing health insurance to workers and retirees is increasing at double-digit rates: 13% in 2001, 14% in 2002, and 16% in 2003. Family coverage for current workers is expected to reach \$10,656 in 2004.
- The average amount workers must pay toward the cost of family coverage is projected to rise from \$1,608 in 2002 to \$2,352 in 2004—a 46% increase in just two years.
- From 2000 to 2003, the proportion of non-government workers who received insurance through their employers fell from 52% to 45%—either because their employers stopped providing insurance or because the workers could not afford to buy the coverage.

Working Families Are Hurt by High Health Costs

- One in seven American families (20 million families) had significant problems paying medical bills; *two-thirds had health insurance*, but they still had trouble paying rising deductibles, copayments, and other out-of-pocket health care costs.
- The share of Americans who had problems getting needed care due to health care costs (did not fill a prescription, did not see a specialist, skipped a medical test or treatment, had a medical problem but did not visit a doctor) increased from 29% in 2001 to 37% in 2003.
- Nearly half of all personal bankruptcies are due in part to medical expenses, and two out of five adults have medical bill problems or medical debt they are paying off over time.

Finding Solutions

The federal government has the power—if the political will is there—to dramatically slow the rate of health care cost increases.

Help Small Businesses Control Their Costs

- Less than half of 1% of all insurance claims account for 20% of the nation's health care costs. The federal government can reduce health insurance costs for small businesses by helping cover the highest medical bills.
- Allow small businesses to participate in the program that provides insurance to federal employees so that they have the advantages of belonging to this large group of insured people—both good initial prices and predictable future rate increases.

Use Government Purchasing Power to Bring Down Prescription Drug Prices

- Allow the federal government to leverage group purchasing power to negotiate lower prescription drug prices for people in Medicare—much like the Department of Veterans Affairs does for veterans. The new Medicare prescription drug law actually *prohibits* the government from negotiating lower drug prices for people in Medicare.
- Allow consumers to purchase prescription drugs from other countries while increasing steps to ensure product safety.

Use Incentives to Foster Cost-Effectiveness and Efficiency

- Promote prevention and “disease management” programs that reduce the cost of care by detecting serious illness early and by helping people with chronic conditions like asthma, diabetes, or heart disease remain healthy. Chronic diseases account for 78% of all medical costs, so the potential savings are significant.
- Use technology to improve efficiency while eliminating medical errors. With adequate government investment, we can make patient records available electronically and improve the scientific information available to providers, helping them diagnose and treat patients.

Protect Consumers while Curbing Malpractice Litigation Costs

- Curb inappropriate medical malpractice litigation costs by eliminating lawsuits that clearly lack any evidence of medical misconduct or negligence. Have doctors with appropriate expertise review pending lawsuits *before the cases go to court* to determine if there is evidence of a reasonable claim.
- Give patients and doctors the opportunity to participate in non-binding mediation that may lead to a mutually acceptable resolution that can avoid the time and cost of trials.

Facing the Problem

Senior citizens were promised meaningful help with the cost of their medications, but the new Medicare prescription drug law does a better job of protecting drug and insurance company profits than helping those in Medicare afford the medicines they need.

The Medicare Drug Law Drops the Ball on Controlling Drug Costs

- Drug costs for seniors will continue to skyrocket because the new law actually *prohibits* the government from using Medicare's purchasing power to negotiate lower drug prices for seniors. Although prices of the most popular brand-name drugs went up by 4.3 times inflation in the last year, the law will do nothing to curb drug price inflation.
- The law does not allow importation of lower-priced drugs from Canada or other advanced nations, thus protecting drug companies—already the most profitable industry by far—from price competition.
- These drawbacks, the result of drug company lobbying, allow the industry to keep prices high. Although the drug lobby argues that high prices are needed to pay for R & D, the major drug companies spend two to three times as much on marketing, advertising, and administration as they spend on R & D.

A Gap in Coverage Leaves Seniors Exposed

- Every year, seniors will face the possibility of a huge gap in coverage and thousands of dollars in drug expenses that they will have to pay out of their own pockets. In 2006, help stops once annual drug expenses reach \$2,250 and doesn't start again until drug expenses exceed \$5,100. This \$2,850 gap in coverage is euphemistically called the "doughnut hole."
- The annual "doughnut hole" will get bigger every year, increasing at the same rate as Medicare's prescription drug spending. The government projects that the "doughnut hole" will grow from \$2,850 in 2006 to \$5,066 by 2013.

Employers Are Likely to Reduce Coverage for Retirees

- The government estimates that 3.8 million retirees—one-third of all retirees with drug coverage from their former employers—will lose all or part of their coverage once the new Medicare drug program goes into effect.

Millions of the Most Vulnerable Will Not Get the Extra Help They Need

- Although the new law provides some added help with drug costs for low-income people, a complex "assets test" will keep 1.8 million people with very low incomes from receiving this extra help because they have modest life insurance policies, funds set aside for burial, household effects, or small savings accounts.

Until 2006, Seniors Will Only Get a Drug Discount Card

- Seniors can purchase one—and only one—Medicare drug discount card each year. They are locked into that card for the year, even though the discount card company can switch the drugs it offers—and the size of the discount—any time.
- The best prices under the discount card program are generally much higher than the drug costs secured for veterans through negotiations between the Department of Veterans Affairs and the drug companies. For example, the discount card price for Lipitor, the most heavily prescribed drug for seniors, is more than 40 percent higher than the VA price.
- As of July 2004, only 3% of America’s seniors voluntarily signed up for the discount card

Finding Solutions

Revise the Medicare prescription drug law to give seniors comprehensive, consistent, understandable drug coverage in Medicare and protection from skyrocketing drug prices.

- Provide a comprehensive, affordable benefit. Provide a benefit that really protects those in Medicare from financially devastating drug expenses by dramatically reducing the “doughnut hole.”
- Allow government price negotiations. Remove the prohibition that prevents Medicare from negotiating for lower prices.
- Allow the importation of drugs from other countries. This can and should be done while ensuring the safety of imported drugs.
- Protect retiree coverage. Ensure that tax benefits for employers are confined to those businesses that do not cut drug coverage.
- Ensure that those with low incomes get extra help. Remove the assets test so that all low-income people enrolled in Medicare can get the extra help they need.



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