As Congress debates ways to expand healthcare coverage and control rising costs, Louisianans should have a significant interest in the discussion. According to the Center for Medicaid/Medicare Services, Louisiana’s personal health expenditures total over $22 billion. Roughly 20% of the state’s population is uninsured. Poor health outcomes have placed the state either 49th or 50th in the United Health Foundation’s national health rankings for the last 17 years. The Public Affairs Research Council of Louisiana has indicated that “every study shows that insurance coverage improves access to care and leads to better health outcomes.”

Currently On The Table

At the time of this publication the healthcare reform legislation being discussed in the House of Representatives, HR3200, is considered by many commentators to be stalled due to its inclusion of a publicly sponsored insurance option, the so-called “public option.” HR3200 passed in the House just before the August recess with no support from any of Louisiana’s Republican Representatives. Democratic U.S. Rep. Charles Melancon - Houma, also opposed the measure. The bill was the focal point of numerous boisterous and sometimes contentious town hall meetings held across the country by legislators during the past month.

U.S. Senator Baucus (D) - Montana, Senate Finance Committee Chairman is wrapping up negotiations with a bipartisan group of 3 Democrats and 3 Republicans and will report his bill out soon. The Baucus bill includes many of the features recommended in an address by President Obama to a joint session of Congress on September 9th but without a public option. Democratic U.S. Sen. Mary Landrieu is considered a critical vote in the Senate on the issue. She favors providing subsidies to low income individuals to purchase private insurance over a government run system.

While there has been little agreement between Republicans and Democrats during healthcare reform discussions, lawmakers of both parties have agreed on the need to reform private insurance company practices and the need to help make insurance affordable for people with modest incomes. Below is an overview of several of the main healthcare reform issues being considered by Congress and the administration and ways they could impact Louisiana citizens.

Insurance Reform

According to Centers for Disease Control and Prevention data, 11% of people in Louisiana have diabetes and 32% have high blood pressure – two conditions insurance companies can use as a reason to deny coverage. Under House and Senate bills, insurance companies would not be allowed to deny coverage due to pre-existing conditions; they could not charge higher rates due to health status, and there would be no annual or lifetime cap on the amount of insurance benefits. The insurance industry has supported these changes as long as they are tied to a coverage mandate.
A Washington Post analysis notes, “Young people and healthy people could end up paying relatively higher premiums, if age becomes a less significant factor and medical history ceases to be a factor in setting rates. As young people grow old and healthy people get sick, such sacrifices could even out.”

Insurance Coverage

**The Insured** Roughly 2.3 million people in Louisiana get health insurance on the job with family premiums averaging $12,491. Those individuals as well as others covered through private insurance, Medicare, Medicaid or the Veterans’ Administration would be able to keep their current coverage. Some existing plans may have to be upgraded to meet new federal minimum standards if, for example, they fail to cover preventative screenings.

**The Uninsured** There are 546,349 uninsured adults in Louisiana according to the 2007 Louisiana Health Insurance Survey. For these individuals, the House Bill proposes offering coverage through:

- **An insurance exchange** where individuals and small businesses can shop for insurance at competitive prices. As one big group, these customers will have greater leverage to bargain with the insurance companies for better prices and quality coverage. Supporters say insurance companies will have an incentive to participate in this exchange because it lets them compete for millions of new customers. While it would be a national exchange, states could choose to operate their own if they follow federal rules. Opponents say if existing federal barriers to insurers competing across state lines were repealed, there would be no need for a federally created exchange. Conservatives also voice concern over the amount of control over medical services the bill gives to the federal government, citing the requirement of only allowing congressionally defined “qualified health plans” into the exchange.

- **Tax credits** will be provided based on need for those small businesses and individuals not able to afford insurance from the exchange.

- **A Public Option.** A reform in the House bill, and favored by President Obama, allows individuals and small businesses to choose a publicly sponsored insurance option in the insurance exchange. The plan would be administered by the government just like Medicaid or Medicare but would not be taxpayer subsidized. It would rely on the premiums it collects to be self-sufficient. According to President Obama, “the rationale for this option is “that consumers do better when there is choice and competition.” According to a 2008 American Medical Association study of U.S. Markets, the largest health insurer in Louisiana holds 41% of the market.

**The U.S. Chamber of Commerce says** the public option would put many insurance companies “out of the health insurance business” since it would not be “a fair competitor” with private companies since it can “bury many of its costs and has no need to make a profit.” And while the reform is designed to help the uninsured find affordable coverage, under the House bill, the public option would be open to anybody
who buys insurance on his or her own. According to factcheck.org, estimates from the Lewin Group, a subsidiary of UnitedHealth Group, 20.6 million insured would switch from private insurance providers to the public option.

- **Senate Differences** The public option is not part of the Baucus’ proposal. The Senate bill supports the creation of Health Care Cooperatives - non-profit insurance companies initially funded by federal loans and grants. The CO-OP’s would be member-run and serve individuals in one or more states similar to electric co-ops that exist in many places around the country. In the event that CO-OPs are not established in every state, the Secretary of Health and Human Services would be authorized to use planning grants to encourage CO-OP formation or expansion of existing CO-OPs from other states. The Senate plan would also require insurers to take all applicants, regardless of age or health. But smokers could be charged higher premiums. And 60-year-olds could be charged five times as much for a policy as 20-year-olds.

**All Citizens** Legislation in both chambers requires that all individuals must carry basic health insurance or pay a penalty as a percent of their income. There would be a hardship waiver for those individuals who still cannot afford coverage. Some analysts note that the assistance the government offers may be too small to make coverage affordable but proposals in both chambers include expansion of Medicaid coverage.

**An NPR program** indicates that an unintended consequence of health care reform in Massachusetts has been that the demand for primary care doctors has outpaced the supply. With mandated coverage this could be highly relevant to Louisiana where more than 90% of the state is a primary care HPSA (Health Professional Shortage Area).

**Employers** According to the government Agency for Healthcare Research and Quality (AHRQ), while small businesses make up 73% of Louisiana businesses, only 33% of them offered health coverage benefits in 2006. Nationally, the percentage of firms offering health benefits has declined from 69% to 63% from 2000-2008.

Under the House bill employers would be required to either offer their workers health care, or pay a tax penalty to help finance a public plan. President Obama has stated that 95% of all small businesses, because of their size and narrow profit margin, would be exempt from these requirements. The Baucus bill would not mandate employer coverage but employers with more than 50 full-time employees that do not offer health coverage must pay a fee for each employee who receives a proposed health insurance tax credit.

According to the Bureau of Labor Statistics, health insurance benefits currently cost employers 11.6% of wages and salaries. The Congressional Budget Office estimates that 3 million who now have employer-provided coverage would lose it under the House bill, as employers find that paying the 8% penalty is cheaper than providing coverage. Other critics argue that any employer mandates will be passed on to workers in the form of reduced wages and compensation.
Medicaid

**Medicaid Expansion** The House bill would expand Medicaid coverage to people within 133 percent of the federal poverty level. A September 6 article in *The Advocate* states, “For Louisiana, that would mean at least 750,000 more people on Medicaid, bringing the state’s total to 1.9 million – closing in on half the population.” While the federal government has pledged to support the increase in the first few years, the provision concerns state officials. Governor Jindal told *The Advocate*, “There is no guarantee up front that that cost burden won’t shift to the states.”

**Charity Hospital System** David Hood, senior healthcare policy analyst with the Public Affairs Research Council of Louisiana notes that the Senate’s Baucus bill would reduce the amount of Medicaid Disproportionate Share Hospital funds (DSH) that are used to pay hospitals that see uninsured patients. That would have a substantial impact on charity hospitals because they are very heavily dependent on those revenues. Hood feels that reducing this revenue source will likely cause charity hospitals to downsize or close. The system already faces criticism for inefficiencies. In a recent article in *The Shreveport Times*, DHH notes that it costs the state $175,000 a year to care for a patient in a state-run developmental center compared to $85,000 in a private facility.

Medicare

Under current proposals, Medicare patients could see the gap for annual prescription expenses narrowed or closed; obtain preventive services without any out of pocket expense and see a reduction in premiums for seniors who enroll in wellness or disease management programs. On the flip side, those Medicare patients with higher incomes could be required to pay higher premiums for drug coverage and all patients could face higher outpatient deductibles. The House bill also allows for the secretary of Health and Human Services to disallow underperforming Medicare Advantage plans that are providing low-quality care under the new quality measures. As [factcheck.org](http://factcheck.org) points out, even if a plan is disqualified, this will not leave seniors without care. The Kaiser Family Foundation [reports](http://kaiserfamilyfoundation.org) that “virtually all” Medicare beneficiaries have access to at least two Medicare Advantage plans, and most have access to three or more.

Paying For It

Analysis of data from the nonpartisan Congressional Budget Office (CBO) and Joint Committee on Taxation indicates the House proposal will cost taxpayers upwards of $1.6 trillion over 10 years and add a net $239 billion to the federal deficit. The cost estimate of the Senate bill is $856 billion over 10 years. The President says that he will not sign a plan that adds “one dime to our deficits — either now or in the future.” He would require Congress to come forward with more spending cuts if the savings promised don’t materialize.
President Obama said his reforms would cost around $900 billion over ten years and would be paid for by cutting “waste and abuse.” A report by the Commonwealth fund, a foundation that supports independent research on health care issues, finds that by following many of the President’s proposals, new administrative efficiencies alone would achieve some $265 billion in savings over 10 years.

Representative John Fleming (R) - Shreveport, co-author of the Republican proposal, HR3400 claims his plan is budget neutral and provides more coverage for more people than current legislation being considered. Among other things, it relies on savings from malpractice reform. President Obama has indicated a willingness to pilot some programs to test malpractice reform in lowering healthcare costs.

The U.S. Chamber says that “The administration and Senate leaders have discussed a long list of personal and business tax increases that could hit everything from nonprofit hospitals to sugary drinks. Underlying all of this is the debate over whether to tax employer-provided health benefits.”

One new tax the president has endorsed is one on insurance companies and what some consider “excessively generous” insurance plans. While the president has given no specifics, the Senate proposes taxing plans that exceed $21,000 for a family of four, which is estimated to bring in $200 billion over 10 years.

Other than the tax, the administration has not provided much in the way of specifics on where funding would come from. The Washington Post says that “Squishy talk about cutting ‘hundreds of billions of dollars in waste and fraud’ isn’t enough.” And Dan Juneau, President of the Louisiana Association of Business and Industry recently told LPB, “With all due respect to the President, if we can find 500 to 600 billion dollars of savings in those programs right now, we can go a long way towards stopping this great cost increase that we see yearly in healthcare costs.”

**Louisiana Perspective**

Regardless of which healthcare reform approach is adopted, it’s important to consider the following Louisiana statistics provided by the American Association of Retired Persons (AARP):

- Nearly 130,000 Louisianans age 50-64 are uninsured
- One in six residents has Medicare; Medicare beneficiaries spend an average of nearly 30% of their income on health costs
- Louisianans spend more on prescription drugs than the rest of the nation. Louisiana residents filled an average of 13 prescriptions at an average cost of $52 in 2007, while Americans filled an average of 10 at an average cost of $53 each.

**Related Links**

- [http://www.gov.state.la.us/](http://www.gov.state.la.us/) - Louisiana Department of Health and Hospitals
- [http://www.healthreform.gov/](http://www.healthreform.gov/) U.S. Department of Health & Human Services site with President’s plan details
- [http://thomas.loc.gov/cgi-bin/bdquery/z?d111:H.R.3200](http://thomas.loc.gov/cgi-bin/bdquery/z?d111:H.R.3200) – Synopsis of HR3200
- [http://www.aarp.org](http://www.aarp.org) nonprofit, nonpartisan membership organization for people 50 and over
Healthcare Reform Challenges

Over one hundred years ago, President Theodore Roosevelt, a conservative, first proposed national health for Americans. Over the years, other presidents have made similar proposals; all have failed.

American healthcare accounts for about 17% of the nation’s gross domestic product. Among other nations, the U.S. ranks 1st in cost and 37th in health system performance [World Health Organization]. In the. America spends nearly twice as much as other countries per person on health care. Nearly two-thirds [62%] of all U.S. bankruptcies in 2007 were related to medical problems, according to a report published in the August 2009 issue of The American Journal of Medicine.

Because cost can be a barrier to good healthcare outcomes, it’s not surprising that opinions about the quality of our healthcare system vary according to income. A May 2009 study by the Pew Research Center for the People and the Press found:

*Americans with lower family incomes rate health care in the U.S less positively than those with higher incomes. Roughly two-thirds (65%) of people with annual household incomes of less than $30,000 describe U.S health care as average or below average compared with other industrialized countries, while only about a third (32%) see it as the best in the world or above average. By comparison, half of Americans earning $100,000 or more say America’s health care is the best in the world or above average.*

Most other industrialized countries have some sort of national health care. These countries have achieved a consensus that it is a basic right of every citizen to receive -- and the duty of government to provide -- healthcare. No such consensus exists in the U.S. This lack of agreement on whether healthcare is a right or a privilege is just one of the factors complicating the healthcare reform debate.

Another has to do with how people feel about their government, according to Andrew Kohut, the director of the Pew Research Center for the People and the Press. He said recently on NPR that Medicare in 1965 met with little public resistance, “And that was the time in which 58, 60 percent of public believed that the government usually did the right thing. And that was a view that’d been held for a decade of polling. By the 1970s, we got to a point where only about a third of the public had believed that they could trust the government to do the right thing. And that continues to be the case today.”

Lack of consensus on basic issues; lack of trust in government; fear of change. These and other obstacles may forestall reform again, even as all parties agree on one thing: current health costs are on un-sustainable curve moving the country ever-nearer to economic, as well as medical, critical condition.

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