

# ***Health Care Reform: The Debate Begins***

Southern Early Childhood Association



**SECA Policy Brief  
June 2009**

### **Why This Debate Matters to Us**

Because of the low socio-economic status of many of the South's citizens, access and affordability of health care are of major concern to families. The South has taken steps to ensure health care access for its children through state insurance programs; however, we still have many families, either through choice or necessity, who do not routinely access health care and who are uninsured. In many of our rural areas, access is the major barrier to preventive care. The recession has exacerbated this issue with the loss of employer sponsored health plans for some families.

#### **In the South, the major providers of health care to uninsured are:**

- Non-profit health clinics
- State- sponsored health clinics
- Hospital emergency rooms

*(See Appendix A for data on the uninsured in the SECA region.)*

#### **Health insurance is available through:**

- Children's Health Insurance Program (CHIP) (low to moderate income—recently reauthorized with sufficient funding to cover an additional 4 million children nationally)
- Medicaid (low income)
- Medicare (elderly and disabled)
- Employer sponsored plans (available to employees and their families)
- Individual health plans (bought by individuals)

**Because the South is a region that ranks at the bottom of nearly all health measures, the current discussion about lifestyle changes and preventive health care is important to us. Our region is particularly high in rates of obesity, diabetes, heart disease and stroke and smoking, all of which are lifestyle choices or diseases influenced by lifestyle choices.**

The current debate includes the possible creation of a public health insurance program that would function as an additional insurance program. The center of the debate is focused on the future of current insurance models and what effect a public insurance plan would have on that system. Additionally, the discussion includes the concept that all citizens would be **required** to purchase insurance, a concept similar to a law in Massachusetts.

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### ***The President's Pledge***

During the last several months, President Obama has clearly stated his intention to initiate a major reform of health care costs and access across the United States. “When it comes to health care spending, we are on an unsustainable course that threatens the financial stability of families, businesses and government itself.” (President’s Remarks, May 11, 2009, [www.whitehouse.gov](http://www.whitehouse.gov)) In order to support the initial reform, over \$600 million was included in the American Recovery and Reinvestment Act.

President Obama has stated his commitment to three principles in the health care reform debate:

1. The rising cost of health care must be brought down.
2. Americans must have the freedom to keep whatever doctor and health care plan they have.
3. All Americans must have quality and affordable health care. (*President’s Remarks, May 11, 2009, www.whitehouse.gov*)

### ***Obama Builds a Coalition***

In a direct reversal of the experience of health care reform under the Clinton administration, a consortium of health care groups have formed to initiate discussions with the President and to provide options to reduce the escalation of health care costs. This consortium includes:

- American Medical Association
- American Hospital Association
- Pharmaceutical Research and Manufacturers of America
- Advanced Medical Technology Association
- America’s Health Insurance Plans
- Service Employees International Union

The consortium proposed to the President that they could initiate reforms to slow the annual growth rate of health care expenditures by an average of 1.5 percentage points over the next decade. The White House projects that the savings after five years under the proposal would mean about \$2500 a year in lower health care costs for a family of four. (*Arkansas Democrat Gazette, May 11, 2009*) The President lauded the consortium for coming together to propose solutions. (*See Appendix B for specifics on these proposals.*)

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*“I just concluded an extraordinarily productive meeting with organizations and associations that are going to be essential to the work of health care reform in this country---groups that represent everyone from union members to insurance companies, from doctors and hospitals to pharmaceutical companies. It was a meeting that focused largely on one of the central challenges that we must confront as we seek to achieve comprehensive reform and lay a new foundation for our economy....”* (President’s Remarks, May 11, 2009, [www.whitehouse.gov](http://www.whitehouse.gov))

### ***The Debate Begins: The Southern Connection***

The debate is heating up as the summer approaches, and Congress begins to debate the **“how and when”** of health care reform. There is a consensus in both parties (Democratic and Republican) that changes need to be made, but what those changes will be and how the new system will be financed is still under debate. **Some estimates on the cost of insuring all currently uninsured are in the range of 1 trillion dollars.** President Obama has stated his intention that the “details” of any reform package must be worked out through the Congressional process. **Congressional leaders have stated their intention to bring a health care bill to Congress in the summer of 2009.**

The **Blue Dog Coalition** of the US House of Representatives has entered the debate, and its members are asserting their demand to be part of the design of any health care reform package. (See *Public Policy Notes*, April 2009, [www.southernearlychildhood.org](http://www.southernearlychildhood.org) for more information on the Blue Dog Coalition) This coalition consists of a group of fiscally conservative Democrats (many of whom are from the South), and they have released a list of their principles for health care reform. (See *Appendix C for the Principles*) The principles were developed around the belief that fundamental reform of the health care system is needed to **control rising health care costs, increase quality, and improve access to coverage and care, particularly in rural areas.** Source: Press Release, May 12, 2009, [www.house.gov/melancon/BlueDogs](http://www.house.gov/melancon/BlueDogs)

They have also emphasized the importance of patient choice and maintaining competition within the marketplace. **Southern members of the Blue Dog Health Care Task Force are:**

- Representative Mike Ross (AR), Chairman
- Representative Marion Berry (AR), Vice-chairman
- Representative Parker Griffith (AL) Vice-chairman
- Representative John Barrow (GA)
- Representative Travis Childers (MS)
- Representative Jim Cooper (TN)
- Representative John Tanner (TN)

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## ***Where's the Money?***

On May 18, 2009, the Senate Finance Committee issued a news release that included policy options for financing comprehensive health care reform. (*Source: Press Release, May 18, 2009, <http://finance.senate.gov>*). These options are the third and final round of policy options for discussion before the Finance Committee marks up legislation in June. The first and second policy papers included policy options for reducing costs in the health care delivery system and for expanding quality, affordable health care coverage to all Americans. One of the major options for reducing costs in the health care delivery system was the creation of a computerized medical records system that would eliminate much of the duplicative, administrative paperwork now required.

### **Financing options that are on the table include:**

1. Savings achieved within the current health care system (Medicare & Medicaid).
2. Exploring current health care tax expenditures.
3. Lifestyle tax proposals (promoting wellness and healthy choices).

Some items of note under each of these categories:

- Treating employer provided health benefits as income to the employee.
- Modifying the current Medicare and Medicaid reimbursement systems.
- Modifying or eliminating current health plans that allow tax free contributions (HSA's and FSA's).
- Modifying the itemized deduction for medical expenses on tax returns.
- Extending Medicare payroll taxes to state and local governments that do not currently contribute for their employees.
- Increasing taxes on alcoholic beverages.
- Imposing an excise tax on sugar-sweetened beverages (colas, punches, etc.).

## ***Summary***

As this debate continues, SECA will follow the progress and update this policy brief as issues and solutions develop. This is a complex and difficult issue, not the least of which is how to finance any universal system. The South has worked to provide health care for uninsured children and the states of **Alabama, Arkansas, Kentucky, Tennessee, Virginia and West Virginia** had percentages of uninsured children that fell below the national percentage in 2006-2007. West Virginia had the lowest percentage of uninsured children in 2006-2007 of any SECA state at 6.6%. The South has made progress but still has a long way to go.

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## Appendix A

### Health Insurance Coverage in the SECA States Children 0-18 years

State 2006-2007	Employer Insurance	Individually Purchased Insurance	Medicaid	Other Public	Uninsured
<i>Alabama</i>	60.5%	-	28.0%	-	7.7%
<i>Arkansas</i>	42.6%	4.2%	43.8%	-	8.4%
Florida	50.7%	5.2%	23.3%	1.3%	19.5%
Georgia	52.6%	2.7%	29.3%	2.9%	12.5%
<i>Kentucky</i>	53.6%	4.4%	31.3%	-	9.4%
Louisiana	45.2%	5.1%	34.8%	-	14.5%
Mississippi	41.2%	4.5%	36.7%	-	16.2%
North Carolina	49.6%	5.0%	29.7%	2.4%	13.3%
Oklahoma	46.5%	4.2%	32.4%	3.6%	13.3%
South Carolina	52.7%	3.9%	28.9%	-	13.1%
<i>Tennessee</i>	51.8%	5.0%	31.7%	3.4%	8.1%
Texas	45.1%	3.8%	27.3%	2.0%	21.8%
<i>Virginia</i>	61.1%	3.6%	19.1%	5.5%	10.7%
<i>West Virginia</i>	52.7%	-	38.2%	-	6.6%
<b>US (2007)</b>	<b>55.3%</b>	<b>4.4%</b>	<b>27.6%</b>	<b>1.4%</b>	<b>11.3%</b>

Source: Henry J Kaiser Family Foundation State Health Facts, [www.statehealthfacts.org](http://www.statehealthfacts.org)

State Data: 2006-2007

US Data: 2007

**Medicaid** includes Medicaid and Children's Health Insurance Program (CHIP)

**Other Public** includes military and Veterans Administration programs

**States denoted in red had rates of uninsured below the national percentage.**

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## Appendix A (cont'd)

### Health Insurance Coverage in the SECA States Adults 19-64 years

State 2006-2007	Employer Insurance	Individually Purchased Insurance	Medicaid	Other Public	Uninsured
<i>Alabama</i>	65.3%	4.7%	7.5%	3.8%	18.7%
Arkansas	58.3%	5.5%	5.5%	5.8%	24.9%
Florida	58.3%	6.5%	5.1%	3.7%	26.4%
Georgia	63.9%	4.5%	5.6%	3.7%	22.2%
<i>Kentucky</i>	61.7%	4.8%	9.1%	5.0%	19.4%
Louisiana	55.9%	5.4%	8.4%	3.2%	27.1%
Mississippi	55.6%	5.3%	10.2%	4.1%	24.9%
North Carolina	60.7%	5.7%	7.2%	4.3%	22.1%
Oklahoma	59.1%	4.7%	6.5%	4.9%	24.9%
South Carolina	61.3%	5.1%	8.3%	4.4%	20.8%
<i>Tennessee</i>	60.7%	6.2%	9.0%	4.4%	19.7%
Texas	55.6%	5.5%	5.7%	2.8%	30.3%
<i>Virginia</i>	68.4%	4.7%	3.7%	5.3%	17.9%
<i>West Virginia</i>	62.5%	2.6%	10.2%	5.4%	19.3%
<b>US (2007)</b>	<b>63.2%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>3.0%</b>	<b>19.7%</b>

Source: Henry J Kaiser Family Foundation State Health Facts, [www.statehealthfacts.org](http://www.statehealthfacts.org)

State Data: 2006-2007

US Data: 2007

**Medicaid** includes Medicaid and Children's Health Insurance Program (CHIP)

**Other Public** includes military and Veterans Administration programs

**States denoted in red had rates of uninsured at or below the national percentage.**

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## Appendix B

On June 1, 2009, the health industry groups that met with the President in May submitted a letter outlining their initiatives to achieve the goal of decreasing America's health care expenditures by 1.5 percentage points over the next ten years. The initiatives were based on these premises:

1. Providing clinicians and other providers with the tools to address the use of health care services (**utilization of care**) and to improve quality and safety.
2. **Reducing the cost of doing business** by using innovative approaches to providing that care.
3. **Streamlining the claims processing system**, allowing doctors and medical personnel to spend less time on paperwork.
4. **Managing chronic disease** (which accounts for 75% of overall health care spending) more effectively, including more effective approaches to health promotion and disease prevention.

In the letter, they proposed the following potential savings from their initiatives:

- **Utilization of Care:** \$150-\$180 billion
- **Chronic Care:** \$350-\$850 billion
- **Administrative Simplification & Cost of Doing Business:** \$500-\$700 billion

“We are committed to doing our part to make the system more affordable and effective for the nation. Our initiatives demonstrate that commitment, and we will work very hard to see them implemented. We can and will work together, and with other key sectors of the health care community, to identify further reform opportunities.”

*Source: Letter to the President, 6-1-09, [www.americanhealthsolution.org](http://www.americanhealthsolution.org)*

Advanced Medical Technology Association  
 American Medical Association  
 America's Health Insurance Plans  
 Pharmaceutical Research and Manufacturers of America  
 American Hospital Association  
 Service Employees International Union

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## Appendix C

### The Blue Dog Coalition: Principles for Health Care Reform 111th Session of Congress

Fundamental reform of our health care system is needed to control rising health care costs, increase quality and value, and improve access to coverage and care. Health care reform must preserve patient choice of provider, maintain competition within the marketplace, and be approached in a bipartisan manner. The Blue Dog Coalition supports the following principles for comprehensive reform:

#### Controlling Costs

The rising cost of health care presents significant fiscal challenges to our economy and compromises our ability to balance the federal budget over the long-term. Without reform, federal health care spending is estimated to grow to one-third of the budget and account for over \$1.4 trillion in costs by 2020. Further, rising costs are crippling the ability of families to afford coverage and the ability of businesses to provide it to employees.

- Comprehensive health care reform must be deficit-neutral. Finding savings within the current health care system is a critical first step to achieving this goal.
- Payment incentives should be realigned to improve the quality of patient care and reduce inefficiencies.
- Public reporting of the costs and quality of care should be examined to increase transparency.
- Medicare, Medicaid, and CHIP program integrity should be strengthened by reducing waste, fraud and abuse.

#### Increasing Value

Up to one-third of the \$2.3 trillion spent on health care each year is unnecessary or duplicative. Many patients receive recommended care only half of the time. The prevalence of chronic conditions, the number of medical errors, and high rate of infant mortality indicate that we are not getting an adequate return on our health care investment.

- The role of primary care providers should be strengthened and prioritized. Patient care should be coordinated across settings and focus on the entire course of a patient's illness.

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- Financial incentives should be implemented to encourage beneficiaries to follow recommended prevention and wellness services.
- Additional investment should be made to research cures and improve treatments for health conditions.

### **Improving Access**

The primary source of health care coverage for 158 million Americans is through the employer-based system. However, over 45 million Americans are uninsured and approximately 80% are from working families. Many individuals and families cannot access basic primary care services in their communities or receive timely, affordable care.

- Individual and small businesses should be provided with a targeted tax credit to use toward the cost of health care coverage.
- Payments to rural health care providers and community health centers should be modernized in order to meet the unique challenges that these entities face.
- Loan assistance and forgiveness programs should be improved to increase the number of physicians, nurses and other health care professionals in rural and underserved areas.
- Access to telemedicine programs should be promoted and expanded.
- The ability of insurance companies to deny coverage to individuals with pre-existing conditions should be eliminated.
- Access to long-term care services should be improved. Patients should be provided with the option of home- or community-based care, along with increased efforts to educate the public about end of life care and long-term care insurance.

Source: [www.house.gov/melancon/BlueDogs](http://www.house.gov/melancon/BlueDogs), May 12, 2009

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