

"Tough Choices" in Health Care

Discussion Guide

March 12, 2005

Augusta, Brewer, South Portland





Working For Maine

Health Care in Maine

“Tough Choices” Need To Be Made By Maine People.

THE ISSUES:

- **Cost**—Maine is spending more on health care per person than most other states. Health care costs take a bigger bite out of family income here than in almost any state in the country.
- **Quality**—Improving the care that Mainers receive can improve quality of life and reduce health care costs.
- **Access**—136,000 Mainers have no health care insurance. Thousands more can only afford insurance with high deductibles. Maine and New England have fewer uninsured than the national average, though Maine has more uninsured than all other New England states.

THE PURPOSE:

- Make health care work better in Maine.
- Make Maine the healthiest state.
 - A Healthier Maine—leads to improved health, a better quality of life, and holds down health care costs.

THE PROCESS:

- Read this discussion guide.
- Participate in the “Tough Choices” Conversations on March 12 with Governor John Baldacci.
- Feedback from the March 12th conversations and other input from Maine people will help guide Maine's State Health Plan.

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Introduction—Issues, Purpose and Process

Why are we coming together?

Your input is needed—to help make health care work better in Maine and to make Maine the healthiest state.

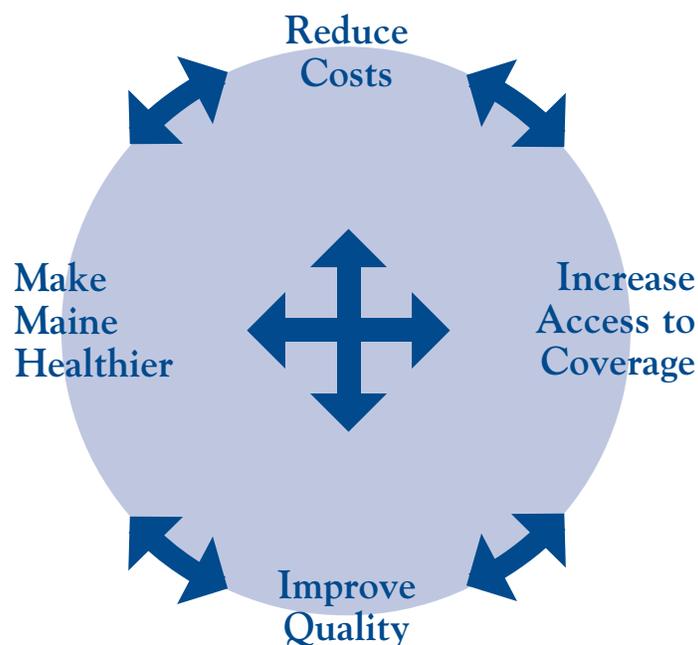
On March 12th Governor Baldacci and others concerned about improving health in Maine, will host a statewide conversation about health and health care called “Tough Choices in Health Care.” This conversation is part of a larger effort to make Maine the healthiest state.

The goal of “Tough Choices” is to hear from Maine people their opinions, values and priorities about health and health care and how to reach the goal of a healthier Maine.

What will be discussed?

The strategies to make Maine the healthiest state require some tough choices. There are four basic strategies that work together as shown in the diagram, below. Each of these strategies will be discussed, including tough choices related to each.

The Four Strategies and How They Work Together



Making Maine healthier and improving quality of care help reduce health care costs. Reducing costs makes health care and insurance coverage more affordable. In turn, increased access to coverage helps reduce costs for everyone. With more people covered by insurance and able to pay for the care they receive, providers don't need to raise their rates to cover care that is given to those who don't have insurance or can't pay.

What is my role?

All you are asked to do is simply express your opinions and priorities. We'll start with a set of questions about how to:

- A. improve health,
- B. reduce costs,
- C. improve quality and
- D. increase access to health insurance coverage.

You don't need to be an expert. Just be willing to think about the issues and give your opinion to a small group of others at your table.

How will my feedback be used to make Maine the healthiest state?

Your opinions and priorities and those of your neighbors will help shape the future of health care in Maine. These meetings are one part of a major effort by the Governor's Office to involve Maine people in discussions about how to improve our health care system. These meetings will help ensure all voices are heard.

Once all voices have been heard, a State Health Plan will be developed. It will set goals for all of us, our health system and our government. It will track progress in meeting those goals over time. The State Health Plan will guide decision-making about health care policy and spending over the next two years and beyond.

How will the March 12th meetings be run?

The Tough Choices conversation will be held in three cities—South Portland, Augusta and Brewer. Invitations have been sent to a random sample of Maine people from across the state. We hope to have 1,000 Maine people attend the day-long conversation.

The Tough Choices conversation will be run by *AmericaSpeaks* (www.AmericaSpeaks.org). *AmericaSpeaks* is a national non-profit organization that specializes in conducting large discussions to strengthen the voice of the people in public policy decisions. All three sites will be able to communicate with each other over wide screen video. You will vote using easy-to-use personal keypads that allow for privacy. Votes will be instantly tabulated for all sites.

During the day, participants will hold discussions in small groups of ten based on this guide. A representative from *AmericaSpeaks* will guide the process and make sure each group is considering the same issues at the same time. From time to time, participants will be asked to privately “vote” or rank their preferences from the choices being discussed, using their own private keypad. Each table will have a laptop computer and a person to type in ideas to share with the larger group. Large, central screens will show right away which ideas have the most support.

What should I do before March 12th?

1. **Read this Guide**—it discusses the status of health care in Maine now and describes many of the choices that will be discussed and the advantages and tradeoffs of each.
2. **Think About the Issues and How They Affect You**—
 - a. What do you pay for health care and can you afford it?
 - b. What kind of health care do you receive today?
 - c. Is it all you want it to be?
 - d. How will you and your family stay healthy now and in the future?
3. **Consider the Tough Choices that will be discussed on March 12th**—you may believe the state should work on many choices at the same time, and that is fine. However, it is important that you select a few things that are most important to you so that you can express your opinions at the meeting.

The Tough Choices conversation will be an important opportunity to raise your voice for the future of health care in Maine. You don’t need to be a health care expert. We want all the voices of Maine to weigh in.



Who is sponsoring “Tough Choices in Health Care”?

Governor Baldacci and his Office of Health Policy and Finance are sponsoring “Tough Choices.” In addition to *AmericaSpeaks*, several organizations are working to make this a success. They are:

- the Margaret Chase Smith Center for Public Policy at the University of Maine,
- the University of Southern Maine’s Muskie School of Public Service and its Survey Research Center,
- the University of Maine Cooperative Extension,
- the National Academy for State Health Policy,
- Lake Snell Perry & Associates, and,
- the Advisory Council on Health Systems Development which is a council of citizens advising development of the State Health Plan.

The Maine Health Access Foundation (MeHAF) is a major underwriter for the Tough Choices in Health Care initiative. MeHAF was founded in 2000 as a result of the sale of Blue Cross and Blue Shield of Maine to Anthem Insurance Companies. MeHAF promotes affordable and timely access to comprehensive, quality health care for every Maine resident, with an emphasis on the uninsured and medically underserved. (www.mehaf.org)

In addition to MeHAF, several foundations have provided support, including: Jane’s Trust, Maine Community Foundation, and the Robert Wood Johnson Foundation’s State Coverage Initiatives Program housed at Academy Health.

This Guide was developed with significant guidance and input provided by experts representing providers, hospitals, consumers, insurers, business, policy makers, government and researchers. Their advice helped develop this Guide, but their involvement is not necessarily an endorsement of the content or the "Tough Choices" process.

Maine's Health and Health Care Situation

Maine people have worked hard to improve health and we have much to be proud of.

- We lead the nation in reducing teen smoking.
- We have made great progress in reducing teen pregnancy and infant deaths.
- And, Maine hospitals score well on many measures of quality.

However, we still face challenges.

- Maine has higher than average rates of cancer and lung disease.
- Heart disease continues to be our number one killer.
- We have very high rates of obesity, a factor that is associated with premature death and many diseases such as diabetes. These diseases, in addition to shortening life and reducing the quality of life, are a major contributor to rapidly rising health care costs.
- Maine spends more on health care per person than most other states. Health care costs take a bigger bite out of family income than in almost any other state in the country. The high cost of health care drives up the cost of insurance premiums and makes it harder for families to keep health coverage.

How is Health Care Covered in Maine Now?

Employer Sponsored Coverage

- 6 out of every 10 Maine adults under age 65 get their health insurance through their job in what's called an **Employer Benefit Plan**. Premium costs are usually shared by employers and employees.
- The number of people covered by employer benefit plans is dropping. In fact, the number of small employer benefit plans in Maine dropped by 11 percent in just one year.¹
- Maine now has, on average, the most expensive employee benefit premiums of any state in the nation² — rising 50 percent for small business family policies between 2000 and 2002 to an average annual cost of \$9,844.³

¹ Source: Maine Bureau of Insurance.

² Source: National Medical Expenditure Panel Survey, 2002, Agency for Healthcare Research and Quality, U.S. Department of Health and Human Services.

³ Source: National Medical Expenditure Panel Survey reports for 2000 and 2002.

- During a five year period in Maine when premiums rose 77 percent, income rose only 6 percent. As a consequence, paying for health coverage for the average Maine family now takes as much income as most families expect to pay for a mortgage on their home.
- As premium costs have increased, many employers have been forced to require employees to pay more of the premium costs or have been unable to increase wages.
- Keeping coverage has become particularly hard for employees with families, as the cost of coverage for family members is more and more frequently the employee's responsibility. In addition, employers are often forced to cut the benefits offered to employees in an effort to contain costs.

Medicare

- Medicare is a federally funded and managed program—it provides coverage to almost all US citizens over age 65 and about 23 percent of Maine people.
- The US Congress determines benefits and payments for Medicare.
- Medicare has gaps in coverage that can cause financial stress for seniors on fixed incomes. People on Medicare pay about \$1,000 out-of-pocket when they use hospital care, before their coverage kicks in.

MaineCare

- MaineCare is the name for Maine's Medicaid program. It operates within federal rules but is run by state government.
- MaineCare provides comprehensive health insurance and Rx coverage for low-income children and families, adults with no children, seniors and persons with disabilities.
- About one of every 3 children in Maine and 11 percent of adults are covered by MaineCare.
- It is funded through a combination of federal and state funds. For every dollar the state spends, the federal government provides about two dollars. This means the State must provide roughly one-third of MaineCare costs. This arrangement makes the MaineCare program an efficient way to provide coverage to eligible Maine people.

- Because the MaineCare budget is fixed, it must make decisions about what services it will cover, what it pays to providers and how many people it serves. As a result, MaineCare pays rates set by the State that are lower than the rates paid by commercial insurers. Because MaineCare payment rates are low, doctors and other providers increase their charges to private insurers and other patients in order to break even.
- However, people enrolled in MaineCare would otherwise be uninsured and providers would care for them without being paid. This free care is called bad debt and charity care, but these are real costs and somebody has to pay for it. We all end up paying for it through higher costs for services and insurance premiums.
- MaineCare payments help reduce bad debt and charity care costs for Maine's doctors and hospitals, who treat the uninsured when they are sick or injured.

Individual Insurance Policies

- 5 percent of people in Maine below age 65 get their health insurance on the **individual market**. Usually these individuals are self-employed or cannot obtain health insurance through other means.
- Health plans available to individuals tend to be expensive and have large deductibles.
- Over one in three Mainers with individual coverage pays more than 10 percent of his or her income in premium payments. Half of Maine families with individual coverage have a yearly deductible higher than \$4,000.⁴
- Thirty percent of hospital bad debt and charity care comes from insured patients; probably because they can't pay the full amount of their deductible. High deductible policies affect everyone's health care costs.

⁴ Source: Health Insurance Coverage Among Maine Residents: Household Survey, 2002.

Uninsured Maine People

- 12 to 13 percent of Mainers under age 65 are currently uninsured.
- 136,000 Mainers are uninsured.
- 80 percent are working and many of the remaining 20 percent are temporarily unemployed.
- More and more working and moderate income Maine people cannot afford health insurance but are not eligible for the Medicare or MaineCare programs.
- The uninsured tend to treat themselves using over-the-counter medications and generally avoid getting medical care until there is a crisis. Often their health conditions worsen or go unchecked until they require serious medical attention. In some cases, uninsured individuals use hospital emergency rooms for medical care that is more appropriate for a doctor visit, but since they lack health insurance they think they have no other choice.
- Serious and unchecked health conditions that require emergency room visits are very expensive and add a lot to bad debt and charity care—costs which are passed along through higher health care costs and premiums to those with health insurance.

Maine's Current Health Status

Maine has a track record to be proud of for tackling health problems:

- We lead the nation in reducing teen smoking.
- Our rates of teen pregnancy, infant mortality and immunization among older adults are better than national rates.
- Maine's statewide, emergency transport system for high risk infants serves as a model for statewide planning and cooperation among providers.
- We have enacted policies to support a clean natural environment—a major factor in decreasing the risk of lung disease.

We have made progress, but Maine still faces a number of major health problems that cause personal tragedies and affect the costs of health care for all of us.

- **Preventable illnesses are a major driver of costs.** More than half of the increase in health care costs since the late 1980s is associated with treatment of just 15 common medical conditions.⁵ While not all chronic illness can be prevented, prevention and early treatment can substantially reduce costs and improve quality of life.
- **Maine’s leading cause of death is heart disease.** The cost of treating heart disease is up 86 percent over the past 15 years. The risk of heart disease can be reduced by making healthier lifestyle choices and through early treatment of factors that can lead to heart disease.
- **Maine is one of 5 states with the highest rates of cancer death.** Cancer is a major contributor to health care spending. Many cancers can be prevented by making changes in lifestyle choices. And, many cancers can be caught early through routine screening when opportunities for treatment and survival are very good.
- **Lung conditions such as asthma are second only to heart disease in the increase of treatment costs over the past 15 years.** Lung disease is the third leading cause of death in Maine and the leading killer of children less than one year of age. Many forms of lung disease are preventable by reducing smoking rates. Other conditions, such as asthma, can be controlled with aggressive early treatment and lifestyle choices.
- **In Maine, 21 percent of the population is obese and another 38 percent is overweight.** Nationally, the proportion of the population that is obese has doubled since 1980. Obesity increases the likelihood of getting diabetes, gallstones, high blood pressure, high cholesterol, heart disease, stroke and some cancers. Health problems caused or made worse by obesity are related to a quarter of the growth in health care spending over the past 15 years. Obesity is often preventable through exercise and appropriate diet and, in some cases, through medical intervention.⁶
- **In 2002, 68,000 adults in Maine had been diagnosed with diabetes.** Diabetes is another major killer. Early intervention and training in self-management of the disease can make an enormous difference in controlling the potentially devastating effects of this disease if it is left untreated.
- **Nationally about 6% of the population has diagnosed depression.**⁷ It is widely believed that depression is under diagnosed. According to a 2004 Maine Health Information Center Study 15% of MaineCare

⁵ Thorpe, et al. Which Medical Conditions Account for The Rise in Health Care Spending? Health Affairs Web Exclusive, 25 August 2004.

⁶ Thorpe et al. The Impact of Obesity on Rising Medical Spending. Health Affairs Web Exclusive 20 October 2004.

⁷ State Health Facts Online, Kaiser Family Foundation. www.statehealthfacts.kff.org.

members had a diagnosis of depression. Depression frequently occurs at the same time as physical illnesses, like heart disease and cancer. And, depression can increase the risk for subsequent physical illness, disability, and premature death. However, depression often goes unrecognized and untreated as physical illnesses are being treated. National Institute of Mental Health (NIMH) research suggests that early diagnosis and treatment of depression in patients with other physical illnesses may help improve overall health outcome.

Costs and Cost Trends—Why are costs in Maine so high?

1. Use of Services—We are using more health care services.

Nationally, the rate of growth in health care spending increased from about 7 percent in 2000 to 9 percent in 2002. This was caused by increases in prices and use of services. However, increases in use (the amount of health services used) rose faster. Several things help explain why we are using more and more health care services; including:

- **The way we use health care services can contribute to rising costs.** Care provided in emergency rooms is generally more costly and not always the most efficient use of available services. However, Maine people visit the emergency room of hospitals at a rate that is higher than the national average and much higher than the rest of New England. This is a very costly way to receive care. Some of these visits can be avoided if more Mainers tried to, and could, see a physician during regular office hours and if office hours accommodated workers' schedules.
- **The supply of facilities and providers drives use.** Research shows that the most important factor determining how much non-emergency health care services are used is their supply, or availability. In health care, supply drives demand. For example, even if two communities have the same health needs and populations, the community with more hospital beds will likely have more hospitalizations. Physicians are more likely to hospitalize patients for conditions that might be treated as well and more cheaply outside of the hospital.⁸ There may be financial incentives to fill the beds rather than seek alternatives.

This factor—supply drives demand—means that some of the health care services we are getting may not improve our health and may not be the best way to treat our illnesses.

⁸“The greater the per capita supply of hospital resources, the greater will be their per capita use...When the number of hospital beds increases,...most of the increased bed capacity is used to treat patients with a host of common acute and chronic medical illnesses...for which physicians do not agree that hospitalization is the most effective course of treatment.”Wennberg JE, Cooper MM, eds. *The Dartmouth Atlas of Health Care in the United States*. The Center for Clinical and Evaluative Studies. Dartmouth Medical School. AHA Press, 1996. Chicago, IL.

- **Serving a rural population is costly.** Part of the reason Maine hospital costs are high is because Maine's large, rural areas have historically been served by many small hospitals. These hospitals have to maintain a certain number of patients in order to treat many different conditions, even though their volume is low. Rural hospitals frequently need to support part of the costs of physician practices in order to make it possible for physicians to remain in the area. A shortage of nurses in recent years has also driven up the cost of maintaining adequate nurse staffing.
- **Maine's population is older than most other states.** Research shows that an older population contributes only a very small portion of the increases in health care costs—far outweighed, for example, by differences in how health care is provided from region to region.⁹ Nevertheless, Maine's older population increases the urgency of developing appropriate systems of care for treatment of chronic illness, which increase as we get older.

With an older population, more people will be covered by the federal Medicare program. Because Medicare payment to providers in Maine is low, providers are forced to shift uncovered costs to other payers by raising rates. This results in increased health insurance premiums.

- **“Defensive medicine” is where doctors and hospitals order tests and procedures to prevent being sued.** They may not think a treatment is really necessary but are afraid they might be sued if they don't order it. While Maine has already put steps in place to prevent frivolous law suits, this has not created enough assurance to prevent providers from practicing defensive medicine. In addition, the high cost of medical malpractice premiums increases costs for providers. This results in higher prices for patients and creates more difficulty in receiving certain high risk medical procedures.

⁹ Source: Reinhardt, U., (2003). Does The Aging of the Population Really Drive the Demand for Health Care? Health Affairs 22(6): 27-39. Maine Health Information Center analysis of claims data from the Maine Health Management Coalition. Cost information reflects payments, not charges.

2. Price of Care—Why are prices increasing so dramatically?

The price of care has been rising rapidly in Maine. For example, a study of the health claims paid by a group of large Maine employers shows that the average cost per hospital stay increased 23 percent between 1997 and 2001. This increase is not due to people getting sicker because it was measured after taking into account changes in diagnoses. In fact, the length of the hospital stay—an indicator for the severity of illness—increased only 7 percent in this time period.¹⁰

As discussed previously Medicare and MaineCare do not pay the full cost for all health services. Providers increase costs to other payers to make up the difference. However, these public programs pay the bills for many who would otherwise require free care and therefore reduce the amount of bad debt and charity care that would otherwise be passed on to other payers.

- **Equipment and technology costs are rising rapidly.** For example, CT scans (a type of x-ray) cost more than twice as much in Maine as in New Hampshire, and 61% more than in Massachusetts.¹¹
- **Regulation of insurance companies**—Maine law requires insurance companies to spend at least 78 cents of every dollar on health care costs in the small group insurance market (coverage for businesses with 50 or fewer employees). This helps hold down premium costs. However, Maine insurance regulation requires specific health benefits to be covered, ranging from routine mammograms for women over age 45 to certain chiropractic services. The more covered services, the higher the cost. Maine is about average among states in the number of services that are mandated for insurance coverage.¹² Mandated benefits increase premiums in Maine for businesses with 20 or more people by less than 10% and by less than 6.5% for businesses with fewer than 20 people. And, in the individual market, mandates increase premiums by less than 3.5%.¹³

Other insurance regulations include “guaranteed issue” and “guaranteed renewal”, which require insurers to offer coverage to any applicant who applies as part of a group plan and to all individuals who have kept coverage—regardless of their health. This means you can’t be dropped if you get sick but it also means insurance costs are generally higher, because insurers are responsible for the medical costs of members who previously would have been excluded from insurance coverage.

¹⁰ Maine Health Information Center analysis of claims data from the Maine Health Management Coalition. Cost information reflects payments, not charges.

¹¹ Source: Milliman, Inc., Special study for Anthem Blue Cross and Blue Shield of Maine.

¹² United States General Accounting Office, Private Health Insurance: Federal and State Requirements Affecting Coverage Offered by Small Businesses, September 2003, page 11, www.gao.gov/new.items/d031133.pdf

¹³ Source: Maine’s Bureau of Insurance, 2005.

In addition, insurance law does not allow insurers to price your insurance based on your current or previous health conditions. Insurers can only vary premium costs for age, where one works or lives, occupation, and size of the group, if you are part of one. These limits on differential pricing help hold down the cost for older workers and very small businesses but, on the other hand, raise costs for young healthy individuals who might otherwise get more affordable premiums. This regulation is called “community rating” and limits by how much an insurer can take your “risk” into account. This is unlike your automobile insurance carrier, which can consider your driving record when pricing your insurance.

When young people unenroll from insurance coverage, insurance premiums increase. This is because there are fewer people to share risk. And, young people tend to have lower health costs so their premium costs are lower. But, with fewer young people in the insurance pool, this causes premiums for everyone else who is insured to be higher. And, these higher costs make it less likely that young people will enroll.

About Dirigo Health Reform

In 2003, Governor Baldacci and the Maine Legislature enacted Dirigo Health Reform with significant bi-partisan support. Dirigo Health Reform has several initiatives and programs intended to reduce health care costs, improve quality, and achieve universal access to quality and affordable health care.

Dirigo Health requires development of the State Health Plan, which is intended to make our health care system more efficient and effective and our people the healthiest in the nation. The State Health Plan is a plan of and for all Maine people. The “Tough Choices” initiative is one of the ways the state is hearing from the people about their priorities in health care.

In addition to the State Health Plan, Dirigo Health created DirigoChoice, a health coverage program with discounted costs for small businesses and the self-employed and individuals, and the Maine Quality Forum. (DirigoChoice is discussed in more detail on page 24 of this document. More information about DirigoChoice is available at www.DirigoHealth.maine.gov and the Maine Quality Forum can be found on the Internet at www.MaineQualityForum.gov.)

Making “Tough Choices”—Four Strategies for Change

This guide will help you consider some ideas, or “tough choices”, for addressing the health care challenges facing Maine.

We will now discuss the four strategies that require change—for Maine people, Maine health care providers, Maine employers, Maine insurers and Maine state government. These strategies include “tough choices” that require some sacrifice on everyone’s part. Choosing among them will help change the course of health care in Maine, and hopefully help us become the healthiest state in the country.

These “choices” will be presented in four basic strategies:

- A. improve health,
- B. reduce costs,
- C. improve quality and
- D. expand access to health insurance coverage.

There may be other choices to consider and you will have a chance to bring them up. It’s important to remember that these strategies work together and a change to one will affect each of the others.

A. Tough Choices to Improve Mainer’s Health Status

Making Maine healthier is the goal that drives all health reform. With healthier people, our quality of life will improve and our health care costs will go down over the long term. We won’t see savings right away, since actions we take now will decrease illnesses in the future. In the long run, however, these changes may be the most important thing we can do to change the rate of growth of health care costs and improve our quality of life.

A study released by the UnitedHealth Foundation ranked Maine the 10th healthiest state in 2003.¹⁴ The costs for initiatives that are improving our health do not generally increase insurance premium prices. Despite these investments, our health care and insurance costs remain very high.

Many of the things that cause our health problems could be prevented or reduced with changes in our laws, in our schools, in our community environments, and in our personal behavior. The goal of these choices would be to encourage Maine people to live healthier lifestyles—like eating better, getting more exercise, and wearing seatbelts—and discourage behaviors that drive up costs for everyone—like smoking, eating junk food, and disobeying safety laws.

¹⁴ UnitedHealth Foundation. America’s Health” State Health Rankings 2004. Fall 2004.

Choices

1. Encourage Good Food Choices and Increase Exercise at School

Strategy: Remove junk food and high sugar drinks from vending machines at schools and require more physical education which could improve the health of children and reduce childhood obesity.

Advantage: It would be easier for children to make good food choices at school and be more physically active.

Trade-off: Schools receive needed income from vending machines and more physical education might lengthen the school day and increase school budgets. If junk food is forbidden or difficult to get, it may make it seem more appealing to children, creating the opposite effect of what is intended.

2. Premium Discounts for Healthy Living

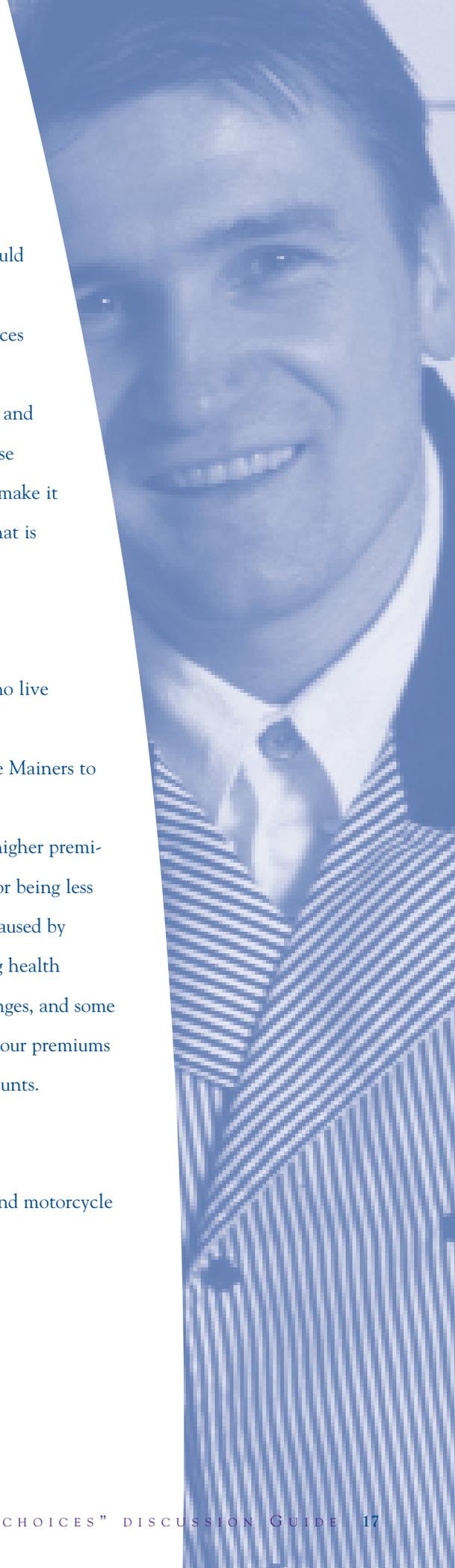
Strategy: Provide discounts on insurance premiums for Mainers who live healthy lifestyles and those who adopt healthier behaviors.

Advantage: The prospect of lower premiums could encourage more Mainers to adopt healthier lifestyles.

Trade-off: Mainers who are less healthy will likely end up paying higher premiums; or, would be ineligible for discounts and therefore penalized for being less healthy. People can be less healthy for several reasons not always caused by lifestyle choices—for example, illnesses caused by genetics, existing health problems or job demands that prevent exercising, addiction challenges, and some kinds of sickness or injury. If you have an accident or get cancer, your premiums could go up because you would no longer be eligible for these discounts.

3. Enact Tougher Seat Belt and Helmet Laws

Strategy: Create laws requiring use of seat belts, bicycle helmets, and motorcycle helmets and banning cell phone use while driving.



Advantage: More lives could be saved and very costly serious brain injury avoided if these laws are passed. Nationally, the cost of treating trauma increased 55 percent between 1987 and 2000 and accounted for 5 percent of the total increase in health spending. Head trauma is among the most expensive conditions to treat. It often results in permanent injury and the need for costly ongoing medical treatment.¹⁵

Trade-off: Personal freedoms and choices about wearing seatbelts, using a cell phone while driving, or helmets would be taken away by such laws.

4. Tax Unhealthy Habits

Strategy: Impose a sales tax on junk food and Increase the tobacco tax.

Advantage: Higher prices on junk food could reduce sales and encourage individuals, especially children who have limited spending resources, to reduce their consumption of unhealthy foods. And, research shows that increasing the cost of cigarettes helps prevent people from starting smoking, particularly young people. The extra cost is an additional incentive for smokers to quit. Smoking is one of the biggest cost drivers. It is also one of the leading causes of preventable health conditions. Both taxes would raise additional state funds that could be used for programs to help people quit smoking, improve health, and prevent illness.

Trade-off: Both are regressive taxes that would fall most heavily on families with limited incomes. Both strategies would increase the tax burden. A snack tax could be difficult to implement, as was proven several years ago when Maine had a temporary snack tax.

5. Require No Cost (Free) Preventive Care in All Health Insurance

Strategy: Require all health insurance in Maine to provide free preventive care, such as routine physicals, well baby care, PAP tests, mammograms and other preventive services.

Advantage: Preventive care would be available to all Maine people with insurance coverage regardless of cost or deductible levels. Access to timely preventive care is one of the best ways to stay healthy, manage your health needs and prevent costlier illnesses. It can strengthen relationships between primary care physicians and their patients, enabling physicians to better help their patients manage their health needs.

Trade-off: This would be an additional mandate on insurance companies. It could cause an increase in premiums to cover the additional mandate.

¹⁵ Thorpe, et al. Which Medical Conditions Account for The Rise in Health Care Spending? Health Affairs Web Exclusive, 25 August 2004.

B. Tough Choices to Reduce Health Care Costs

Health Care Costs Are Increasing Dramatically Across the Country and in Maine. Over the last ten years, health care costs have risen dramatically across the country. Costs are rising, in large part, because of higher prices, more use of health services, and new and expensive technologies, services and prescription drugs. Lower payments to providers also shift costs to private payers.

While prices are rising, so is the use of services. This is caused, in part, by the availability of new technologies, tests and medications. Spending on prescription drugs grew at the fastest rate, but medications are still only 10 percent of total health care costs.¹⁶ Hospital costs are the largest component of health care expenses (31 percent) and also were the largest contributor to spending growth in the last several years.¹⁷

Maine's health care spending rose the fastest of any state in the nation between 1991 and 1998.¹⁸ This means that the forces driving costs have been more extreme in Maine than elsewhere. Maine has seen increases in each of the cost areas—price, use of services, and technology/medications.

Choices

1. Reduce Insurance Regulation

Strategy: Give insurance companies greater flexibility to price insurance according to health status or age or to deny coverage if individuals wait until they are sick to apply.

Advantage: This could lower the cost of coverage for young, healthy individuals and might encourage more young people to purchase coverage. More young people covered by insurance can lower the premium costs for everyone because there are more people to share the risk. Reducing the population of the uninsured is a cost savings to us all. It reduces the amount of bad debt and charity care at hospitals and other providers.

Trade-off: Insurance coverage could be more expensive or even unavailable for sick Mainers. And, coverage could become more costly for older people and those with a history of using medical care. If you got sick, your premiums could rise and/or you could lose insurance coverage and not be able to get it back. This might cause people to delay seeking care until their health problems become worse. If people cannot afford premiums, the number of uninsured will rise as will bad debt and charity care costs; therefore, increasing everyone's health costs.

2. Establish a High Risk Pool

Strategy: Create a separate insurance pool for Mainers who are very sick and chronically ill. This insurance program could be subsidized by state government or an assessment on revenues of insurance companies.

¹⁶ Thorpe, et al. Which Medical Conditions Account for The Rise in Health Care Spending? Health Affairs Web Exclusive, 25 August 2004.

¹⁷ Source: Cowan, Catlin et al. National Health Care Expenditures, 2002. *Health Care Financing Review/Summer 2004/ Vol. 25, No. 4.*

¹⁸ www.cms.hhs.gov/statistics/nhe/state-estimates-residence/us-per-capita-10.asp

Advantage: The cost of insurance to the healthy would be lowered if health care costs for very sick and chronically ill people are not covered through regular insurance. This strategy could lower premiums while ensuring that everyone continues to have access to insurance regardless of health status.

Trade-off: High risk pools do not lower the overall cost of health care, but rather shift the cost of covering high risk people into one pool. The cost of the high risk pool insurance premiums could be prohibitive. A funding mechanism needs to be established to pay for the high risk pool, which can be costly to whoever is responsible for paying it. High risk pools tend to have low enrollment.

3. Reduce or Hold the Line on Insurance Mandates

Strategy: Remove current mandates on insurance companies that require coverage for certain health conditions or prevent future mandates for coverage.

Advantage: Premiums could be reduced with fewer mandates. Mandates increase the cost of insurance premiums by requiring insurance companies to cover what may be costly treatments for certain conditions.

Trade-off: Fewer mandates could mean less coverage for costly health conditions. Patients with significant health crises could be left with more of the bill or no coverage at all.

4. Insurance Coverage Limits on Prescription Drugs, Tests and Procedures

Strategy: Allow insurers to limit access to some kinds of medical tests, drugs and procedures that are not proven to be as effective as other available and cheaper services.

Advantage: This would ensure we more often use services that we know work well. This would reduce the amount of unnecessary tests and expensive medical technology being used.

Trade-off: This may affect access to “latest” technology, drugs, tests and procedures. Only those who could pay out of pocket would be able to access the uncovered services. Often times, patients want “latest” technology services even if they are not better than older means for testing for a particular condition.

5. Cap Costs of Health Care Providers and Insurers

Strategy: Establish regulations and rate reviews requiring hospitals, surgical centers, physician practices and insurers to limit their costs.

Advantage: Mandatory caps would help limit cost growth, reduce inefficiencies and help ensure health care and insurance are affordable. This could help ensure investments in health care services are within our means to afford them. Such limits could also eliminate unnecessary duplication of services and stimulate sharing of services among providers.

Trade-off: This would require a regulatory body to enforce the caps. To meet the caps, some providers may need to reduce their level of service, send sicker and costlier patients to other providers, or introduce new technologies more slowly. Access to care could be affected and some patients could be required to travel farther to obtain some types of care.

6. Regulate Insurance Premiums

Strategy: Set clear limits on how much premiums can increase and require insurance companies to get approval from the State's Bureau of Insurance in order to increase premiums.

Advantage: This type of regulation would help ensure that premiums do not increase faster than the State determines is necessary to sustain health insurers' business.

Trade-off: Requires additional state regulation which could drive more insurance companies out of the State, leaving very few insurance options for Mainers.

C. Tough Choices to Improve Health Care Quality

Many believe that as we make changes to health and health care in Maine we must also work to improve the quality of care Mainers receive. Improving quality enhances the care that Mainers receive and can reduce unnecessary costs. Recently, national studies have estimated that preventable injuries caused by medical errors in hospitals caused between 44,000 and 98,000 deaths in a single year.¹⁹ Medical errors result in more days spent in hospitals, additional procedures to correct errors, additional medications needed, and additional tests to identify and assess injuries as well as unnecessary pain and suffering. Reduced medical errors could result in millions of dollars in savings. And, improved quality of care would enhance the quality of life in Maine.

¹⁹ Institute of Medicine of the National Academies. *To Err is Human: Building a Safer Health System*. National Academy Press, Washington DC. 1999.

Choices

1. Establish Best Practices and Treatment Guidelines

Strategy: Require use of best practices by providers. Providers would follow proven treatment protocols guiding how and which services are provided throughout the state for various health conditions.

Advantage: Use of best practices can help reduce costs. It can help get new information to providers sooner. On average, it takes 17 years from the time a best practice is identified until it is used in every doctor's office. Treatment based upon accepted best practice helps ensure that the care you receive is the right type of care for your condition, regardless of where you live or who provides your care. The use of best practices creates a standard for care that can be used for training and assessment of health care providers. And, accepted best practices provide a standard for testing new medical techniques and technologies.

Trade-off: This might lead physicians or other providers to consider less carefully the particular—and possibly exceptional—circumstances of each individual patient. Physicians may be forced into explaining or reporting why they didn't follow a "best practice", which would present an administrative burden and take time away from patient care. Accepted best practices may limit clinical innovation that could generate meaningful breakthroughs. This requirement could discourage physicians from locating in Maine.

Providers may suggest a treatment that is an accepted best practice but is not actually best for a specific patient just so the provider's score looks better.

2. Require People with Serious Mental Illness and/or Substance Abuse to Get Appropriate Care

Strategy: Currently, people in "imminent danger" of hurting themselves or someone else can be involuntarily hospitalized. Expand current laws to require people to receive care who may not meet that threshold but clearly need mental health or substance abuse services.

Advantage: People with serious conditions who would not voluntarily seek care, would get necessary care. This strategy could prevent costly crises; worse symptoms; costly ER use; and, may reduce insurance premiums.

Trade-Off: May include: restriction of civil rights; additional pressure on what some say is an already overburdened provider system; and, may cause increased premiums.

3. Create a Statewide System to Allow Providers Access to Electronic Medical Information

Strategy: Encourage and help providers obtain and implement electronic health records. Create a system that allows providers to obtain secure medical information about their patients anywhere in the state while ensuring patient control over access to their medical information..

Advantage: This could improve safety and quality of care. It could dramatically reduce administrative costs by reducing paperwork and make record keeping more efficient. Providers would have accurate patient information that could be quickly shared between physicians and hospitals. Regardless of where a patient goes for care, the providers would have full information about his or her medical history and medications. Lack of this information is frequently a major source of medical error and higher costs when providers duplicate tests and services.

Trade-off: This requires a substantial initial investment in training and in expensive new technology—a requirement that could temporarily increase, rather than decrease health care costs. In addition, some people worry that a shared electronic medical record may be an invasion of personal privacy.

4. Create Report Cards on Quality of Care for Consumers

Strategy: Report on the quality of care given by health care providers licensed in Maine. Base the reports on patient outcomes and provider performance measures. This would allow Mainers to review the record of hospitals and physicians when making a decision about where to go for care.

Advantage: Research has shown that there are wide differences in quality and ability among health care providers. Even though patients are slowly but steadily getting more quality information about providers, succinct quality reports would help consumers make informed choices for providers.

Trade-off: Educating patients about understanding information about quality and safety creates doubt in a patient's mind about the entire health care system. Patients and families often have to make decisions based on incomplete information or no information.

5. Place Controls on the Introduction of New Medical Technology

Strategy: Require the Maine Quality Forum to determine, on a case by case basis, whether or not new technologies should be introduced in Maine. The Forum would use recognized methods and information to make its judgments.

Advantage: This would prevent expensive duplication or premature introduction of expensive new technology in Maine, which is one of the major reasons for increases in health care costs.

Trade-off: The value of new technology is often not well known when it is first introduced. It is possible that new technologies could not be accessed in Maine if they were necessary.

D. Tough Choices to Increase Access to Health Insurance Coverage

Being uninsured is a personal hardship and one of the leading causes of personal bankruptcy in the country. The uninsured are more likely to be sick and disabled and less likely to get care when it is needed. They are more likely to need costly emergency care when they do seek care.

Caring for the uninsured places a hidden tax on all of us. When the uninsured can't pay for care they receive, the cost of that care is passed on in the form of higher costs and premiums. This is called Bad Debt and Charity Care. This also occurs when people with high deductible insurance coverage can't pay down their deductible in order for their coverage to kick in.

As already described, people in Maine get their health coverage from many sources (their employers, MaineCare, and Medicare), but there are still 136,000 Mainers who have no insurance at all. Having so many uninsured Maine people leads to poorer health for Maine and more expensive health care for all of us.

One way to address these problems is to increase access to health insurance for more Mainers. Maine has already taken some important steps toward increasing access to health coverage through the **DirigoChoice Plan**. It is a new health coverage plan offered by the State and Anthem Blue Cross and Blue Shield of Maine. DirigoChoice offers comprehensive health coverage to small businesses, self-employed people and individuals. It features discounts based on income that decrease monthly rates and reduce deductibles.

Choices

1. Expand MaineCare Coverage

Strategy: Make more people eligible for MaineCare by raising income limits. And, require those with higher incomes to pay premiums and co-payments to reduce the cost to the state.

Advantage: More uninsured Mainers would qualify for health insurance coverage. Bad Debt and Charity Care costs would be reduced, helping to lower health care costs for everyone. In addition, because the federal government pays almost two-thirds of MaineCare costs, expanding MaineCare is cost effective. The state needs to put up just \$1 while the Federal government provides about \$2. Although MaineCare payments to providers are low, providers receive payments that are not otherwise available when they treat the uninsured.

Trade-off: This strategy would require additional state funding. Federal approval may be required for expansions and is not guaranteed.

2. Expand the DirigoChoice Plan

Strategy: Expand eligibility for this program by allowing more individuals to enroll (self-employed and part-time and seasonal workers), participation by larger businesses and by expanding MaineCare coverage for people who are employed. This new program currently offers high quality health coverage to small businesses, the self-employed and individuals. Discounts based on income reduce monthly rates and deductibles. DirigoChoice uses MaineCare to help finance coverage for lowest wage employees.

Advantage: The discounts make this a more affordable program for low and moderate income workers and could reduce the number of uninsured. DirigoChoice pays providers at private insurance reimbursement rates, as opposed to MaineCare and Medicare.

Trade-off: This is a new program. The discounts will be funded in part through an assessment on private insurance company revenues. This assessment can be charged only when statewide savings in the cost of health care are achieved. And, insurers must negotiate those cost savings in lowered reimbursement rates to hospitals if they are to prevent the assessment from being passed on to members. There is nothing to guarantee that hospitals will be willing to lower their reimbursement rates.

3. Mandate Employer Contributions to Insurance Coverage

Strategy: Require employers either to offer coverage to employees or to pay a tax that the State would use to provide insurance to uninsured Mainers.

Advantage: This would ensure that all working families in Maine get health insurance coverage. It would not rely on publicly funded programs and could reduce the cost of public programs funded by taxes. It would ensure an equal playing field for businesses because there would be no competitive disadvantage to companies that provide coverage. And, it could attract to Maine quality workers seeking health coverage.

Trade-off: This would add an additional and perhaps significant financial burden on businesses. It would reduce the choice of employers to make their own decisions regarding health benefits. This requirement would need federal approval. If Maine is the only state with such a mandate, it might result in some businesses leaving the state and discourage new businesses from coming to Maine.

4. Require All Mainers to Have Insurance Coverage

Strategy: Require all Maine people to have health insurance but have the State offer discounts, like in DirigoChoice, based on family income to those who cannot afford to purchase insurance on their own.

Advantage: With everyone in the insurance pool, including young healthy individuals, insurance costs would go down for everyone. In addition, bad debt and charity care would be virtually eliminated, reducing the prices for health services charged by providers.

Trade-off: Reduces freedom of choice and might encourage employers to drop health benefits. This strategy would also create a new expense for those people who have chosen to be uninsured. And, it may not address cost increases from profit taking in the private insurance market.

5. Create a Single-Payer Universal Coverage System in Maine

Strategy: Establish a single-payer health care system where the State provides health insurance coverage for all Maine people. This would be funded through taxes and would operate like an insurance system, paying providers for the services they provide. This type of system would operate like the Medicare Program for people over age 65.

Advantage: Everyone has insurance coverage for their medical needs and stays insured, regardless of whether they change jobs or become unemployed. And, they don't have to sign up for new coverage when their situation changes. This could help attract businesses if they know that health care costs would be covered and they would not need to provide insurance to their employees.

Trade-off: Tax increases or new taxes would be needed to cover costs. Employer benefit plans would be eliminated. It is possible, though not assured, that additional taxes would be offset by the lack of monthly premiums. In addition, federal approval would be required to make sure federal Medicare and Medicaid dollars could still be acquired for Mainers eligible for Medicare and MaineCare (state Medicaid), even if they were part of Maine's single-payer system. It is also very difficult for this to be enacted by a single state, rather than on a national basis. And, people may move to Maine just to get the health care coverage, further increasing the cost to the State.

Closing

These are not easy issues and no one has a lock on the best solutions. We need to hear from as many people as possible so that together we can decide what to do.

You are now prepared to work with your neighbors and talk through the tough health care choices facing Maine. Bring your ideas—are there other ways to make Maine healthier and to make health care more affordable? Write down your ideas on the next page.

Please bring this booklet with you. Be ready to hear more information—particularly about the trade-offs among all these choices.

Keep in mind that your voice matters. The decisions that come out of this conversation will help shape health care in Maine for years to come.



What have we missed?

Is there an idea or a "choice" you think Maine should consider that hasn't been discussed in this Guide? Please write down your comments and ideas so that you can discuss them on March 12th at your table.



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