Covering The Uninsured

Findings and Recommendations of the Task Force on Covering the Uninsured of the Illinois Hospital Association
February 2001

Executive Summary

Solving the problem of the uninsured is a daunting undertaking. Yet, if we want all Illinoisans to have the opportunity to live active and productive lives, we must ensure that they have access to high-quality, affordable health care services. This was the charge to the Task Force on Covering the Uninsured and is the social and fiscal imperative facing all Illinois health care providers.

More than 1.7 million people, or about 1 in 7 of the state's population, are uninsured or have inadequate coverage. Chapter 1 of this report points out that contrary to popular belief, most of the uninsured are working adults. Numerous studies have shown that the uninsured have greater problems accessing health care services, especially primary care services, as noted in Chapter 2, and are likely to have more frequent and more severe illnesses than the insured.

The uninsured population places extraordinary burdens on health care providers. As outlined in Chapter 3, Illinois hospitals provided nearly $1.8 in uncompensated care services in 1999, a $240 million increase from the previous year and more than a $1 billion increase in the past decade. Historically, providers covered these services by raising prices to other patients, particularly commercially insured patients covered by indemnity insurance. But with the continued growth in managed care and its discounted pricing structure, most providers cannot support a growing uncompensated care burden.

Patients and providers are not the only ones affected by the uninsured problem. A sicker population leads to lower worker productivity, higher employer health insurance, and lower community standards of living. In short, we all suffer when 1.7 million of us suffer from being uninsured.

Guiding principles

The IHA Task Force on Covering the Uninsured recommends IHA pursue solutions that adhere to the following principles:

1. People should have health care coverage and access to quality care regardless of ability to pay;
2. Providers should be able to provide sustainable service regardless of the patient's ability to pay;
3. Incremental change is acceptable as long as the needs of disenfranchised individuals are not forgotten;
4. Where feasible, all members of a family unit should be covered through the same source of coverage;
5. People should have options to select where and from whom care is received within the parameters of their health care coverage;
6. Workplace-based coverage is preferable to government-sponsored coverage;
7. General tax revenues (not provider sources) are the preferred way to finance coverage for uninsured persons not connected to the workplace for whose coverage society is responsible;
8. For government-sponsored patients, federal funding should be used to the maximum level possible.

Potential approaches

Chapter 4 of this report outlines the pros and cons of several approaches available to assure coverage and access to all citizens. Chapter 5 discusses how several other states are

attempting to mitigate this problem. It is apparent that a combination of approaches will be most likely to create the political and financial support needed to achieve real solutions.

The Task Force on Covering the Uninsured believes that the solutions that appear most promising for Illinois should include, but not be limited to, the following approaches: expanding covered populations; covering essential services; and making insurance affordable. These approaches are detailed in Chapter 6.

The uninsured and the political environment
In October 2000, Illinois received a $1.2 million federal grant to identify the characteristics of the state's uninsured and study ways of making insurance available to them. IHA is represented in the group working on the project, which is being coordinated by the Illinois Department of Insurance and is scheduled to produce a final report in September 2001.

However, meaningful progress in reducing the uninsured population will require broad coalitions focused on incremental efforts with reasonable price tags. Hospitals, many provider groups, and some consumer advocates are aware of the impact of the uninsured problem. Many legislators and business leaders, however, do not see it as a pressing issue. Legislators do not hear from the general public about the problems of the uninsured. Most Illinois businesses are not concerned about the negative effects of a large uninsured population.

In order for change to come about, significant efforts must be made to gain the support of lawmakers and the general public. A strong advocacy effort is essential, particularly in light of the fact that Illinois has a long way to go to adequately finance the current Medicaid program, much less a program expansion such as Family Care. However, in 2002, all constitutional officers and legislators will be running for office. This is a significant opportunity to make covering the uninsured a major political issue.

Next steps
The Task Force concludes that IHA should play a significant role in addressing the issue of covering the uninsured. The Association should work cooperatively with state and national organizations to build coalitions and public awareness about the impact of the problem, its causes, and potential solutions. Because most uninsured are employed, special emphasis should be placed on working with the business community. IHA should begin identifying and developing champions to work with us on developing and evaluating ways to reduce the Illinois uninsured.

Chapter 6: An IHA Response

The Illinois problem
As we have seen, covering the uninsured is a difficult and perplexing task. And yet, if we expect our citizens to live active and productive lives, we must find a way to ensure that they all have access to quality, affordable health care services. This was the charge to the Task Force and is the moral imperative facing all Illinois health care providers.

Currently more than 1.7 million Illinoisans, about 1 in 7 of the state's population, are uninsured, placing them at greater risk for more illnesses, more severe illnesses, and financial depletion. Numerous studies have shown that the uninsured have problems accessing health care services, especially primary care services. When they do seek care, they have more severe conditions, and their reduced access to hospital services causes outcomes to be poorer when compared with an insured population. Although we were unable to review definitive Illinois studies confirming these findings, anecdotal evidence from Task Force participants, coupled with COMPdata analyses, supports these conclusions.

Individuals are not the only ones who suffer. A sicker population reduces worker productivity, makes employer health insurance more expensive, and lowers community standards of living. In short, we all suffer when 1.7 million of us suffer from being uninsured.

As demonstrated in Chapter 3, providing care for the uninsured places extraordinary burdens on health care providers. Very few people are able to pay for all of their health care expenses themselves. As a result, providers often do not receive full payment for services rendered. In 1998, Illinois hospitals provided over $1.7 billion in uncompensated care services – a $200 million increase from the previous year and a $500 million increase within the past decade. Historically, providers covered these services by raising prices to other patients, particularly commercially insured patients covered by indemnity insurance. But with the continued growth in managed care and its discounted pricing structure, most providers are unable to continue to support this growth in uncompensated care services without facing financial ruin themselves. As a result, providers are faced with the Hobson's choice of limiting their provision of services for the uninsured or facing financial ruin themselves.

Political obstacles and opportunities

While covering the uninsured is an immediate issue with real impacts on real people and providers, solving it will require a long-term effort, not simply a short-term assault. Change of this magnitude, affecting this many people and interest groups, will not occur easily. As we saw with the Clinton health plan proposal, systemic change is almost impossible because of the many conflicting pressures within the American health economy and social structure. Meaningful change will require broad coalitions focused on small, incremental efforts with reasonable price tags.

Change will also require a supportive political and economic environment. The current Illinois environment poses several problems. First and foremost, the current Administration is facing a Medicaid funding shortfall estimated at hundreds of millions of dollars for State Fiscal Year 2002. And, if the SFY 2001 Medicaid budget is any indication, increasing the number of Medicaid enrollees, while reducing the number of uninsured, is likely to be financed by lowering provider rates instead of fully funding them through additional revenue. In short, financial pressures have made it difficult for the current Administration to take on new liability.

Even with the support of the Executive Branch, other champions would be required to bring about legislative action, and such champions are not readily apparent. A new opportunity, however, will emerge in 2002, when all constitutional officers and all legislators will be up for re-election, many from new districts. This will provide an opportunity to cultivate potential champions and make covering the uninsured a major campaign issue. By persuading candidates to include the issue in their platforms, we can raise it to a new level of awareness, and persuading them to take concrete steps to bring about change will be much easier.

In order to secure this level of support, we will need to develop a climate of awareness in the legislature, the general public, and the media. Hospitals, many provider groups, and some consumer advocates are aware of the uninsured problem. However, the general public, legislators, and the business community are not. The work of this Task Force positions us well to begin this process of education and action.

Most Illinois employers have not fully understood how the problem of the uninsured affects them, both through reduced employee productivity and through their customers' reduced ability to pay bills. While bringing business and labor to the table in our efforts to get government funding, we will also have to develop ways to keep businesses purchasing health insurance for their employees. Creating a governmental program that reduces the number of persons covered by private insurance would be counterproductive.

Tobacco settlement proceeds (up to $360 million annually) may create another substantial source of funds. However, many other interest groups have targeted these funds. In addition,

key legislators historically have not been willing to allow tobacco funds to support core and ongoing programs. To access this revenue source, a broad-based coalition will again be needed.

Guiding Principles

Recognizing that developing a solution to cover the uninsured will take several years of coordinated effort, the IHA Task Force on Covering the Uninsured recommends that IHA pursue solutions that adhere to the following principles:

1. People should have health care coverage and access to quality care regardless of ability to pay.
2. Providers should be able to provide sustainable service regardless of the patient's ability to pay.
3. Incremental change is acceptable as long as the needs of disenfranchised individuals are not forgotten.
4. Where feasible, all members of a family unit should be covered through the same source of coverage.
5. People should have options to select where and from whom care is received within the parameters of their health care coverage.
6. Workplace-based coverage is preferable to government-sponsored coverage.
7. General tax revenues (not provider sources) are the preferred way to finance coverage for uninsured persons not connected to the workplace for whose coverage society is responsible.
8. For government-sponsored patients, federal funding should be used to the maximum level possible.

Potential Approaches

Chapter 4 outlined the pros and cons of several approaches available to expanding coverage to all citizens. Chapter 5 discussed how various states are attempting to mitigate this perplexing problem. Each state requires a unique combination of approaches; no single approach combines the necessary political and financial support with the necessary policy robustness.

The Task Force believes that three general approaches appear most promising for Illinois. They create an environment that allows efforts to expand coverage to proceed on multiple fronts at the same time. It is hoped that through these combined approaches it will be possible to raise public interest, cultivate political champions, and achieve real solutions.

1. Expanding covered populations

Focusing on specific populations permits coverage to be targeted toward individuals with similar characteristics and needs. Although such programs can be created from scratch, it is preferable to use program infrastructures and policies currently in place. Enhancing and expanding eligibility for current programs allows energies to focus on outreach and enrollment, rather than program design.

Most governmental programs are targeted toward children. As a result, almost three-quarters of the uninsured are adults. Many health care advocates suggest expanding Medicaid and KidCare as a way to reduce the number of uninsured adults in Illinois. The Gilead Project, a Chicago-based grassroots organization of health care and community leaders, has developed a proposal called Family Care that would expand coverage to the families of children covered under the KidCare program. Using programs jointly funded by the state and federal government makes such expansions cost-effective. Furthermore, having all family members under the same health plan should facilitate coordination of care.

Creating a Medicare "buy in" for those over 50 or 55 would be another way to reduce the number of uninsured by using existing programs.

2. Covering essential services

An alternative approach would make essential services available to all citizens regardless of their ability to pay. The current Emergency Medical Treatment and Labor Act (EMTALA), which requires hospitals to provide emergency services, is one example. Another is the use of disproportionate share payments to help certain providers cover the costs of the uncompensated services they deliver to the uninsured.

The precise meaning of "essential services" depends on such issues as poverty level coverage, predictability and reliability of funding sources, support from business and state and federal government, and the structure of an incremental approach. For example, a proposal to cover all uninsured adults between 133 percent and 200 percent of the federal poverty level for all catastrophic health care needs would include more "essential services" than those included under EMTALA. However, an incremental approach that called for a phased implementation for all primary care services would involve a more limited definition of "essential services."

One option that has been proposed would enable hospitals to deliver primary care services for the uninsured through their emergency departments. The state could use a block-grant approach to financing that would vary with the amount of services offered. If the block grant were large enough and covered the full cost of these services, it could provide a meaningful solution in areas with large numbers of uninsured persons. It could enable current practice to be validated if adequate payment methodologies and patient volume safeguards could be designed.

3. Making insurance affordable

Whether it is government sponsored, employer based, or private, insurance is the tool that enables risk to be spread broadly and purchased affordably. Making it more affordable for employers to cover the uninsured through the workplace is the thrust of the third IHA approach.

When sharing risk, size matters. The smaller the pool of people covered, the greater the risk that a large expenditure could threaten the viability of the whole group, making insurance premiums for small groups higher than for similar large groups. As a result, more than 40 percent of businesses with three to six employees and 21 percent of businesses with 10 to 24 employees do not offer health coverage.

Regardless of the approach used, we must remember that more than four in five of the uninsured are either employed or are in a household of a person who is employed. Whether through creation of larger risk pools for small businesses or tax incentives for businesses purchasing coverage for their employees, making private insurance affordable is a key to expanding access and coverage.

Suggested Strategy

To reduce the number of uninsured persons in Illinois, the Task Force concludes that IHA should pursue solutions using the following strategy:

1. IHA should begin a multiyear effort to address the growing problem of the uninsured.
2. IHA should actively support and assist the American Hospital Association and the Catholic Health Association in their efforts at the national level.
3. IHA should work cooperatively within Illinois to build coalitions and public awareness of the causes and impacts of lack of coverage and support for solutions to mitigate the problem. In discussions with the business community, the benefits to employers of reducing the number of uninsured, such as reduced cost shifting by providers and a more productive workforce, should be emphasized.

4. IHA should begin identifying and developing legislative champions for this issue.
5. IHA should actively support the Governor's efforts to address the problem through the Department of Insurance, the Department of Public Health, and other venues.
6. IHA should explore approaches that include but are not limited to:
   a) coverage expansion approaches that focus on populations of the uninsured, for example, covering the families of children covered by the KidCare program or covering unemployed persons over 55 through a Medicare "buy in."
   b) service expansion approaches that focus on ensuring access to limited services, for example, using block grants to support primary health services for the uninsured.
   c) efforts to make commercial insurance more affordable and accessible through the workplace, for example, purchasing cooperatives and small-business pooling.