

Legislative Policy Forum on Health Care

February 4th, 2011



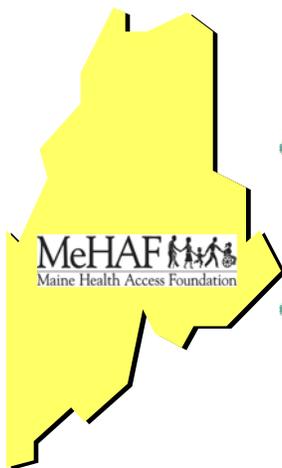
Strategic solutions for Maine's health care needs

Health Care in Maine: An Overview

*Wendy J. Wolf, MD, MPH
President & CEO
Maine Health Access Foundation*

www.mehaf.org

Health Forum Sponsor: The Maine Health Access Foundation



- Maine's largest private, non-profit health care foundation
 - Created in April 2000 from the sale of Blue Cross & Blue Shield to Anthem.
- Our mission is to promote access to quality health care, especially for those who are uninsured and underserved, and improve the health of everyone in Maine.
- Since 2002, MeHAF has awarded over \$40 million in grant & program support to nonprofits across the state to advance our mission through our three priorities:
 - Strengthen Maine's safety net
 - Promote patient and family centered care
 - Advance health reform



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Legislative Policy Leaders Academy: *Rationale for a day focused on health care*

Impact on legislation, policy and budgets:

- Health care is one of the largest nondiscretionary cost drivers for budgets and spending at the state and federal level;
- Maine legislative action has supported key initiatives aimed at transforming our health care system such as advancing better use of primary care, promoting the adoption of state-wide health information technology systems, and changing Medicaid to a managed care system.
- The federal health reform law (Affordable Care Act) requires state legislative action to shape and implement state-level reforms.

Impact on Maine businesses and our economy:

- Providing health care coverage to employees is a growing proportion of employer costs, and controlling health care cost is cited as business' most pressing economic issue;
- Jobs in health care will be a growth sector for Maine – but also help drive higher spending;

Impact on your constituents

- People across Maine worry about access to affordable health insurance, and are losing coverage in the economic downturn.
- Poor health and medical expenses are one of the leading causes of personal bankruptcy;



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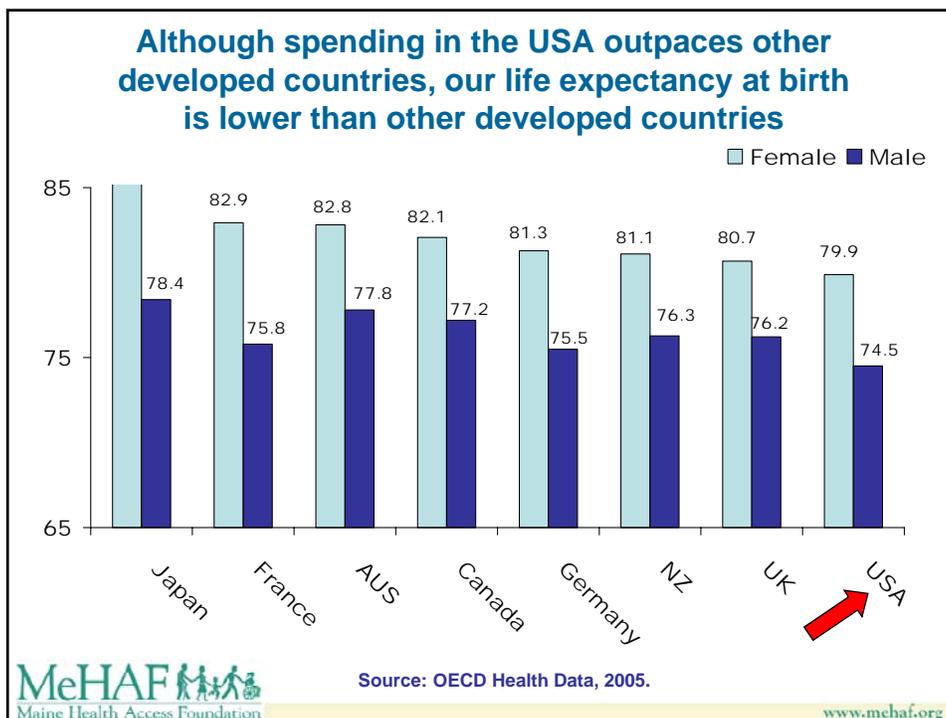
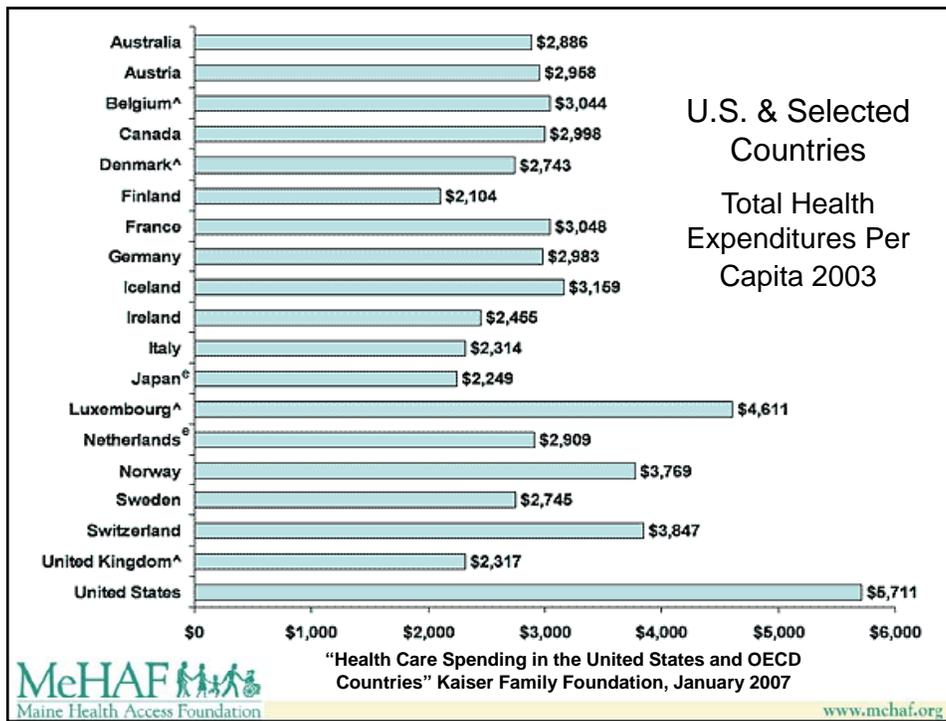
Why reform the best health care system in the world?

- **Life Expectancy: US ranks 31st**
- tied with Kuwait and Chile
- **Maternal Mortality: US ranks 34th**
- Women in the US are 11 times as likely to die in childbirth as women in Ireland
- **Infant Mortality: US ranks 37th**

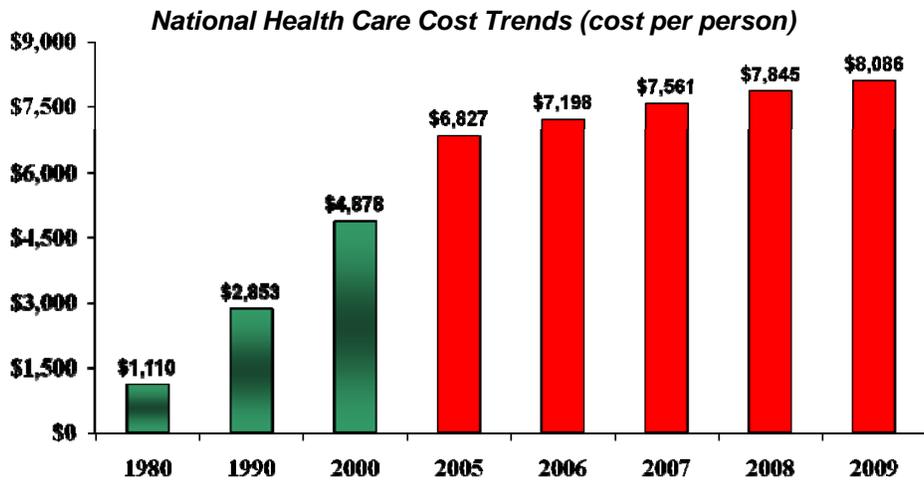
*World Health Organization
The World Health Report 2009*



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...and we are paying more and more for our care

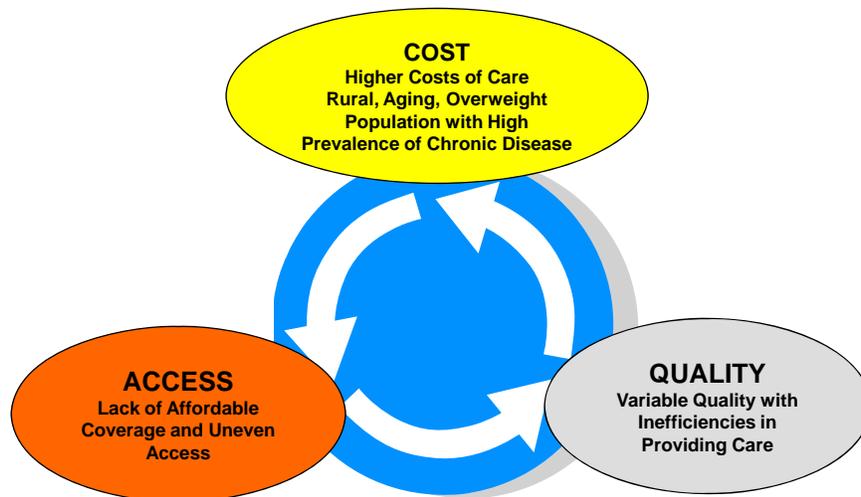


Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, DHHS, United States. Health Affairs, Jan 2011



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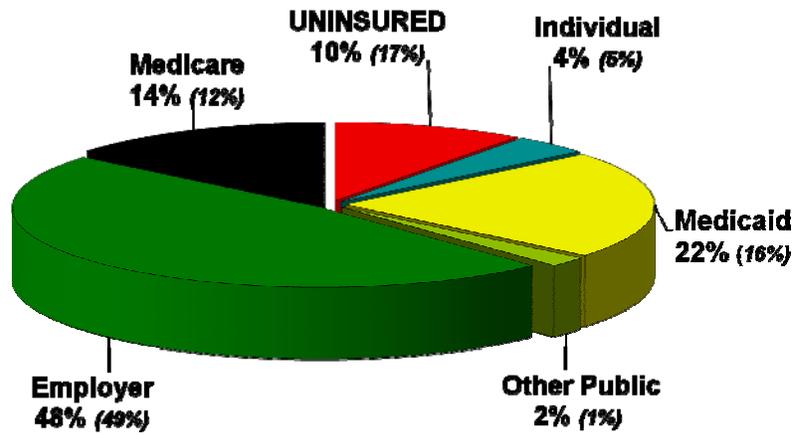
Understanding Health Care in Maine



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Health Insurance Coverage in Maine (2008-2009)

National data (in parentheses) for comparison



Source: Kaiser State Health Facts online: statehealthfacts.org
NOTE: Census Bureau uses 2 year blended data for state estimated to counter the effect of small sample size in their annual data collection



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50.7 million Americans are uninsured
134,700 Maine people are uninsured



The majority of Maine people who are uninsured are working adults employed in low-income jobs in smaller businesses

- People who are uninsured are less likely to be offered employer-sponsored health insurance:
 - ➔ 9 out of 10 workers with wages \geq \$15/hour are offered coverage;
 - ➔ Only 5 out of 10 workers with wages \leq \$7/hour are offered coverage.
- People in low income families pay proportionately more for health care
 - ➔ 3.8% of annual income for workers with advanced degrees; versus
 - ➔ 7.2% for workers who did not complete high school.



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Data from U.S. Dept of Labor, Consumer expenditure survey www.mehaf.org

Even though Americans can receive care in emergency rooms and community clinics, there are significant consequences to being uninsured

- People lacking health insurance are three times more likely to skip recommended treatments, or fill needed prescriptions.
Kaiser Commission on Medicaid and the Uninsured. The Uninsured and their Access to Care, 2000.
- Uninsured people with cancer spend about 2.5 times more out of pocket and receive about half the care that those with private coverage receive. *Health Affairs April 2004*



- Even after an auto accident with major trauma, the uninsured receive 20% less care and have a higher mortality rate compared to patients with insurance.
MIT Sloan School of Management study Dec 2002

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MDF's survey of 1,000 Maine businesses

□ Recommendation #1

Health Care:

Challenge Maine's health care leaders to reduce annual increases in health care spending below the national average every year.



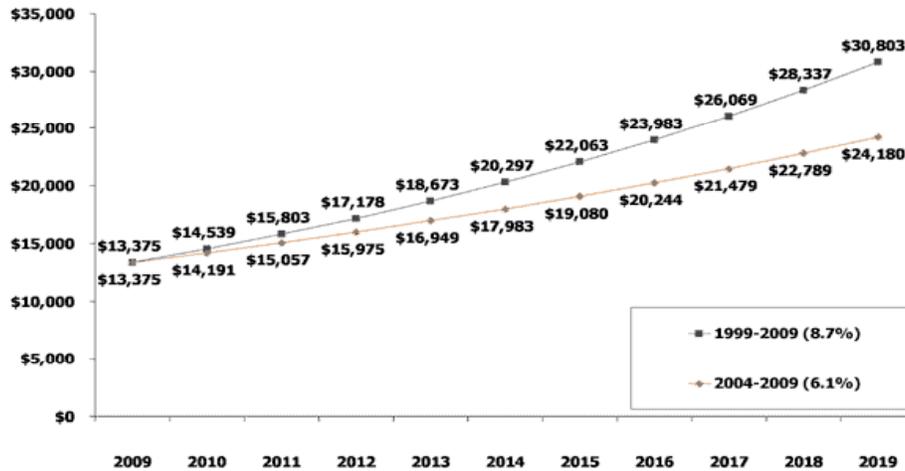
Debits & Credits



"Or, to make it more affordable, we can offer you the \$1,000 copay, with the million dollar deductible."

CARTOON BY DAVID JACOBSON

**Projected Health Insurance Premiums for Family Coverage,
Assuming Average Growth Rates, from 1999-2009 and 2004-2009**



Note: Health insurance premiums projected for 2010-2019 assuming (1) that the average growth in premiums between 1999 and 2009 (8.7%) continues or (2) that the average growth in premiums between 2004 and 2009 (6.1%) continues. Source: Kaiser Family Foundation projections based on data from Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2009.



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Other Sources of Coverage: Public Programs

Many Maine people receive health coverage through Medicare & MaineCare (Medicaid)

Medicare is **federally** funded and administered

- ✓ Medicare covers persons ≥ 65 years, and other select groups, such as individuals with disabling conditions, kidney dialysis costs and others.
- ✓ Medicare is a federal program with **no** state contribution
- ✓ As a federal program, payment, policy and program regulation are federal responsibilities.



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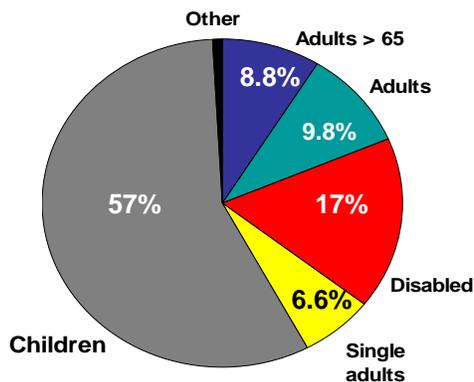
Medicaid (called MaineCare) provides health care coverage and services for 1 out of every 5 Mainers

- Medicaid is jointly funded by the state and federal government.
- The federal government establishes minimum requirements and the state has flexibility in determining eligibility, program structure, and payment for services.
 - Medicaid is a *means-tested* program (targeting low income people).
 - Under Medicaid certain groups must be covered and states can expand beyond the federally-specified minimums.
 - Certain medical care must be covered but states can add services.
- Medicaid brings in federal matching payments so that for every **\$1.00** spent on providing health care services, Maine spends **36¢** to the feds **64¢**
- Nationally and within Maine, Medicaid is the largest public payer of long term care (nursing home and institutional care) and disability services.

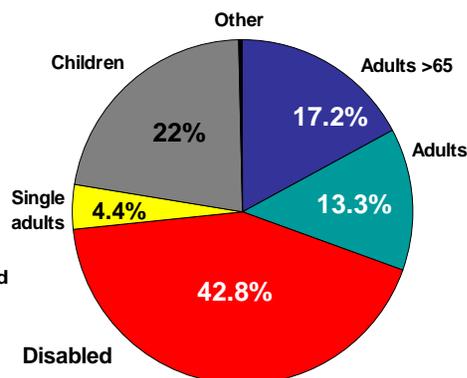


Medicaid (MaineCare) enrollment and combined federal and state expenditures (FY 2008)

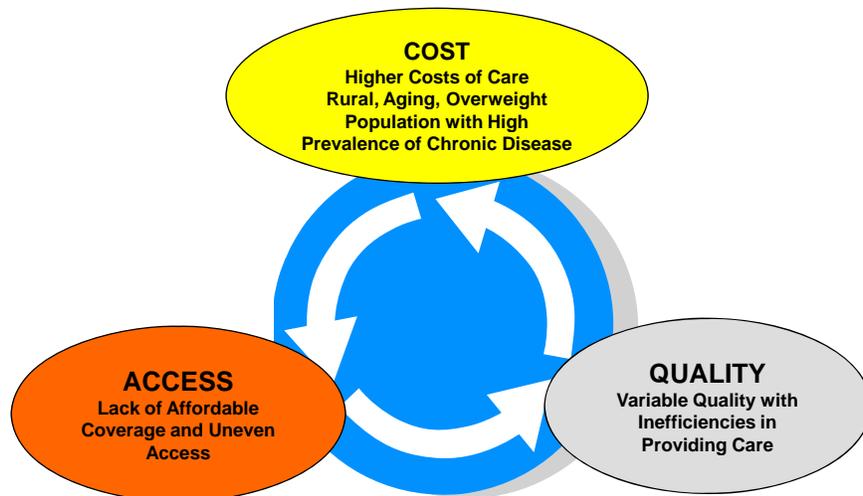
ENROLLMENT (Average monthly)



EXPENDITURES

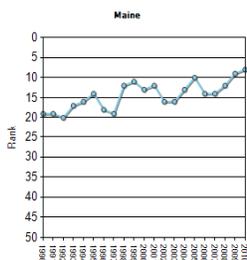


Understanding Maine's Health Care Challenges



Overall, Maine hospitals and provider do well on national measures of quality of care

- Maine's major hospitals consistently rank high on Medicare quality of care indicators.
- In 2010, Maine's achieved high quality ratings with improvement from previous years:



✓ The federal Agency for Healthcare Research and Quality ranked Maine **fourth** overall in national quality measures, moving up from 12th place the previous year.

✓ In United Health Foundation's 2010 Annual Health Rankings, Maine ranked 8th, up from 9th in 2009.

But inconsistent quality continues to fuel higher health care cost

- National studies estimate that inefficiencies and the overuse, underuse and misuse of medical services wastes **30¢** of every health care dollar.
- National studies show that nearly 1/3 of Medicare spending goes to services that do not help people improve their health.



JE Wennberg, Variations in Use of Medicare Services; Commonwealth Fund, December 2005.

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Our health care system is plagued by overuse, and our fee-for-service payment system acts as an incentive to provide more and more care

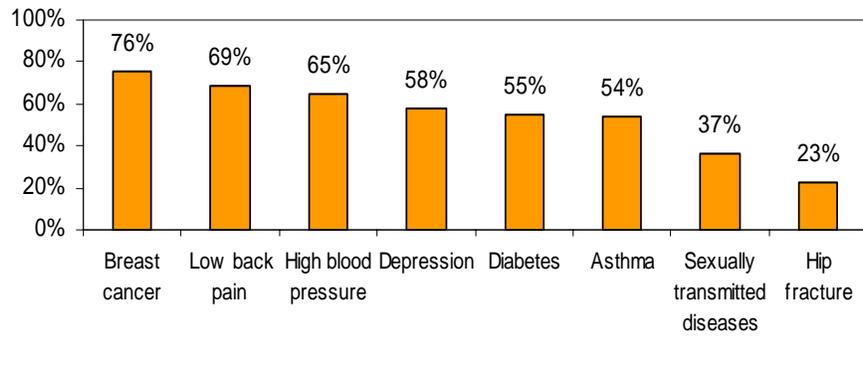


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ST. LOUIS POST-DISPATCH
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"YOU CAN NEVER BE TOO CAREFUL WITH HANGNAILS AT YOUR AGE."

Too often our health care system fails to render care recommended by medical experts for common conditions

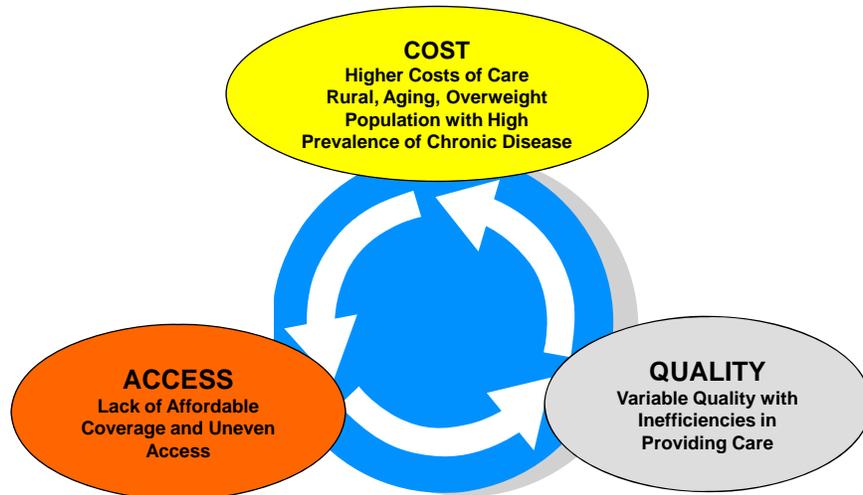
Percent of Adults Receiving Recommended Care for Common Health Problems



Source: McGlynn, et al., *The Quality of Health Care Delivered to Adults in the United States*. New England Journal of Medicine, June 26, 2003.

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Understanding Maine's Health Care Challenges



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Why is health care so costly in Maine?

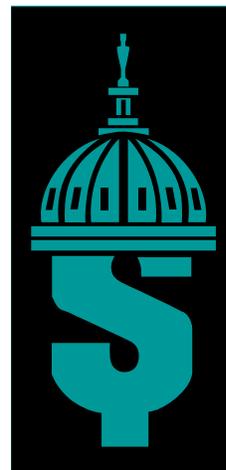
- Rural, older population
- Inefficient, costly care for the uninsured
- Significant “cost shifting”
- Poor health status with high rates of chronic disease
- Rising demand for services
- Advances in medical technology and costly new treatments
- Higher provider costs with consolidation and shortages
- Inconsistent quality
- Poor information
- Insurance mandates



Cost shifting: Inadequate Government Reimbursement

- **MEDICARE COST-SHIFTING:** Maine has the second lowest Medicare hospital reimbursement rate in the nation.
 - On average, Maine hospitals are paid 79 cents for every dollar of cost they incur in delivering Medicare services, compared to a national rate of 90.6 cents on the dollar (*American Hospital Association analysis*)
- **MEDICAID:** The Maine Hospital Association estimates that for every dollar spent rendering care to Medicaid beneficiaries, hospitals receive 76 cents in reimbursement.

These shortfalls contribute to higher insurance costs for other recipients through cost-shifting.



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Our Health Behaviors and Lifestyles also Drive the High Cost of Care

- Nearly 40% of health care spending increases are caused by largely preventable diseases*
 - Cardiovascular disease
 - Cancer
 - Chronic lung disease
 - Diabetes
 - Mental health
- 75% of Maine residents die from the four leading preventable chronic diseases listed above.
- Maine has high rates of adult smoking, poor nutrition, and inactivity – all factors that contribute to chronic disease
 - 55% of adults are overweight
 - 38% of teens and 76% of adults do not exercise
 - Tobacco addiction is well above national average
 - High school substance abuse rate is higher than national average

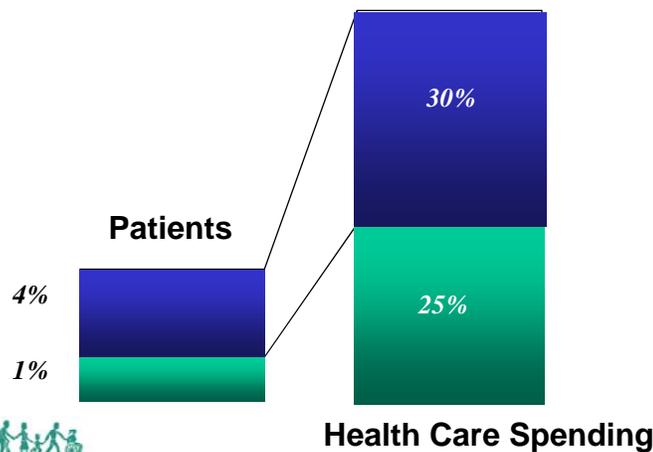


*Source: Thorpe, KE, et al. Which Medical Conditions Account for the Rise in Health Care Spending?. Health Affairs Web Exclusive, Aug, 2004.

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The greatest proportion of health care costs come from those with significant chronic illness

In our health care system a small proportion of patients account for the majority of health care cost



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http://www.healthweb.maine.gov/claims/healthcost/d

Most Visited Getting Started Maine Health Access Fo... Microsoft Outlook Web...

Maine Health Data Organizat...

Maine HealthCost

Maine Health Data Organizat...

Home Definitions/Methodology Statewide Prices Procedure Prices Providers/Procedure



MAINE HEALTH DATA ORGANIZATION'S HEALTHCOST

Welcome to the homepage of the Maine HealthCost website. This website has been developed by the Maine Health Data Organization in accordance with its mandate to produce reports related to health care facility and practitioner payments for services rendered to Maine residents. Select from the below choices to get started or you can read the methodology ([link](#)) to learn how the reports are generated.

[QUESTIONS OR COMMENTS?](#)

Please contact:
Maine Health Data Organization
Phone: 207-287-6722

[Statewide Procedure Payments](#)

[Procedure Payments for the Insured](#)

[Procedure Payments for the Uninsured](#)

Maine also has significant variations in cost that don't necessarily reflect better quality

<http://www.healthweb.maine.gov/claims/healthcost/default.aspx>

Colonoscopy Provider	Charge (Insured)	Charge (Uninsured)
Portland Endoscopy Center	\$1,033	\$1,365
Stephens Memorial Hospital	\$1,419	\$1,745
Northern Maine Ambulatory Endoscopy	\$1,274	\$2,000
Eastern Maine Medical Center	\$1,917	\$2,158
St. Joseph Hospital	\$2,250	\$2,603
York Hospital	\$2,286	\$2,748



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Legislative and Regulatory Requirements also add to the high cost of care

- Legislative and regulatory requirements placed on insurers and health benefit plans raise cost, particularly in the small group and individual market.
- The Maine Bureau of Insurance website lists all insurance mandates since 1975, and estimates the maximum cost as the % of premium for groups larger than 20 is:
 - 6.85% for indemnity (non-HMO) plans
 - 7.32% for HMO plans.

*from the 2009 BOI analysis of the impact of mandates:
<http://www.maine.gov/pfr/legislative/index.htm#insurance>*

Insurance administrative costs also add to the high cost of care in Maine

- Nationally, in the private health care market, Americans spend close to 24¢ of every health care dollar on overhead.
- In 2009, private insurance administrative expenses in Maine varied from a low of 7% to as high as 57% 2009 BOI data Percentage of premiums paid for administrative expense
- Administrative costs are lower in publicly-funded systems:
 - MaineCare's administrative cost is typically < 5%.
 - Estimates of Medicare administrative costs are approximately 2-3%.



Our health care system also lacks good consumer information. To lower costs, people must become engaged in their care, make better decisions, and help with strategies for cost containment



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How can legislators in Maine promote quality, safety, better patient engagement and contain costs?

- Improve our focus on wellness and prevention for our communities – *make it part of every discussion*. We can't get in front of health care costs until we start preventing illness.
- Keeping moving forward into the 21st century with health information technology to arm patients with information, improve quality, and reduce medical errors and administrative waste.



- Improve quality by providing evidence-based information to doctors, nurses, hospitals, insurance companies, and employers about higher quality, more effective care.
- Stop paying for unnecessary care by developing consensus guidelines for necessary care.



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How can legislators in Maine promote quality, safety, better patient engagement and contain costs?

- Support current payment reform efforts that bring better value for each dollar we spend. We need to reward health care organizations and providers for health and quality care – not volume of service.
- Promote programs that educate patients and providers about using less expensive, yet equally effective care options, and reduce the demand for services of marginal or no value.
- Bring down the silos between different care sectors (physical, mental, behavioral and oral health) so care is coordinated and integrated.
- Work to expand our insurance marketplace to attract new carriers. Put a moratorium on new mandates unless they are supported by science and are cost-effective.
- Work with the public so they think ahead about the kind of care they want, particularly at the end of their lives.

