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AS SEEN IN USA TODAY SEPTEMBER 2, 2005

Few solutions on horizon as health costs rise

Some experts lean toward putting focus on consumers

By Julie Appleby and Richard Wolf
USA TODAY

As Americans face growing health care expenses, Congress and state lawmakers say they're working to close the gap between prices and pocketbooks.

Despite the activity, skeptics say government's impact will be limited.

"There are lots of things on the table, but there's nothing that will have a significant impact on the rate of increase of health care costs," says Drew Altman of the Kaiser Family Foundation, a non-partisan research group in California.

Unlike the efforts of the 1970s and 1990s that included broad government mandates, most of today's prescriptions are intended to influence the private health marketplace by encouraging quality and giving consumers more choices.

"The health system in the country is

fundamentally broken," says former U.S. senator John Breaux, a moderate Democrat who has organized "Ceasefire on Health Care" forums that bring Republicans and Democrats together to work on solutions. For now, he says, only incremental steps are possible: "I don't think the Congress or the country is ready for wholesale change."

A USA TODAY/Kaiser Family Foundation/Harvard School of Public Health poll released Wednesday shows that 28% of Americans had trouble paying a medical bill in the past year. Of those, 62% had insurance.

More than one in three of those polled said the top reason for rising health care costs is the profits of insurers and drug companies. Nearly one in five cited medical malpractice awards, and 15% blamed greed and waste in the health care system.

Such sentiment will put pressure on lawmakers to act, says Robert Blendon, a professor and expert on public opinion research at Harvard.

"It affects a lot of families in the prime voting age," he says. While many factors have led to rising medical

costs — and the ones the public blames aren't always the biggest factors — few big solutions are on the horizon. Some of the smaller ones include:

► **Health savings accounts.** These tax-free accounts, which must be coupled with high-deductible health insurance policies, are now held by about 1 million Americans. Money in the accounts can be used to pay for medical expenses today or saved to cover medical expenses in retirement. By next year, the accounts are expected to be offered in almost every state and by 25% of big employers.

► **Preventing disease and rewarding quality care.** Medicare and private insurers are experimenting with "pay-for-performance" programs that reward doctors and hospitals for positive results. Other programs are aimed at helping doctors and patients manage chronic diseases without resorting to unnecessary care.

► **Information technology.** Both parties in Congress agree on the need to set standards and encourage the expansion of electronic record-keeping by doctors and hospitals. The issue even brought together Sen. Hillary

Presented by:



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Rodham Clinton, D-N.Y., and former Republican House speaker Newt Gingrich. Legislation could pass this fall.

Those and other efforts to work within the private health marketplace are viewed skeptically by some outside experts. "There's no way to control spending without making some tough choices," says Meredith Rosenthal, professor of health economics and policy at Harvard University. "The only way to slow it down is to say there are some things we're not going to pay for."

But the Bush administration and Republicans in Congress insist that such piecemeal efforts on cost can work. Rep. Phil Gingrey, R-Ga., an obstetrician-gynecologist, says the key is to involve consumers financially so that "they have skin in the game."

Rising health care costs have the attention of congressional leaders, including Republicans House Speaker Dennis Hastert and Senate Majority Leader Bill Frist. Hastert wants to let consumers cross state lines to purchase insurance policies. Frist wants to give tax deductions to purchasers of high-deductible policies.

"The system today is almost absent the basics of market forces," says Frist, a heart-transplant surgeon before coming to Congress.

The Bush administration favors a series of incremental changes that include tax credits as well as "pay-for-performance" and disease-management incentives.

"The challenge in policymaking is to take all the steps we can to help avoid unnecessary costs, to help people save money, to drive costs down wherever possible," says Mark McClellan, director of the Centers for Medicare & Medicaid Services. "That's the way to have both

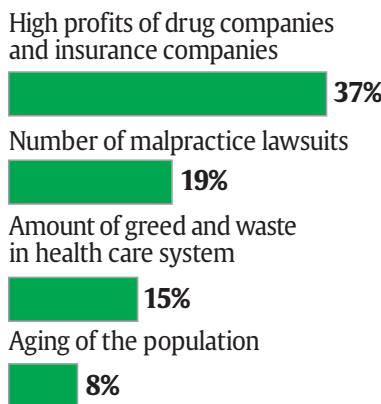
affordability and better and better health care."

Price controls to managed care

Despite the optimism of public officials, pessimists abound. Medical inflation has pushed insurance premiums into double-digit territory for much of the past four years. Health care spending growth is running at triple the rate of inflation. And a host of new, expensive biotech drugs are soon to hit the market.

Reasons for high costs

What survey respondents said they felt was the main reason for rising health care costs:



Source: USA TODAY/Kaiser Family Foundation/ Harvard School of Public Health Health Care Costs Survey

By Marcy E. Mullins, USA TODAY

Everything tried in the past, they say — from wage and price controls under President Nixon to managed care under President Clinton — has ultimately failed to stem costs.

"There have been temporary successes, but always health care costs have bounced back with a vengeance," Altman says.

Historically, lawmakers have been reluctant to embrace large-scale

changes. Presidents from Nixon to Clinton have tried to create some kind of national health care program, but all efforts have fallen victim to lobbying by labor groups, doctors or insurers.

For some American families, a national health program seems a good idea. Jeffrey Herchenroder, a high school teacher who lives near Albany, N.Y., says his middle-income family has good insurance but still struggles. Co-payments for prescriptions for himself, his wife, Cindy, and two children, run \$280 a month. He says people without insurance have it far worse.

"If we can pay for a war, we can pay for medical coverage," Herchenroder says. "I don't see any excuse for not having at least basic national health coverage."

Anthony Stout of Blackwell, Okla., has health insurance through his job, but it doesn't cover his wife or six children. His children are covered through a state Medicaid program, but his \$15-an-hour job as a journeyman mechanic provides too much income for his wife, Stacy, to qualify for Medicaid.

Stout says the government needs to take more action: "Why is it so expensive in America? It has to do with government paying too much or not regulating enough. Canada has a national health program. Why don't we do something like that?"

But critics of a national health care program say a Canadian-type health system is unlikely to occur in the USA. State efforts may occur, but federal ones are unlikely, says John Goodman, president of the National Center for Policy Analysis.

"Giving government control over the health system doesn't really solve problems, and it creates new

problems," he says. "The main problem is you have rationing by waiting. In Canada, the average wait for an MRI is three months. Here, you can get one in a shopping mall."

But proponents of a national health plan say it need not involve long waits for care and is the only way to guarantee all Americans access to care and protection from catastrophic costs. "National health insurance is no longer the best solution, it's the only solution: All other alternatives have been proven disastrous failures," says Quentin Young, national coordinator at Physicians for a National Health Program, a Chicago-based non-profit.

After Clinton failed to win approval for revamping the health care system in 1994, the nation turned to market forces to control costs. Managed care held down medical inflation for a while in the mid-'90s, but patients and lawmakers objected to some of the restrictions. Looser forms of managed care became more popular.

As cost-control measures ebbed, national spending on health care began to rise rapidly, jumping 11.3% from 2000 to 2001 before slowing slightly last year to an increase of 8.2% — still three times the rate of inflation. Insurance premiums paid by large employers for their workers jumped, too, rising more than 57% since 2000.

The bottom line is that costs will continue to rise so long as there are new drugs, new treatments and growing demand from aging baby boomers, says Alan Weil, president of the National Academy for State Health Policy. The goal, he says, should be to help people pay the higher costs for better care.

'A whole new set of strategies'

Others are more optimistic. Insurance-premium increases are coming down to single digits, says Karen Ignagni, president of America's Health Insurance Plans, and "we have a whole new set of strategies" to bring costs down further. Among them: reducing unnecessary imaging tests, such as MRIs and CAT scans, and encouraging greater use of generic drugs.

Health insurers are among those who say that educating Americans to be better consumers of health care will help control costs. Such efforts focus largely on allowing tax-free health savings accounts to be coupled with high-deductible policies. By paying more, the theory goes, workers will use health care more judiciously. Such plans come with at least a \$1,000 annual deductible for individuals and \$2,000 for families, meaning patients must themselves pay for care until reaching those limits.

A growing percentage of employers

say they will consider them, but health savings accounts remain less popular than insurance with smaller deductibles. The USA TODAY/Kaiser/Harvard poll found that 61% of people who have insurance through their jobs would rather pay \$50 to \$100 a month more to keep their current coverage than switch to a high-deductible policy.

Critics of health savings accounts say they won't really save much money and could mean that people, especially those with chronic illnesses, will put off needed medical care. The USA TODAY/Kaiser/Harvard poll found that households where someone had a chronic illness are far more likely to report being unable to pay a medical bill in the past year than those without.

Blendon, at Harvard, says such findings indicate that policymakers must be careful when designing high-deductible policies. Medications and other treatment for chronic conditions should be exempted from the annual deductible, he says.

"In the rush to have people pay more out of pocket, I don't think there's a recognition that we need to protect people with serious illness," Blendon says.

Few solutions on horizon as health costs rise

Objectives:

Students will:

- read the USA TODAY article, “Few solutions on horizon as health costs rise.”
- compare different types of health plans.
- determine which health plan provides the best coverage for a given family.
- understand the actual cost of paying for health care – including insurance, prescriptions and catastrophic events.

Concepts:

- consumer issues
- money management
- comparison
- health care
- responsibility

Preparation:

Read the article and lesson plan, and arrange students into pairs. If necessary, print out the required information from ehealthinsurance.com. (See activity instructions on the next page.)

Pre-reading questions:

Should the government provide health care for all citizens? Who provides people with health care now? What are the barriers to attaining health care? Is universal health care possible? Why is health care expensive (think malpractice insurance, cost of new drug development, etc.)? Is health insurance necessary?

Discussion:

After reading the article, clarify or amend your answers to the above questions.

Activity at a glance:

- Grade level: 9-12
- Subjects: Language arts, government
- Estimated time: 90 minutes

Materials:

- Reading: “Few solutions on horizon as health costs rise”
- Internet access (Or, the teacher can print and distribute the necessary information.)
- Copies of the “Health care worksheet” and “Family cards”

Few solutions on horizon as health costs rise

Activity:

1. Tell the class that each pair will be receiving a card with information about a fictional family. Their goal will be to find the best health care option for their assigned family. Pairs will use a graphic organizer and Internet research to compare different plans.

2. Give each pair a “family” card. Have students go to www.ehealth-insurance.com and enter the required information from their scenario. (Use the zip code for your area.) Then, they must select an HMO, PPO and Network plan to compare. (If students do not have access to the Internet, the teacher can print out three health plan selections and distribute them to pairs.)

3. Direct pairs to complete the health care plan worksheet. After, students should select the plan that seems best for their family and explain their choice in writing.

4. Finally, discuss the following questions:

- ▶ Did they choose the right plan for their family?
- ▶ If not, what plan would have been better? Why?
- ▶ What should consumers look for when selecting a health plan?
- ▶ Is health insurance necessary? How would your family have fared without it?

Additional resources:

Jump\$tart Coalition (www.jumpstart.org) is dedicated to preparing students for the future by teaching them about personal finance.

Read the National Coalition on Health Care’s article on health costs at www.nchc.org/facts/cost.shtml.

Peruse the Price Waterhouse Coopers report, Factors Fueling Rising Health Care Costs, at www.aahp.org/InternalLinks/PwCFinalReport.pdf.

Activity extensions:

Write an editorial about the most important health care issue facing the U.S.

What health care options does an 18-year-old have? How affordable are they? Have students go to www.eHealthInsurance.com and research quotes for individual health insurance. Have them modify the criteria for gender, smoking status, etc.

Family cards

Scenario 1

Father, non-smoker, born 7/18/1959
Mother, smoker, born 3/20/1964
Daughter, non-smoker, born 1/14/1994
Son, non-smoker, born 10/6/1998
Son, non-smoker, born 6/8/2002

Your employer covers half of your monthly health care premium. You have one prescription that you take monthly. (Your spouse is on two medications.) You have a child who has chronic ear infections – approximately seven a year (seven doctor visits and seven, one-time prescriptions). Another child has had strep throat twice this year (two doctor visits and two prescriptions). You and your family have all been to the doctor this year for a physical.

Scenario 2

Father, non-smoker, born 12/9/1970
Son, non-smoker, born 5/11/2000

Your company pays for 90% of your monthly premium. You and your child have gone in for an annual physical. You take two prescription drugs that must be refilled each month.

Scenario 3

Mother, non-smoker, born 2/23/1965
Daughter, non-smoker, born 6/2/1989
Daughter, non-smoker, born 9/19/1991

You have no health insurance and pay for your health care out of pocket. You live on a fixed income (i.e., you receive a check for the same amount every month). You take three prescription medications a day. Your younger daughter has asthma and has a prescription for an inhaler which is refilled monthly.

Scenario 4

Mother, smoker, born 3/15/1969
Son, smoker, born 8/22/1988
Daughter, non-smoker, born 6/9/1990
Daughter, non-smoker, born 4/30/1992
Son, non-smoker, born 11/7/1996

Your company pays two-thirds of your monthly health care premiums. You and your family have had a total of eight doctor visits this year and two, one-time only prescriptions. You have a total of four monthly prescriptions.

Family cards

Scenario 5

Father, non-smoker, born 10/10/1968
Mother, non-smoker, born 9/12/1972
Son, non-smoker, born 4/14/1997
Son, non-smoker, born 4/14/1997
Daughter, non-smoker, born 8/30/2000

Your company pays three-quarters of your monthly health care premiums. You and your family have been to the doctor a total of 10 times this year. Your family has filled six one-time prescriptions and has a total of two monthly prescriptions.

Scenario 6

Man, smoker, born 11/23/1984

You pay out-of-pocket for your medical care. You have been to the doctor three times this year. You have one monthly prescription.

Scenario 7

Woman, smoker, born 1/17/1948
Man, smoker, born 8/9/1945

Your employer pays for 80% of your total health care costs. Your family has been to the doctor five times this year. You have a total of two monthly prescriptions and have had two one-time prescriptions.

Scenario 8

Mother, non-smoker, born 5/8/1988
*Son, non-smoker, born 3/2/2005
*Add eight well-baby visits to your worksheet.

Your company pays for half your monthly health care premium. You and your family have been to the doctor 10 times this year. There are a total of five monthly prescription drugs that your family needs, and there have been four one-time prescriptions.

Family cards

Scenario 9

Father, non-smoker, born 12/7/1977
Daughter, non-smoker, born 11/7/2001

Your family pays for health insurance outright and has been to the doctor two times in the last 12 months. Your family has a total of two monthly prescriptions and has needed no other medicine this year.

Scenario 10

Woman, non-smoker, born 9/9/1980

Your employer pays for 60% of your monthly insurance premium. You have been to the doctor 10 times this year. You have one monthly prescription and have had two one-time only prescriptions in the last 12 months.

Health care worksheet

Directions: Complete the following worksheet. Use information from your health care scenario and www.ehealthinsurance.com.

	HMO	PPO	Network
1. What is your estimated monthly payment?			
2. How much will this health plan cost each year? (Multiply monthly fee by 12.)			
3. How much of this cost will your employer pay?			
4. What is the total cost to you? (Deduct line 3 from line 2.)			
5. What is the deductible? (If there is an individual deductible, multiply it by the number of people in your family.)			
6. How much do prescription drugs cost?			
7. Judging from your scenario, how much will you spend on prescription drugs in an average year?			
8. What is your co-payment?			
9. Multiply your co-payment by the number of doctor visits your family has made this year.			
10. What is the out-of-pocket maximum you will have to pay each year?			
11. Does the company impose a lifetime limit on plan participants? If so, what is it?			
12. Which plan would work best for you? Explain your choice in writing. (Continue your answer on the back, if necessary.)			