

Testimony

**Before the
Subcommittee on Employer-Employee Relations
Committee on Education and the Workforce**

U.S. House of Representatives

**The Rising Cost of Health Care:
How Are Employers and Employees Responding**

June 18, 2002

By

**Carol Miller
HCR 65 Box 98
Ojo Sarco, New Mexico 87521**

Mr. Chairman and Members of the Committee,

Thank you very much for inviting me to testify about how the rising costs of health care are affecting both employers and employees. You are to be commended for taking action on this issue of critical importance to tens of millions of hard working Americans who are counting on you. We look forward to the Congress providing leadership to assure that health insurance coverage not only remains available and affordable to those who are currently covered, but that millions of uninsured and underinsured workers will be also have access to affordable health insurance.

Although I have previously worked in the health care field, my current work is focused on broader issues, primarily the inter-relationship between community economies, education, health status and health services in the smallest and most isolated rural communities, the enduring American frontier.

Communities With Low Rates of Insurance Are In Crisis

I am here today speaking as a consumer very concerned with the changing face of employment in the United States and how those changes impact employment-based benefits. Because this issue affects my family in a very personal way, I have done my best to become well-informed on the issue not only as a professional, but as an informed consumer.

I live in Rio Arriba County New Mexico which has one of the highest rates of uninsurance in the United States. While New Mexico hovers between 22 and 30 percent uninsured, Rio Arriba, depending on the study, is somewhere between 46 and 60% uninsured. This impacts the behaviors of my neighbors, most of whom do not access even the most minimal level of services most Americans take for granted.

Weekends in northern New Mexico are filled with car washes, enchilada dinners, pancake breakfasts, and the buying and selling of raffle tickets to raise money for neighbors needing help paying for cancer or other medical care for members of their family. Donation jars with a photo of a sick child and a plea for donations are a familiar sight at gas stations and local stores. I believe my community is not alone in coming together in these informal ways to help pay for life-and-death health services. In almost every case, at least one parent of these children is employed, and often at more than one job, trying to support their family.

This is not an acceptable way to pay for health services in this great nation. While people are as generous as possible and want to help, it is always too little, too late. We need systemic improvements to guarantee access to health coverage by working people.

Uninsured Americans Work

Research by the Commonwealth Fund documented that most uninsured people are employed. This study found that 19 million full-time workers (16.4% of all full-time workers) are uninsured and 5.2 million part-time workers (22.4% of all part-time

workers) are uninsured. (Commonwealth Fund, March 2000) Census data tells us that people in certain occupation groups are most likely to be uninsured with agriculture, construction, and household services leading and the next tier including retail, repair services, personal services, entertainment, forestry and fisheries (CPS, Census Bureau).

Three of these occupational groups are primarily located in rural areas, agriculture, forestry and fisheries, which contributes to the high rate of rural uninsurance. These are not only rural occupations, but are all also seasonal which doubles the risk that workers in these industries will be uninsured. In this spring of tremendous forest fires, including one which burned within five miles of my community, it is important to note that most of the brave men and women hacking fire breaks around the flames are seasonal employees and do not have year round health insurance coverage for themselves and their families.

Affordable Health Insurance Is Good for Business

As you know, the US system of health insurance developed as an employment based system during and immediately after World War II. The costs of providing this insurance have grown tremendously and small employers who provide insurance benefits to their employees are struggling to continue to provide the benefit. A recent study by the Employee Benefit Research Institute (EBRI) learned that for small firms:

"offering health benefits helps with recruitment and retention, and keeps workers healthy, which ultimately reduces absenteeism and increases productivity. ... there is real business value in providing health care coverage to their workers."
(Fronstin and Helman, EBRI, 2000)

Sixty-five percent of workers in a recent survey rated health benefits as the most important employee benefit. (Salisbury and Ostuw, EBRI, 2000)

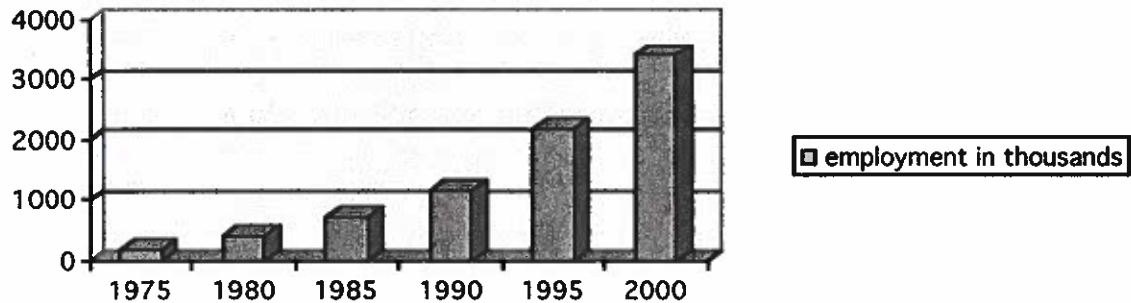
Increasing Costs of Health Insurance Transform the Workplace

One way that employers have responded to the rising costs of health insurance is to change the structure of the workforce as demonstrated by the dramatic rise in the use of temporary workers since the 1980's. In 1980, less than 500,000 people worked as temps every day. Since then, the number has doubled several times. Through the 1980's, employment growth in the temporary help industry grew annually by 20%. For the last seven years annual growth has remained high at 10%. Why? The answer is obviously complex, but one significant factor has been the rising costs of health care and health insurance. Using temps allows companies to avoid the costs of benefits. Although many temp agencies claim to offer benefits, there is little data on how many of their employees actually receive those benefits. Anecdotal evidence suggests that very few do.

Prior to the 1980's temps were used mostly on an ad-hoc basis. Then, more and more companies started to plan for the "strategic" use of temps, meaning that they budgeted to use temps to cover a portion of their normal workload. This represents a significant change in "workplace culture" from just a generation ago. As employers respond to the rising costs of maintaining a workforce, and health costs are a big part of the increased

costs, a consistently growing percentage of the American workforce is experiencing less job security and fewer employee benefits, including health insurance, pensions, paid vacations and sick leave.

Growth of Temporary Workers, Average Daily Employees 1975-2000



Sources: US Bureau of Labor Statistics (prior to 1990) and National Association of Temporary and Staffing Services (after 1990)..

Refundable Tax Credits Won't Work for Most of the Uninsured

Another idea being debated in the Congress is the provision of refundable tax credits to individuals who buy their own health insurance. These tax credits will not solve the problem of uninsurance and underinsurance because even if these tax credits were initially high enough to purchase insurance, it is unlikely that the credits would increase at the same rate as the annual increase in the cost of insurance. In many insurance markets, an individual policy is around \$500 a month (\$6000 a year) and much more for family coverage. I doubt the Congress will provide a tax credit sufficient to cover that cost when other existing federal programs are already providing access and/or coverage at a lower pre capita annual cost.

Health Insurance Needlessly Complicated, Public Can't Understand Their Benefits

Excerpts from a number of recent policy statements from the Employee Benefit Research Institute show that public has low confidence in their long term access to health care.

While business hopes to turn more decision-making power over to empowered consumers, the data shows that consumers do not even know what type of health plan they are currently enrolled in. Understanding the differences in coverage, enrollment options and the financial consequences of the wrong decision are INCOMPREHENSIBLE TO THE ESTIMATED 42 TO 90.MILLION AMERICANS WITH LOW FUNCTIONAL ILLITERACY. (EBRI, Issue Brief, January 2002.)

This is demonstrated by a stunning finding by EBRI:

While most Americans (93 percent of individuals with employment-based insurance, 14 percent with Medicare and 54 percent with Medicaid are actually enrolled in a type of

managed care, 58 percent claim that they have never been in a managed care plan. (EBRI, *Notes*, February 2002.)

Actuaries agree that significant premium savings cannot be achieved through minor cost sharing increases. The RAND Health Insurance Experiment demonstrated that significant cost-sharing does substantially reduce inappropriate utilization - however it also reduces appropriate utilization which leads to increased costs.

Comprehensive health insurance is essential for the 125 million Americans who have chronic illnesses. Cuts in benefits to these groups has the potential to lead to delay care which leads to higher future costs and too heavily weights short term savings. (EBRI, April 2002.)

Although 52% of Americans who receive their health insurance through an employment-based plan are extremely or very satisfied with their plan, confidence in the employment-based health insurance system is at an all time low. Sixty-six percent of Americans are not confident that they will be able to get the treatments they need over the next 10 years. (EBRI, Health Confidence Survey Results, February 2002.)

Under-Insurance: The Leading Cause of Personal Bankruptcies

Nearly half of all personal bankruptcies are caused by health problems or a large medical debt - even though 79% of the families filing for bankruptcy had at least some health insurance coverage. This staggering statistic provides some indication of the high failure rate of the current insurance system to cover a catastrophic illness. The numbers are quite large; 326,000 families identified illness/injury as the main cause of bankruptcy and an additional 270,000 had large medical debts at the time of bankruptcy. (Norton's Bankruptcy Advisor, May 2000)

This should provide a cautionary note against reducing the costs of health insurance to employers by shifting even more of the costs to employees. The unintended consequences of more cost shifting to employees will hurt both the health of the employees and the health of the economy which is hurt by bankruptcies.

No Health Insurance: A Health Hazard

Last month, the Institute of Medicine (IOM) released *Care Without Coverage: Too Little, Too Late*, a groundbreaking report which for the first time documented that people without health insurance are sicker and die earlier than people with insurance. The IOM Committee on the Consequences of Uninsurance reviewed 130 research studies which compared health status and outcomes of working age adults with and without health insurance. The clear results of each of the studies was similar, lack of health insurance is a serious health risk. There are approximately 30 million working-age adults without health insurance.

The IOM study identified four primary causes of the uninsurance health risk. Adults without health insurance:

- Receive less frequent or no cancer screening, resulting in delayed diagnosis and treatment and premature mortality for cancer patients. For example, uninsured women with breast cancer have a 30 - 50 percent higher risk of dying than women with private health insurance.
- Go without care that meets professionally recommended standards for managing chronic diseases, like timely eye and foot exams to prevent blindness and amputations in persons with diabetes.
- Lack regular access to medications needed to manage conditions like hypertension or HIV infection.
- Obtain fewer diagnostic and treatment services after a traumatic injury or a heart attack, resulting in an increased risk of death even when in the hospital.

(Care Without Coverage: Too Little, Too Late, IOM, May 2002)

Congressional action is needed now to end the downward spiral of more people without health insurance which leads to more sick people with higher health care costs which leads to more increases in the cost of health insurance which leads to even more people without insurance and on and on.

Insuring all Americans will be good for the economy and that will be good for employers and for employees.

Thank you again. I will be happy to answer any questions you have.