



The Advocate

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A newsletter on children's issues

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Calendar of Events

Events relating to helping children are available at: www.tennessee.gov/tccy/webcalen.pdf.

TCCY

For more information on the Tennessee Commission on Children and Youth and its programs, check out the website at: www.tn.gov/tccy.

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U.S. Health Care System

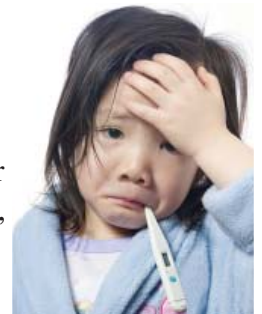
In the past 50 years, the United States has built a series of modern networks essential to our economy and our quality of life – our power grid, phone systems, water systems, interstate highways and the Internet. With health care coverage, however, we are stuck in the 1940s, because we never built a modern health care infrastructure to cover everyone.

What we have is the equivalent of scattered wells, individual generators and county roads, no system for making sure all people have health coverage.

Experts feel the U.S. health care system is unstable because of what they call the *missing pillars* problem. Insured people are the pillars who hold up the health care system, by paying for health care. People without insurance still use the health care system, but they are the missing pillars – not paying regularly and not helping support the system. Tens of millions of missing pillars are threatening the stability of the health care system.

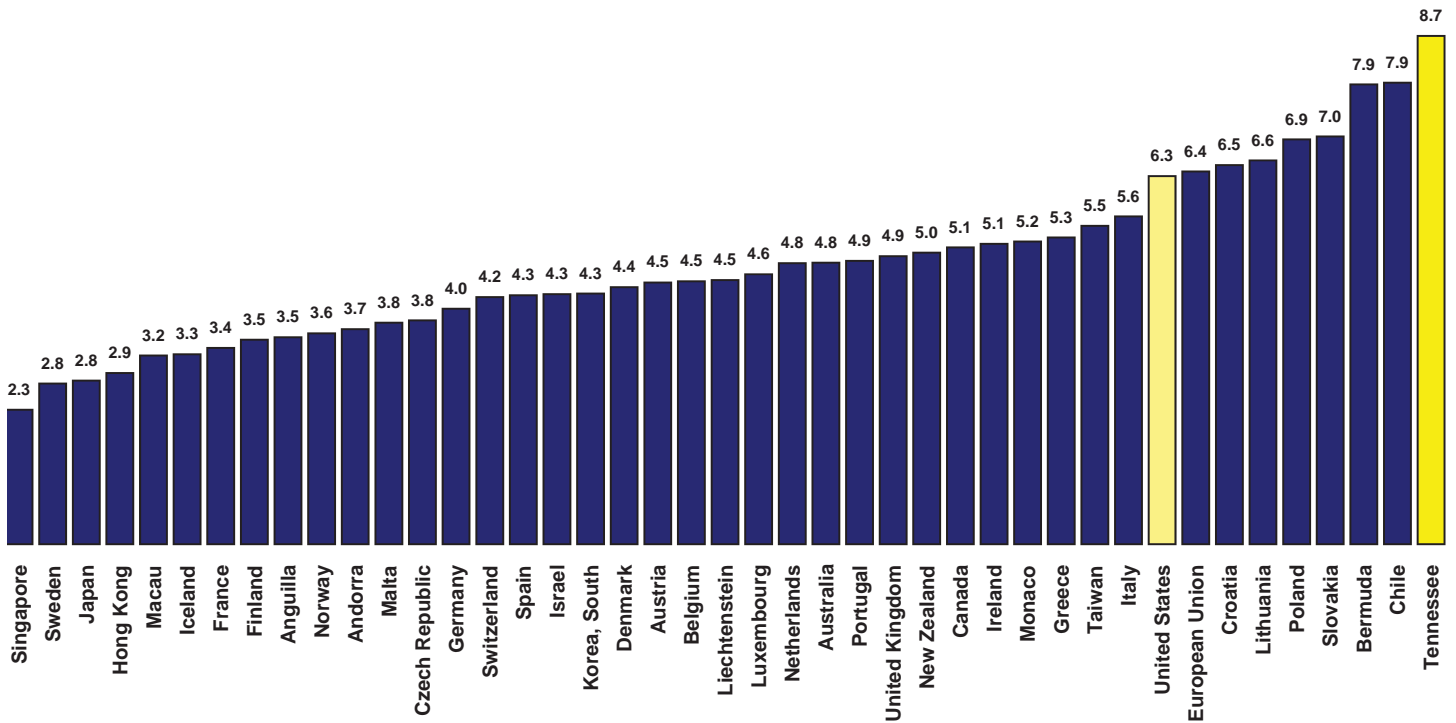
Health care reform in America requires solutions to get everyone to participate in the health care system, which will make health care more efficient and affordable for all of us. **Now is the time for the private sector to come together with the public sector in a common vision to address this problem and protect our nation's shared quality of life.**

The Tennessee Commission on Children and Youth supports health care reform legislation that assures coverage to all Americans, especially children and their families. We celebrate recent efforts to increase the number of children with insurance coverage through reauthorization of the Children's Health Insurance Program (CHIP), but way too many children (over 152,000 or 8 percent of all Tennessee children) are still without coverage, diminishing their quality of life and ability to learn and grow into productive citizens.



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Tennessee Infant Mortality Rates Compared to the World



Source: CIA World Factbook, 2008 estimates. Tennessee rate is from Tennessee Department of Health and a 2006 estimate. Rate is per 1,000 live births.

TCCY supports health care reform that:

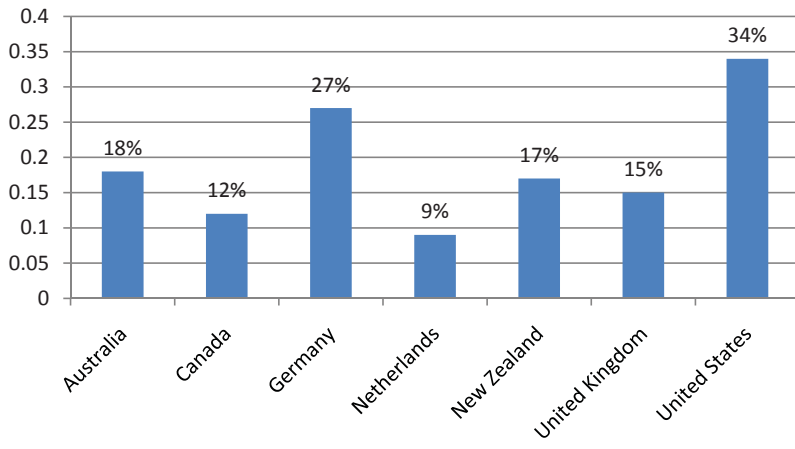
- Assures all children and their caregivers have access to essential health care services at an affordable rate based on ability to pay;
- Provides simplified enrollment processes, including joint applications whenever feasible, presumptive eligibility and easy enrollment and reapplication;
- Assures children in all health care programs are provided early and periodic screening, diagnosis and treatment to ameliorate problems identified;
- Ensures recent gains made in children’s health care access are maintained;
- Encourages preventative medicine to ensure time is not lost or pain and suffering increased due to unnecessary illness;
- Utilizes best practices to assure optimum health care outcomes and prevent waste;
- Encourages more cooperation among providers to eliminate gaps and overlaps in health care provision, reduce waste and provide best practice health care services;
- Allows consumers choices of providers and the ability to continue to receive services from their current health care providers;
- Limits total out of pocket spending.

TCCY also signed on to a statement by First Focus identifying critical elements of health reform:

- Do No Harm to Children by keeping the benefits and cost-sharing protections they already have under Medicaid and CHIP.
- Preserve Medicaid including Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) services. Medicaid and CHIP go beyond commercial plans in meeting the unique needs of low-income children and

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Percent Rating Health Care System in Need of Complete Rebuilding



Source: 2007 Commonwealth Fund International Health Policy Survey.

children with special health needs; however, improving payment rates for Medicaid providers is an essential part of preserving this vital program.

- **Insure All Children.** Six million children are eligible but not enrolled in public health coverage, in part because of bureaucratic barriers. Simplifying enrollment would be the best first step toward ensuring the lowest-income children are covered.
- **Cover Kids from Head to Toe,** including preventive services, medical care, and oral and mental health benefits.

Additionally, a health care system should include coverage of **home visiting programs**, which improve child health and social-emotional and physical development.

Additional information about health reform and children is available from www.voices.org/pages/page.asp?page_id=23054, www.voices.org/uploads/healthcare_materials.doc.

The Tennessee Commission on Children and Youth
Cindy Durham, Chair
Nashville

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Joshua Conner Nashville	Carlton Lewis Nashville
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Joe Fowlkes Pulaski	James Roland Reid Brownsville
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U.S. Rank Among Highly Developed Nations

Ranks Are Comparisons with Member States Who Have Reported Information

Indicator	U.S Rank 2006	US Rate/Number	OECD Average Rate/Number	Tennessee Data
Doctors per 1,000 Population ↑	22	2.42	3.07	2.42
Life Expectancy from Birth ↑	24	76.7	79.8	75.8
Life Expectancy from age 65, females ↑	17	20.3	20.2	
Life Expectancy from age 65, males ↑	13	17.0	16.8	
Infant Mortality, 2006 ↓	27	6.7	5.1* 4.1**	8.7
PYLL***, Females, 2005 ↓	22 (of 24 reporting)	3,633	2,641	
PYLL***, Males, 2005 ↓	20 (of 24 reporting)	6,291	5,003	
Total Hospital Beds per 1,000 Population ↑	25	3.2	5.5	3.3
Doctor's Consultations per capita ↑	19	3.8	6.8	

Organisation for Economic Cooperation and Development; Data was most complete in year 2006.

*Averages are skewed by high rates in Mexico (16.2) and Turkey (22.3)

**Average without Mexico, Turkey

***Potential Years of Lives Lost due to premature death prior to age 70.

↑ Higher number is better; rankings start with lowest.

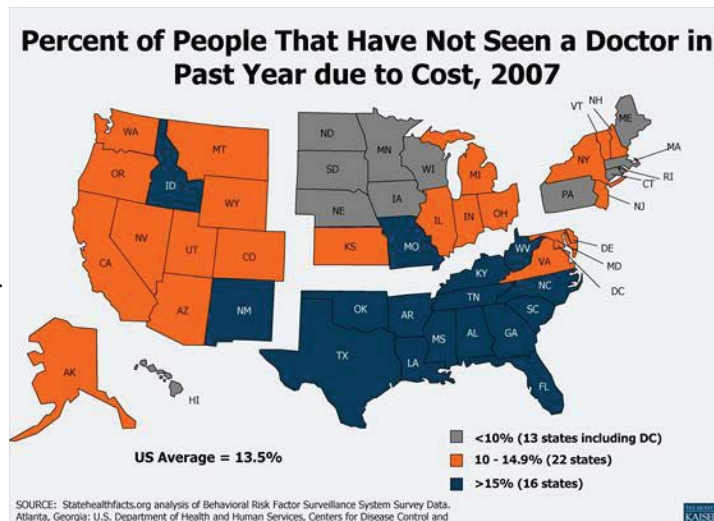
↓ Lower number is better; rankings start with highest.

Tennessee data obtained from the Tennessee Department of Health.

Economy, Communities and Families Undermined by Missing Pillars

Few concepts are more highly valued by U.S. citizens than fairness and equality. In no system are these more lacking than in health care.

- Some are born to mothers who had access to quality health care services prior to becoming pregnant and during their pregnancy. Others are born to mothers with long-term lack of access, or mothers who have lost their jobs and health care.
- Some work in industries and government where employees routinely get health care benefits; others work just as hard in small businesses, retail, service industries and food service but are not provided health care benefits.
- A child can qualify for Medicaid and SCHIP in some states and not qualify in others, as different states have different eligibility requirements.
- Employees of large national firms and government receive health care insurance purchased more cheaply because of the large numbers of people in their groups; employees and owners of small businesses, and the self-employed are either unable to purchase insurance or are charged high rates.



The United States has everything necessary to have the number one health care program in the world: highly skilled providers; excellent training programs; ongoing, ground-breaking research; the largest economy; and the next to the largest income per capita. However, U.S. citizens are not equally benefiting from these advances. **A child born in the United States in 2006 is projected to live a shorter life than people in at least 28 other countries.**

The uneven availability of health care coverage in the United States has resulted in public health measures comparing unfavorably with the rest of the developed world.

- **America's infant mortality rate, according the Human Development Index, was 30th in the world based on 2006 numbers.**
- The Human Development Index **mortality rate for children under age 5 in the United States was worse than in 23 other countries.** Males born today are more likely to live to age 65 in 41 other countries; females are more likely to reach this age in 35 other countries.
- The Organization of Economic Development and Cooperation (made up of 30 countries) collects information from its member states. The 2006 figures show, out of 30 OECD nations, the United States ranked 24th in life expectancy at birth. **Out of the 70 most developed nations in the world, as reported in the Human Development Index, the United States life expectancy is ranked 28th.**
- In 2000, the **World Health Organization ranked the U.S. health care system 37 out of its 191 member nations**, based on health, responsiveness and fairness. Researchers followed up in 2008 by comparing 19 nations on "amenable mortality," or early deaths that would be prevented by timely and effective health care, and ranked the United States worst (Nolte & McKee, 2008).

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Undermined

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This country's poor health standing cannot be explained by our health habits. **The United States had the second lowest percentage of smokers among the 20 OECD states supplying information in 2006.** It shares a ranking of 8 of 23 countries, with alcohol consumption below the OECD average. However, of only 14 countries reporting obesity rates in 2006, the United States had the highest percentage of overweight or obese citizens.

U.S. Pays More Than Any Other Country in the World

On every major measure of health care spending, the United States spends more than any other country.

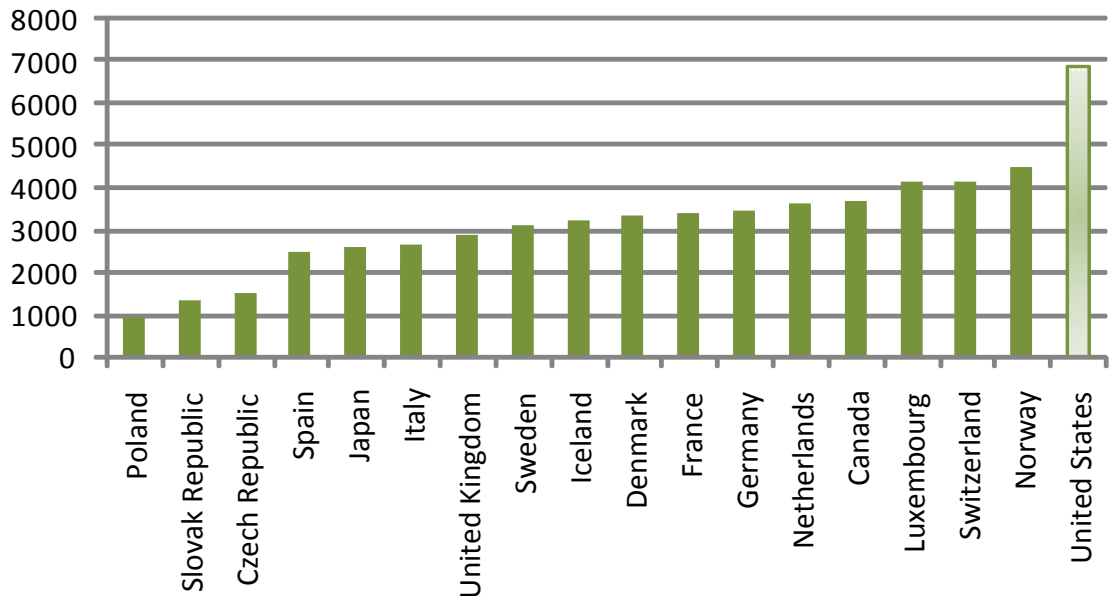
It spends more annually (more than \$2 trillion), more on spending as a percent of gross domestic product (16 percent compared to an OECD average of 12 percent) and more when divided by every citizen of the United States.

Total per capita health care costs in the United States were \$6,933

in 2006 and rose to \$7,290 in 2007. U.S. health care costs, despite some slowing, increased at a faster rate than inflation. In fact the Centers for Medicare and Medicaid predicted health care costs in the United States would double between 2008 and 2017 (IOM, America's Uninsured Crisis). Countries with universal health care systems have built in cost savings, so the average cost of the European, British Commonwealth and highly industrialized Asian countries was less than half that of the United States. The federal government in the United States already provides care for the costliest users of health services: the elderly and disabled. Adding the uninsured, who are mostly young adults and children, would add those who typically use fewer services.

In Tennessee, the government pays 45 percent of current health care costs and for the health care for 31 percent, or nearly one-third of the state's citizens (larger than the national percentage of one fourth). Most were served by Medicare and Medicaid, which were first introduced in 1965 and expanded to cover disabled adults in 1972. The percentage of Tennesseans receiving health care services from the government as members of the military and military retirees and their families is more than twice that of the national average.

2006 Total Expenditure on Health Per Capita US\$ Purchasing Power Parity



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Problems with the U.S. Health Care System

A majority of the respondents to the latest Commonwealth Fund Survey (82 percent) thought the U.S. health care system needed fundamental changes or to be totally rebuilt.

While the majority of Americans have health care coverage, the 16 percent of the population who do not contribute to the nation's low public health outcomes.

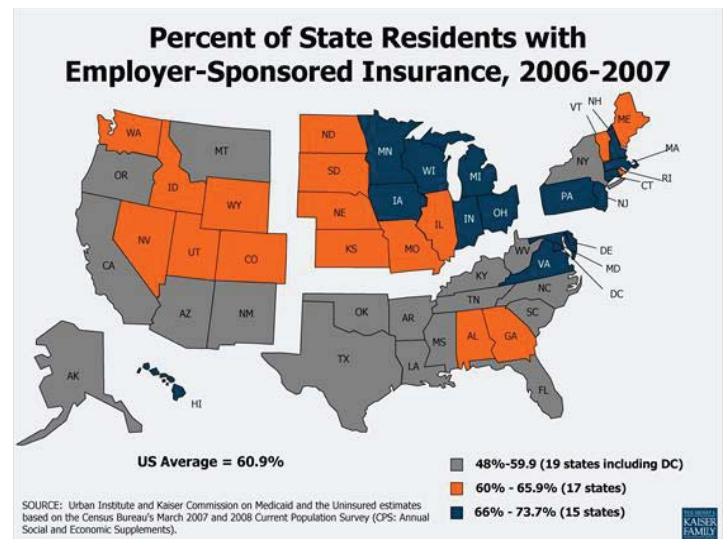
According to the Tennessee Department of Health, mothers who do not get prenatal care until late in their pregnancies are twice as likely to have children who fail to live to their first birthday.

Sixty-three percent of the non-elderly population has health insurance coverage from their employers. As costs have increased, employers have dropped coverage or, increasingly, shifted some of the costs of health-care provision to employees as higher premiums and co-pays and reductions in services. **Premiums for residents of Tennessee have risen 77 percent** since 2000, according to the U.S. Department of Health and Human Services (HHS, 2009). **The percent of Tennesseans with employer coverage declined from 62 percent to 54 percent between 2000 and 2007**, according to the HHS.

Uninsured Americans. According to the Census Bureau Current Population Survey, 45.7 million of Americans (15.3 percent) were estimated to be uninsured for the entire year in 2007. However, according to a 2009 study of Census data by Families USA, **up to a third of non-elderly Americans went without insurance for part of 2007-08.** Four out of five of these people were from families where someone was working, and more than a third had at least one family member employed full-time.

Uninsured people still seek health care services when they become very sick. According to a national Institute of Medicine (IOM) report, **in 2008 health care services to the uninsured cost \$86 billion. Uninsured patients paid 37 percent of the cost** of the health care they received or \$30 billion (often paying higher fees than insurers do). The IOM reported:

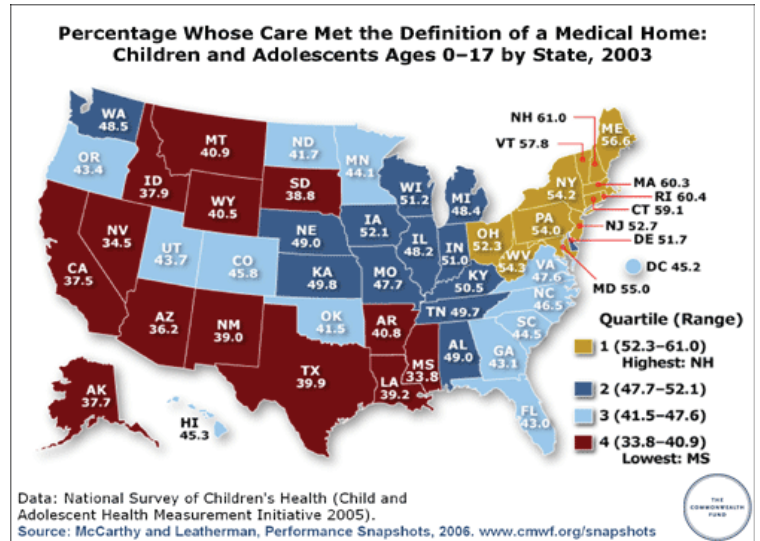
When local rates of uninsurance are relatively high, insured adults are more likely to have difficulties obtaining needed health care



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and physicians may be more likely to believe that they are unable to make clinical decisions in the best interest of the patient without losing income (IOM, 2009, page 9).

The Institute of Medicine analyzed national survey information to determine the increased risk of death due to a lack of insurance. Based on this analysis, the Urban Institute **estimated 22,000 people died in 2006 because they lacked health insurance.** Commonwealth Fund researchers compared the U.S. amendable mortality rate to that of the other countries, finding 101,000 more Americans would still be alive if U.S. rates equaled that of the highest ranked countries.



The high number of uninsured Americans means nearly one in every seven people does not have regular access to a “medical home,” and does not receive consistent services from a providers who see them as whole people. Without this, they do not receive prevention services and counseling and support to encourage healthier lifestyles.

Underinsurance results when available health care coverage fails to protect the insured. People may discover they are not covered for the treatments they need or that their share of the costs of these services is too high.

A 2007 survey by the Consumer’s Union found 29 percent of the population with coverage so insufficient they had delayed getting services because of the cost. Forty-three percent of people with insurance were unprepared to deal with an expensive medical crisis. According to Families USA, in 2008, 13.5 million insured Americans spent more than a fourth of their family income on health care.

Interconnectedness

As we shop in the mall, cross the street, eat at restaurants, we are surrounded by people who may be suffering from untreated illnesses, including communicable ones. The Center for American Progress reported 86 percent of food service workers did not have sick leave, and the Bureau of Labor Statistics’ most recent information found only 54 percent of Southern workers got sick leave.

The Commonwealth Fund survey found 25 percent of U.S. citizens responding had failed to see a doctor when ill because of the cost. A similar percent had failed to get needed medical tests, treatment or medication for the same reason.

More than one-third (37 percent) of the cost of care provided to the uninsured was “uncompensated care” and shifted to insurers. In 2008, the uninsured received \$116 billion in medical care. In addition to the 37 percent paid by the patient, 26 percent was paid by third parties. According to Families USA, **uncompensated care is tacked to the premiums paid by insured individuals at a rate of \$1,017 nationally (\$900 in Tennessee, according to HHS) by those with family coverage and \$368 for individual insured people.**

The Economy And Health Care Reform

Our economy is based on a simple process. Workers sell their labor to employers who use it to create a product, which is then sold. All players try to get the best deal for themselves. In a perfect world workers would be working where they could be most productive. Health care in America distorts the picture in several ways.

U.S. Workers Burdened by Health Care Problems.

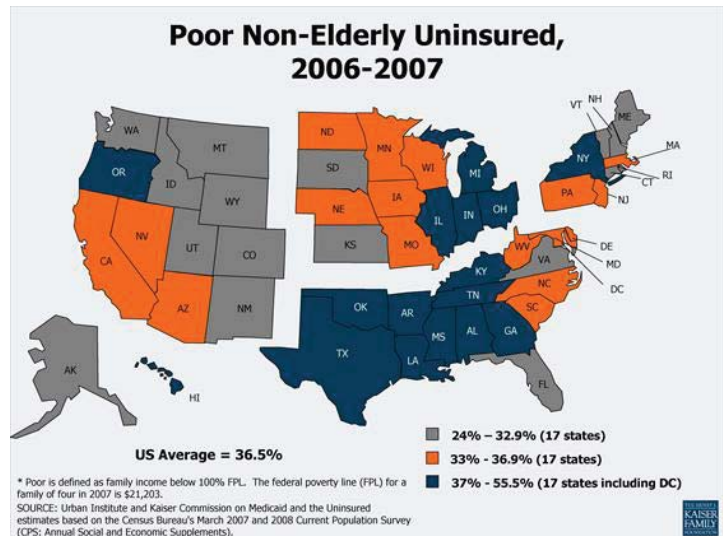
Most people (90 percent) who have private insurance get it through their workplaces (Gruber & Madrian, NBER, 2002). Sick people need more health care services, so it is in the best interests of insurers to limit the number of sick people they serve. One way of doing this is to deny coverage and services to people already sick, with “pre-existing conditions.” People in this situation know all or part of their medical bills will not be covered by the benefit package at a new job.

Workers in America experience “**job lock**,” caused by an inability to move to “better” higher paying, more compatible jobs where they might be more effective. Some researchers have found women are more likely to be locked into work. Others continue to work when **retirement** might be desirable, because they would no longer qualify for employer supplied health care coverage and will be unable to get Medicare until age 65. Again, women have traditionally been disadvantaged. Women, who have been less likely to have paid employment and were often covered as dependents on their husband’s policies, lose coverage if their husbands die before they themselves qualify for Medicare.

Laws intended to make sure companies do not just cover their higher level employees allow them to withhold benefits from part-time employees and temporary workers. This discourages companies from hiring full-time, permanent staff, thus creating a less stable workforce. Inequities worsen, since the part-time positions are also poorly paid. On the other hand, workers who would prefer to work part-time must take full-time positions to get health care benefits. When the primary wage earner in a family does not have insurance, a secondary wage earner may take or continue a job to obtain health care. An extensive review of the research found health insurance played an important role in job mobility (Gruber & Madrian, 2002).

U.S Firms Burdened by Health Care Costs. In a **global economy**, U.S. firms compete against firms in countries with universal health care. In the United States health care is a business cost, which must be included in the pricing of our products. Employers pay \$532 billion, one fourth of all U.S. health care costs, for employee premiums (Bivens, Gould & Hertel-Fernandez, 2009). **Health care and pension costs make up 15 percent of personnel costs, and U.S. firms pay more than two times as much for health care benefits as do their competitors** (New America Foundation, 2008).

The Bureau of Labor Statistics reported in June 2009 the average cost for health insurance benefits was \$2.00 per hour worked in private industry, twice the 1999 cost per hour. Health benefit costs per hour for goods-producing businesses were a third larger than for service industries. Health insurance costs were \$3.03 per hour (9.5 percent of total compensation) for manufacturing workers.



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In 2006, the National Association of Manufactures identified increasing health care costs as a significant problem for American industry. Toyota's decision to place a new auto plant in Ontario was credited to Canada's universal health system, where its health care costs were less than than

Medical Causes of Bankruptcy 2007	
Debtor said medical bills were reason for bankruptcy	29.0%
Medical bills >\$5,000 or >10% of annual family income	35.7%
Mortgaged home to pay medical bills	5.7%
Medical bill problems (and of the above 3	57.1%
Debtor or spouse lost ≥ 2 weeks of income due to illness or became completely disabled	38.2%
Debtor or spouse lost ≥ 2 weeks of income to care for ill family member	6.8%
Income loss due to illness (Either of previous 2)	40.3%
Debtor said medical problem of self or spouse was reason for bankruptcy	32.1%
Debtor said medical problem of other family member was reason for bankruptcy	10.8%
Any of the above	62.1%

Source: The American Journal of Medicine, 2009

10 percent of what they would have been in the United States. The Canadian Industry minister said Canadian wages were \$4 to \$5 cheaper per hour, predominately because of lower health benefit costs. The head of Ontario's provincial government said, **“And it's the place to be for investors looking for stable, predictable business costs, free from the spiraling health costs plaguing many parts of the world”** (*Business Facilities*, 2005).

Small Businesses Especially Burdened. Small businesses find it difficult to purchase the health care coverage they need to recruit and keep good employees because they are so small. The cost of insurance is higher in small firms. Larger employers can negotiate for better rates and services with insurance companies because their size provides economies of scale and a large enough pool of healthy workers to balance out the sick ones. Administrative costs are larger for smaller businesses (Bivens, 2009). **The United States has the second lowest percentage of self-employed workers, and the lowest shares of employment in small manufacturing, high tech, research and development businesses of 22 highly developed nations** (Schmitt & Lane, 2009).

Small businesses make up 67 percent of Tennessee businesses, but only 37 percent (4 percent less than in 2000) offered health insurance in 2007, according to the U.S. Department of Health and Human Services (2009).

Effect of Medical Costs on Personal Finances. A 2007 first-ever survey of people in five states who had filed for bankruptcy found illness and medical costs contributed to 62 percent of filings. The majority of these people had medical debts of over 10 percent of pretax family income or \$5,000. The others had either lost significant income because of illness or mortgaged a home to pay medical bills. Twenty-nine percent of low- and middle-income families with credit card debt, had used the cards to spread out payments for medical treatment. Most of the filers, 78 percent, had health care coverage at the start of their problems (Himmelstein, 2009).

Medical Tourism. The United States has a medical tourism trade deficit. Nearly twice as many U.S. citizens (750,000) travel to other countries (most notably Mexico, but also Canada, Brazil and others) **for cheaper, high quality health care as come from other countries to purchase health care from the United States** (400,000), according to the Deloitte Center for Health Solutions (Keckley & Underwood, 2008). The report estimated U.S. citizens spent \$2.1 billion purchasing health services in other countries in 2008, but that this represented \$15.9 billion in lost revenues to the United States. Mexico does not have universal health care access, but hospitals meeting American standards have been built to serve Americans. Internationally, medical tourism was estimated to be a \$60 billion business. The report estimated the number of Americans seeking

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Economy

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medical care outside the United States would rise to 6 million in 2010 because of high out-of-pocket costs, high number of uninsured and health coverage cost cutting and shifting.

Estimates of the Effect of Medical Tourism

	2007	2008	2009	2010
Number of US Medical Tourists	750,000	1,500,000	3,000,000	6,000,000
Yearly Growth	100%	100%	100%	100%
Actual Costs of Services	\$2.1 billion	\$4.4 billion	\$9 billion	\$13.9 billion
Money Lost to US Health Care Providers	\$15.9 billion	\$32.8 billion	\$67.7 billion	\$104.5 billion

Source: Deloitte Center for Health Solutions, 2008

Other Issues

An unsettling reality with the disorganized U.S. system is that the uninsured pay more for services than insurance companies do. A 60 Minutes program found a man who was billed nearly a quarter of a million dollars for services for which the hospital would have charged insurance companies only \$50,000. A *Health Affairs* (Anderson, 2008) study found the uninsured paid two and half times the costs charged to insurance companies and three times the cost to Medicare. Health care providers use Medicare regulations requiring them to charge the same price for the same service to all Medicare recipients to charge higher costs to the uninsured. Insurance companies then negotiate to get the same service at a lower price. In addition, providers use regulations to excuse pursuing unpaid bills from the uninsured (Tokarski, 2003).

The U.S. health care system has also been criticized because of its fee-for-service payment plan. Critics claim this encourages health care providers to provide services that may or may not be effective. Outcome measures are not considered. Another form of health care payment is “capitation.” In this system, the health care provider is given a fixed amount per participant and, thus, is encouraged to reduce costs.

The U.S. health care system has been a “sickness system.” Traditionally, prevention services were not covered. Medicare only began paying for mammograms, the first preventive care it funded, in 1991, nearly 30 years after its creation. The rise of managed care put more pressure on the insurance companies to cover services to prevent illness.

Health Care Systems Differ in Every Nation

Although each country with a universal health care system has developed a plan to address its unique needs, health care systems are usually divided into three categories.

Single Payer Systems. Single payer systems have one entity, usually the government, which buys all health care services.

- In the single payer system called the *Beveridge Model*, invented in Britain, health care providers are employees of the government, and the government owns hospitals and clinics. Private doctors are paid by the government. These systems are able to restrain costs because the decisions are all made by the payer. All citizens are covered.

U.S. veterans are served by a Beveridge system, with hospitals owned by the government and doctors and other health care workers employed by them.

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Systems

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- **National Health Insurance Model.** The government sets up an insurance program, into which all citizens pay. However, providers, including hospitals, are private. Costs are restrained, with no marketing costs, and these programs are less complex administratively.

Federal and provincial tax rates in Canada, whose per capita health care costs are 53 percent of those of the United States, are roughly equivalent to those of the United States, despite having a government funded health care system.

U.S. citizens age 65 and older have a national health system, since the government pays for Medicare but providers are private.

Social insurance/Bismark Model

Financing for health care services is paid for by workers who pay a percentage of their salaries into a “sickness fund” or an insurance program. Governments subsidize payments for unemployed, disabled or low income citizens. These programs are regulated to contain costs.

U.S. citizens with health insurance have a version of this health care system.

Pay as You Go

Poorer, undeveloped countries do not have a health care system. Only those who can afford fees can get help.

Uninsured Americans operate in this system.

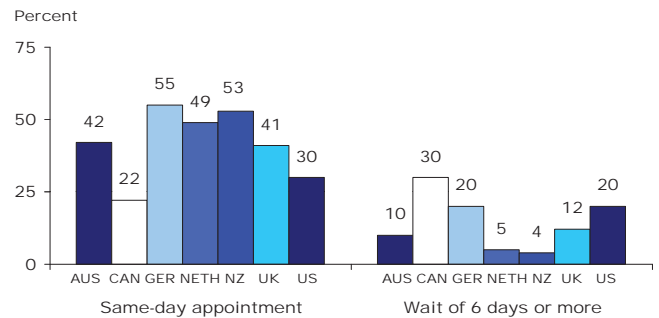
Best Practices, Most Expensive Practices

One of the oddly controversial aspects of the health reform proposals is a focus on determining the best practices and treatments. Much of health care research is funded by drug and device manufacturers, who want to learn if their product works but have much to lose in a comparison with other products.

In 2002, as reported in the *New York Times*, the federal government released the results of a massive study of hypertension. The study showed that generic diuretics worked better than new drugs and were only a tiny fraction of their cost. However, doctors continued to prescribe the more expensive medications, and the use of diuretics increased by only a small amount. **Another list of effective treatments found in many cases expensive operations were no more effective, and sometimes less so, than physical therapy.**

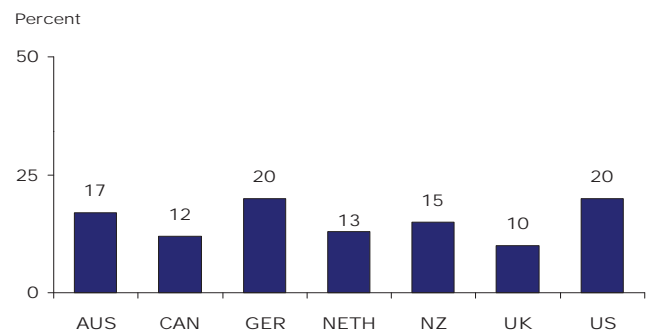
Elizabeth A. McGlynn, a researcher for the Rand Corporation, reported to Congress, “**We spend nearly \$2 trillion annually on health care, and we get it right about half the time.**” McGlynn was reporting on a 2007

Access to Doctor When Sick or Need Medical Attention



Source: 2007 Commonwealth Fund International Health Policy Survey. Data collection: Harris Interactive, Inc.

Doctor-Recommended Treatment Had Little or No Benefit in Past Two Years



Source: 2007 Commonwealth Fund International Health Policy Survey. Data collection: Harris Interactive, Inc.

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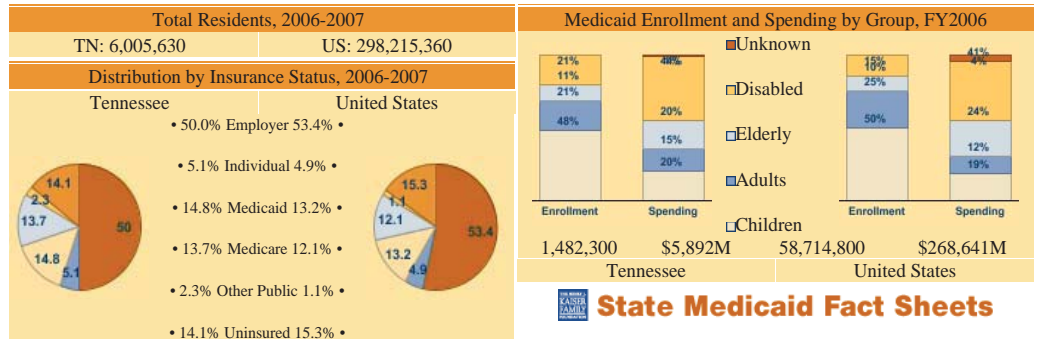
Systems

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national study of quality of care for children. The study found:

- Children were receiving 47 percent of recommended care overall;
- Children were receiving 41 percent of preventive services they needed;
- Children with chronic illnesses received about 53 percent of needed services;
- Children with acute health problems received 68 percent of needed care.

Tennessee and United States



Health Reform Proposals

A health care reform bill has been passed by three committees of the U.S. House of Representatives. This bill would

- **Establish a basic benefit plan;**
- **Expand Medicaid** to cover all adults living below the income limits;
- **Regulate insurance companies** to restrict their ability to deny coverage for pre-existing conditions, health status or gender;
- **Include a public insurance option** for those who choose it;
- **Require health insurance companies to inform consumers** of maximum out of pocket costs, which will be capped;
- **Allow people satisfied with their care to continue with it;**
- **Subsidize small business** to allow them to offer insurance to 26 million workers.

A public option should be cheaper since it would not have the additional burden of making a profit and could function like Medicare. Ideally, it would force health insurance companies to lower their rates in order to compete. However, unless coupled with regulations restricting insurance companies from withdrawing care from sick people, it could become a dumping ground for those with a high need for health care services.

Other health reform proposals would replace the public option with a cooperative (like a credit union) financed by its members. It would allow self-employed and those working for small businesses to create a large enough risk pool to negotiate for insurance rates similar to those of large businesses.

The **Congressional Budget Office** evaluation found no basis for fears a public option would drive out for-profit health insurers. The evaluation put the net cost of health reform at \$1 trillion over a 10 year period or an average of \$10 billion per year for the next 10 years (Congressional Budget Office, 2009). The cost estimate did not consider potential savings from prevention or the effect of eliminating the economic disincentives of our current system.

Our health care system is facing a very real challenge at a critical time in our history. Indeed, we are at a crossroads when it comes to designing a health care system that works for everyone. We can solve this problem if we all work together.

NOTE: References for this newsletter are available at www.tn.gov/tccy/advref0907.pdf.