Family Matters
Rising Health Care Costs
A Family Impact Seminar Newsletter for Wisconsin Policymakers

Health Care is Top Priority Among Wisconsin Citizens
Wisconsin citizens named health care as their top concern in two recent polls. A Chicago Tribune poll of registered Wisconsin voters in October 2004 reported that 26% of those surveyed said that health care was the issue of most concern, which beat out jobs (22%), terrorism (17%) and Iraq (16%).

Health care is an issue that Wisconsin citizens want state legislators to address, too. A Harris poll conducted in September 2004 shows that “controlling health care and prescription costs” is the “issue needing most attention from Wisconsin state government.” Controlling health care costs (35%) was more important than “improving the state’s economy” (17%), “improving public education” (15%), and “reforming the tax system” (12%).

Wisconsin is not alone. A July 2004 survey of Americans showed that health care was named as the most critical issue in America today. Health care (22%) was more important than terrorism (21%), the economy (17%), and the war in Iraq (16%).

Why is Health Care a Concern?
According to a Kaiser Family Foundation survey, health care costs have risen four times faster than average worker earnings and overall inflation. Employers in the United States have reported double-digit increases each year in health insurance costs since 2001. From 2003 to 2004, health insurance premiums (the combined employee and employer share) increased 11.2%. Meanwhile, overall inflation increased 2.2% and workers’ earnings increased 2.3% during that time.

What about Wisconsin health care costs and workers’ earnings? According to a Families USA study that analyzed each state over a four year period, the average Wisconsin worker paid $813 for health insurance in 2000 and $1,215 in 2004, a 49.3% increase. During that same time, however, average wages increased only 12.2%, from $30,911 to $34,689.

These average premium increases don’t reveal how many people actually paid more for their health insurance. In 2004, 64% of Americans with employment-based or private health insurance coverage reported an increase in their health insurance premium from last year. Only 30% said their premium stayed the same and 4% said it decreased. Over half (54%) also indicated that they paid more for prescription drugs, 49% paid more for doctor visits, and 43% had an increased insurance deductible since 2003. In addition to increasing health care premiums, Americans are worried about their ability to afford prescription drugs. In a 2001 poll, 13% of Americans said they were “not at all confident” in their ability to afford prescription drugs. By 2004 that number had increased to 23%.

How are Employers Responding to High Costs?
Wisconsin employers have taken steps to alleviate some of these cost increases. According to the Greater Milwaukee Annual Report on Health Care, Milwaukee-area employers took several actions in 2004 to reduce their health insurance premium costs. In a non-random survey, employers indicated they used the following strategies:

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<th>Cost-Saving Strategies Used by Milwaukee Employers</th>
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<tr>
<td>Increased deductibles</td>
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<tr>
<td>Increased out-of-pocket maximums</td>
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<tr>
<td>Established health savings accounts</td>
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<tr>
<td>Used a narrow/tiered provider network</td>
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<tr>
<td>Capped employer portion of payments</td>
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<tr>
<td>Reduced types/variety of benefits offered</td>
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<tr>
<td>Other</td>
</tr>
<tr>
<td>None of the above</td>
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How are Workers Responding to High Costs?
How did people cope with these increased costs? They used the following strategies:

<table>
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<tr>
<th>Cost-Saving Strategies Used by American Workers</th>
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<tr>
<td>Decreased contributions to other savings</td>
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<tr>
<td>Experienced difficulty paying other bills</td>
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<tr>
<td>Used up all or most of savings</td>
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<tr>
<td>Decreased contributions to retirement plan</td>
</tr>
<tr>
<td>Had difficulty paying for basic necessities</td>
</tr>
<tr>
<td>Borrowed money</td>
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Individuals with household incomes less than $35,000 relied on these strategies more heavily than those with incomes of $75,000 or more.

References:

Wisconsin Family Impact Seminars — Where Research Meets Policy and Families Matter
Rising Health Care Costs

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What is Wisconsin’s Track Record in Providing Health Insurance to Families?

Wisconsin is one of eight states that currently provides health insurance to families through its State Child Health Insurance Program and Medical Assistance. (The other states are Arizona, Minnesota, New Jersey, Rhode Island, Colorado, Illinois, and Oregon.) Wisconsin’s debate about whether public health coverage should be child-based or family-centered occurred in 1997. The federal government passed the State Child Health Insurance Program (SCHIP), which was designed to increase health care coverage for children.

Governor Tommy Thompson, however, had introduced his own health care plan, Badger Care, which targeted poor children as well as their families. Proponents of restricting coverage to children argued that it would cost less than family coverage and, thus, could cover more uninsured children. Supporters of extending coverage to the entire family disagreed, citing examples that family-based coverage would bring in 75% of eligible children compared with only 45% in child-focused coverage.¹

The feds argued that Wisconsin could only use SCHIP money to cover children’s health insurance costs and that Medical Assistance (MA) money must be used to cover the costs of parents’ insurance. The catch, however, was that using MA funds required Badger Care to become an entitlement available to all poor families, which the Governor resisted because of apprehensions about its potential costs.

After two years of consideration, the federal government finally granted Wisconsin a waiver to provide family-based health care coverage to some, but not all, working-poor families. The fact that providing family-based health coverage required a federal waiver is one stark example of how policymaking in this country often focuses on individuals and ignores the powerful contributions that families make to their members and society.

References:

Interested in Health Policy Issues and Initiatives?

Check Out This Excellent Website

The Kaiser Family Foundation
http://www.kff.org

The Henry J. Kaiser Family Foundation is a non-profit, private foundation focusing on health care. The Foundation is an independent source of facts and analysis for policymakers, the media, the health care community, and the general public. The website features charts and data, fact sheets, issue briefs, news releases, presentations, testimony, and web casts on a variety of health care issues.

Interested in a Family Perspective in Health Care?

More information on how families affect health care can be found in the Nov. 2002 Family Matters Newsletter and in a 2002 chapter written by William Doherty of the University of Minnesota. Free copies are available from Heidi Normandin at (608) 262-5779 or hnornand@ssc.wisc.edu. The newsletter is also available at http://www.uwex.edu/ces/familyimpact/newsletters.htm