

LEGISLATIVE POLICY FORUM ON HEALTH CARE

January 26, 2007



Strategic solutions for Maine's health care needs

An Overview of Maine's Health System

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Legislative Policy Leaders Academy

Rationale for a day focused on health care issues

- Health care issues affect a significant part of local, state and federal legislation;
- Health care is one of the largest nondiscretionary cost drivers for government (federal and state) spending;
- Providing health care coverage to employees is a growing proportion of employer costs, and controlling health care cost is now cited as business' most pressing economic issue;
- Jobs in health care will be a growth sector for Maine – but also help drive higher spending;
- Poor health and medical expenses are one of the leading causes of personal bankruptcy;
- Health and well being significantly impact your constituents.

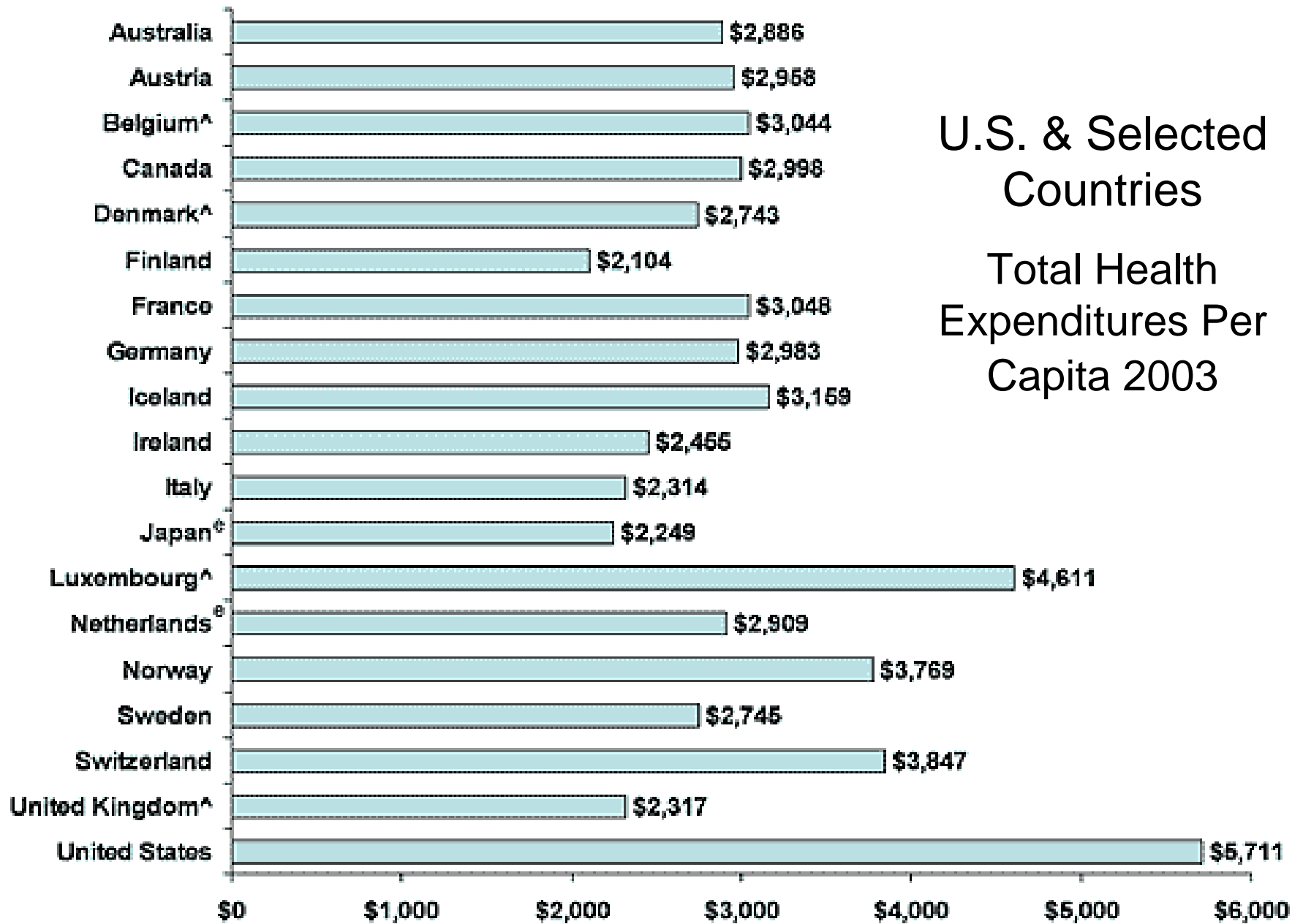
Grappling with health care issues is a national and state problem

“When it comes to spending money on health care, America is number one. Not only does the U.S. pay more, it gets less in return – fewer patient visits and shorter hospital stays.”

Managed Care Magazine, Sept 2004

Other nations devote just 9 or 10% of national income to health care, while insuring everyone and enjoying longer life spans and lower infant mortality. Despite our national level of spending on health care, the U.S. ranks 24th in overall health attainment – just above Cyprus.

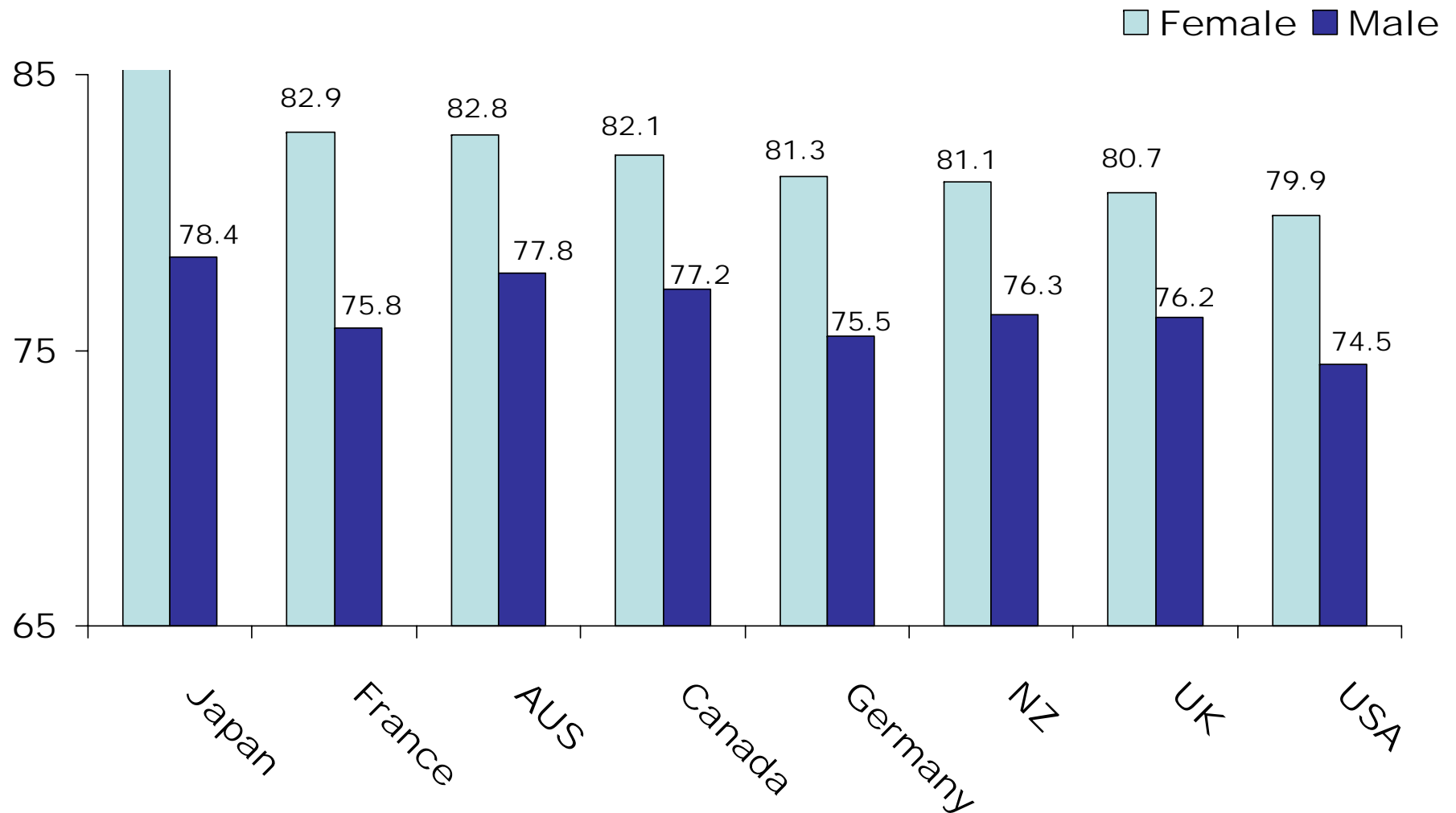
***World Health Organization, The World Health Report 2000:
Health Systems: Improving Performance***



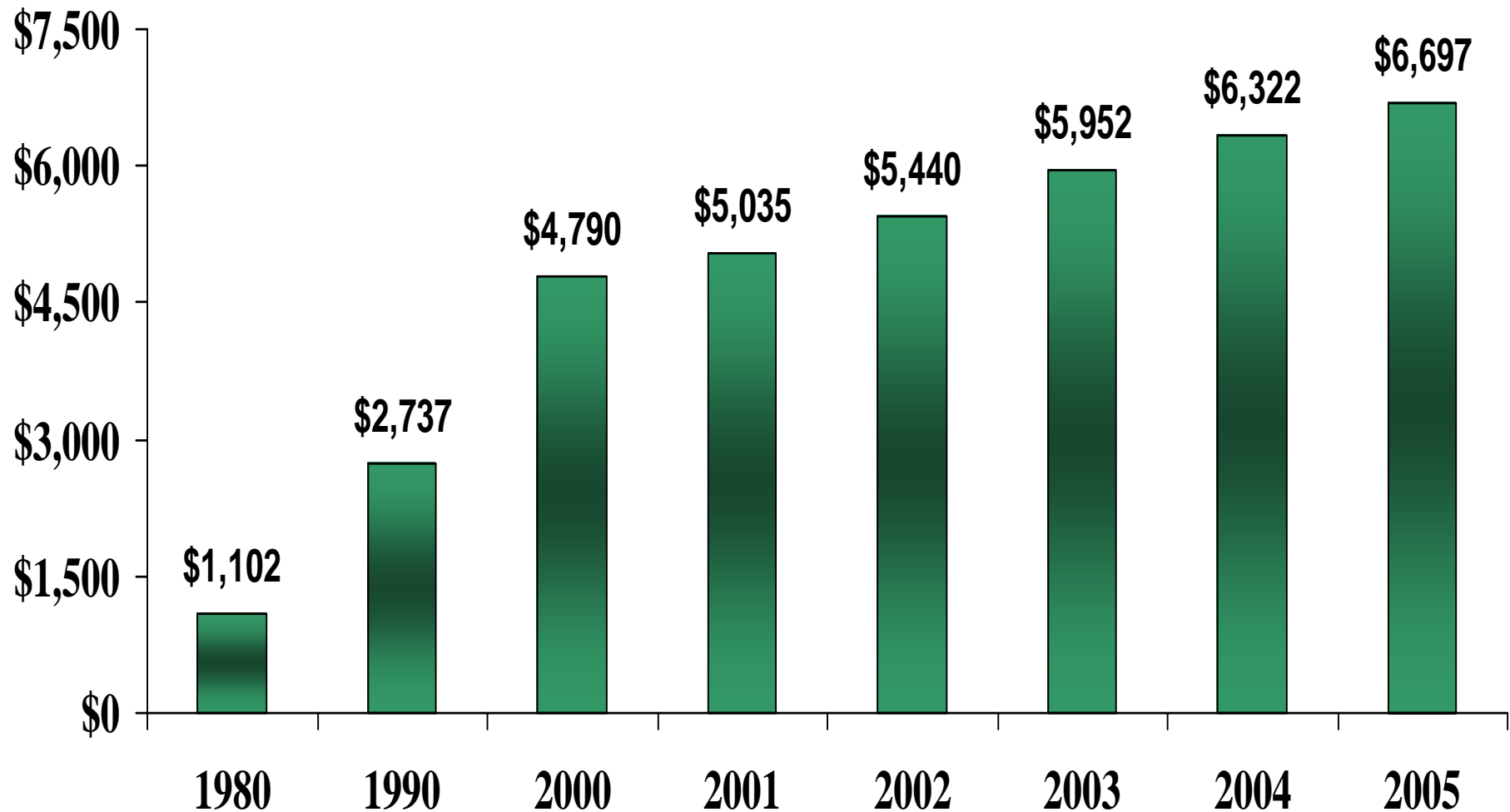
U.S. & Selected Countries

Total Health Expenditures Per Capita 2003

Although spending in the USA outpaces other developed countries, our life expectancy at birth is lower than other developed countries

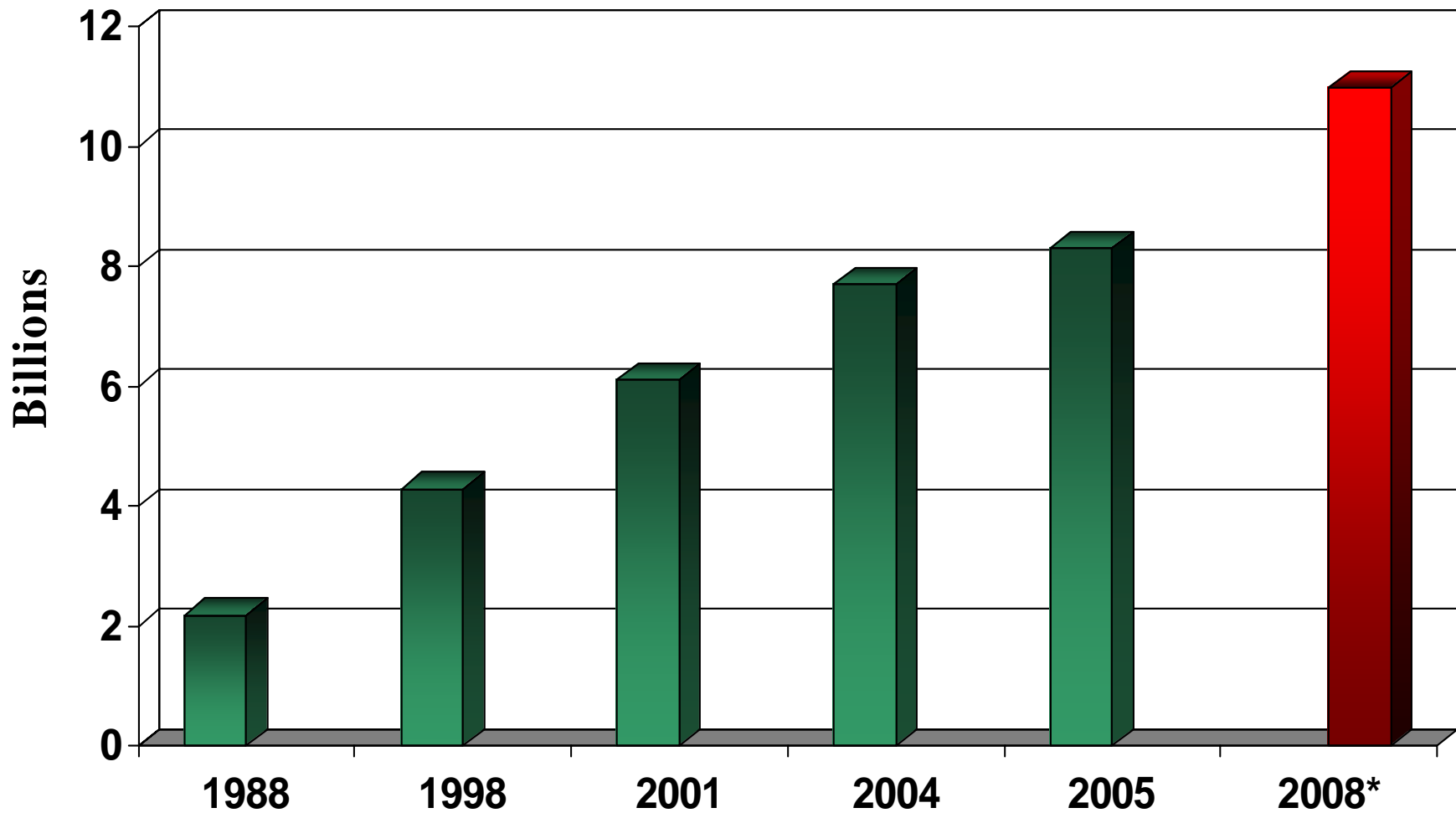


National Health Care Cost Trends (cost per capita)



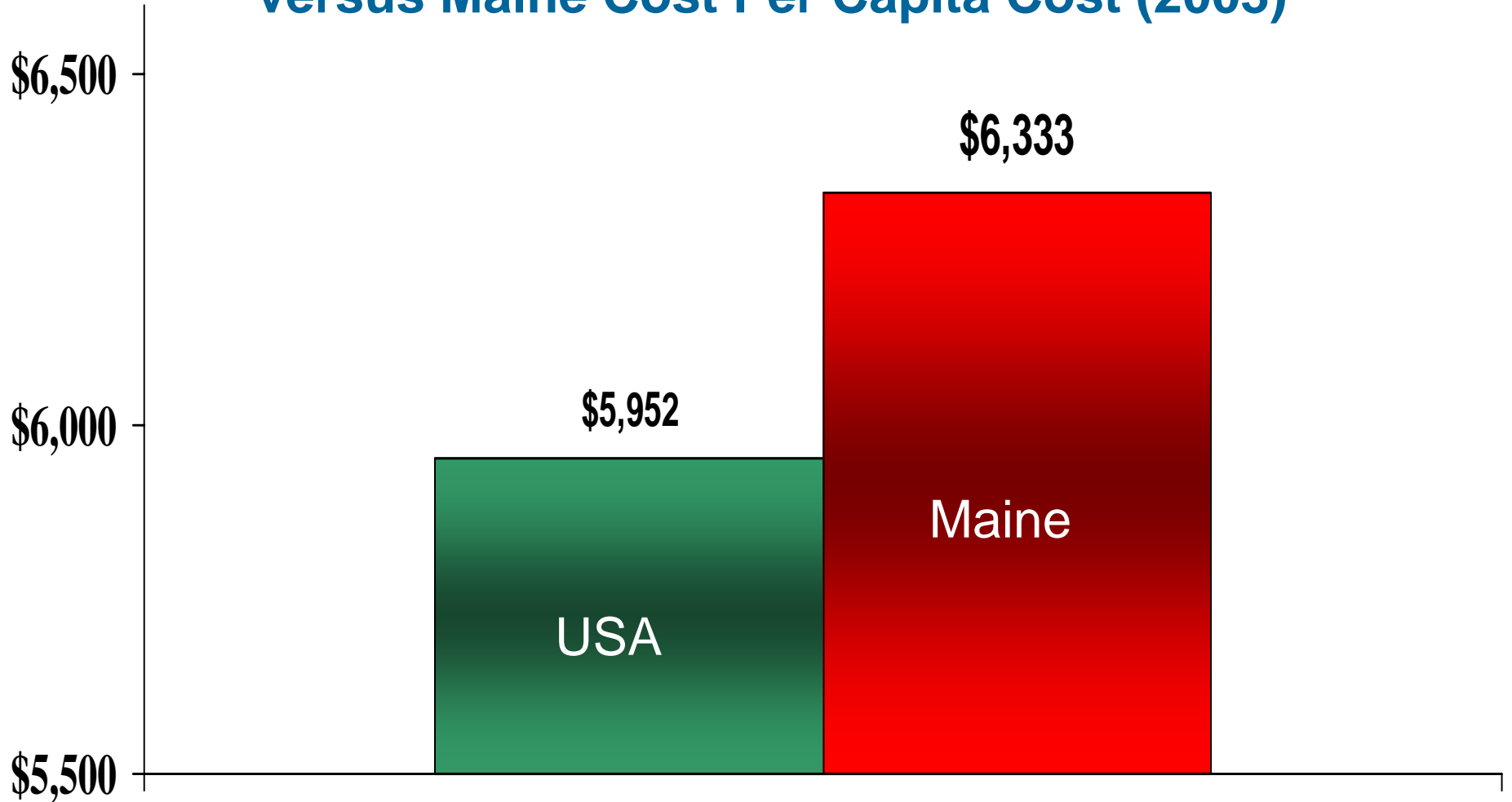
Source: Centers for Medicare and Medicaid Services,
Office of the Actuary, DHHS, United States
Health Affairs, Jan/Feb 2007

Overall Health Care Expenditures in Maine



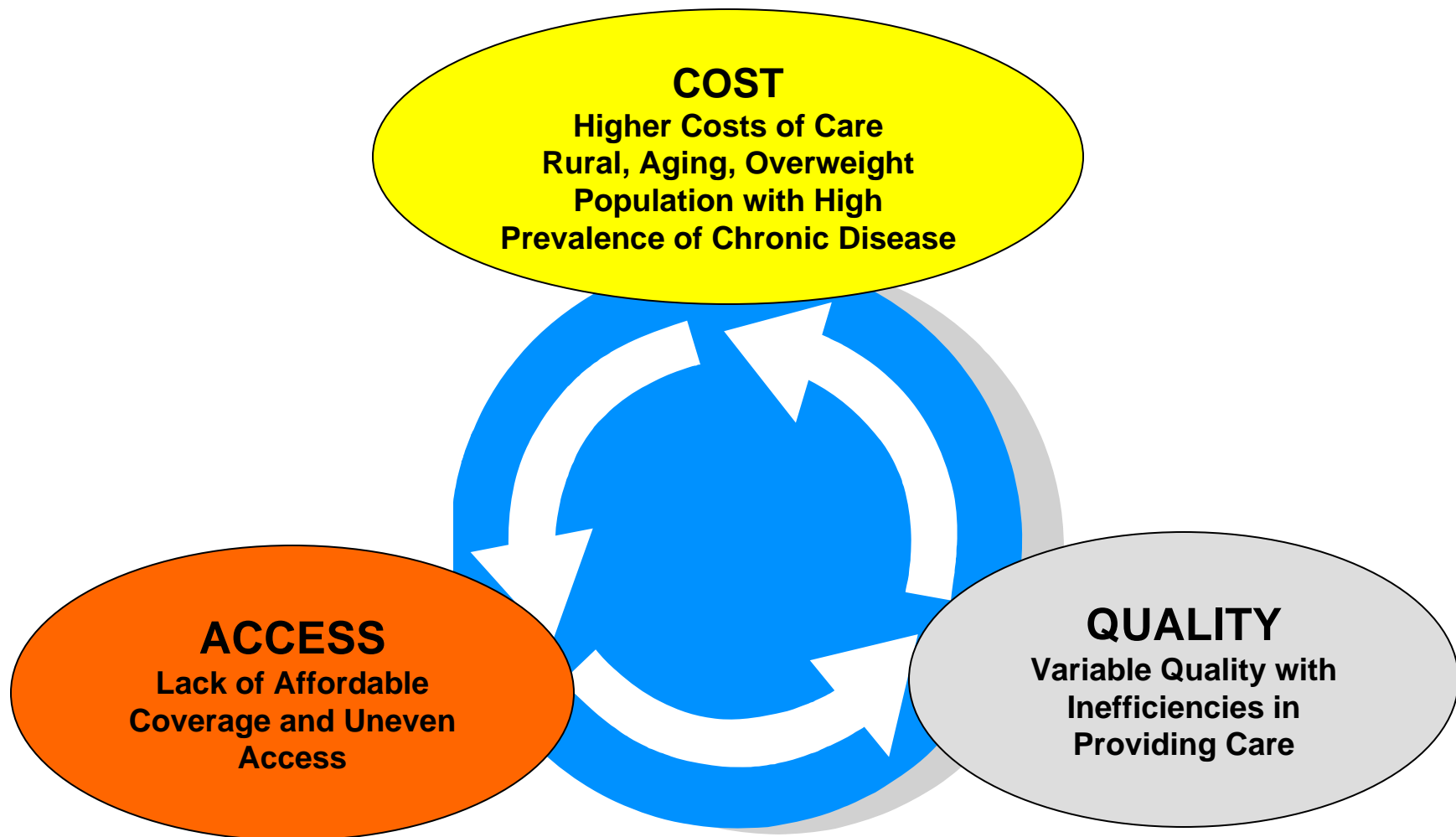
*Projections based on national and Maine-specific data at 13% per year from 2001 -2004, and CMS projections at 5% for health care costs and 7% for Rx drugs from 2004-2008

National Health Care Cost Per Capita versus Maine Cost Per Capita Cost (2003)

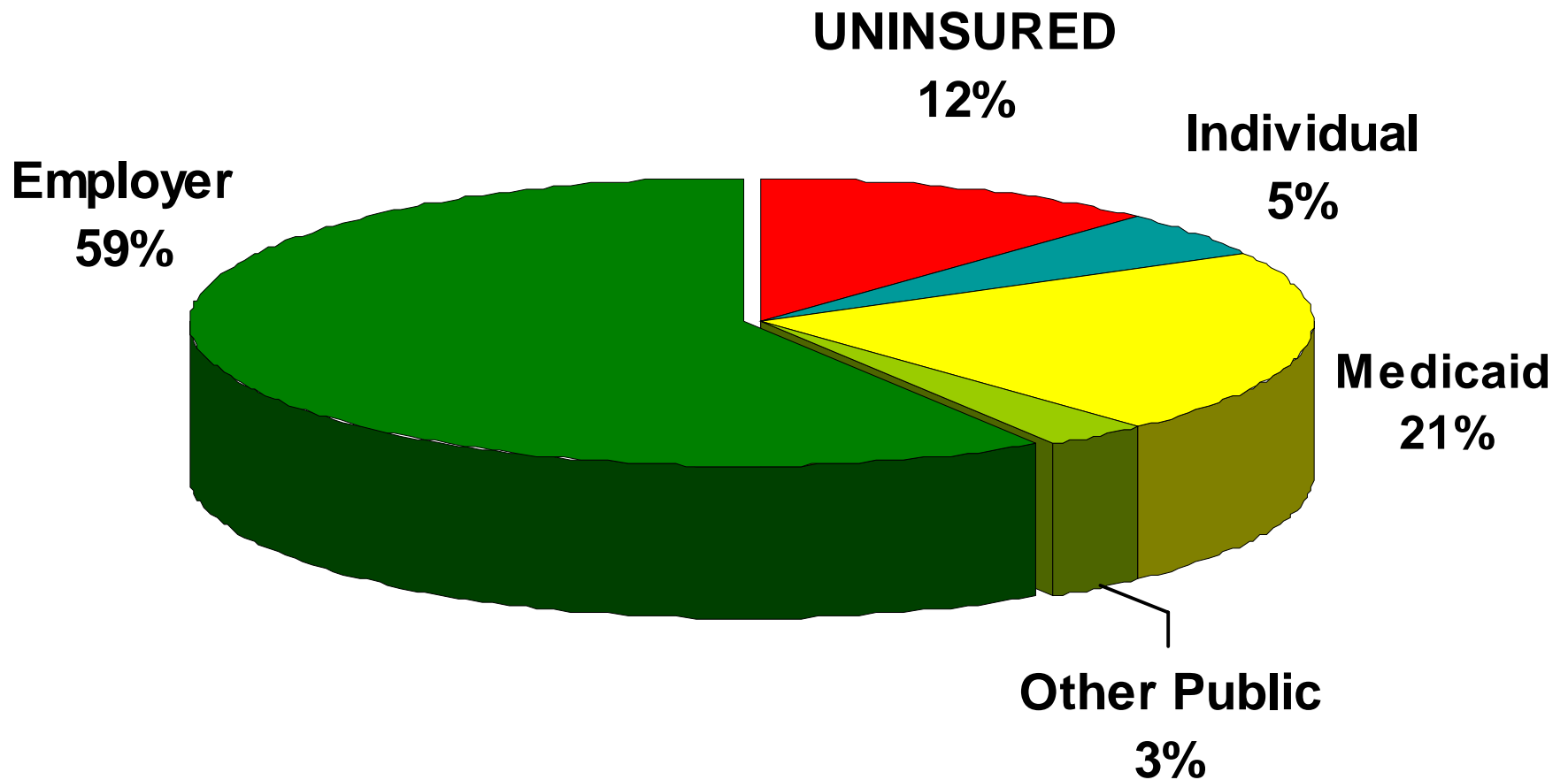


Source: Centers for Medicare and Medicaid Services,
Office of the Actuary, DHHS, United States

Understanding Maine's Health Care Challenges



Health Care Coverage in Maine (2004-2005) for non-elderly adults, ages 19-64 years



Source: Kaiser State Health Facts online: statehealthfacts.org
Maine Population Distributions by Insurance Status 2004-2005

Who are the uninsured?

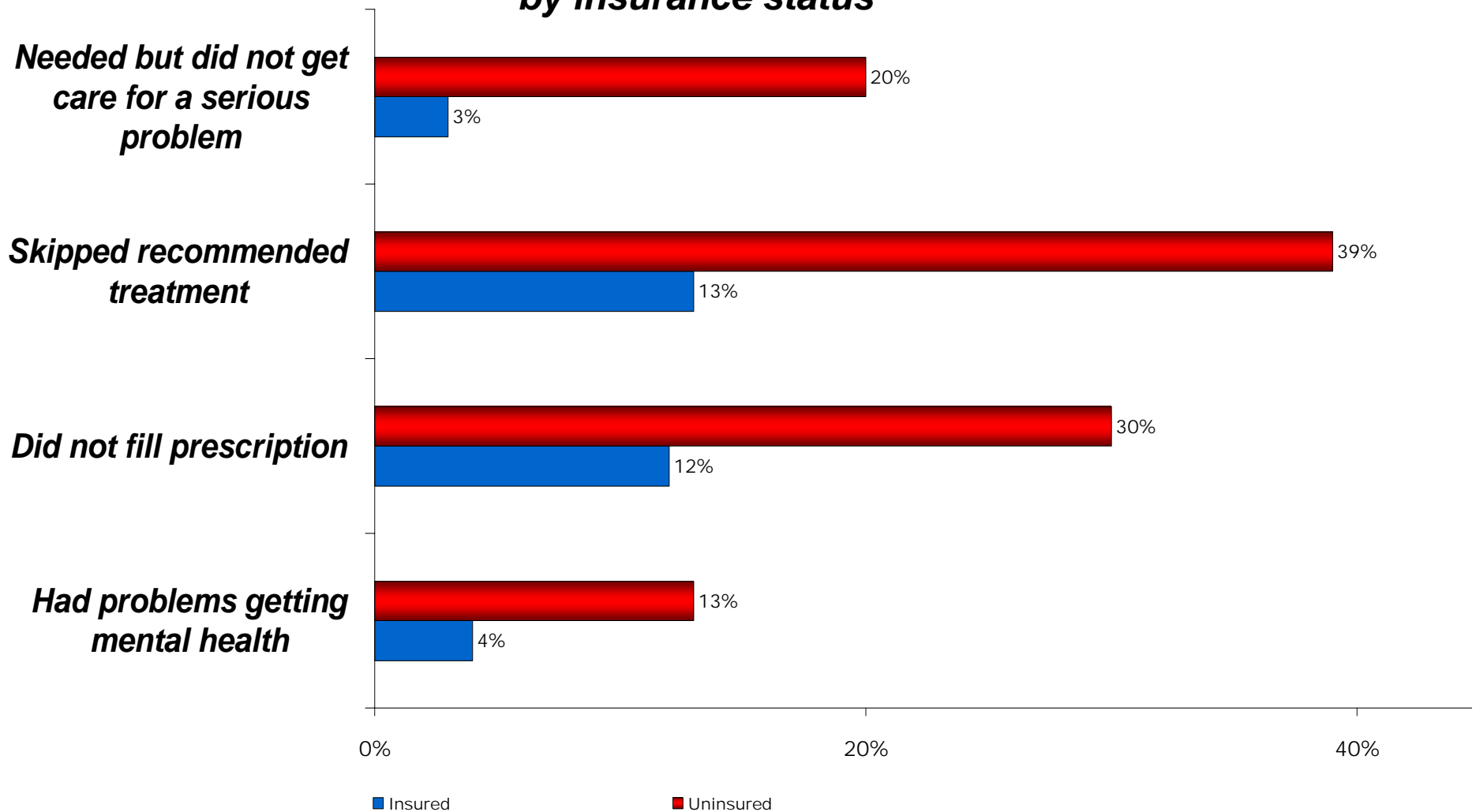
People who lack health insurance are predominately from **working** families. These Mainers are typically employed in low-income jobs

- The 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 generally pay 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



Being uninsured has significant consequences

Percent of adults (ages 19-64 years) experiencing barriers to care, by insurance status

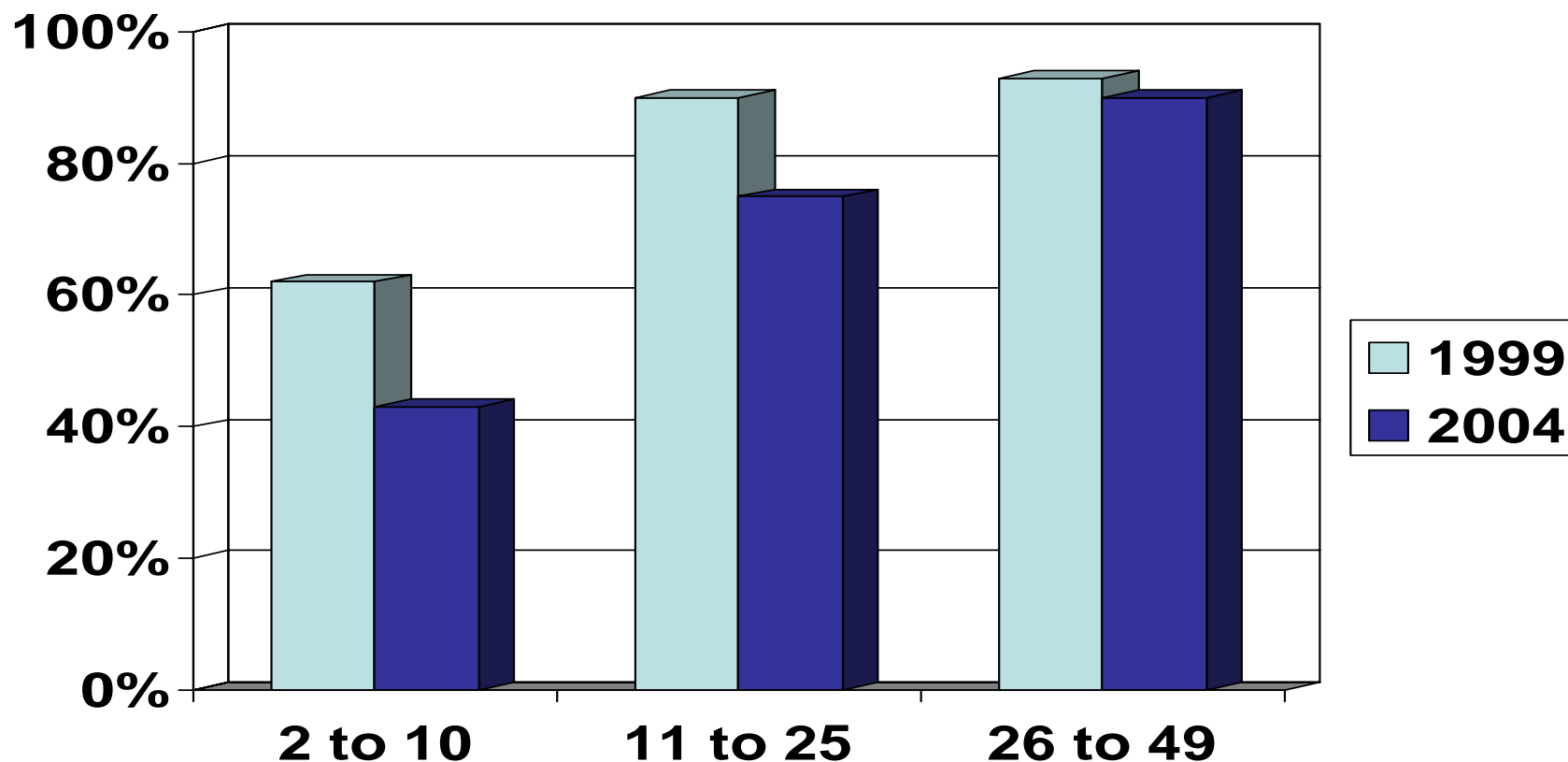


Even with our system of emergency and hospital charity care, there are consequences to being uninsured

- Risk of death among uninsured people ages 50-64 is 43% higher (even after risk and income adjustment) *Health Affairs July 2004*
- 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*



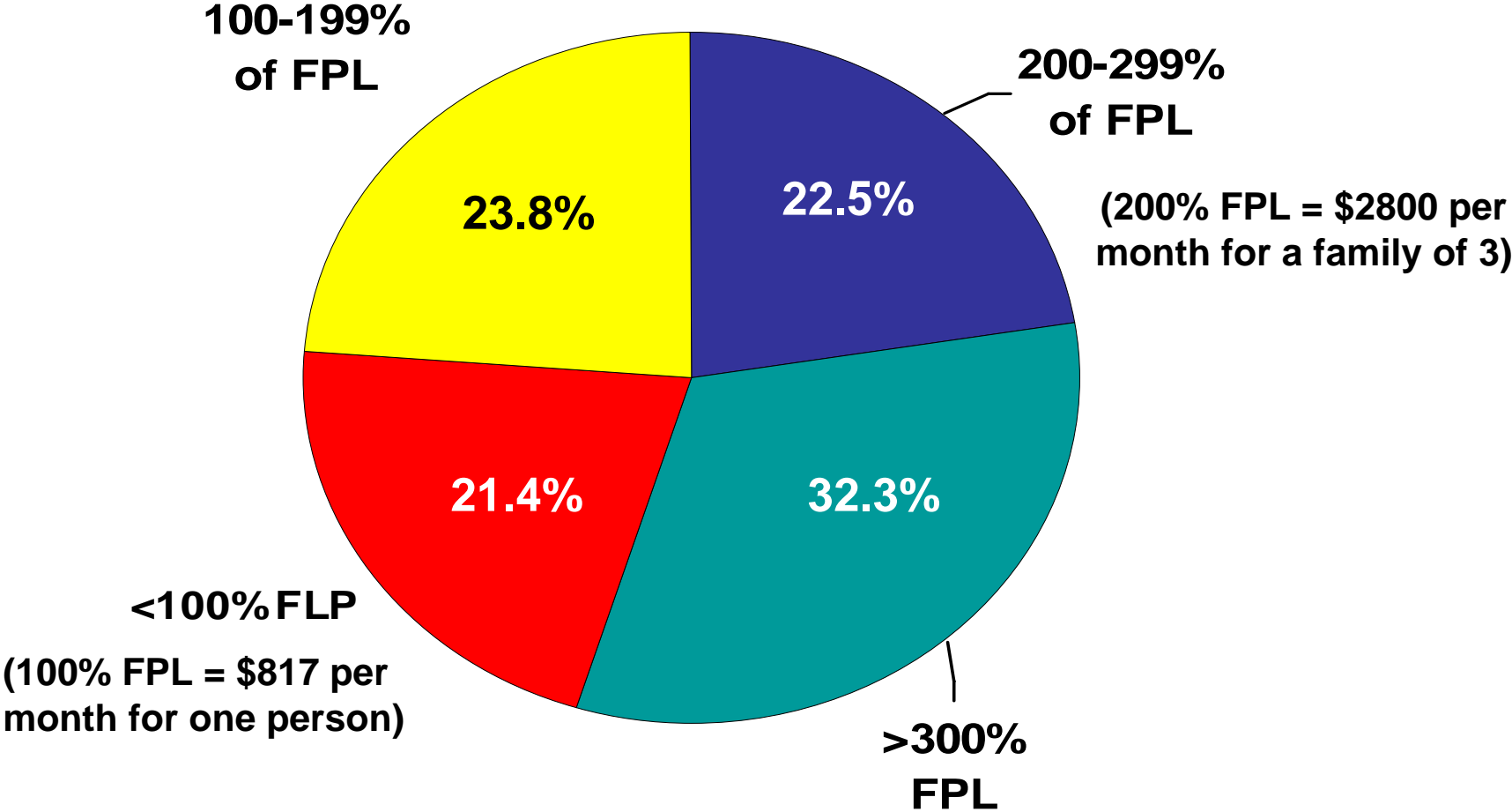
Maine's employers are struggling to provide health insurance



Maine small business survey shows that from 1999 to 2004, the percentage of firms offering health benefits is declining (1999-2004)

Data Source: "Maine Small Business Health Insurance: A 2004 Survey. Maine Center for Economic Policy 2005

In Maine, a significant proportion of the 134,446 uninsured are low-income working people – many of whom qualify for public coverage



Public Programs: Most older people in Maine receive health care coverage through **Medicare**

Medicare is a federally funded program with **no** state contribution or management.

- Medicare covers persons ≥ 65 years, and other select groups, such as individuals with disabling conditions, renal dialysis costs and others.
- As a federal program, payment, policy and program regulation are federal responsibilities



Public Programs: Medicaid (**MaineCare**) provides coverage for 1 out of every 5 Mainers

- Jointly funded by the state and the federal government.
- The federal government establishes minimum requirements and the state has flexibility in determining eligibility, program structure, payment for services.



- Medicaid (MaineCare) brings in federal matching payments so that for every **\$1.00** spent on MaineCare beneficiaries:
 - Maine spends **37¢**
 - The federal government spends **63¢**

Public programs: Medicaid (MaineCare)

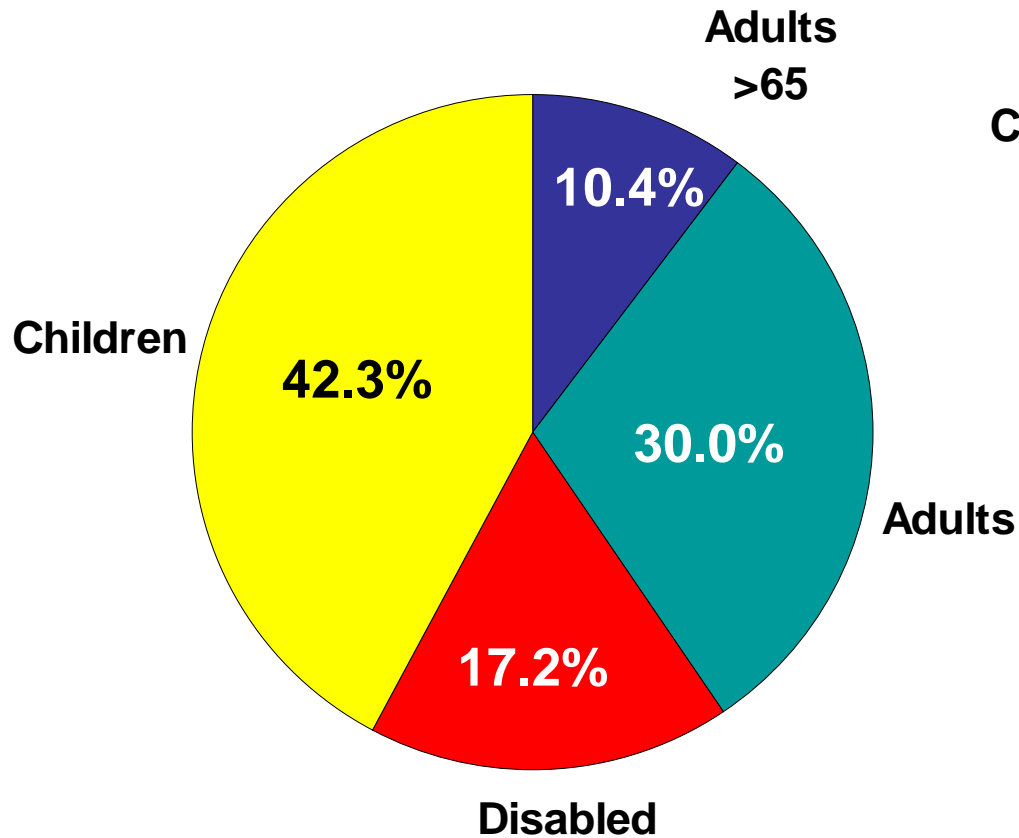
- Under Medicaid certain groups must be covered and states can expand beyond the federally-specified minimums. Medicaid is a *means-tested* program (targeting low income people).
- Certain medical care must be covered but states can add services
- Nationally and within Maine, Medicaid is the largest public payor of long term care and disability services.

In Maine, Medicaid (MaineCare) generally covers:

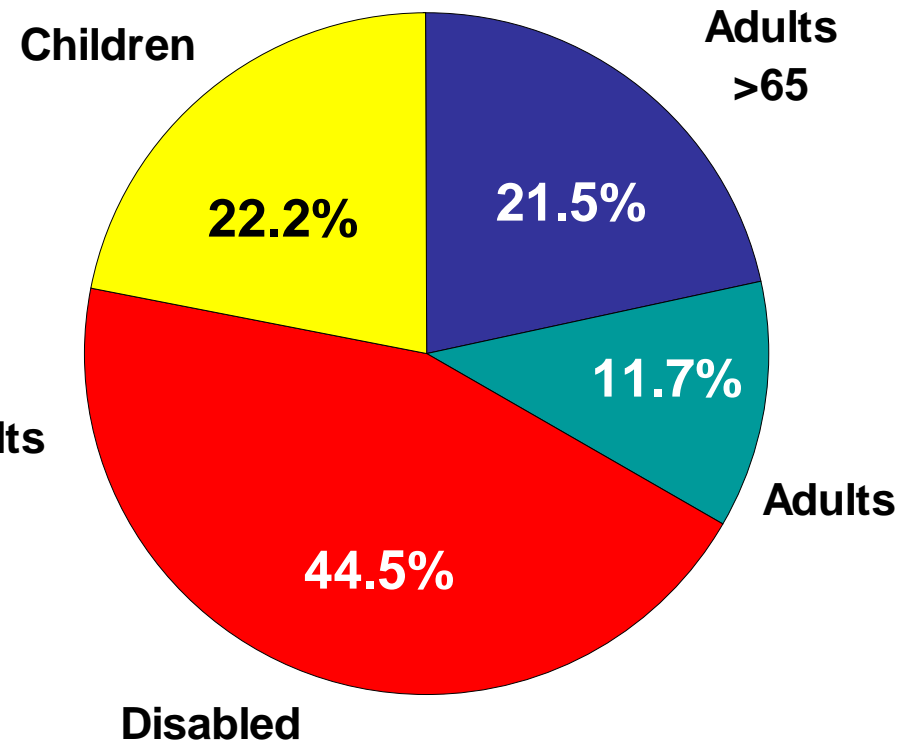
Population	Maximum Income Level
Low income children & pregnant women	200% FPL (\$2800/mn family of 3)
Parents with a child <19 yrs at home	200% FPL
Adults without children at home*	100% FPL (\$817/mn for 1 person)
Adults with disabilities, including low-income elderly	100% FPL

Medicaid (MaineCare) enrollment and combined federal and state expenditures (FY 2003)

ENROLLMENT



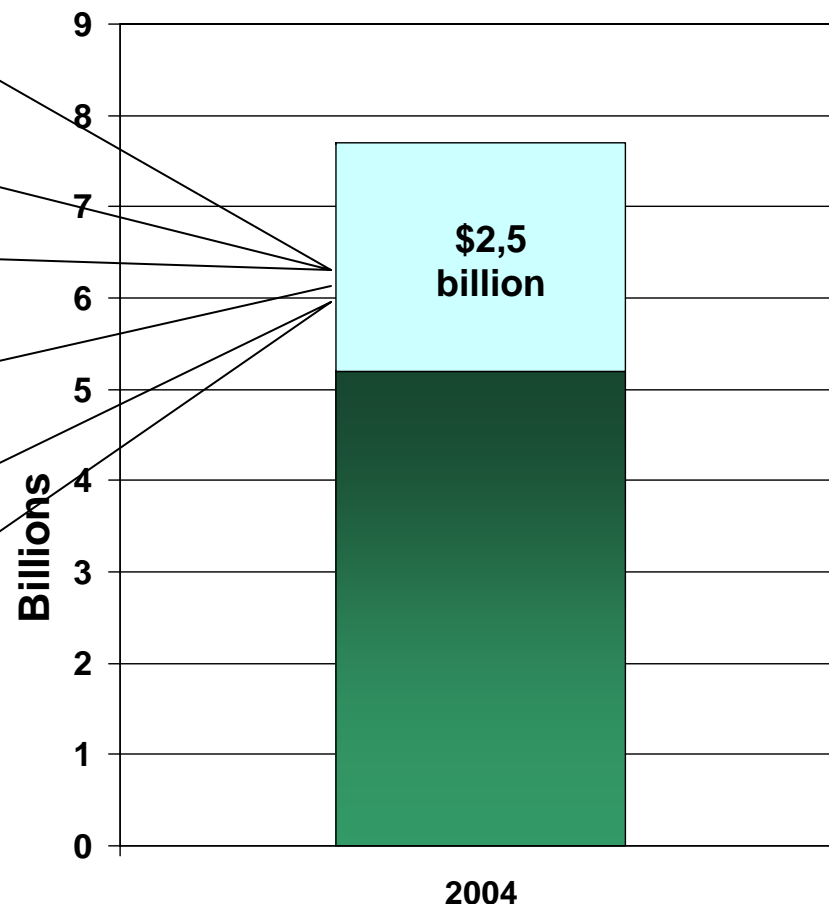
EXPENDITURES



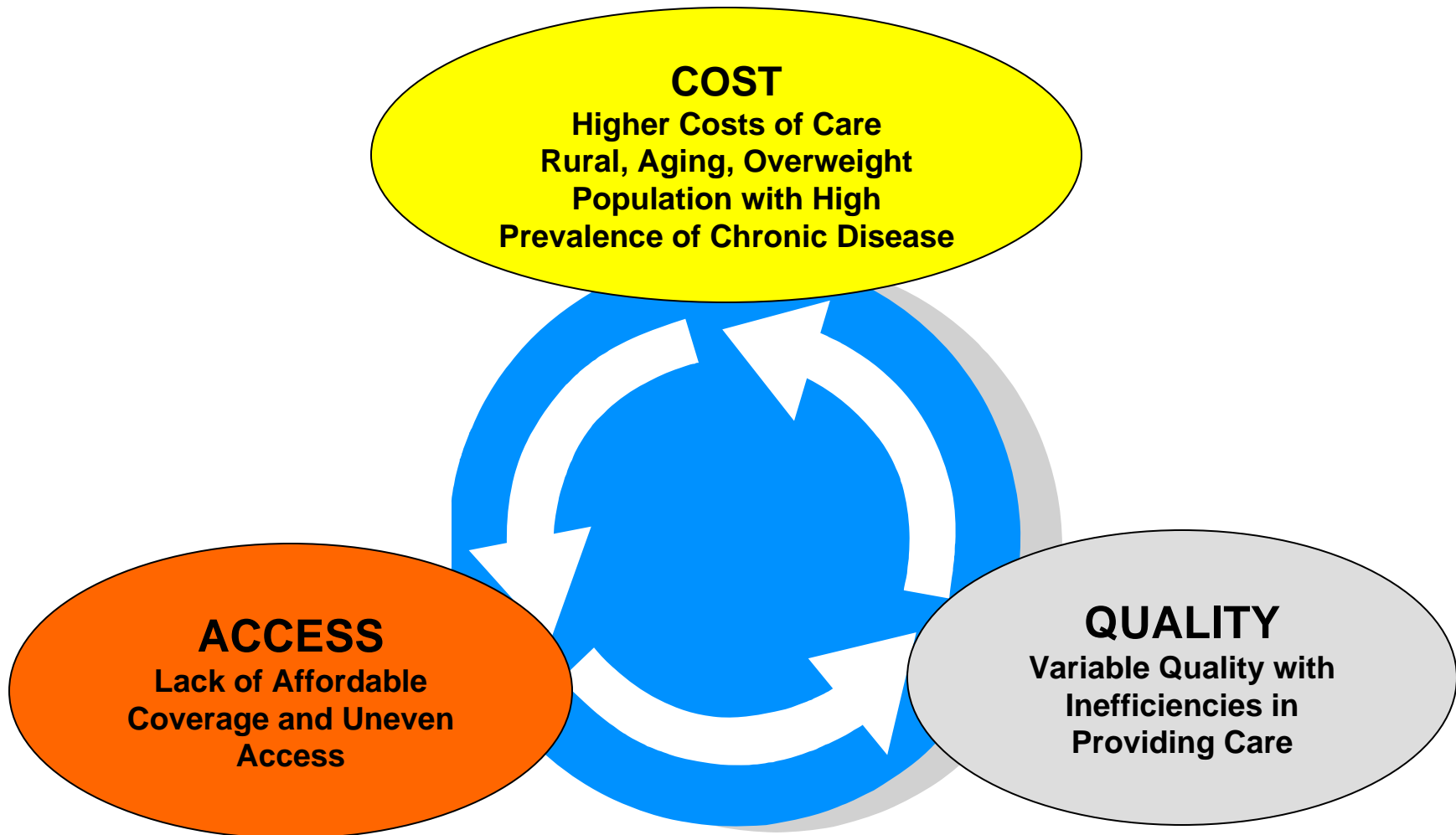
However, publicly-funded coverage in Maine includes many other groups that together drive a large proportion of our health care expenditures

Maine's Overall Health Spending 2004

- State employees
- Employees in the University system
- Maine Education Association
- Maine Municipal Association
- Maine School Management Program
- MaineCare



Understanding Maine's Health Care Challenges



Why is health care so costly in Maine?

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



Inefficient, Costly Care for Those Who Are Uninsured

- Individuals who are uninsured still receive medical care, but pay for their care out of pocket, or receive uncompensated (“charity”) care from facilities.
- Because health care costs are borne out of pocket, the uninsured are less likely to receive preventive services, and delay seeking care until advanced stages of illness
- This “inefficient” way of addressing health needs increases the cost of care

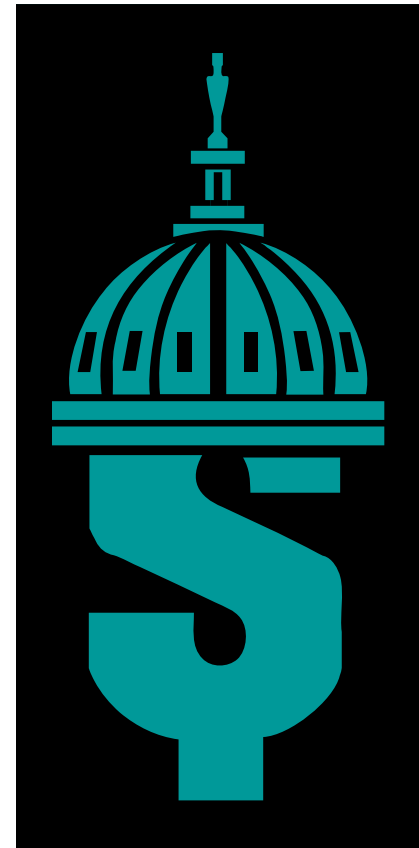
In 2005, Maine’s hospitals provided \$77 million in charity care and incurred \$126 million in bad debt that were then “shifted” to other premium payers.



Cost shifting: Inadequate Government Reimbursement

- The Maine Hospital Association estimates that for every dollar spent rendering care to Medicare beneficiaries, hospitals receive \$0.85 in reimbursement
- The Maine Hospital Association estimates that for every dollar spent rendering care to Medicaid beneficiaries, hospitals receive \$0.76 in reimbursement

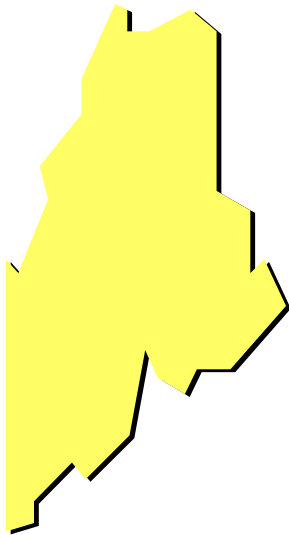
These shortfalls contribute to higher insurance costs for other recipients through cost-shifting.



Our Demographics Drive Higher Health Care Cost

Demographics: The population of Maine is the oldest in the nation, and older age is linked to higher health care needs.

The percent of people over age 64 compared to national average



	Maine	US Total
1940	6.9%	6.9%
1980	11.5%	11.3%
2000	14.4%	12.3%
2020	19.3%	

Rurality: Our heavily rural population increases cost. People want service promptly and in their local area, but rural health care facilities and providers have a higher unit cost of operation

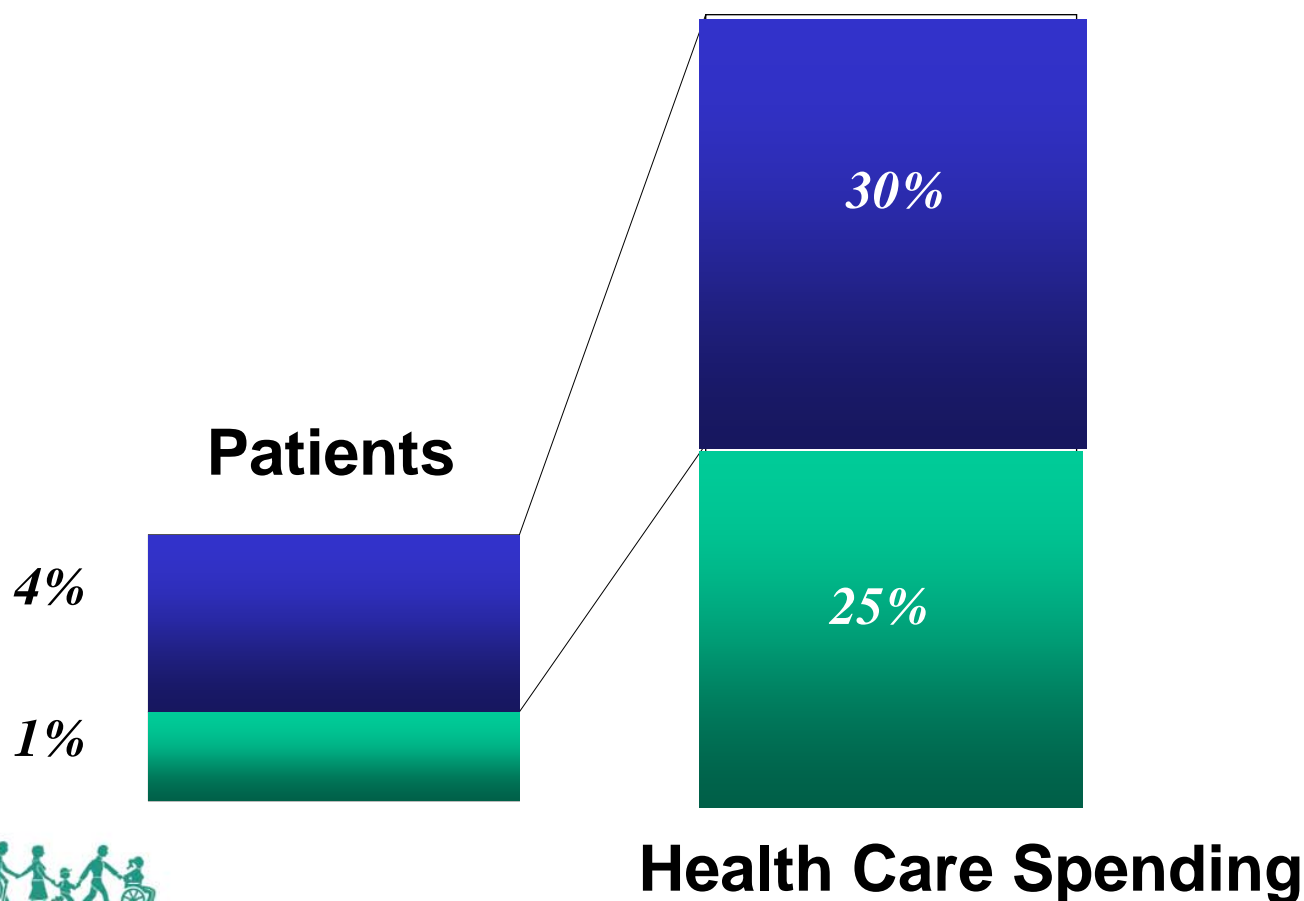
Mainer's Health Behaviors and Lifestyle Drive the High Cost of Care

- Nearly 40% of health care spending increases is caused by five largely preventable diseases:^{*}
 - Cardiovascular disease
 - Cancer
 - Chronic lung disease
 - Diabetes
 - Mental health
- In Maine, 75% of residents die from the four leading preventable chronic diseases
- Maine leads the nation in 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.

Encouraging prevention and improving care for chronic illness is needed to attenuate soaring cost

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



Advances in Technology and Drugs Also Drive the High Cost of Care

Major drivers of health care costs from national data:

- 22% from drugs, advanced medical devices and care
- 18% from increased provider costs
- 18% from general inflation
- 15% from increase consumer demand

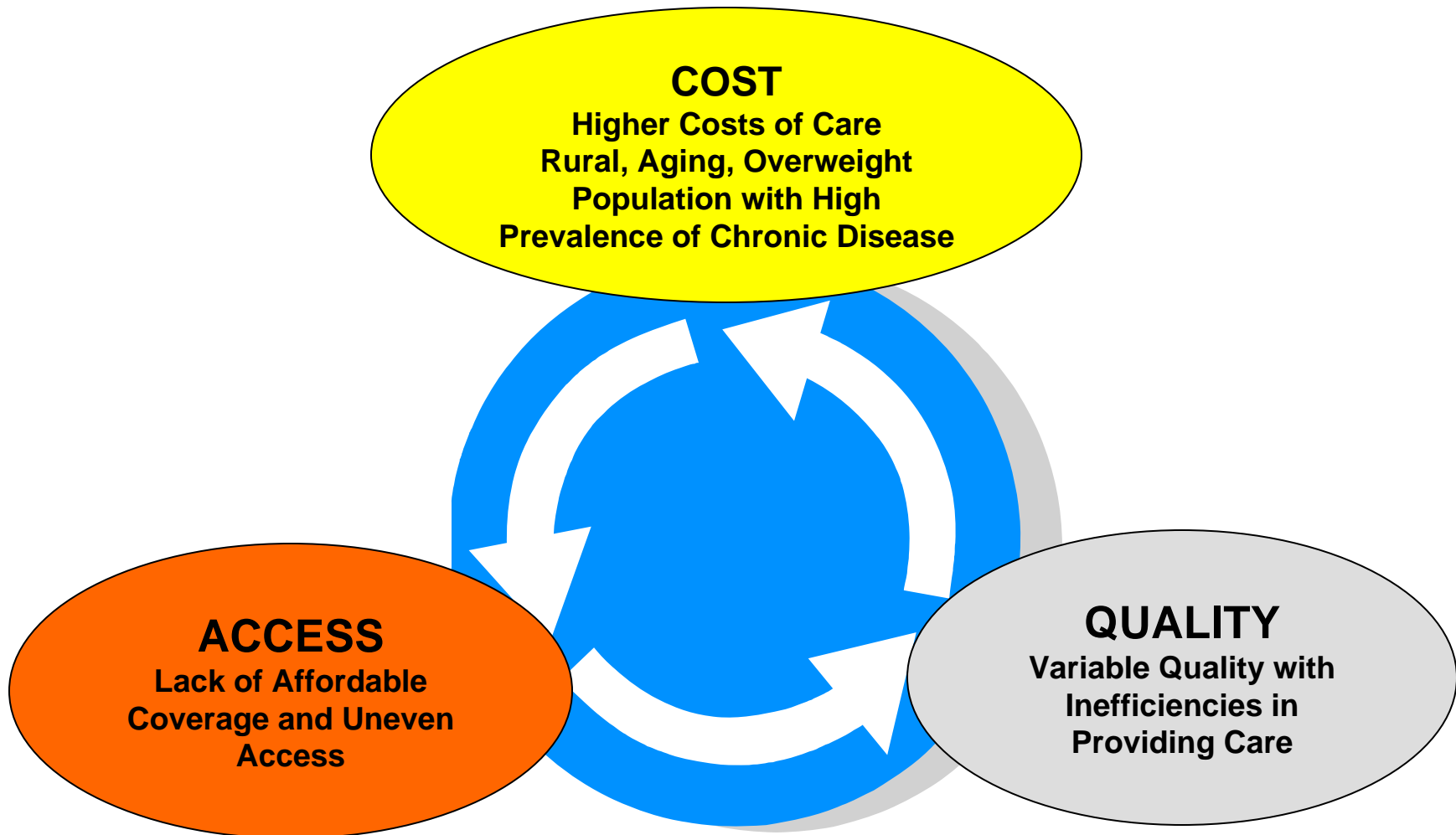
National data from PriceWarehouseCoopers (April 02)

Drivers of health care costs (Maine data):

- High rates of chronic illness
- Hospital care is a large driver of expenditures:
 - Highest # of inpatient hospital days/1,000 in NE (ME hospital admission rate 30% > NH and 35% > VT)
 - High hospital inpatient costs (6th highest cost per wage and case-mix adjusted discharge in the US)
 - Maine had the most surgeries/1000 population in New England
- Pharmaceuticals



Understanding Maine's Health Care Challenges



Inconsistent quality also fuels higher health care cost

- Midwest Business Group on Health estimates that administrative inefficiencies and the overuse, underuse and misuse of medical services wastes **\$0.30** 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.

Examples where Maine quality improvements could save cost:

- *Over 8% of Mainers have diabetes compared to 6.2% nationally.*
- *Only 45% of Mainers have their disease in good control.*
- *If 90% of Maine's diabetics were in control, there would be a 50% reduction in diabetic induced renal failure.*
- *Estimated Savings: \$25,000,000 annually*

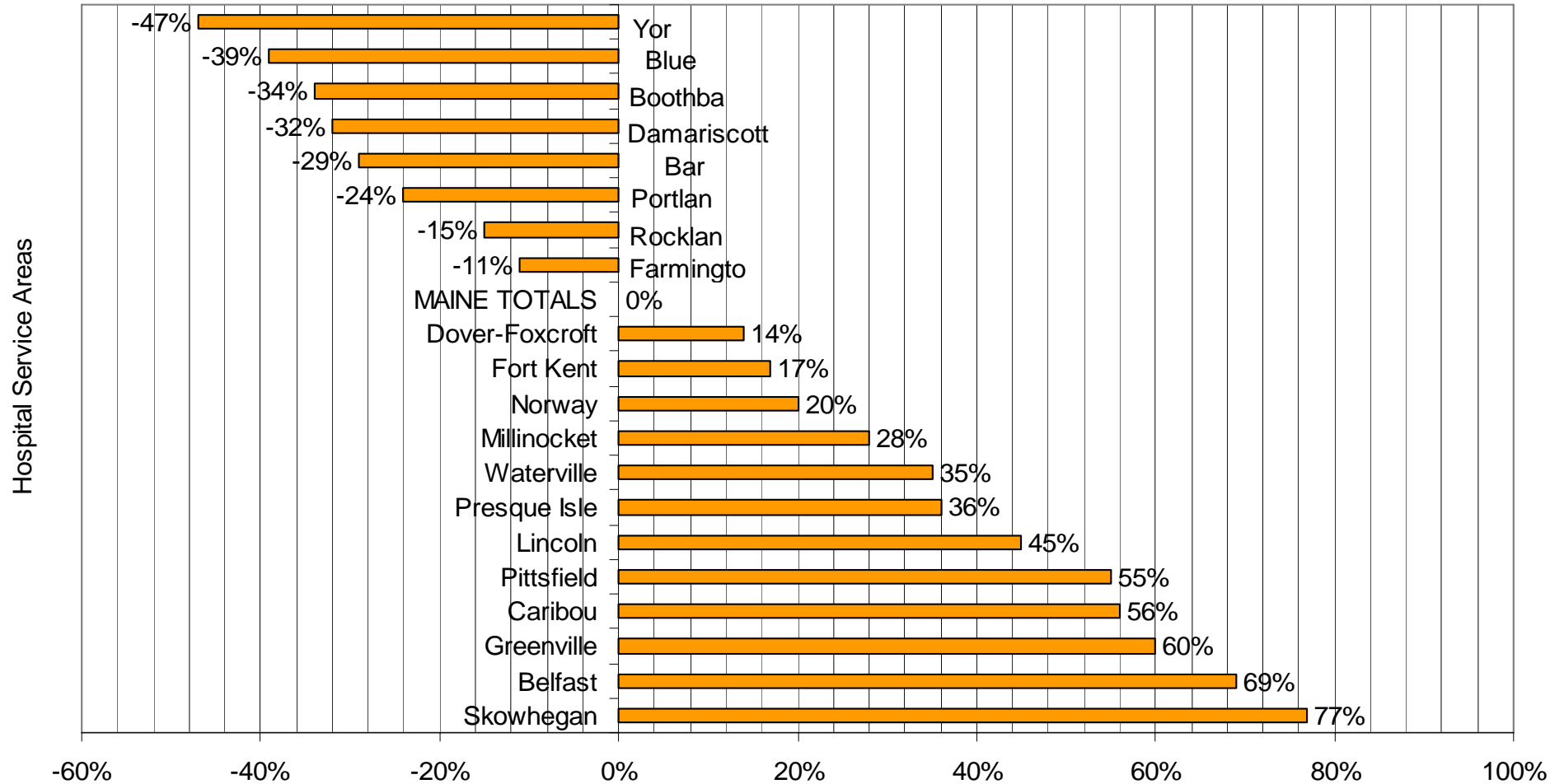
...but significant variations in medical practice indicate we don't always get the right care and care doesn't always improve health

- National studies of regional variations in medical practice showed that 2002 per capita Medicare spending was \$10,550 in Manhattan compared to \$4,823 in Portland (OR).
 - Medicare enrollees in NY spent more than twice as much time in the hospital and had twice as many doctor visits
 - Additional cost did not result in better care or greater satisfaction
- Quality and safety were worse in regions where Medicare spending was greatest
 - Death rates were 2-5% higher in regions spending more



Maine also has significant regional variations in medical practice that don't necessarily mean better quality of care

Variation in Admission Rates for Hysterectomy (All Non-Cancer) by Hospital Service Area, Maine 2000-2004



Percent Variation to State Norm Adjusted for Population Age and Gender

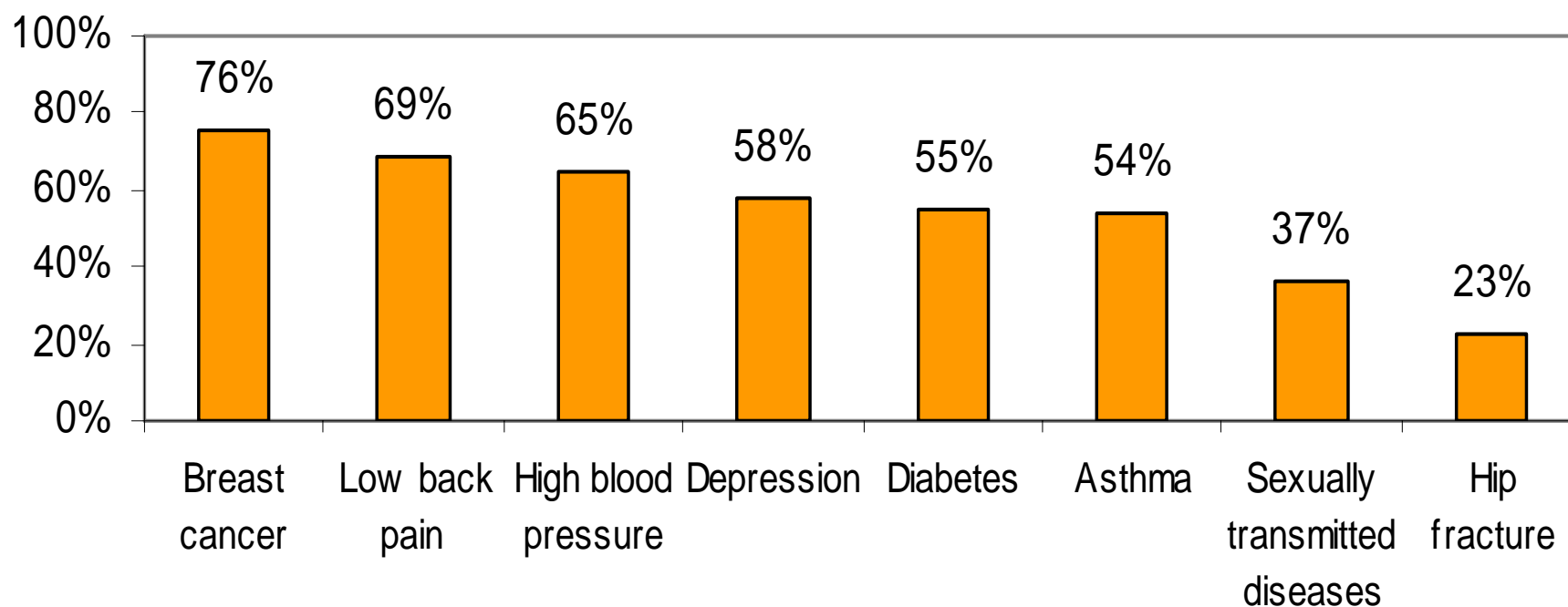
Maine also has significant regional variations in cost that don't necessarily reflect better quality

<i>Procedure</i>	<i>Low Charge</i>	<i>High Charge</i>	<i>High/Low Charge</i>
C-Section	\$4,699	\$8,964	190%
Proc of Bowel	\$13,656	\$36,207	265%
Hip Replacement	\$13,899	\$32,982	237%
Hysterectomy	\$4,882	\$11,284	231%
Appendectomy without Peritonitis	\$4,976	\$9,002	180%
Lap Chol	\$5,687	\$15,108	265%

Data adjusted for Case Mix Severity
 Maine Health Information Center, "Maine Hospital Inpatient
 Surgical Performance Report," 12/02

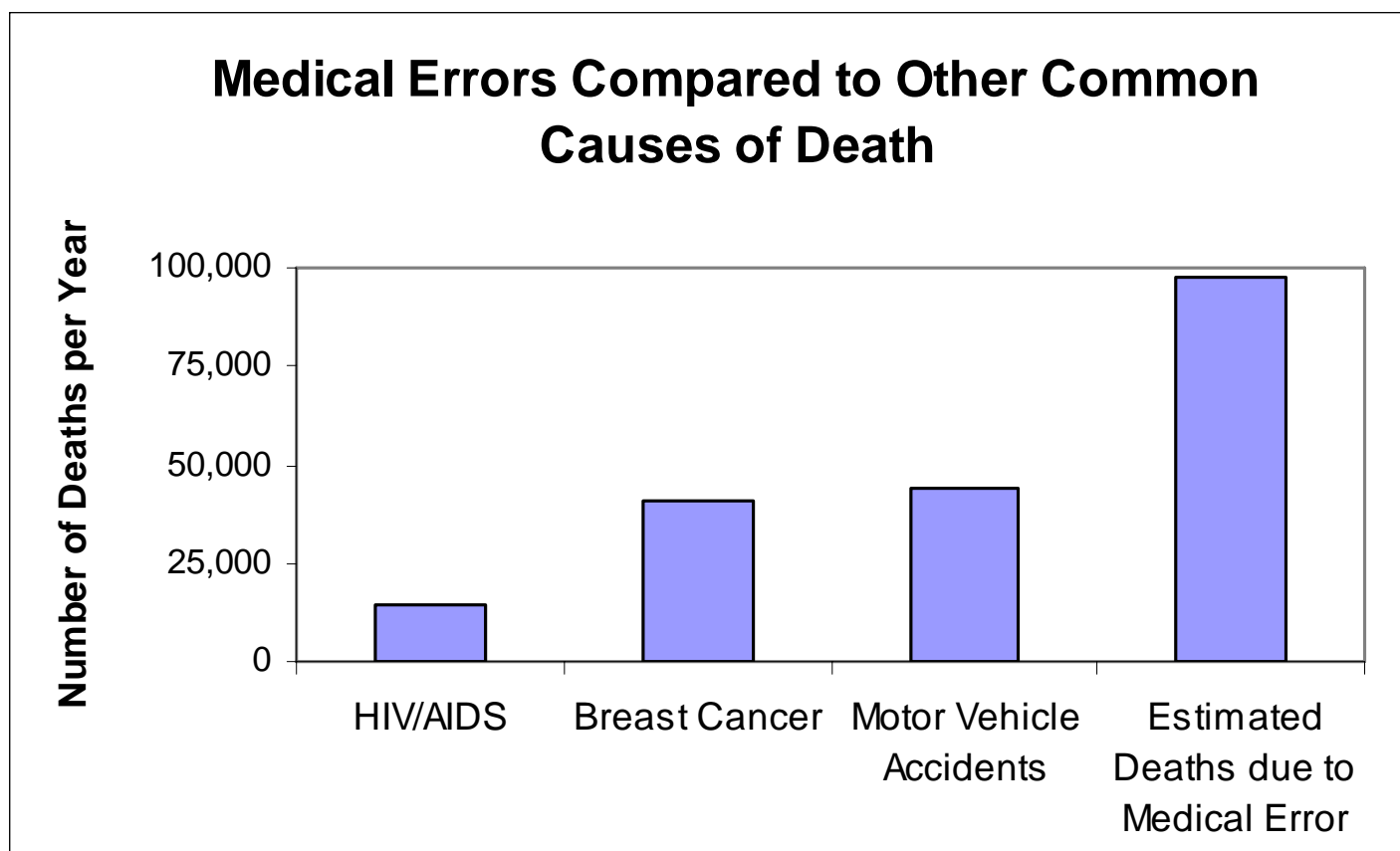
Too often our health care system fails to render care recommended by medical experts for common conditions

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.

..and our health system is also plagued by too many medical errors



As many as 98,000 people die every year from medical errors.
Medical errors occur in about 1 of every 50 hospitalizations

Maine is taking a lead in promoting better quality care

- Maine's major hospitals consistently rank high on Medicare quality of care indicators.
- Business, providers, insurers have come together in the Maine Health Management Coalition to promote better quality through Pay for Performance initiative.

Maine Quality Forum

- Established as part of Dirigo Health Reform Act
- Dedicated to promoting the right care, the right way, at the right time for all the people of Maine.
- Developed variation analyses
- Early leader supporting comprehensive electronic health information network (called HealthInfoNet)
- Developed hospital SafetyStar program
- Started *In a Heartbeat* to promote standard cardiac care



Quality, safety and patient engagement can be further improved by better information sharing and adopting electronic information technology

- Current systems providing health care information are antiquated, paper based systems with little lay-friendly information.
- Lack of readily available electronic data hinders providers' ability to get current patient information, make informed clinical decisions, and practice the best standards of care.
- Lack of readily available information stops patients from understanding what constitutes best care so they can participate in decision making.



Providers need better tools and information to provide cost-effective care that meet standards set by medical experts

Providers have limited knowledge of the comparative efficacy and cost of care – and they have little cost sensitivity.



Examples include:

- Over prescribing newer more powerful antibiotics for minor ailments, or underprescribing effective medications (beta blockers after heart attack)
- Variable performance in obtaining recommended preventive screening tests
- Adopting new technologies at higher cost but marginal increases in improving care
- Adopting therapies with no demonstrated effectiveness (arthroscopic surgery for arthritis Rx)
- Practicing defensive medicine with reliance on excessive testing.

Example: Controlled trial of arthroscopic surgery for arthritis of the knee

- Common surgical procedure for knee pain relief
- Randomized placebo-controlled clinical trial to test effectiveness
- Intervention group did NOT differ from placebo group in residual pain, better function



Each year there are 650,000 arthroscopic knee surgeries at a cost of about \$5,000 each for a total of \$3 billion annually

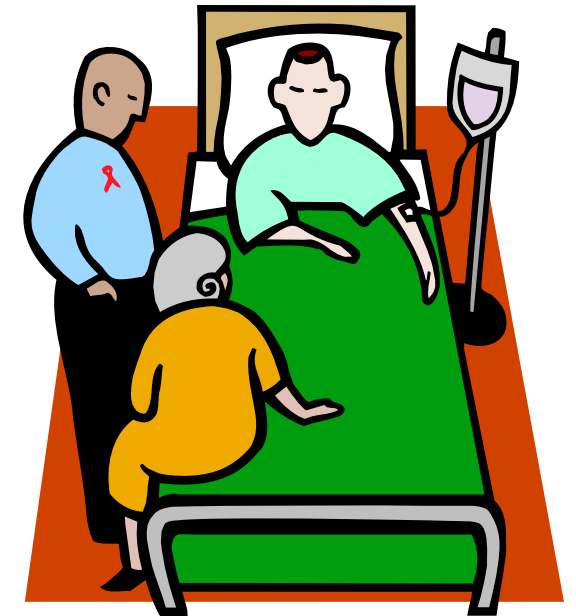
Patients and families need access to better information to become engaged in care, make better decisions, and help with strategies for cost containment

- There is a lack of consumer information to guide making informed health care choices and balance this with consideration of the cost of care.
- Individuals also largely fail to link the role of their personal behavior in determining both health and health care costs.

“I suppose the enemy is us, the American people. We want more medical technology, we want it in our community and we want it now.”

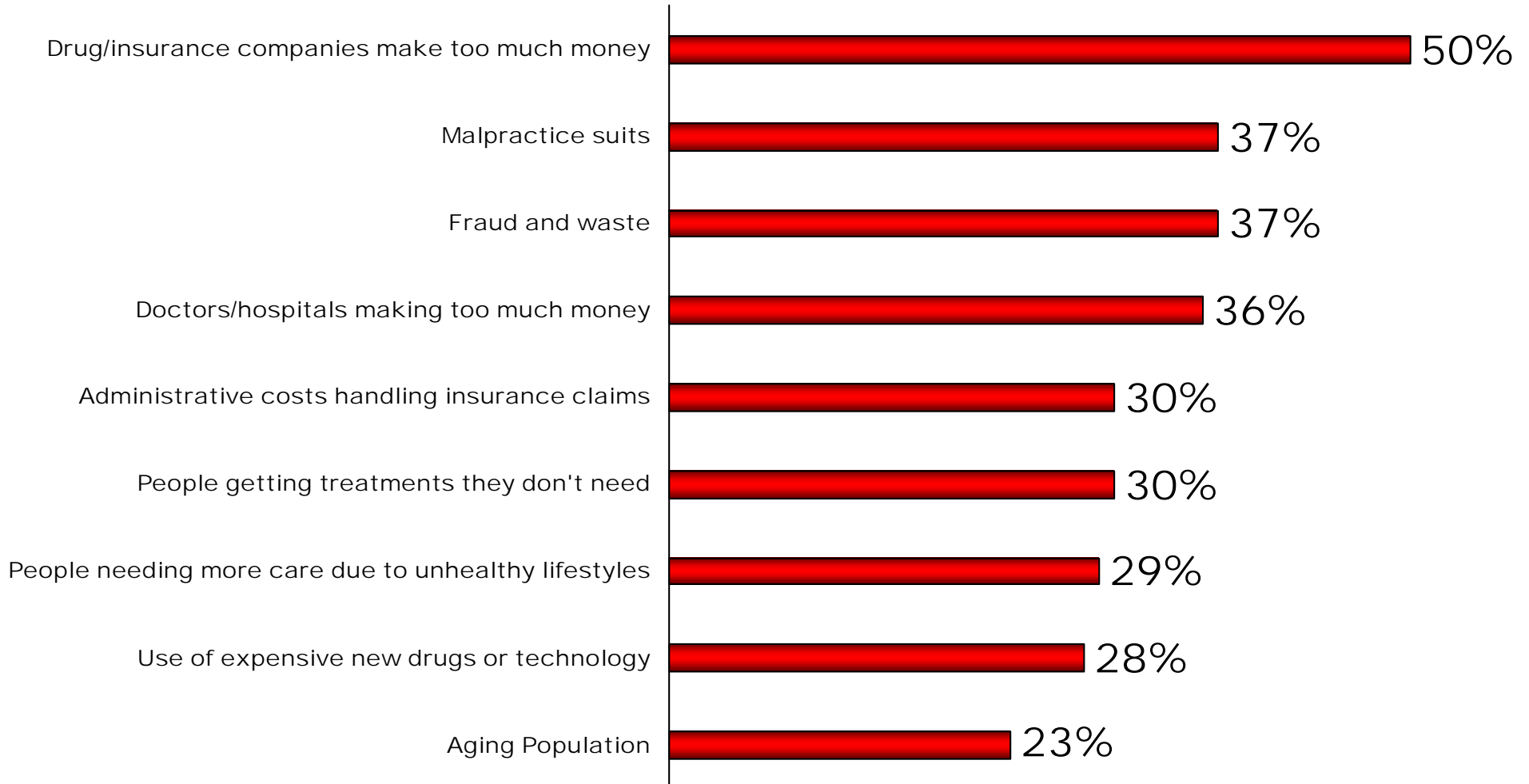
-Drew Altman

President of the Kaiser Family Foundation



Public Perception on the Factors Driving the Cost of Care

Percent saying each is “one of the single biggest factors in rising health care costs”



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 within 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 to be:
 - 8.52% for indemnity plans
 - 7.82% for HMO plans.

List of mandates can be obtained from

http://www.maine.gov/pfr/legislative/documents/mandate_cumcost2005.doc

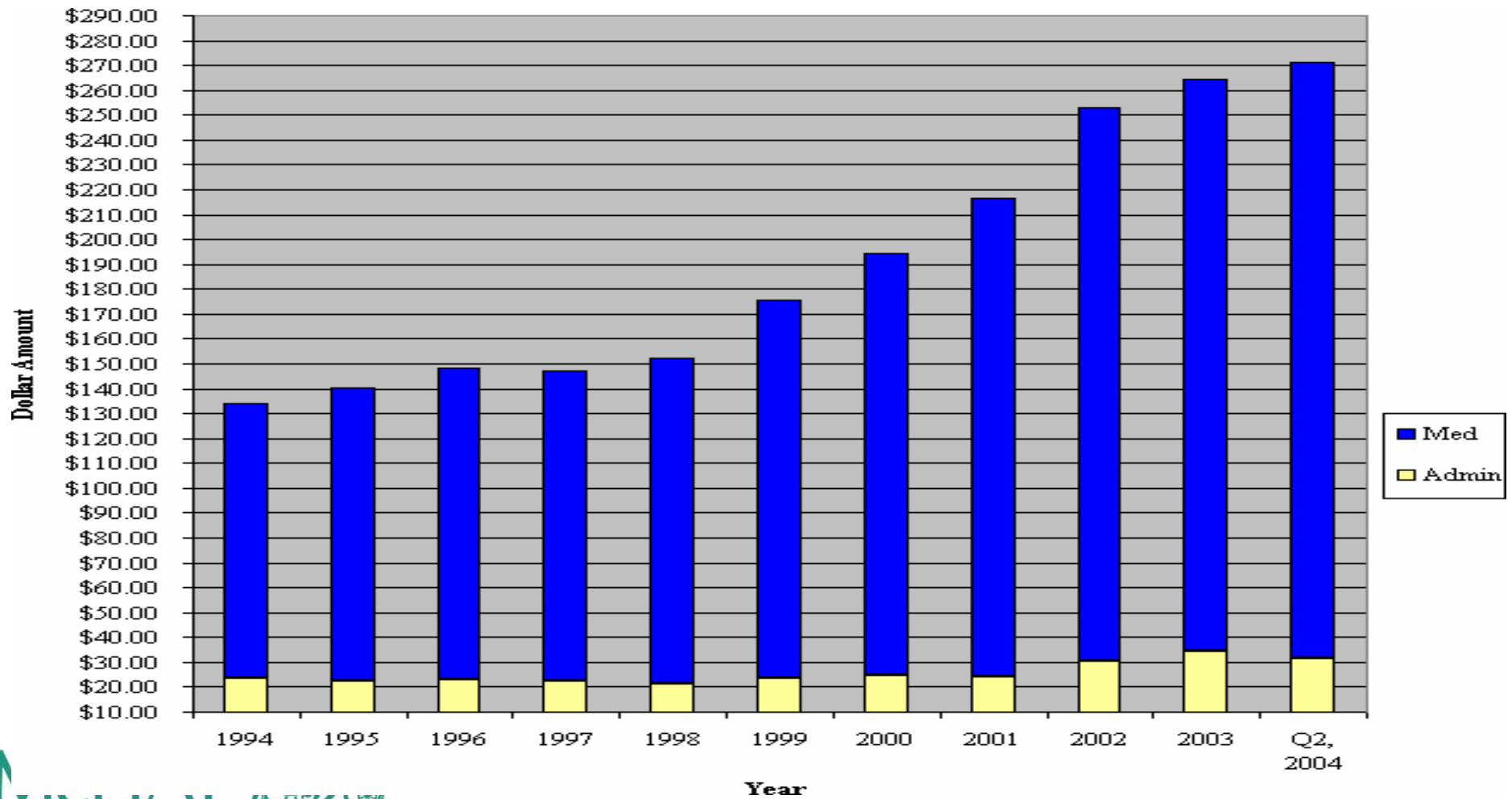
Insurance administrative cost also add to the high cost of care in Maine

- Nationally, in the private health care market, Americans spend close to 24 cents on every health care dollar on overhead.
- Private insurance administrative costs in Maine is approximately 12-15%
- In publicly-funded systems, administrative costs are lower:
 - MaineCare's overall administrative cost in 2001 was 4.8%
 - Estimates of Medicare administrative costs are approximately 2-3%



The majority of insurance and premium expenditures pay for health care services

Maine Bureau of Insurance Data on Health Insurance Medical & Administrative Expenses



Changing our health care system to meet the needs of Maine requires trade-offs and tough choices

- Improving focus on wellness and prevention
- Moving into the 21st century with health information technology - to arm patients with information, improve quality, and reduce medical errors and administrative waste
- Improving quality by providing evidence-based information to doctors, nurses, hospitals, insurance companies, and employers about higher quality, yet more effective care
- Educating patients and providers about using less expensive, yet equally effective care options
- Persuading people to think ahead about the kind of care they want, particularly at the end of their lives

We all have a stake in addressing Maine's health care challenges

