Iowa Fiscal Partnership

Executive Summary

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Prescriptions and Placebos

Fixing Health Care in Iowa

By Colin Gordon

Our health-care system is a mess. Job-based insurance is in retreat. The ranks of the uninsured are growing. And as health spending swallows more and more public and private money each year, we seem to get less and less in return. In the absence of federal attention, the only real conversation about health reform is occurring in the states.

Unfortunately, that conversation has been easily distracted – by shortsighted efforts to shore up job-based health coverage, by often frantic efforts to manage the costs of public health programs through enrollment or services restrictions, and by an enduring fascination with "consumer-driven" solutions.

Providing health care as an employment benefit made some sense in a setting marked by inexpensive health care and "family wage" employment in large firms. But we don't live in that world anymore. Each year, job-based coverage is more expensive and less accessible. And, while nearly a generation of experience under "managed care" has underscored the futility of treating doctors as vendors and patients as consumers, the metaphor of the market has almost completely captured the health care debate. Health care is not a commodity easily distributed by the laws of supply and demand and such incentives are often counterproductive – discouraging efficient care (preventive, early intervention) rather than curbing waste.

Most states, like Iowa, have toyed with incremental efforts to sustain job-based care, expand public programs, and pick up (as best they can) those left behind. A few states — Maine, Massachusetts and Vermont — have taken bold steps to expand coverage. In our assessment of these reform options, we rely on a set of simple and widely shared principles:

1. Reform must expand coverage: Much reform energy is spent bandaging up existing coverage rather than reaching out to the uninsured.

2. Coverage should be seamless, accessible and portable: Health coverage often hinges on access to group plans whose membership is restricted according to income, employment status, or health status. Group coverage should be an option for all Iowans.

3. Coverage should be affordable: It is not sufficient to make coverage available, if the costs (not just premiums but all out-of-pocket expenses) bust the budgets of working Iowans.

4. Coverage should be meaningful: More expansive coverage cannot come at the expense of quality. Health coverage should include all basic services, including preventive care. In particular, child health coverage needs to be based upon child health and development needs rather than on an adult health maintenance model.

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Key Findings

■ The decline in job-based health insurance has become especially acute in recent years. Since 2000, health costs are up sharply, while the rates at which employers offer coverage (or workers can afford to take it up) have fallen off. In 2004-05, 74,000 fewer Iowans claimed work-based coverage than just five years earlier (1999-00). During the same period, Iowa's Medicaid rolls swelled by 105,000 and the ranks of the uninsured grew by 30,000.

■ A range of modest state reforms – including tax credits and voluntary purchasing pools for small employers, "pay or play" mandates for large employers, public program expansion, and various efforts to regulate private insurance – have pursued a piecemeal solution. Unfortunately, these reforms share common problems:

- Efforts to build on job-based provision are a little like pumping water from a sinking ship: Because they do little to control health care costs, they also do little to ease the pressure on employers to cut insurance in the face of global competition, and they are unlikely to rescue the uninsured.
- On their own, incremental solutions tend to push the problem around, moving the currently insured from one kind of coverage to another – even encouraging employers to dump coverage onto public programs.
- Incremental efforts to fill in the gaps fail to address the fact that fragmented coverage is the root cause of both high costs and high rates of uninsurance in the American health care system.

■ The key to successful reform (drawing on more sweeping reform efforts in other states) lies less in the details of one idea or the next than in the ways in which they are combined. Solutions that might be insufficient on their own have much more promise when they are packaged, designed and staged as part of more comprehensive approach. Only in this way can we ensure that initiatives aimed at discrete fragments of the population will not work at cross-purposes, that reform will realize the savings needed to expand coverage, and that the end result is seamless and affordable access to health insurance for all Iowans.

It is important to recognize the larger logic of comprehensive health reform: Over time it will pay for itself. We are already bearing the costs of fragmented coverage, uncompensated care and declining private insurance. Comprehensive reform proposes not massive new spending, but the redirection of existing spending (on Medicaid, on premiums) through more productive channels. Virtually all of the uninsured are working-age adults (18-64) who are disproportionately young, or children. These are not costly groups to cover, and the type of health services that these individuals forgo is most likely to be primary and preventive. Covering the uninsured is more a question of developing an effective way to do so than it is about costs.

Iowa has the luxury of starting any comprehensive reform process from a position of relative strength. Our rate of uninsurance, though climbing, is among the lowest in the nation. Our rate of employment-based coverage, though slipping, is among the highest. A comprehensive package of reforms could reverse these trends and push us toward universal coverage – at substantial benefit to working Iowans, Iowa businesses, and the public health. Piecemeal reform, or doing nothing, is a virtual guarantee that things will get worse.

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