

## Access and Cost

*Capsule information and trends related to increasing access to affordable, high quality health care for all Arizonans.*

### #1 The rate of employer-sponsored insurance coverage (ESI) is declining, while the cost of ESI continues to rise:

- Between 1996 and 2000 the percentage of Arizona firms that offered insurance increased from 54.2% to 62.9%, only to fall again by the end of 2003 to just 55.1%.<sup>1</sup>
- Employees in firms with fewer than 10 employees that offer ESI are *more* likely to be eligible for coverage (85.5%) and slightly *more* likely to be enrolled (78.1%), while employees in firms with 100-999 employees are *less* likely to be eligible (just 67.6% are) and if eligible, are also slightly *less* likely to be enrolled (77.2%).<sup>2</sup>
- Health insurance premiums for single coverage increased from \$1,792 in 1996 to \$3,209 per year in 2003, a 79.1% increase. Small employers in Arizona were hit the hardest: an increase of 94% compared to 73% for the largest firms.<sup>3</sup>
- Health insurance enrollment varies significantly with wages: 77.9% of firms in the highest wage quartile offer ESI and have the largest percentage of eligible employees enrolled (74.6%). For industrial sectors with wage scale in the bottom quartile, only 35.3% of firms offer insurance, and just 31.9% of employees are enrolled.<sup>4</sup>
- People understand the trade-off between wages and benefits, but are conflicted about choosing between them: 59% of people with ESI say that it is more important to them to get a decent pay increase than to maintain or improve their current level of health insurance. At the same time, 61% say that if faced with a choice, they would choose to have no pay increase in order to maintain their current health insurance benefits.<sup>5</sup>

### #2 Despite our challenges, Arizona's economic glass is more than half-full:

- Median household income, poverty rates and the percentage of people without health insurance all experienced slight improvements in 2004.<sup>6</sup>
- Responding to current and anticipated growth, health systems have embarked on an unprecedented effort to expand both physical capacity and service capabilities. Arizona's healthcare industry is a \$30 billion annual enterprise in direct services alone; the economic multiplier in construction, related services and consumer purchasing/employment is well beyond that figure.<sup>7</sup>
- Health system employment grew 73% between 1990 and 2003, and currently accounts for 14% of the state's employment. Biotechnology and genomics are projected to recast health care in terms of both economic priorities and quality of life, and fuel continued growth in healthcare sector employment.<sup>8</sup>

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### #3 In the face of rapid growth, more Arizonans are at risk for being uninsured:

- **Rising Premiums** – The average premium for family coverage now exceeds the gross annual income of a full-time, minimum wage worker.<sup>9</sup>
- **Changing Jobs** – Average monthly job turnover in Arizona hovers around 3.3%, translating to a rough estimate of 55,000 people changing jobs - and insurance plans - every month.<sup>10</sup> Given Arizona's high proportion of construction and hospitality/service industry jobs, this estimate could be much higher.
- **Cost Shifting to Employees** – From 1996 to 2003, the employee premium cost for family coverage increased from \$1,074 to \$2,697 – a whopping 151%. Not surprisingly, the biggest drops in enrollment between 1996 and 2003 occurred in firms that had the biggest increase in employee premium costs.<sup>11</sup>
- **Age, Race and Income** – Young adults age 17 to 22 are less likely to be insured, as are Hispanics and low-income families.<sup>12</sup>

### #4 More Arizonans are covered by public insurance programs:

- Between October 2002 and October 2003, AHCCCS acute care enrollment increased 16.9%, slowing to 7% between 2003 and 2004, and just 2.3% from October 2004 to October 2005, when it totaled 1,013,573 members.<sup>13</sup>
- Nationally, Medicaid spending increases averaged 10.2% per year between 2000 – 2003, driven both by the weak economy and the increasing cost of care.<sup>14</sup> In 2005, spending growth slowed to an average of 7.5% as states implemented policies to limit eligibility and coverage.<sup>15</sup>
- Based on both enrollment growth and the rising cost of care, the AHCCCS budget has similarly increased. Total spending in FY 2004 was \$5.199 million, increasing to \$5.959 million in 2005. It is projected to increase to \$7.457 million in FY 2006.<sup>16</sup>
- Enrollment in Health Care Group, which is tailored to the needs of small businesses, has increased steadily and now stands at 13,250.

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## #5 Lack of access to affordable health insurance may be Arizona's economic leviathan:

- At 17%, Arizona's uninsured rate is higher than the national average of 15.4%. Being uninsured is correlated with reduced productivity, higher absenteeism and higher overall healthcare system costs.<sup>17</sup> Individuals, employers and the broader community are all negatively impacted when large numbers of people lack health insurance.
- Nationally, 55% of persons who filed for bankruptcy cited medical causes, and nearly 40% of people filing for bankruptcy due to medical debt had a lapse in coverage during the previous two years.<sup>18</sup>
- When faced with increasing out-of-pocket expenses, 26% of people try to find a less expensive health plan, 20% try to use fewer healthcare services and 40% try to save money elsewhere – including spending less money on other goods and services.<sup>19</sup>
- Nationally, the estimated loss of economic output due to health issues is \$260 billion per year.<sup>20</sup>
- Increasing premiums and other cost-sharing aspects of public insurance programs don't save money. They shift costs to other sources of revenue within the system,<sup>21</sup> negatively impacting the health status of those who lose coverage in the process.<sup>22</sup>

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- 4 Ibid.
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- 7 Lockhart, C., Hughes, R., *Dancing on a Pin: Health Planning in Arizona*, St. Luke's Health Initiatives, November, 2005, p. 16.
- 8 Waits, M.J., et al., *Meds and Eds: The Key to Arizona Leapfrogging Ahead in the 21st Century*. March 2005.
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- 13 Arizona Health Care Cost Containment System; *Eligibility Members Summary Report 2004 and 2005*. <http://www.ahcccs.state.az.us/Statistics/AHCCCSpopulation/2005/Oct/>. Accessed October 18, 2005
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- 15 Kaiser Family Foundation/Kaiser Commission on Medicaid and the Uninsured. <http://www.kff.org/medicaid/upload/Summary-of-Findings-The-State-of-Medicaid-Briefing-October-19-2005.pdf>
- 16 Arizona Health Care Cost Containment System; Financial Statements FYE 2004. (<http://www.ahcccs.state.az.us/Publications/Reports/FinancialStatements/FY2004FinancialStatements.pdf>) Accessed October 18, 2005. FY 2006 expenditure projection from presentation by Anthony Rodgers at the Arizona Chamber of Commerce Health Care Summit, October 21, 2005.
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## Our Mission

*To improve the health of people and their communities in Arizona, with an emphasis on helping people in need and building the capacity of communities to help themselves.*

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