ARIZONA HEALTH FUTURES

health bullets

December 2007

INSIDE Employer-Sponsored Health Insurance – National Trends | Employer-Sponsored Health Insurance – Arizona Trends | Health Care Spending in Arizona | Rating the Performance of Arizona's Healthcare System | The Impact of Rising Medical Costs | Public Opinion

Employer-Sponsored Health Insurance Coverage – National Trends[1]

Cost Factors

- National employer surveys in 2007 indicated the lowest rate of health insurance premium growth in four years. However, even at 6.1%, average growth in premiums significantly outpaced growth in workers' earnings (3.7%) and overall inflation (2.6%).
- The average premium cost for family coverage in 2007 was $12,106, with workers picking up 28%, or $3,281 of the premium cost.
- Single coverage premiums averaged $4,479, of which workers contributed 16%, or $694 annually.
- Although the differences are not statistically significant, premiums in the West are slightly higher for single coverage ($4,742) and slightly lower for family coverage ($12,030).
- In addition to premiums, some workers are often also paying higher deductibles. In 2007, premiums and deductibles for employer-sponsored insurance (ESI) varied considerably by type of insurance. (Table 1)

Table 1: Employer and Employee Average Annual Costs by Plan Type

Plan Type	Worker Contribution	Firm Contribution	Total Premium	Worker Deductible*	Worker Total Cost	Total Premium Plus Worker Deductible
HMO Single	$711	$3,588	$4,299	$401	$1,112	$4,700
PPO Single	$717	$3,920	$4,638	$461	$1,178	$5,098
POS Single	$628	$3,709	$4,337	$621	$1,249	$4,958
HDHP/SO Single	$522	$3,347	$3,869	$1,729	$2,251	$5,598
HMO Family	$3,311	$8,568	$11,879	$759	$4,070	$12,638
PPO Family	$3,236	$9,207	$12,443	$1,040	$4,276	$13,483
POS Family	$3,659	$7,929	$11,588	$1,359	$5,018	$12,947
HDHP/SO Family	$2,856	$7,837	$10,693	$3,596	$6,452	$14,289

*In addition to general deductibles, most workers have additional co-payments for office visits, inpatient hospital stays (deductible plus co-payment), outpatient hospital services, pharmaceuticals and urgent care or emergency department visits. Because these amounts vary considerably with plan type, carrier and utilization patterns, they are not included here.

Cost Control Strategies

Employer strategies to control costs are generally based on their perceived effectiveness. While cost control strategies in general were not likely to be rated as being "very effective," certain strategies were viewed more favorably. For example:

- Disease management programs are viewed as very (28%) or somewhat (43%) effective, particularly among large firms. Tightly managed care networks are viewed as very (16%) or somewhat (39%) effective, with higher ratings noted among small firms.

- Strategies that place more responsibility for managing costs on workers such as high-deductible/consumer-driven health plans or higher employee cost sharing in general were rated as "very" (15% and 12% respectively) or "somewhat" (53% and 46%) effective.

While few employers plan to stop offering health insurance or limit eligibility in the coming year, they *are* likely to further increase employee cost-sharing:

- 45% plan to increase the amount workers contribute to premiums.
- 42% plan to increase office visit co-payments.
- 41% plan to increase pharmaceutical cost-sharing.
- 37% plan to increase deductibles.

However, when asked about the factors that contribute to increases in health insurance premiums, the *moral hazard* of worker over-utilization of services was rated as the least significant factor. (Table 2)

Table 2. Employer Perceptions of Factors Leading to Increases in Health Insurance Premiums

Contributing Factor	A Lot	Somewhat	Not Too Much	Not at All	Don't Know
Higher Insurance Company Profits	45%	41%	9%	3%	2%
Higher Spending for Hospital Care	60%	32%	3%	4%	1%
Higher Spending for Physician Services	46%	42%	7%	4%	1%
Higher Spending for Prescription Drugs	66%	28%	3%	2%	1%
Better Medical Technology	39%	46%	10%	3%	2%
An Aging Population	52%	38%	6%	3%	1%
Workers Using More Services Because They Only Pay a Small Share of the Total Cost of Services	18%	53%	18%	8%	4%

Employee Response to Rising Health Care Costs

- A survey assessing the attitudes of the American public regarding the healthcare system[2] found that, for their part, although 82% of employed Americans support wellness programs in concept, they are less comfortable with employers' specific programs – and motivations.

- Among the 63% of survey respondents who experienced an increase in costs in 2007, rising costs have caused them to change their utilization of services, often by avoiding or delaying care. (Table 3)

Table 3: Changes in Health Care Usage Resulting From Cost Increases, Among Those Experiencing Increases in Costs, 2004-2007

	2004	2005	2006	2007
Try to take better care of yourself	74%	71%	80%	81%
Choose generic drugs more often	81%	79%	82%	78%
Talk to the doctor more carefully about treatment options and costs	58%	57%	57%	66%
Go to the doctor only for more serious conditions or symptoms	57%	54%	56%	64%
Delay going to the doctor	45%	40%	44%	50%
Switch to over-the-counter drugs	40%	33%	36%	42%
Look for cheaper health insurance	26%	28%	26%	29%
Look for less expensive health care providers	28%	27%	26%	33%
Not fill or skip doses of your prescribed medication	NA	21%	22%	28%

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2004-2007 Health Confidence Surveys.

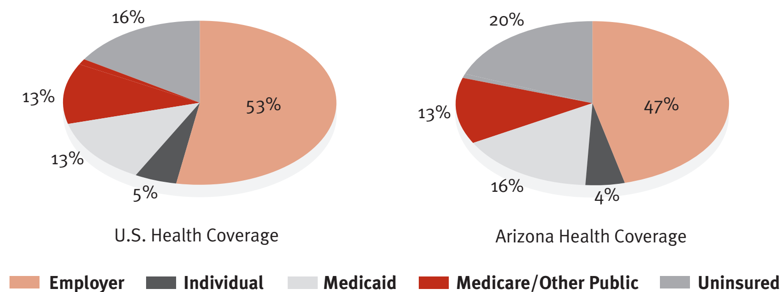
Coverage Trends[3]

- Overall, 60% of firms nationally offered health insurance benefits to their employees in 2007, a slight decrease from previous years, and significantly lower than 2000.
- At 99%, large firms (>200 workers) showed a slight increase from 2006.
- The overall rate reflects the continued decline in ESI among small firms (3-199 workers) – and particularly among those with fewer than 10 workers, where just 45% offered coverage in 2007.
- Contrary to predictions (and reports) of rapid growth in High Deductible Health Plans (HDHP), the small increase in the percentage of workers enrolled in this type of plan between 2006 (2.7%) and 2007 (3.8%) is not statistically significant.
- Beyond health insurance for current workers:
    - 33% of firms nationally continue to offer retiree health benefits, down slightly from 35% in 2006.
    - Just 19% of all employers (accounting for 34% of covered workers) offer long-term care insurance to their employees.

Employer-Sponsored Health Insurance – Arizona Trends*

Compared to national figures, Arizona residents are less likely to receive health insurance coverage through an employer, and more likely to be either uninsured or to be covered through the Arizona Health Care Cost Containment System (AHCCCS), the state's Medicaid program.[4] (Figure 1)

Figure 1: U.S. and Arizona Health Insurance by Source of Coverage, 2005-2006.



Sources: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2006 and 2007 Current Population Survey (CPS: Annual Social and Economic Supplements).

- Estimates generated by national surveys such as the Current Population Survey (census) vary considerably from other estimation methods. For example, data derived from the Arizona HealthQuery database comparing rates of uninsured in Maricopa County derived from three different methodologies range from 6.6% to 18.2%.[5]
- Continuing the trend observed since 2000, the overall percentage of Arizona firms that offer health insurance declined slightly from 2004 to 2005, with declines among the smallest firms somewhat offset by increases in ESI among the largest firms. (Table 4)

*Because the availability of state-level data lags significantly behind national-level data, readers are cautioned about comparing Arizona trends through 2005 to the nation as a whole, which utilize data collected in 2007.

Table 4: Percent of Arizona Firms that Offer Health Insurance

# of Employees	2000	2004	2005
All	62.9%	56.1%	55.0%
< 10	43.9%	33.2%	33.6%
10-24	64.3%	53.2%	45.5%
25-99	85.2%	63.8%	64.7%
100-999	91.9%	90.3%	97.2%
>1000	100.0%	98.4%	99.8%

Source: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends, 2000, 2004 & 2005 Medical Expenditure Panel Survey – Insurance Component; Table II.A.2.

- Among employers that offer health insurance, 76.8% require a waiting period, averaging almost nine weeks, before new employees are eligible for coverage. Incorporated, for-profit firms are more likely to require a waiting period (78.2%) than unincorporated, for-profit companies (73.7%), or non-profit agencies (70.2%).

Decreasing Coverage – Increasing Costs

- For single coverage, the Arizona premium jumped to $4,294 in 2005, considerably higher than the 2005 national average of $3,991 and the 2004 Arizona average of $3,438.
- In 2005, the average total family premium per enrolled employee was $10,268, slightly lower than the national average of $10,728.
- Premium changes varied considerably between firms of various sizes. Family coverage premiums charged to the smallest firms, those with fewer than ten employees, *decreased* slightly from an average of $9,357 in 2004 to an average of $9,189 in 2005. In contrast, the average total family premium in larger firms *increased* considerably. (Table 5)

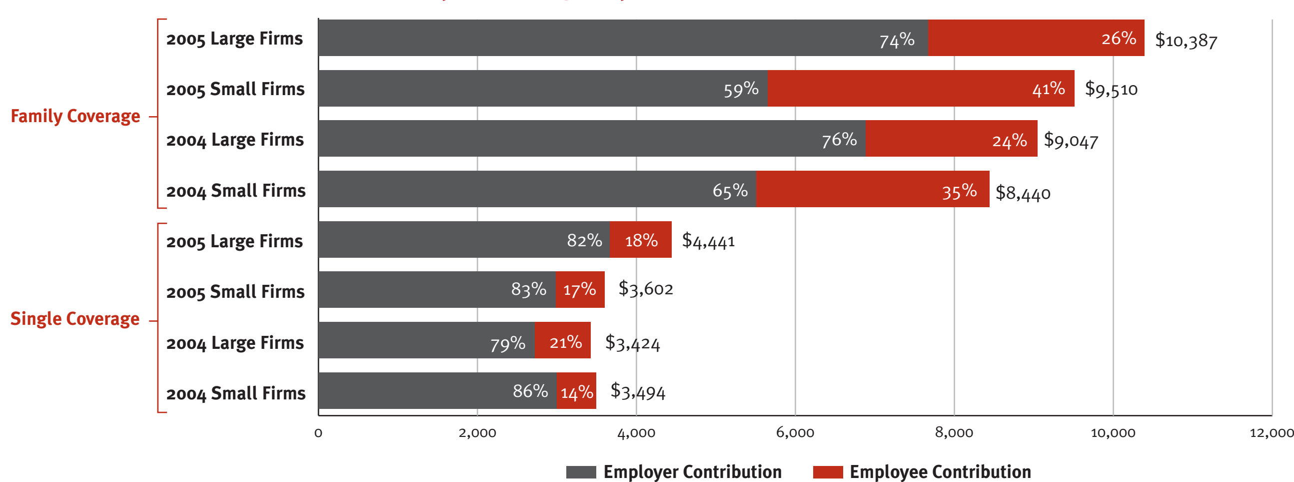
Table 5: Average Total Family Premiums by Firm Size

	2004	2005
Average for All Firms	$8,979	$10,268
Less than 10 Employees	$9,357	$ 9,189
10-24 Employees	$6,956	$10,159
25-99 Employees	$6,803	$9,542
100-999 Employees	$9,158	$10,570
1000 or More Employees	$9,204	$10,355

Source: Agency for Healthcare Research and Quality; Medical Expenditure Panel Survey – Insurance Component, 2004 and 2005; Table II.D.1.

- In addition to higher premiums, employees' share of premium costs also increased significantly between 2004 and 2005.
- In 2005, Arizona workers paid 17.5% of the total cost of health insurance premiums for single coverage and 28.0% for family coverage. Workers in small firms (fewer than 50 employees) paid a significantly higher percentage (40.6%) than their large firm counterparts (26.2%).[6] (Figure 2)
- 74.6% of those with employer-based insurance pay office visit co-payments. Among those employed by small firms, 78.6% have co-payments averaging $19, while 73.9% of workers in large firms pay average co-pays of $18 per visit.

Figure 2: Premiums and Workers' Share of Cost for Single and Family Coverage by Firm Size, 2004 and 2005



Source: Agency for Healthcare Research and Quality; Medical Expenditure Panel Survey – Insurance Component, 2004 and 2005; Tables II.D.1 and II.D.2; SLHI analysis.

Health Care Spending in Arizona

- Health care spending in Arizona in 2004 totaled approximately $23.6 billion. Compared to the national average of $5,283, on a per capita basis Arizona spends just $4,103, making it one of the lowest spending states in the nation.[7] (Table 6)

Table 6: Per Capita Health Care Spending by Category of Service, Arizona 2004

Service Category	AZ	U.S.
Hospital Care	$1,479	$1,931
Physician & Clinical Services	$1,193	$1,341
Other Professional Services	$162	$179
Drugs and Other Medical Non-Durables	$588	$757
Nursing Home Care	$178	$392
Dental Services	$254	$277
Home Health Care	$114	$145
Medical Durables	$74	$79
Other Personal Health Care	$62	$181

Sources: Health Expenditure Data, Health Expenditures by State of Residence, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, released September 2007.

Rating the Performance of Arizona's Healthcare System

In 2007, a *State Scorecard on Health System Performance* highlighted the strengths – and challenges – faced by states as they address health spending, quality and system performance. Based on 32 key indicators, researchers estimated that "if all states could approach the low levels of mortality from conditions amenable to care achieved by the top ranked state, nearly 90,000 fewer deaths before the age of 75 would occur annually."[8]

At #26, Arizona ranks in the middle, with strong performance on dimensions of "Avoidable Hospital Use and Costs" and "Healthy Lives," contrasted with bottom tier performance on dimensions of "Quality" and "Equity." Key findings include:

- Arizona ranked in the top quartile for eight indicators, and was one of the best states with regard to the percent of nursing home patients with a hospital readmission within three months, the percent of home health patients with a hospital admission and the rate of colorectal cancer deaths per 100,000 population.
- Arizona ranked in the bottom quartile for ten of the indicators, and was ranked as one of the five worst states with regard to the percent of insured children, percent of children with a "medical home," percent of adults with a usual source of care and two indicators of Medicare patient satisfaction with care.
- If the performance of Arizona's healthcare system improved to the level of the best-performing state:
  - 166,395 more children would have either public or private health insurance.
  - 374,962 more children would have a medical home.
  - 457,884 more adults would have public or private health insurance.
  - 638,339 more adults would have a usual source of care.
  - $30,312,000 would be saved from 5,933 fewer hospitalizations among Medicare beneficiaries.
  - $27,144,000 would be saved from 2,131 fewer hospital readmissions among Medicare beneficiaries.
  - 1,190 premature deaths (before age 75) from causes that are potentially treatable or preventable might be avoided.

The Impact of Rising Medical Costs

Increasingly, the American public is expressing a high level of unhappiness and frustration with the healthcare system. In a 2007 Health Confidence Survey:[9]

- 59% rated the system as "fair" (29%) or "poor" (30%).
- 24% feel that the healthcare system needs a complete overhaul. 47% believe it requires major changes.
- 91% support a mandate requiring employers to provide and contribute to health insurance coverage for their workers, with 42% believing that all employers – regardless of size – should be included.

In the 2007 survey, 63% of respondents reported an increase in the costs they are responsible for, and the negative impact of those increases on the overall financial well-being of their household. Among those who have experienced higher costs:

- 30% indicated that they have decreased contributions to retirement savings.
- 52% say they have decreased savings in general.
- 29% report having difficulty paying for basic necessities.
- 36% have had difficulty paying other bills.
- 28% say they have used up all or most of their savings.
- 20% report increasing their level of credit card debt.
- 16% have borrowed money.

Medical Debt

- Research on the impact of medical expenses and credit card debt found that, on average, credit card debt is 32% higher among medically indebted* uninsured households relative to medically indebted households with insurance.[10] Young adults are particularly impacted by medically-related credit card debt. (Table 7)

* The term "medically indebted" refers to those whose medical expenses contributed to their current level of credit card debt and who had a major medical expense within the past three years.

Table 7: Mean Credit Card Debt by Age, Medically v. Non-Medically Indebted

Age	Medically Indebted	Non-Medically Indebted	Percent Difference
18-34	$13,303	$7,450	79%
35-49	$10,500	$7,881	33%
50-64	$12,515	$8,333	50%
Over 65	$6,823	$8,466	-19%

The impact of high *medical cost burdens* affects communities differently:

- Review of data from the Community Tracking Study[11], which included the greater Phoenix area, found significant variation in the burden of high medical costs driven by both the number of people who lack coverage as well as those who are covered, but whose premiums and out-of-pocket expenses are high relative to their income. Among the 60 communities surveyed, Phoenix ranked 28th. Other key findings from the study include:
  - Communities with a higher medical cost burden have lower rates of employer-sponsored insurance (49.0%) versus communities with a lower medical cost burden (67.3%);
  - Workers in high-burden communities are more likely to work in firms with fewer than 25 workers and are twice as likely to have jobs that pay less than $10 per hour – 33.6% versus 17.5%;
  - Communities with high medical cost burdens often have higher proportions of low-income people (42.1% versus 20.0%), but lower levels of public insurance coverage (24.1% versus 35.2%).

Table 8: High Medical Cost Burden, Arizona and U.S. 2003

Survey Respondents	AZ	U.S. Average
Percent with High Medical Cost Burden	36.0%	38.2%
Uninsured All of Part of the Year	15.6%	16.7%
Insured, but With High Cost Burden	20.4%	21.5%

Public Opinion on Health Care Reform

Despite the attention and ongoing debate over health system reform, recent opinion polls[12] regarding causes and solutions reveal deep divides (Table 9).

Table 9: National Opinion on Health System Reform

"If you had to say, which do you think is a more serious problem right now: keeping health care costs down for average Americans, or providing health insurance for Americans who do not have any insurance?"

	All Voters	Republicans	Democrats	Independents
Keeping Costs Down	41%	60%	22%	42%
Covering Uninsured	53%	33%	71%	53%
Unsure	7%	7%	7%	5%

"Do you think it's the government's responsibility to make sure that everyone in the United States has adequate health care, or don't you think so?"

	All Voters	Republicans	Democrats	Independents
Think It Is	57%	32%	84%	54%
Don't Think So	38%	62%	13%	41%
Unsure	5%	6%	4%	6%

References

1 Kaiser Family Foundation and Health Research and Educational Trust. *2007 Employer Health Benefits Survey.* Publication #7672, available online at: www.kff.org.

2 Employee Benefit Research Institute. (2007) *2007 Health Confidence Survey: Rising Costs are Changing the Ways Americans use the Health Care System.* EBRI Notes; Vol. 28, No. 11. Accessed November 26, 2007 from: http://www.ebri.org/pdf/notespdf/EBRI_Notes_11a-20071.pdf.

3 Kaiser Family Foundation and Health Research and Educational Trust. *2007 Employer Health Benefits Survey.* Publication #7672, available online at: www.kff.org.

4 Kaiser Family Foundation. (2007) *State Health Facts.* Accessed November 28, 2007 from: http://www.statehealthfacts.org/profileind.jsp?ind=125&cat=3&rgn=4.

5 Johnson, W.G., H. Gray and W. Bannister (2007) *Health Insurance in Arizona: The Residents of Maricopa County, 2004.* Arizona State University, Center for Health Information and Research, School of Computing and Informatics; Tempe, AZ.

6 Agency for Healthcare Research and Quality. *2005 Medical Expenditure Panel Survey – Insurance Component;* Table II.D.3.

7 Martin, Anne, et al. (2007) "Health Spending by State of Residence, 1991-2004." *Health Affairs Web Exclusive;* September 18, 2007.

8 Cantor, Joel, Dina Belloff, Cathy Schoen, Sabrina How and Douglas McCarthy (2007) *Aiming Higher: Results from a State Scorecard on Health System Performance.* The Commonwealth Fund, New York, NY. Accessed November 26, 2007 from: http://www.commonwealthfund.org/usr_doc/StateScorecard.pdf?section=4039.

9 EBRI Notes (November 2007).

10 Zeldin, Cindy and Mark Rukavina. (2007) *Borrowing to Stay Healthy: How Credit Card Debt is Related to Medical Expenses.* Available online at: http://www.demos.org/pubs/healthy_web.pdf.

11 Cunningham, Peter (2007) *Overburdened and Overwhelmed: The Struggles of Communities with High Medical Cost Burdens.* The Commonwealth Fund; New York, NY. Accessed November 28, 2007 from: http://www.commonwealthfund.org/usr_doc/Cunningham_overburdenedoverwhelmed_1073_ib.pdf?section=4039.

12 Quinnipiac University Poll. October 23-29, 2007. Accessed November 26, 2007 from: http://www.pollingreport.com/health3.htm.

St. Luke's Health Initiatives

A Catalyst for Community Health

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.

For a complete list of *Arizona Health Futures* publications, conferences and other public education activities, visit the SLHI web site at **www.slhi.org**. If you would like to receive extra copies of a publication or be added to our mailing list, please call 602.385.6500 or email us at info@slhi.org.

© 2007
All Rights Reserved.

Material may be reproduced without permission when proper acknowledgment is made.

2929 N Central Ave
Suite 1550
Phoenix Arizona 85012

www.slhi.org
info@slhi.org

602.385.6500
602.385.6510 fax