

Common Sense Says ...

that every North Carolinian must have access to good-quality health care.

H E A L T H I N S U R A N C E

More than 1.4 million North Carolinians have no access to health insurance.¹ Employee health-care premiums are rising annually in this state, with a 17 percent increase this year alone.² Since affordable health insurance is diminishing, individuals are caught in a gap between the two systems where they neither qualify for Medicaid nor can afford private insurance.

The stakes could not be higher: those without health insurance are 25 percent more likely to die prematurely than individuals with insurance.³ The physical consequences of lacking coverage affect more than just the uninsured, with devastating financial consequences for the entire state. Legislators are looking at ways to expand the current system, but the true solution must allow every individual access to medical help.

Who are the uninsured?

The Census Bureau's 2002 report states that the number of Americans without health insurance continued to increase, rising from 14.6 percent in 2001 to 15.2 percent last year. There were over 1.4 million North Carolinians who were not covered by health insurance in 2002, about 16.8 percent of the state's residents.⁴

In 2002, 261,000 of North Carolina's children did not have access to health care, about 12.7 percent.⁵ According to the 2002 North Carolina Behavioral Risk Factor Survey (BRFS), about one in three 18-24 year-olds, the age group with the highest uninsurance rate, does not have health care coverage. Many young adults are dropped

from their parents' policies at age 19 or when they graduate from college, and then struggle to find jobs with health benefits.⁶

Geographically, the Western region of the state has the highest uninsurance rate, leaving 19.1 percent of the residents uninsured.⁷

Unfortunately, the numbers become even more disproportionate for North Carolinians when it comes to race and income. North Carolina has experienced rapid growth in its Latino population over the last decade. Over half of Latinos in the state did not have health insurance last year.⁸ This percentage is much too high, especially considering the national average uninsurance rate of Latinos is 32.4 percent.⁹ In addition, the uninsurance rate is 50 percent higher among African Americans than among whites.¹⁰ The North Carolina Office of Minority Health and Health Disparities is looking at ways to close this racial gap.

The wealthiest are taken care of here in North Carolina, even at a higher rate than the national average. Only 3 percent of those who make \$75,000 a year or more are uninsured in this state.¹¹ (This salary is five times the federal poverty

threshold, which was \$14,348 for a family of three in 2002.¹²) The national average for this income bracket being uninsured is closer to one in ten, not three out of 100.¹³

Unfortunately, these numbers do not hold true when it comes to the other end of the income spectrum. One in four households which make less than \$25,000 a year are uninsured at the national level. In

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North Carolina, one in three of these households is uninsured.¹⁴ Contrary to common assumption, more than two-thirds of the uninsured (68%) are full-time workers and their children; another 8% are part-time workers and their children.¹⁵

Why some individuals do not have health insurance

The main reason one in six North Carolinians are left without coverage appears to be cost. Most uninsured individuals fall into the gap of neither qualifying for Medicaid nor being able to afford private insurance. For those families who qualify for public assistance, there is Medicaid—the governmental health insurance program that pays for medical services for low-income adults and children. A family of four can earn no more than \$18,108 to \$33,492 annually (depending on the age of the children) to qualify for Medicaid in North Carolina.¹⁶ Other forms of government health insurance include Medicare (for those 65 and older), and Military health care. For those families who can afford direct purchase, there is individual private health insurance. For the majority of workers, there is employer-sponsored health insurance, which is utilized by about 58 percent of North Carolinians.¹⁷

There are many people who fall through the cracks due to this country's incremental coverage. Some low-wage workers earn "too much" to qualify for Medicaid but cannot afford the company health plan, if a company health plan is even available. According to the Commonwealth Fund's 2001 Health Insurance Survey, "The overriding reason that workers go without health insurance coverage is that their employers do not offer it to them."¹⁸ Fifty-seven percent of private sector establishments in North Carolina offered health insurance to their employees in 2001, which is close to the national average.¹⁹ With health insurance costs rising fast, employers say they are unable to foot the bill, especially smaller businesses. As a result, employers either stop offering coverage all together, or pass the expenses on to the employee.

These expenses show up in the form of higher premiums, co-payments, and deductibles, paid for out of the employee's pocket. The Employer Health Benefits Survey, conducted by The Kaiser

Family Foundation and Health Research and Educational Trust, found that the cost of premiums for employer-sponsored coverage rose by 13.9 percent this spring, while wages for non-supervisory workers saw only a 3.1 percent increase.²⁰ In North Carolina, employees contribute, on average, 31.7 percent of the health insurance premium for a family of four, or \$2,224 annually.²¹ This is the second highest employee contribution in the country, second only to New Mexico.²² South Carolina has the fifth lowest employee contribution, with employees contributing 19.1 percent of their health insurance premiums; their average premiums are even more costly than North Carolina's.²³

Rising premiums may be acceptable for the individuals who can afford the extra costs, but the Urban Institute points to a study of state insurance programs that found that "participation drops off quickly as costs rise to as little as five percent of income."²⁴ In order for a family of four to "comfortably" afford North Carolina's health insurance premiums at five percent of one's income, there needs to be a household income of \$44,480 a year, or the equivalent of two adults working full-time, earning \$10.94 an hour each. If the premium starts to cost any

It is possible for universal health care to be a reality.

more than five percent of the annual income, low-wage workers are faced with making impossible choices between health care, groceries, and rent. ***Consequences of being uninsured***

The consequences of being uninsured affect many people in many ways. First, there are the physical costs to those who are without coverage. The Kaiser Commission on Medicaid and the Uninsured reports that having health insurance increases medical care by 50 percent.²⁵ For those who do not have health insurance, they are much less likely to seek preventative care through annual check-ups, due to the lack of affordability. This delay in care makes treatment more expensive, or sometimes too late, when an individual goes directly to the emergency room instead of taking steps to detect medical problems early on. The Institute of Medicine found that "adults under age 65 who are uninsured face a 25 percent higher risk of dying than those with private coverage. This pattern emerges when comparing deaths of

uninsured and insured patients from heart attack, cancer, traumatic injury, and HIV infection.”²⁶

The reason for this is that many people without health insurance cannot afford the recommended preventative care. However, when they do seek care, fewer services are provided and the quality is worse, according to a study conducted by the Institute of Medicine.²⁷ In addition to the physical costs to the uninsured individuals, there are the physical costs to the general public; when contagious diseases or illnesses go untreated, the health of the entire population is threatened.²⁸

There are also broad financial consequences to having uninsured Americans. Employers incur the costs when business productivity slows down due to employees missing work, leaving their jobs, or retiring early for health reasons.²⁹ Community and public hospitals (the primary providers to the uninsured) have to deal with heavy operating losses due to the high rates of uncompensated care, forcing them to cut back on their services to all patients or even close their facilities.³⁰ In the end, it is those who have health insurance who end up paying for those who are without. Through the use of cost-shifting, privately insured patients are charged higher rates for medical care to make up for revenue lost on uninsured patients.³¹ Taxpayers pay the brunt of the costs of care for uninsured patients through public health clinics and safety net hospitals where uninsured individuals can get medical attention; governmental expenditures for these facilities total an estimated \$30.6 billion a year.³²

Recommendations

Every person has the basic right to decent health care. Over the years, health care has become a commodity in this country, a profit-driven institution instead of a public service. Other industrialized countries around the world provide full access to basic health care, eliminating a market based on wealth. All Americans, and North Carolinians in particular, have

the basic right to fulfilling the fundamental needs of food, clothing, housing, safety, and health care. Every individual is expected to do what he or she can to fulfill these needs, but governmental assistance should be provided when this is not enough. The public interest group North Carolina Committee to Defend Health Care believes that there should be “quality health care for all” and is fighting for that vision, along with several other state organizations.³³ A bill

in the General Assembly would amend the state Constitution to recognize the right to health care for all North Carolinians. Health insurance needs to be more affordable and available to

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everyone. Every individual should have the right to quality health care, not just those who can afford the rising costs. It would be ideal to have universal health care coverage through a single-payer national health insurance program. In this system, one entity (the government) would collect all health care fees, and pay out all health care costs.³⁴

Consequently, the savings from eliminating administrative costs would be well over the amount needed to cover the 43.6 million uninsured Americans.³⁵ According to a study conducted by the Harvard Medical School and The Public Citizen Health Research Group, administrative overhead costs consumed at least 31 percent of health spending due to the complex and fragmented payment structure built around thousands of different insurance plans of the current health care system.³⁶ According to this study, if the U.S. Health Care system became a single-payer system like Canada’s, \$286 billion would be saved in 2003 from administrative costs.³⁷

Although some are quick to label this system “socialized medicine,” that is neither fair nor accurate. The government does not own or manage medical practices or hospitals in countries with single-payer health plans; it merely pays for care that is delivered in the private sector, similar to the Medicare system.³⁸ Physicians for a National Health Program has

suggested that the single-payer plan be financed by progressive taxes where employers would pay a seven percent payroll tax and employees pay two percent, which would take the place of all premiums, co-payments, and deductibles.³⁹ Although this would be more expensive for employers who do not offer any health insurance, it would be less expensive for both small and large employers who currently spend 25 percent and 8.5 percent of payroll on health insurance, respectively.⁴⁰ While some fear a loss in jobs with such a change, many jobs will be created to implement and run the new system.

Although this is a federal program, this seems to be the most likely way to cover every North Carolinian equitably. According to the previous study, which looked at estimated spending for health administration in each state, \$38.8 billion will be spent in North Carolina this year on the current health care system, with \$10.6 billion of that expense in administrative costs. With a single-payer health insurance plan, North Carolina could offer universal health coverage and potentially save \$7.5 billion by eliminating administrative costs.⁴¹ This large but valuable change would improve the lives of millions of Americans.

Until universal coverage becomes a reality, state legislators must take action to adjust the current system in order to cover North Carolina's uninsured. National policy-makers from both parties have contributed proposals that would expand health insurance. Incremental proposals expand existing programs in a patchwork fashion to include more people, but still not everyone.

For example, the Bush administration strongly favors tax credits, to defray the costs of private individual or group coverage.⁴² But such tax credit proposals would not provide enough money to pay for the rising cost of premiums, especially for older adults who have more health problems and less income.⁴³ Other proposals involve expanding eligibility for public coverage like Medicaid and Medicare, making it easier for low-income families to be insured. Some legislators have even proposed requiring employers or individuals to secure health insurance, similar to requiring proof of car insurance, to ensure that every person is covered.

By using multiple methods, more populations can be covered. Currently, Medicaid is only available to families with dependent children, pregnant women,

children under 21, and individuals with disabilities, and then based on income qualifications. Many states have expanded Medicaid eligibility to cover participants who earn 200 percent of the Federal Poverty Level (Vermont and Missouri have expanded their eligibility levels up to 300 percent of the FPL).⁴⁴ Some states have covered parents of the children who are enrolled in the State Children Health Insurance Plan (North Carolina Health Choice for Children). Other progressive states have expanded coverage to any adult below the 200 percent FPL (even those without children). If North Carolina were to expand Medicaid eligibility levels to 200 percent to cover these populations, 65 percent of the nonelderly uninsured would be covered.⁴⁵ With the help of the federal government's matching rate of \$0.62 for every \$1.00 spent in public program costs, additional taxes, and creative approaches to securing funding, like closing corporate loopholes, expanding this public program would be plausible.⁴⁶

An additional option would be to provide subsidies to low-income families or small employers to minimize the cost of health insurance. This subsidy could help pay for the premiums on either the recipient's end or the small business employer's end, since small employers are less likely to offer group health insurance to their employees.⁴⁷ To assist older adults who lose access to job-based coverage due to the decrease in firms offering retiree coverage, Adam Searing from the Health Access Coalition recommends creating a Medicare buy-in system, where early retirees could participate in Medicare by paying a set premium.⁴⁸ To assist younger adults, health insurance companies could be required to extend coverage to dependents up to age 21.

Although these proposals will not cover everyone like a single-payer plan would, they are better than leaving 1.4 million North Carolinians uninsured. Urban Institute economists Jack Hadley and John Holahan evaluated how much it would cost to cover the uninsured based on medical spending patterns of those with private insurance and those with public insurance. Expanding coverage to the entire uninsured population would increase medical spending by \$34 billion under a public coverage standard and \$69 billion under a private coverage standard, which would increase total health care spending in the U.S. by only three to six percent.⁴⁹ Although this method would cover everyone, it assumes that those who are

The Common Sense Foundation is an activist think tank whose mission is to

by only three to six percent.⁴⁹ Although this method would cover everyone, it assumes that those who are uninsured will participate in the current, expensive system.

Expanding existing programs only makes policy-makers ask, "Who should remain uncovered?" The best answer to this question is, "No one." Universal health care needs to become a reality. Millions of people's lives are at stake, and the number of uninsured individuals is increasing annually. This urgent problem can be addressed with a program similar to Medicare; a single-payer system will provide an equitable funding source with equitable access to health care. Since being insured leads to a higher use in preventative care, Americans will be living healthier lives and spending less on costly emergency treatment. If this change does not happen soon, those without health insurance may never live to see it.

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