

Next Step: Health Care

To Fix South Dakota's Economy,

We Need To Fix
Health Care Now



HEALTH CARE
FOR AMERICA **NOW**

“[T]here are some people who are making the argument that, well, you can’t do anything about health care because the economy comes first. They don’t understand that health care is the biggest component of our economy and, when it’s broken, that affects everything.”

President Barack Obama
February 10, 2009

Now that Congress has passed the economic recovery package, and President Obama has signed the legislation that will help get our nation moving in the right direction again, we must solve America's health care crisis. We cannot fix South Dakota's economy and fiscal crisis unless we fix our broken health care system now.

We need a national health care solution in 2009 that controls costs and guarantees quality, affordable health care to everyone in South Dakota and America. Skyrocketing health care costs are bankrupting our businesses, busting our state and local government budgets, and harming our families' financial security.

In order to build a healthy economy, we need to fix our health care system now.

We simply cannot afford the current system and its crushing impact on our economy. Comprehensive, national reform is the only way to get our state back on track.

In South Dakota, health insurance premiums have been increasing more than three times faster than wages. It is impossible for businesses, governments and families to keep up. As a result, businesses are laying off workers or closing their doors. Governments are faced with unmanageable deficits. And every 30 seconds, someone in the United States declares bankruptcy due in part to medical costs.

The numbers are alarming. In 2008, the average premium for family coverage in South Dakota was \$11,005. By 2016, that number is expected to be more than \$16,000.¹ This is simply unsustainable. We must control health care costs, and the only way to do that is with comprehensive, national reform that fixes the system and guarantees quality, affordable health care for everyone.

Health care costs strangle state and local budgets.

Like in 46 other states, South Dakota has a staggering state budget deficit. This year South Dakota faces a \$27 million budget shortfall, more than 2.2% of the total state budget. Rising health care costs is one of the reasons.

- As of 2007, 22% of all South Dakota state spending went to Medicaid and SCHIP. \$694 million went to spending on Medicaid alone.
- South Dakota has proposed dropping dental and/or vision coverage for adult beneficiaries, and has already instituted a hiring freeze on state employees.

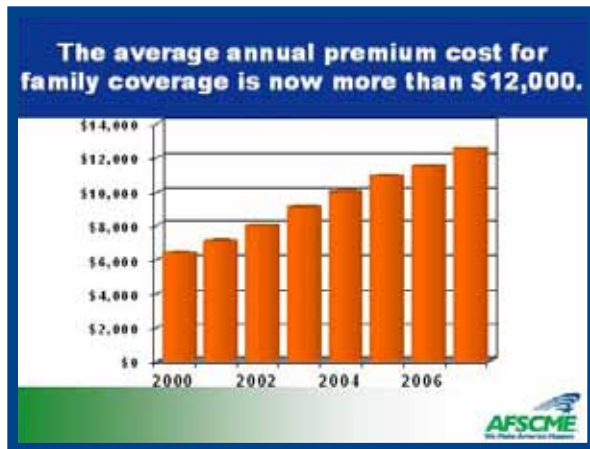
States like South Dakota are struggling to keep up with health care costs both in funding programs like Medicaid and CHIP and in providing their own employees health care coverage. And while states are trying to do the right thing and extend health coverage to children, families, and others who need it—which reduces overall costs by reducing hospital visits and increasing preventive care – these piecemeal solutions will not solve the health care crisis or help jump start the economy. We need a national solution that controls spending and guarantees quality, affordable health care to everyone in America.

The situation in South Dakota, as in most states, is getting worse, not better, during the current economic recession. As the number of jobs goes down, the demand for public health care services goes up at the very time when South Dakota is already struggling to meet its current responsibilities and obligations. This is why Congress must act now.

Health care costs drain family budgets.

“[E]ven if they’ve got health insurance, the average family has seen their premiums double over the last eight years. Folks are paying twice as much. Co-payments have gotten higher; deductibles have gotten higher. And now, with people losing their jobs, they’re also losing their health care.”

President Barack Obama
February 10, 2009



Nationally, premiums for employer-sponsored health insurance rose to \$12,680 annually for family coverage in 2008. On average, employees pay \$3,354 out of their paychecks to cover their share of the cost.²

Health care is increasingly unaffordable to South Dakota’s families—even those who have “good” coverage—thanks to rising co-pays, deductibles, and premiums. Every day, South Dakota residents are going without the care they need. And every day, families – and businesses—are dropping coverage altogether.

- From 2000 to 2007, premiums in South Dakota increased by 55.0 percent, while median earnings rose by only 16.7 percent.
- South Dakota’s median yearly wage in 2007 was only \$23,699 but the average health care premium for a family is \$10,477.³

Health care costs force businesses to lay off workers or close shop.

“Businesses are also less competitive because of the fact that, here in the United States, we spend more than anybody else does. [More than] any other nation on Earth per capita we spend more on health care, but we don’t get better results, and companies are paying for that.”

President Barack Obama
February 10, 2009

For the 41% of employers in South Dakota who offer health coverage to employees, the skyrocketing cost of health premiums increasingly endangers the business’ ability to provide coverage to employees. Employers are forced to cut benefits or raise employee contributions in order to keep up with soaring premiums.⁴



- According to a recent survey by the Main Street Alliance—a network of state-based small business health care coalitions—73% of small employers say they are willing to contribute financially to achieve quality, affordable health coverage for their employees. 63% say they are willing to contribute four to seven percent or more of total payroll costs, and 61% said they would have interest in buying into a statewide or national health care pool.⁵

- South Dakota companies spend an average of \$7,308 per employee per year for family coverage.⁶ Employers pay approximately 74% of the total cost of premiums for family coverage. Employees contribute the remaining 26%.
- The cost of employer-paid health coverage premiums in South Dakota increased by more than 55% from 2000 to 2007.⁷

The problem is getting worse, not better. More lost jobs means more lost health care coverage.

“COBRA is the law that says that, if you lose your job, you can keep your health care and you go through COBRA. Here’s the only problem: If you’ve lost your job, who can afford \$1,000 a month or \$1,200 a month for health care? You can’t afford it.”

President Barack Obama

February 10, 2009

- As of December 2008, 17,173 South Dakota residents were unemployed. That reflects a loss of 4,455 jobs statewide last year alone, increasing the state unemployment rate by almost 4 percent.
- 421,830 South Dakotans (over 52%) depend on their employers for health care coverage.⁸
- While 1,203 people will likely enroll in COBRA, which lets workers who lose their jobs continue their health benefits at their own expense, the high cost of COBRA will force an estimated 1,952 people to enroll in Medicaid instead or fend for themselves on the private market.⁹
- The average South Dakota family unemployment insurance benefit is \$1,030 per month.
- The average cost of COBRA for a family in South Dakota is \$371 which eats up more than 36% .¹⁰

Conclusion:

The urgency to fix America’s broken health care system cannot be overstated. In South Dakota and across the nation, families, businesses, and state and local governments are struggling with health care costs that are spiraling out of control. There is no end in sight without a national solution. We need quality, affordable health care we all can count on in 2009.

In the words of President Barack Obama: “My hope is, over the course of the year, I’m going to be able to work with Congress to move forward a bill that gets us on track to every single person in America being able to get affordable, decent health care coverage.”

We are a wealthy enough country to do it, and that’s going to be one of my top priorities as President of the United States.”

Endnotes

- 1 “The Cost of Doing Nothing: Why the Cost of Failing to Fix Our Health System is Greater than the Cost of Reform,” by Sarah Axeen and Elizabeth Carpenter, New America Foundation, p.38, [November, 2008](#).
- 2 “Employer Health Benefits Survey,” Kaiser Family Foundation, [December 2008](#).
- 3 [Premiums vs. Paychecks: A Growing Burden for South Dakota’s Workers](#)
- 4 State Health Facts: South Dakota, Kaiser Family Foundation, Accessed [2/12/09](#).
- 5 The Main Street Alliance, “Taking the Pulse of Main Street. Small Businesses, Health Insurance, and Priorities for Reform.” [January 2009](#).
- 6 Kaiser Family Foundation, State Health Facts, Accessed [2/12/09](#).
- 7 [Premiums vs. Paychecks: A Growing Burden for South Dakota’s Workers](#)
- 8 “Civilian labor force and unemployment by state and selected area, seasonally adjusted,” Bureau of Labor Statistics, [1/27/09](#).
- 9 Calculations based on: Bureau of Labor Statistics, [1/27/09](#); “Employee Coverage, Eligibility, and Participation,” Kaiser Family Foundation, [9/24/08](#); [State Health Facts: Individual State Profile for South Dakota](#), Published by the Kaiser Family Foundation. Full Methodology Available Upon Request.
- 10 Families USA, “Squeezed! Caught Between Unemployment Benefits and Health Care Costs,” January 2009.