

Alaskans Can't Wait Any Longer For Health Care Reform

OCTOBER 2009

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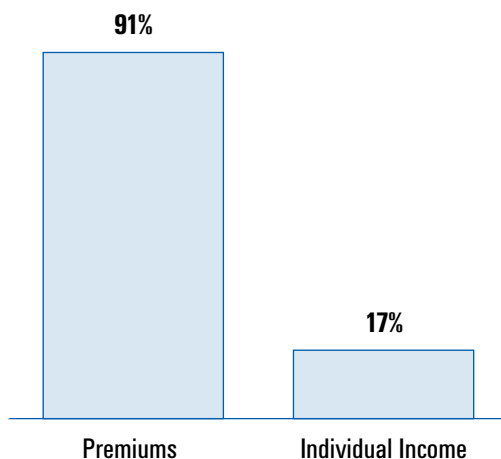
SKYROCKETING PREMIUMS and out-of-pocket medical costs are battering family budgets in Alaska and making it more difficult for employers, particularly small and low-wage businesses, to provide health insurance for their workers. Health costs are rising at an unsustainable rate. Without reform, these costs threaten Alaska's state and county budgets, the national economy and every American family.

Comprehensive health reform is needed to set a sustainable path for health care spending, increase the number of Americans with quality, affordable coverage, and make smart health care investments.

Unsustainable Premium Increases Hurt Families and Businesses

- Health insurance premiums for Alaska working families have skyrocketed, increasing 91 percent from 2000 to 2009. During the same time, the median earnings of Alaska workers increased 17 percent.¹
- For family health coverage in Alaska during that time, the average annual combined premium for employers and employees rose from \$7,456 to \$14,226.²
- The full cost of employer-sponsored health insurance for Alaska families is projected to grow at an annual rate of 7.3 percent, compared to a 0.5 percent yearly decline for income.³

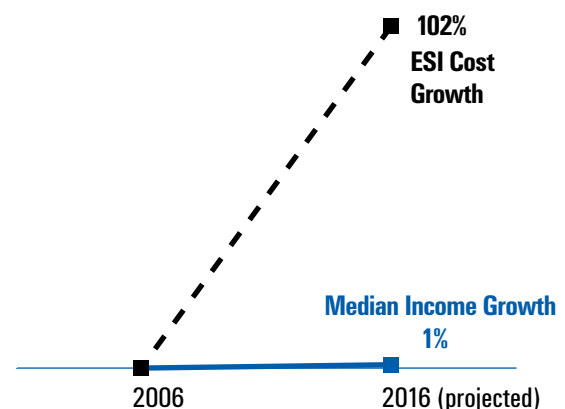
Percentage Increase in Premiums vs Income in Alaska 2000–2009



Source: Families USA, "Premiums versus Paychecks, by State, 2000 to 2009."

Alaska Employer Premiums vs Income

Cumulative growth of Alaska employer sponsored insurance (ESI) premiums compared to median household income, assuming no meaningful health reforms, 2006 to 2016 (projected)



Source: New America Foundation, "The State of State Health: The Cost of Failure" (2007)

- Left unchecked, premiums will be \$24,693 in 2016—fully 43 percent of median household income.⁴

Fewer Businesses Can Afford to Offer Coverage

- Nationally, only 59 percent of small businesses (three to 199 workers) offer their employees health benefits. This is down from 68 percent in 2000.⁵
- Without reform, small businesses will pay nearly \$2.4 trillion in health care costs for their workers over the next 10 years. With reform, small businesses can save as much as \$855 billion, a reduction of 36 percent—money that can be reinvested to grow their small businesses.⁶
- Without reform, 178,000 small business jobs will be lost in 2018 as a result of health care costs. Depending on the particular mechanism used to help small businesses meet their health care obligations, reform can preserve up to 128,000 of these jobs.⁷
- Only 21 percent of Alaska small business owners report that they pay for health insurance for their employees. Of those, 79 percent say they're really struggling to do so.⁸
- Of the 79 percent of small employers that don't provide insurance, 92 percent say they can't afford it. Among self-employed commercial fishermen, 32 percent report being uninsured.⁹
- A large majority of respondents (82 percent of small business owners and 84 percent of commercial fishermen) agree that people should be able to buy health insurance without regard to any past health problems.¹⁰

More Alaskans are Uninsured, Leading to Poorer Health, Higher Costs

- One in five Alaskans was uninsured in 2008, including one in four adults between the ages of 19 and 64 (101,200 people) and one in eight residents younger than 18 years old (25,600 children).¹¹
- By 2019, without reform the number of uninsured in Alaska will rise to 166,000.¹²
- About 62 percent of U.S. personal bankruptcies were directly related to medical bills, according to a recent report; in Alaska there were 810 non-business bankruptcies in 2008.^{13,14}
- Each insured family in Alaska pays an extra \$1,900 per year and each individual an extra \$710 per year in health insurance premiums as a result of a “hidden tax” to cover the unreimbursed health care expenses of the uninsured.¹⁵

Lack of Competition Among Health Insurers Raises Costs, Limits Choices

- Consolidation in the insurance industry means that employers, particularly small businesses, have fewer insurance choices and less bargaining power when negotiating a plan for workers. Freedom from genuine competition allows Alaska insurers to reap oversized profits and raise premiums with impunity.^{16,17}
- Premera Blue Cross, the state's most powerful insurer, controls 60 percent of the commercial market. Together with Aetna Inc., Alaska's second largest health insurer, they control 95 percent of the market.¹⁸
- The negative effects of consolidation in Alaska are most conspicuous when viewed at the local level. In the Fairbanks area, for example, Premera Blue Cross controls 96 percent of the market, including self-funded employer-sponsored health plans.¹⁹

Alaska Insurance Market Consolidation by Metro Area, 2007²⁰

Metro Area	Health Insurer With Largest Market Share	Market Share %	Health Insurer With No. 2 Market Share	Market Share %	Combined Market Share % of Top Two Insurers
Anchorage	Premera Blue Cross	54	Aetna	42	96
Great Falls- Fairbanks	Premera Blue Cross	96	Mutual of Omaha	3	99

Source: American Medical Association, "Competition in health insurance: A comprehensive study of U.S. markets: 2007 update."

Without Reform, Health Costs of Insured and Uninsured Alaskans Projected to Double by 2019

- Reducing health care cost growth is key to our fiscal health. "Done correctly, health care reform can genuinely slow the growth rate of health care costs and thus put us on a path to greatly reduced budget deficits in the long run," said Christina D. Romer, chairwoman of the White House Council of Economic Advisers. "Dealing with the looming budget deficits through effective health care reform is not simply the best way to go, it is likely the only way."²¹
- Failing to act will stress state budgets. By 2019, the number of people in Alaska without insurance will increase from 120,000 to 166,000, according to the Urban Institute and the Robert Wood Johnson Foundation.²²
- The state will face an increased burden that it cannot afford while thousands of families and business will face crippling medical costs and the prospect of medical bankruptcies, according to the Urban/Johnson report.²³

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Projected Aggregate Health Spending in Alaska Under Current Law, Non-Elderly Population (dollar figures in millions)

	2009	2014	2019	Percent change 2009-2019
Uncompensated Care	\$188	\$279	\$439	133
Employer Premium Spending	1,092	1,554	2,194	101

Source: Robert Wood Johnson Foundation, "The Cost of Failure to Enact Health Reform: Implications for States," September 2009.

Racial and Ethnic Health Disparities Persist in Alaska

- No one has more at stake in the battle over health reform than the 103 million people of color in the U.S.,²⁴ including the 235,000 in Alaska.²⁵
- For people of color in Alaska and nationwide, life is shorter, chronic illness more prevalent and disability more common. These are predictable side-effects of a health care system that provides these communities in Alaska with narrower opportunities for regular health services, fewer treatment options and lower-quality care.
- Life expectancy for African Americans in Alaska is 6 to 10 years shorter than that of whites.²⁶

Alaska Racial and Ethnic Disparities and Performance on Key Health Indicators

Commonwealth Fund rankings show increasing cost pressures and deterioration in access across the U.S., together with geographic disparities in performance, underscore the urgent need for comprehensive national reforms to ensure access, change the trajectory of costs and enhance value.

HEALTH INDICATORS	STATE RANKING (out of 50 states plus District of Columbia)
Percent of nonelderly adults (18-64) insured	45
Percent of at-risk adults visited a doctor for routine checkup in the past two years	46
Percent of children ages 19-35 months received all recommended doses of five key vaccines	36
Percent of adults with a usual source of care	50
Total single premium per enrolled employee at private-sector establishments that offer health insurance	51
Suicide deaths per 100,000 population	50
Percent of adults with a time in the past year when they needed to see a doctor but could not because of cost	35
Percent of children without a medical home	48

Source: Commonwealth Fund. "State Scorecard Data Tables," October, 2009.

ALASKA CAN'T WAIT FOR HEALTH REFORM

The aim of health care reform is to improve access to quality health care services in every corner of Alaska and the nation in a way that does not add to, and begins to lower, the cost burden on middle-income families. Through reform, we must slow the growth in health insurance premiums, extend coverage to the 20 percent of Alaskans who are uninsured, inject competition into highly concentrated and anti-competitive insurance markets, reduce racial and ethnic disparities in access to care and health outcomes, and strengthen the economy of Alaska and the nation. Given the tremendous burden our dysfunctional health care system places on Alaska families and businesses, Alaska and the nation cannot wait any longer for health care reform.

Endnotes

¹Families USA, "Premiums versus Paychecks, by State, 2000 to 2009." Accessed at <http://www.familiesusa.org/assets/pdfs/premium-increases-2000-to-2009.pdf>.

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⁵Kaiser Family Foundation, "Employer Health Benefits 2009 Survey." Accessed at <http://ehbs.kff.org>.

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⁸Small Business Majority, "Alaska Survey: Small Businesses Need Healthcare Reform," June 2009. Accessed at http://www.smallbusinessmajority.org/pdfs/fact_AK_survey_80509.pdf.

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¹¹Kaiser Family Foundation, "Alaska: Health Insurance Status." Accessed at <http://www.statehealthfacts.org/profileind.jsp?cat=3&sub=39&rgn=16>.

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¹⁶James Robinson, "Consolidation and the Transformation of Competition in Health Insurance," *Health Affairs*, 23, No. 6, 2004. Accessed at <http://content.healthaffairs.org/cgi/content/full/23/6/11>.

¹⁷Stephen Foreman, "Proposed Consolidation of Highmark and Independence Blue Cross," July 2008. Accessed at <http://www.ins.state.pa.us/ins/lib/ins/highmark-ibc/0943.pdf>.

¹⁸AMA data in this report are based on combined enrollment in preferred provider organizations (PPOs) and health maintenance organizations (HMOs) in states and metropolitan statistical areas (MSAs) as defined by the U.S. Census Bureau. The AMA calculates market share by dividing an insurer's enrollment in a given product by the total enrollment across all insurers in a market multiplied by 100. Total enrollment is for commercial products only, including self-insured employer-sponsored PPO plans and individual coverage, and does not include Medicare, Medicaid, or Children's Health Insurance Program enrollments. Self-insured employer plans refer to PPOs only. Accessed at <http://www.ama-assn.org/go/competition2007>.

¹⁹American Medical Association, "Competition in health insurance: A comprehensive study of U.S. Markets: 2007 update." Accessed at <http://www.ama-assn.org/go/competition2007>.

²⁰AMA data in this report are based on combined enrollment in preferred provider organizations (PPOs) and health maintenance organizations (HMOs) in states and metropolitan statistical areas as defined by the U.S. Census Bureau. The AMA calculates market share by dividing an insurer's enrollment in a given product by the total enrollment across all insurers in a market multiplied by 100. Total enrollment is for commercial products only, including self-insured employer-sponsored PPO plans and individual coverage, and does not include Medicare, Medicaid, or Children's Health Insurance Program enrollments. Self-insured employer plans refer to PPOs only.

²¹Christina D. Romer, "Health Care Reform and the Budget Deficit," October 26, 2009. Accessed at <http://www.whitehouse.gov/files/documents/HealthCareDeficit.pdf>.

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