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Health care is hurting Indiana's economy

Nearly 875,000 Hoosiers lack health insurance, including 165,350 children. Lack of health insurance takes a devastating toll on Hoosiers and the state's economic health, and the effect of the uninsured will only get worse as their numbers grow.



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Commentary

As companies confront rising health care costs, the obvious solution is dropping or scaling back health-insurance benefits. As a result, the number of uninsured increases, resulting in a premium cost shift to the insured and increased cost for government-provided health care.

Over half of personal bankruptcies are due to uninsured health care costs. According to the National Federation of Business of Indiana, the state's largest small-business advocacy group, from 1999 to 2004, Indiana had the country's second-worst percentage-point decline for workers receiving employer-provided health insurance. From 1999 to 2004, nearly 123,000 Hoosier workers lost their employer-provided health insurance.

A Kaiser Commission study estimated that the total health care expenditures for all the uninsured nationally in 2004 was nearly \$125 billion. The cost of the uninsured in Indiana in 2004 was more than \$2 billion. Absent reform, an estimated 54 million Americans will be uninsured by 2015, and U.S. spending on health care will exceed \$3.8 trillion, or approximately 19 percent of the U.S.

gross domestic product.

In addition to a growing population of uninsured individuals, the key performance indicators for the U.S. health care system continue to deteriorate; the cost of uncompensated care is increasing; Medicaid is suffering funding reductions; health care costs are continuing to increase at double-digit rates; preventable medical errors continue to escalate; and a serious gap exists between treatment of chronic diseases for the insured vs. the uninsured.

The constant challenge faced by state and federal governments and the private sector is how to provide access to quality, affordable health care for the uninsured and underinsured while maintaining some control over the costs of such plans.

How do we improve the provision of health care to insured and uninsured alike?

■ First, through tax policy reform. The United States tilts tax policy heavily in favor of employer-provided coverage. If health care is worth subsidizing, policy-makers should subsidize the purchase of health insurance outside the workplace, as well as employer-sponsored coverage. The subsidy could be applied to all forms of health care spending. The subsidy could be capped as a percentage of spending or limited to a fixed-dollar amount and should be available to all Americans, regardless of how they finance their health care needs.

■ Second, insurance reform must be considered. Federal, state and local laws and regulations make innovation difficult. Federal government mandates are many. On the state side, more than 1,800 mandated benefits exist, plus rate restrictions, guaranteed-access provi-

sions, market-conduct rules, solvency requirements and patient bills of rights. We also have separate sets of laws for Blue Cross Blue Shield plans, HMOs, commercial carriers, small group, large group, Medigap, and individual insurers.

■ Third, we must reform public-health programs. Programs such as Medicare and Medicaid tend to be clumsy and resistant to innovation. Making changes involves largely political decisions and political opportunism. The costs of these programs are growing and it is not clear that taxpayers will continue to support the cost.

■ Fourth, providers need to be deregulated. All other reforms will have only limited effect if the providers of health care services are unable to respond to changing conditions.

Innovative programs like Gov. Mitch Daniels' "INShape Indiana" and Sen. Evan Bayh's "Long Term Care Partnership Plan" are needed to improve the health of Hoosiers and provide tools and services that expand health care coverage at reasonable costs.

In a competitive economy without adequate programs to cover the uninsured, new employers are less likely to bring business opportunities to Indiana. Without improvements in Hoosier health and health care, the socioeconomic costs associated with the uninsured will slow job creation, limit employee raises and stymie economic development. •

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