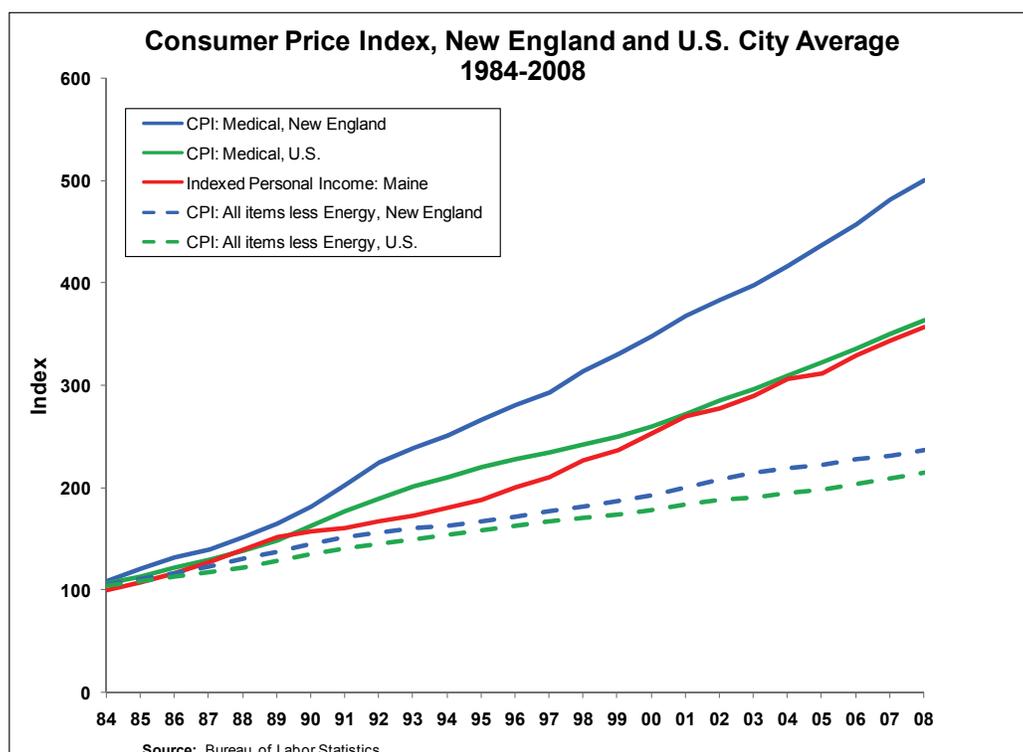


## Health Care

*“Although it is difficult to quantify the full economic toll, poor health can limit a person’s – and a family’s – educational, career and financial opportunities, creating a cycle of disadvantage that extends across lifetimes, generations and racial lines.”*

Robert Wood Johnson Foundation,  
Overcoming Obstacles to Health: Stories, Facts and Findings, 2008

The cost of health care is a problem throughout the country; however, costs that are rising faster than the national average are an excessive burden on Maine’s people and businesses. Factors driving these costs include expensive new treatments, inefficiencies in health care delivery, an aging rural population, and overall health status. High costs are an obstacle to accessing care and as a result can lead to poor health. As the chart below clearly illustrates, over the past 25 years, New England consumer prices for medical services have outstripped both the U.S. prices and Maine’s ability to pay for those services.



Poor health adversely affects families and communities, interrupts education, and lowers business productivity. Access to affordable and quality health care is necessary for economic development and a must for everyone in Maine and the nation.

## Facts and Findings

**The rising cost of health care and health insurance in Maine has outpaced income growth and consumes an increasing share of individual, family, business, and government budgets.**

According to the Governor's Office of Health Policy and Finance, Maine 2008-2009 State Health Plan:

- Maine's per capita health care spending is 2<sup>nd</sup> highest in the U.S.

According to the Maine Economic Growth Council, Measures of Growth in Focus, 2010:

- From 1984 to 2008, the price of health care in New England increased over 400%, far outpacing the U.S. prices which increased 260% over the period and Maine's personal income growth of 257%
- From 1991 to 2004, health care expenditures in the U.S. rose from representing 11.4% of GDP to 13.4% of GDP
- During this same period, health care expenditures in Maine rose from 13.0% of GDP to almost 20% of GDP

According to Families USA, Costly Coverage: Premiums Outpace Paychecks in Maine, 2009 and Too Great a Burden, 2009:

- From 2000 to 2009, family health insurance premiums for Maine workers more than doubled, increasing 101.4% while Maine median family earnings rose only 22.1%

**"Maine's cost crisis mirrors the national crisis" but "...high per capita health care spending here (in Maine) is largely due, not to an older or sicker population, but to how we use care and how much we use care."** (Advisory Council on Health Systems Development Report to the Legislature April 2009)

- Most of the difference in costs (between U.S. and Maine) is not explained by age or demographics
- Two-thirds of health care spending is driven by how much we use, one-third by the price of each service
  - Disease burden is a major driver of utilization and, therefore, spending – chronic illness accounts for about 30% of private premium costs
  - Much of the care provided to those with poor health does nothing to improve their health – nationwide, roughly 33% of spending is on unnecessary or ineffective care
  - Maine uses 30% more emergency services than the national average; reducing avoidable use could save \$115 million annually

**Despite state efforts to fund public health prevention-oriented programs, Maine's population continues to engage in behaviors that are risk factors for chronic diseases such as cancer, diabetes, and heart disease.**

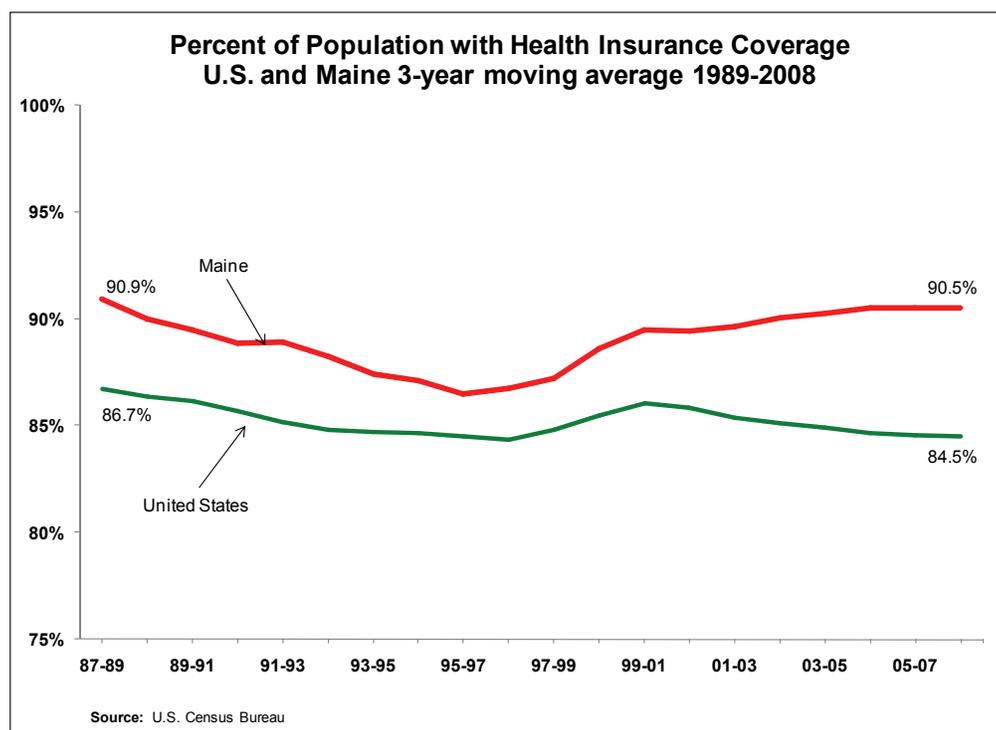
According to the National Center for Disease Control and Prevention, Behavioral Risk Factor Surveillance System, 2009:

- Over 64% of Maine adults are either overweight or obese
- Over 17% of Maine adults are smokers

**The State's use of public health insurance dollars has resulted in higher coverage rates in Maine than the nation, but the cost of that coverage is a concern when considering a limited state budget and many other competing needs.**

According to the Maine Economic Growth Council, Measures of Growth in Focus, 2010:

- In Maine (2008), just over 90% of the population had health insurance, higher than the nation at just under 85%
- The difference is due to a greater share of Mainers on public health insurance (Medicare 14%, Medicaid 20%) than in the nation (Medicare 12%, Medicaid 14%)



According to the Maine Department of Health and Human Services:

- Medicaid expenditures have quadrupled in Maine since the early 1990s

**Over 90% of Maine businesses are small and many find the cost of health insurance coverage to be prohibitive.**

According to the Small Business Majority, Maine Small Business Healthcare Survey, July 2009:

- Only 42% of Maine's small businesses (100 or fewer employees) contribute something to employees' coverage (58% don't pay any part of the cost of health insurance for employees)
- 89% of those small businesses who do not offer health insurance say they can't afford to
- 81% of those small businesses who do offer health insurance say they are really struggling to do so

## **Survey Says**

MDF worked in partnership with several Maine trade and professional associations to distribute a survey to their members to understand their experiences with investment and policy issues in the state. 1,039 business leaders responded to the survey. The following is a summary of responses concerning the cost of health care.

**The cost of health insurance was reported as the strongest negative impact on businesses and organizations and is seen as a major barrier to growth:**

- More than 85% of the 1,039 respondents said that it has a negative impact
- Respondents ranked the cost of health insurance as the number one priority for the next Governor and Legislature to address

**When asked in an open-ended question what they thought were the top three supports and barriers to economic growth in Maine:**

- Health insurance/health care costs were mentioned by 32% of the respondents (272 people) as a major barrier to growth

## **Experts Recommend**

The following is a summary of key recommendations from various reports, committees, and efforts to deliver quality affordable health care.

The Advisory Council on Health Systems Development, Report to the Legislature, April 2009:

- Support evidence-based health policies that prevent disease and promote health
- Support interconnected electronic medical record system in Maine through HealthInfoNet

- Develop efficiency measures that can be used to offer incentives for patients to choose efficient, high quality providers
- Support fundamental payment reform to bring about a more efficient system of health care delivery, starting with a Patient Centered Medical Home pilot
- Identify and implement strategies to reduce emergency department use
- Develop a consumer checklist for health insurance so consumers may better understand what they are purchasing

The Governor's Office of Health Policy and Finance, Advisory Council on Health Systems Development, Maine 2008-2009 State Health Plan:

- Improve overall health by:
  - Coordinating statewide public health infrastructure, insuring the uninsured and underinsured, providing trained health care workers in rural areas, assuring access to oral health services, supporting telemedicine infrastructure, and by providing employers the tools to implement worksite wellness programs
- Assure best practices in care delivery by:
  - Addressing overutilization of emergency rooms, providing data on health care practice and utilization, and using tested practice standards
- Increase efficiency and effectiveness by:
  - Increasing Maine's Medicare reimbursement and expanding use of those funds, supporting creation and use of an electronic health information system and a statewide health information exchange system, and refining the Certificate of Need criteria to encourage efficiencies and coordinated use of services

Joint Select Committee on Future Maine Prosperity, Time for Change, 2008:

- Embrace the goal of becoming the healthiest state in the nation – make Maine a laboratory and a center of excellence in health care
- Restructure guaranteed issue and community rating, and explore options for reinsurance and high-risk pools, to reduce premiums and protect consumers
- Explore use of health excellence rewards as incentives for good health and lower costs
- Find efficiencies in MaineCare and address income cliff (when a marginal increase in income leads to termination of benefits) that discourages people from going back to work

Maine Health Access Foundation, Improving the Health of Maine People: Getting Down to Basics, 2010:

- Provide access to health care providers at convenient times and locations
- Expand access to preventive care and prevention and wellness opportunities (MaineCare coverage for adult oral health services, access and incentives for healthy foods, and increased physical activity opportunities)

- Provide simple supports and tools to help people get and stay healthy (stress management, simpler MaineCare paperwork, network of technical and administrative assistance, transportation options)
- Improve access to good health information
- Analysis and quality improvement opportunities (data inventories, analysis, and best practices)
- Implement policy changes that fill gaps in MaineCare best practice coverage, set aside resources to respond to emerging health trends, and amend fiscal note format to look at longer term returns

## Investment Imperatives

The high cost of health care was identified as the top concern and a major obstacle to investment by the over 1,000 business survey respondents of this project. Containing these costs must be the top priority of policy leaders or the data shows that the situation will only get worse and further inhibit investment of any kind in Maine.

## Recommendations

### *Fund improvements to the current health care system that lead to cost reduction*

- Governor should immediately convene major health care providers and stakeholders for purpose of outlining a strategy to slow health care cost inflation
- Identify and implement strategies to reduce emergency department use
- Use State's buying power to drive providers and consumers toward data-supported best practice treatments and procedures
- Increase the Medicaid reimbursement to providers with the purpose of reducing the amount of cost shifting to private payers
- Complete HealthInfoNet project and invest in the expansion of telemedicine efforts statewide

### *Invest in preventive care and promotion of healthy behaviors to improve the health and productivity of Maine children and adults while lowering costs*

- Leadership should set a goal of reducing obesity (childhood and adult) statewide and implement strategies in the state workforce and in all government-funded programming to achieve this goal
- Provide incentives to employers to promote preventive care and healthy lifestyles to their employees
- Promote preventive care and healthy lifestyles within Maine schools
- Coordinate with hospitals and philanthropy to work throughout communities to educate families about healthy lifestyles
- Offer incentives for MaineCare clients to pursue healthy lifestyle options and preventive care (physical, oral, and mental)

*Provide affordable insurance options for individuals and businesses*

- Increase affordable quality health insurance options to individuals and businesses
- Work collaboratively with private and non-profit partners to ensure that the requirements are met and benefits maximized in new federal health bill