

The Dangers of Defeat: The Cost of Failure to Pass Health Reform

In the next few weeks, Congress will vote on pending health reform legislation. This may be the most important domestic policy vote that members of Congress will take in their policy making careers.

This report analyzes the consequences for America's families and businesses if meaningful reform is—or is not—enacted.

As this report shows, all Americans, insured and uninsured alike, will pay a steep price if Congress fails to pass meaningful health reform. They will pay a price in much higher health care costs, in rising insecurity about their ability to get or to afford the care they need, in mounting damage to our nation's economy, and much larger federal budget deficits. Some will even lose their lives for lack of coverage.

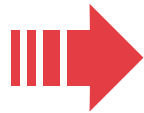
The alternative to passing meaningful health reform is not, as some would assert, preservation of the status quo. The "status quo" for health care is, in fact, not staying the same—it is deteriorating as costs mount and coverage shrinks. The alternative to meaningful health reform is, instead, enormous harm to families' wallets and their health.

The costs of failure stand in sharp contrast to the benefits that will be achieved if pending health reform legislation, which blends the best features of the Senate and House bills, is adopted. The following are examples of the costs of failure, contrasted with the gains that would come from enactment of pending health reform legislation.

Failure to act on meaningful reform means increasingly unaffordable health insurance premiums for America's families.

We have already seen vivid examples of this from the recently announced premium increases for next year by Anthem Blue Cross (39 percent) and other companies in the individual market.¹ This is a clear reminder that, for many years, family health insurance premiums have risen much faster than wages. Without reform, this trend will continue, placing an overwhelming burden on family budgets. Looking at premium trends in job-based coverage is equally alarming:

- Between 1999 and 2008, average annual family premiums more than doubled, rising from \$5,791 to \$12,680, an increase of 119 percent.²
- Without health reform, average family premiums are projected to increase from \$13,100 in 2009 to more than \$22,000 by 2019.³
- Without health reform, health insurance premiums are projected to increase from 9.6 percent of workers' compensation in 2009 to up to 17 percent in 2019.⁴



The pending health reform legislation will help keep insurance premiums affordable for America's families.

The nonpartisan Congressional Budget Office (CBO) estimates that, under the Senate bill, premiums will fall by as much as 3 percent in the large group market and 2 percent in the small group market.⁵ Most significantly, premium costs will be subsidized on a sliding-scale basis for middle-class families if their incomes are below 400 percent of the federal poverty level (\$88,200 in annual income for a family of four in 2010). The legislation also requires insurers to spend a reasonable share of premiums on actually delivering care (instead of on administration and profits), and it enables the Secretary of Health and Human Services to intervene to prevent unreasonable premium hikes.

Failure to act on meaningful reform means out-of-pocket health care costs will keep rising, and medical costs will continue to be a major cause of debt and bankruptcies, even for those with health insurance.

While premiums are rising, families are receiving less coverage for their premium dollars. Policies have higher deductibles and copayments, and they cover fewer services.⁶ If health reform is not adopted, this trend will continue. Medical costs will be an increasing burden for the insured and uninsured alike.

- In 2008, the average family deductible for a job-based plan was \$1,550. Without reform, that is projected to increase 73 percent to \$2,687 by 2016.⁷
- As the burden of medical costs rises, so does the number of bankruptcies related to health care expenses. By 2007, more than 60 percent of all personal bankruptcies were related to medical costs. Three-quarters of those were by people who had health insurance.⁸
- From 2001 to 2007, the share of personal bankruptcies that was related to medical expenses rose by almost 50 percent.⁹ Without reform, the burden of health care costs on families will continue to grow, and medical costs will likely continue to be an increasing contributor to bankruptcies.



The pending health reform legislation will limit how much Americans have to spend out of their own pockets on copayments, deductibles, and other cost-sharing.

These limits will be even lower for people with low or moderate incomes (up to 400 percent of poverty, or \$88,200 a year for a family of four in 2010). Pending health reform will provide additional assistance for Americans earning up to 200 percent of poverty (\$44,100 a year for a family of four in 2010) to help pay for cost-sharing, including copayments and co-insurance.

Failure to act on meaningful reform means many more Americans will join the ranks of the uninsured.

According to the CBO, there will be a substantial increase in the number of people without health coverage if health reform is not enacted.

- CBO estimates that the number of non-elderly uninsured will grow to 54 million by 2019—an increase of approximately 1 million people each year.¹⁰
- Middle-income families and individuals (those with incomes between 200 and 400 percent of poverty, or between \$44,100-\$84,200 in annual income for a family of four in 2010) are the most likely to join the ranks of the uninsured over the next decade.¹¹



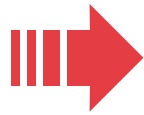
The pending health reform legislation will extend health coverage to tens of millions of Americans.

According to CBO, the number of uninsured Americans who would gain coverage is 31 million.¹²

Failure to act on meaningful reform means that many lives will be lost due to a lack of health coverage.

Thousands of working-age Americans die each year because they lack health coverage, and that number is rising as the ranks of the uninsured grow. Without reform, this trend will continue.

- In 2000, an estimated 18,000 adults between the ages of 25 and 64 died prematurely because they did not have health coverage.¹³ In 2006, that figure had grown to at least 22,000—a 22 percent increase.¹⁴
- Since 1995 (after health reform was last seriously debated), an estimated 294,000 working-age American adults died prematurely due to a lack of health coverage.¹⁵
- Over the next 10 years, if health reform does not pass, another 275,000 adults are projected to die prematurely due to a lack of health coverage.¹⁶
- Every day this year, approximately 68 non-elderly adults are dying prematurely due to a lack of health coverage. Without health reform, that number is estimated to reach 84 deaths a day by 2019.¹⁷



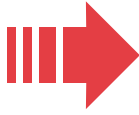
The pending health reform legislation will reverse these tragic trends.

Health reform will give tens of millions of uninsured Americans timely access to affordable health care, saving lives in the process.

Failure to act on meaningful reform means American businesses—particularly small businesses—will continue to struggle with rising health care costs, damaging our economy and making us less competitive globally.

Businesses, particularly small businesses, are finding the cost of providing health coverage for their workers to be increasingly unaffordable. Health care costs are contributing to wage stagnation and making it difficult for businesses to create new jobs. Without health reform, the strain on American business will increase.

- Employers that offer coverage will continue to spend more on their share of workers' insurance premiums. Absent reform, it is estimated that employer spending on premiums will increase from \$429.8 billion in 2009 to as much as \$885.1 billion by 2019.¹⁸
- High health care costs put American businesses at a disadvantage. Compared to other developed countries that are close trading partners with the United States, American manufacturing businesses spend, on average, almost two and one-half times more on health care costs per worker per hour (\$2.38 vs. \$0.96 in 2005).¹⁹



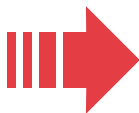
The pending health reform legislation will reduce health care costs for businesses, especially small businesses.

Health reform will provide a new tax credit for up to 50 percent of small businesses' costs for employee coverage. An estimated 3.6 million small businesses will receive this tax credit.²⁰ Small businesses (and eventually even larger businesses) will be able to purchase coverage through a new, regulated health insurance marketplace called the exchange where plans won't be able to charge businesses more based on workers' health problems. In addition, health insurance plans will be required to spend a reasonable share of premiums on health services—as opposed to overhead, executives' compensation, and profits—which will reduce premiums for both small and large businesses.

Failure to act on meaningful reform means more people will be denied health coverage due to pre-existing conditions.

Without health reform, millions of people will be denied access to affordable health coverage. Many of them will be people who are sick and need coverage the most. Coverage denials will increase as job-based insurance diminishes and more individuals are forced to purchase coverage in the individual insurance market, where insurers in most states can turn people away based on health problems.

- Approximately 42.7 percent of people who applied for coverage in the individual market were denied coverage altogether or were offered coverage with higher premiums due to pre-existing conditions.²¹
- Currently, 45 states and the District of Columbia allow insurance companies to charge discriminatory premiums or to deny coverage due to individuals' pre-existing conditions.²²



The pending health reform legislation will fix this problem through insurance market regulation.

The newly regulated health insurance market will prohibit insurance companies from denying coverage due to pre-existing conditions and charging discriminatory premiums due to health status or gender, and it will limit discriminatory premiums based on age.

Failure to act on meaningful reform means a growing number of working families will lack health care security, especially during economic downturns.

As experience with the recent recession has demonstrated, working families are at risk of losing their health coverage when they lose their jobs. Between 2007 and 2008, the number of people with job-based coverage dropped by more than 1.1 million, and the number of uninsured grew.²³ When people lose their jobs, they often find that they cannot afford continued coverage, even during the period when they are eligible for COBRA benefits. Without reform, this problem will only grow worse as premiums continue to rise faster than wages.

- Today, the main recourse that laid-off workers have to keep their health insurance is through purchasing COBRA coverage. However, for most laid-off workers, this coverage is unaffordable: The average monthly COBRA premium for family coverage is \$1,111, compared to an average monthly unemployment insurance (UI) benefit of \$1,333. On average, COBRA premiums consume more than 83 percent of UI benefits.²⁴
- As health insurance premiums grow disproportionately larger compared to growth in wages and UI benefits, laid-off workers will find that COBRA coverage has grown increasingly unaffordable. As a result, fewer and fewer laid-off workers will be able to afford to take up COBRA coverage.



The pending health reform legislation will provide health care security for working families through a new insurance marketplace, along with subsidies for those who need help paying their premiums.

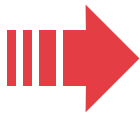
With health reform, any worker who is laid off will be able to purchase COBRA coverage or choose among a variety of health plans that are offered in a new marketplace (the exchange), and those laid-off workers—who are likely to have limited incomes when they are between jobs—will receive premium subsidies that will make health coverage affordable.

Failure to act on meaningful reform means seniors who are most in need of medications will see their out-of-pocket drug costs skyrocket.

Today, millions of seniors who need multiple or costly medicines fall into a huge coverage gap called the “doughnut hole.” In the absence of health reform, many more seniors will fall into this gap—and the gap will get larger with each passing year.

- In 2010, seniors will reach the doughnut hole when their prescription drug costs for the year reach \$2,830. At that point, they are responsible for all prescription drug costs until their total drug spending reaches \$6,440. In other words, there is a coverage gap of \$3,610.

- Absent health reform, because of the way Medicare's drug benefit is currently structured, the size of the doughnut hole will increase over time. The May 2009 Medicare Trustees report projects that, if health reform does not pass, this gap in coverage will increase to \$5,755 in 2018.²⁵
- Drug prices are increasing rapidly. From 1997 to 2007, the average retail price of a prescription drug nearly doubled, rising from \$35.72 to \$69.91.²⁶ As drug prices increase, more seniors will have drug costs that are sufficiently high that they will fall into the doughnut hole.



The pending health reform legislation will fill in the doughnut hole.

Under health reform, seniors will receive a discount of at least 50 percent on brand-name prescription drugs immediately, and the doughnut hole will ultimately be totally closed. In addition, seniors—for the first time—will be able to receive preventive care services under Medicare with no copayments.

Failure to act on meaningful reform will mean rapidly rising health care costs that will lead to larger federal deficits.

Medicare and Medicaid constitute a large and growing portion of the federal budget. Most of their growth is due to rising health care costs. Without system-wide health reform, expenditures for these programs will continue to grow, to the point that they may become unsustainable.

- The Medicare hospital insurance trust fund is projected to have insufficient resources to cover all benefits by 2017.²⁷ Although Medicare can continue to operate after that date, future benefits could be in jeopardy.
- Medicare and Medicaid together are projected to grow from about 4 percent of gross domestic product (GDP) in 2007 to 9 percent by 2030, and to 19 percent by 2082.²⁸ This increase is due mostly to the same rising health care costs that affect everyone, not because these programs are less efficient or because our population is aging. But if nothing else changes, this continued growth will put substantial pressure on the federal deficit.



The pending health reform legislation will strengthen Medicare and will put the national budget on a more sustainable path.

The Senate bill extends Medicare's trust fund by nine additional years²⁹ without making any reductions in guaranteed benefits—in fact, benefits are improved. Moreover, the CBO estimates that the Senate bill will result in a net reduction in the federal deficit of \$132 billion between 2010 and 2019.³⁰ Over the following decade (2020-2029), the comprehensive system changes in the bill will result

in hundreds of billions in dollars in additional federal savings.³¹ These changes include long-term investments in reducing medical errors and better coordination in the delivery of care, along with improving access to preventive care. In addition, health reform will reward doctors and hospitals who improve health outcomes. Over time, these initiatives will slow the rate of growth of health care costs and make Medicare and Medicaid more sustainable.

Conclusion

As these examples illustrate, failure to pass meaningful health reform does not preserve the status quo. Quite the contrary: The costs of failing to pass meaningful health reform are severe and will worsen each year. These costs will be borne by America's working families, by seniors, and by businesses.

On the other hand, enacting meaningful health reform will protect the health and well-being of America's families.

There is a chasm between failure to act and adoption of meaningful health reform. We must not let this historic opportunity pass us by.

Endnotes

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Families USA

1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005

Phone: 202-628-3030 ■ E-mail: info@familiesusa.org

www.familiesusa.org

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