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Presidential Candidates Prescribe Health Care Reform What are the Implications for Indiana?

Health care reform continues to be a leading domestic concern. One in four Americans report that they struggle with paying for health care. These voters are most worried about their personal out-of-pocket costs for health care and insurance. Our purpose here is to explain the possible consequences of those health care proposals for Indiana. Both candidates have outlined their general proposals for health care reform. Two prominent think tanks have created side-by-side comparisons of the plans: The Kaiser Foundation analysis is available at http://www.health08.org/sidebyside_results.cfm?c=5&c=16; the Commonwealth Fund summary can be found at http://www.commonwealthfund.org/usr_doc/site_docs/slideshows/CandidateReport/CandidateReport.html.

There are some common themes in the plans proposed; most importantly, a range of insurance options offered to the currently uninsured—Americans desire choice. Both Senators McCain and Obama realize that controlling costs is a principle goal and it is tackled similarly in both plans. They promote increased access to information on cost, quality, evidence-based medicine, information technology, and malpractice reform. Disease prevention and management also receive equal regard. The organization and funding for the plans are where the profound differences arise.

Employment provided health insurance is approached quite differently by the opponents. McCain proposes to put a stop to the federal tax provision that allows the employer-paid part of the premium and employee contribution to be excluded from the taxable income. To compensate, a fixed-dollar refundable tax credit would be provided to all, regardless of the premium for the insurance selected. Obama has set forth a play or pay mandate. The basic concept of this proposal is for all employers to pay their fair share of the cost of insurance for their employees, either directly or in a penalty.

John McCain

Stated goal:

- Provide access to affordable health care for all by paying only for quality health care
- Having insurance choices that are diverse and responsive to individual needs
- Encouraging personal responsibility

Overall approach:

- Remove the favorable tax treatment of employer-sponsored insurance and provide a tax credit to all individuals and families to increase incentives for insurance coverage
- Promote insurance competition
- Contain costs through payment changes to providers, tort reform, and other measures

Barack Obama

Stated goal:

- Affordable and high-quality universal coverage through a mix of private and expanded public insurance

Overall approach:

- Requires all children to have health insurance and employers to offer employee health benefits or contribute to the cost of the new public program
- Create a new public plan, and expand Medicaid and SCHIP
- Create the National Health Insurance Exchange through which small businesses and individuals without access to other public programs or employer-based coverage could enroll in the new public plan or in approved private plans.

Source: http://www.health08.org/sidebyside.cfm accessed October 3, 2008

What does this mean for Indiana?

Uninsured population

The percentage of non-elderly population that is uninsured is particularly high among poor adults. Since 23 percent of the very poor adults have some privately-based insurance, crowd-out would be an issue even with subsidies targeted at the very poor.

	US		IN	
Insurance Type	**All**	**Poor (<100% FPL)**	**All**	**Poor (<100% FPL)**
Employer	63.2	15.7	71.4	17.9
Individual	6.0	7.3	4.6	5.1
Medicaid	8.0	27.7	5.8	29.2
Other Public	3.0	4.7	2.4	4.5
None	19.7	45.1	15.7	43.4

Source: CPS as reported by KFF http://www.statehealthfacts.org/comparecat.jsp?cat=3 accessed October 3, 2008

A substantial portion of Indiana's children living in poverty have no insurance, despite being eligible for public insurance programs, and nearly a quarter of non-elderly families in Indiana spend at least 10 percent of their pre-tax income on health care. (CPS as reported by KFF http://statehealthfacts.org/compare cat.jsp?cat=3 accessed October 3, 2008). Between 2001 and 2005, employer-based family premiums for insurance increased from $8,657 to $10,678 (23 percent) while median earnings increased by only 2.29 percent; the employee contribution increased from 18.6 percent to 20.5 percent; and the percent of private sector establishments offering insurance fell from 58.1 percent to 55.9 percent (http://www.rwjf.org/files/research/042508ctuw finalembargoes.pdf accessed October 3, 2008).

Personal health care expenditures in Indiana increased 83 percent between 1995 and 2004 while GSP increased only 55 percent (the gap between income and expenditure growth rates during this time was twice the national average (Centers for Medicare and Medicaid Services, 2007). Continuation at current rates would result in healthcare expenditure constituting nearly half the state's economy by 2035.

Per capita – Healthcare Spending

	Dollars per capita			Percentage of US per capita			Average annual growth	
Region	**1991**	**1998**	**2004**	**1991**	**1998**	**2004**	**1991-1998**	**1998-2004**
US	$2645	$3663	$5283	100%	100%	100%	4.8%	6.3%
Illinois	2705	3766	5293	102	103	100	4.8	5.8
Indiana	**2487**	**3549**	**5295**	**94**	**97**	**100**	**5.2**	**6.9**
Michigan	2617	3605	5058	99	98	96	4.7	5.8
Ohio	2681	3728	5725	101	102	108	4.8	7.4
Kentucky	2387	3625	5473	90	99	104	6.2	7.1

Source: Martin, AB et al. (2007). Health Spending By State of Residence, 1991-2004. *Health Affairs 2007*. 26(6) w651-663.

John McCain

Subsidies to individuals:

- Provide a refundable tax credit of up to $2,500 (individuals) and $5,000 (families) for the purchase of insurance
- Provide additional income-related subsidies, to individuals enrolled in the Guaranteed Access Plan

Source: http://www.health08.org/sidebyside_results.cfm?c=5&c=16 accessed October 3, 2008

Barack Obama

Subsidies to individuals:

- Make federal income-related subsidies available to help individuals buy the new public plan or other qualified insurance

Cost containment:

In terms of cost containment, Indiana is in line with both presidential candidates' proposals with the exception of the Healthy Indiana Program (HIP). The current HIP program is more consistent with McCain's plan, which supports the expansion of Health Savings Accounts. Under Obama's program, the creation of a public plan competing in the insurance market may be inconsistent with the current HIP program which rests heavily on private insurance participation.

Health Information Technology (HIT) aims to improve both cost containment and the quality of health care. Aggregate information systems like Indiana's prevent duplicate or unnecessary procedures and provide caregivers with comprehensive medical histories. Both Senators McCain and Obama support increased HIT use and Indiana has one of the most advanced HIT systems in the nation: The Indiana Network for Patient Care (INPC). Established in 1998, the INPC is an electronic information network which allows providers to download text documents, images, and other patient data from a central server located at Wishard Hospital. The cross-institutional server is fed by hospitals, radiology centers, laboratories, the Marion County Department of Health, Indiana Medicaid program, and even private payers. While it initially benefited only hospital emergency departments, the INPC has begun to expand to ambulatory and in-patient service settings. It is estimated that the INPC has reduced annual charges in Indianapolis by $5 million per year in emergency visits alone (IU Healthcare Reform Study Group, 2007).

Medical malpractice suits contribute significantly to providers' fees through higher premiums and therefore this increases overall health costs. Both candidates support the adoption of medical malpractice reforms, which have already been adopted by Indiana. Indiana has taken action against rising costs due to liability by capping non-economic damages, or intangible damages such as pain and suffering. In fact, Indiana is one of the few states with a cap under $250,000 (Forums Institute for Public Policy, 2002). Malpractice insurance premiums in states without caps have averaged a growth rate of 44 percent, while Indiana has a growth rate of 15 Percent (Budetti & Waters, 2005). A 2004 report on the impact of tort reforms showed that premiums in states that cap damage awards are 17 percent lower than in states that do not cap awards (Thorpe, 2004). Indiana has also adopted a strategy whereby malpractice damages are paid in periodic payments, thus reducing the risk of providers going bankrupt; abolished the collateral source rule, which forbids juries to hear evidence that claimants have been fully or partially compensated from other sources (e.g., insurance); and have limited attorney contingency fees, which discourage attorneys from bringing frivolous suits.

Expansion of health savings accounts (HSA) and tax incentive programs are key elements in McCain's plan. This initiative is very consistent with the current HIP program that started this year in Indiana. Even though a POWER account is less flexible than HSA in terms of consumer choice and does not have tax incentives, the spirit of the account is similar to HSA (Kaiser Commission on Medicaid and the Uninsured, 2008). The current HIP plan may be a model under the McCain initiative and may have greater support from the Federal government.

A public plan competing in the insurance market is an important initiative under Obama's program (National Health Insurance Exchange). The current Indiana reform is based on private rather than public participation. In the current HIP program POWER accounts are managed by private managed care plans (Kaiser Commission on Medicaid and the Uninsured, 2008).

John McCain

Health Information Technology

- Consistent with Indiana's reform policies
- Provides no specific implementation plan

Medical Malpractice Reform

- Very consistent with Indiana's reform policies
- Focuses on lowering frivolous lawsuits and excessive damages, and provision of safety harbors for practitioners

Tax Incentives & Expansion of Health Savings Accounts

- Very consistent with Indiana's HIP program and POWER accounts (Indiana may be a model for the plan)

Public Plan Competing in the Health Insurance Market

- This initiative is not considered in the plan

Barack Obama

Health Information Technology

- Very consistent with Indiana's reform policies
- Plan to invest $10 billion annually during the next five years may complement current HIT program

Medical Malpractice Reform

- Consistent with Indiana's reform policies
- Provides no specific plan for lowering insurance premiums from providers
- Plans to adopt models that reduce physician errors

Tax Incentives & Expansion of Health Savings Accounts

- This initiative is not considered in the plan

Public Plan Competing in the Health Insurance Market

- Not consistent with current Indiana's HIP program. May imply changes in current reform

Improving quality/ health system performance:

Promoting smoking cessation programs is an explicit policy under McCain's plan and an implicit policy within the prevention program in Obama's plan. This policy will have an important impact on Indiana because of the high prevalence of smoking in the state. While 19 percent of adults are reported to be smokers in the United States, in Indiana this percentage reaches 24 percent (www.statehealthfacts.org accessed September 2008).

The prevention and care of chronic illnesses are major challenges facing the Indiana health care system. The age-adjusted death rate for major causes of death for the United States is 798.8 per 100,000 people while in Indiana this rate is 858.7, ranking 38th in the country (CDC, 2008). Both candidates consider it important to improve the prevention and management of chronic conditions. Indiana will be positively impacted by the effectiveness of both plans.

More information on pricing and provider quality is a recommendation in both presidential proposals. Currently, Indiana reports some quality measures from the Center of Medicare and Medicaid Services on the website of the Department of Health. However this information is limited in terms of providers, population and treatments, and it does not include information on costs and prices. For this particular recommendation, the implication for Indiana will be more investment on information, research, and public dissemination of quality indicators. The Department of Health may have a leading role on this initiative under McCain's program while under Obama's plan hospitals and providers will be required to collect and report this information.

John McCain

Prevention: Smoking Cessation Programs

- Initiative to reduce smoking through smoking cessation programs may complement current Indiana policy that is based on higher taxes.

Public Information on Price & Quality of Providers

- Consistent with current practice in Indiana where the Department of Health reports some information. More information including prices and cost is required.

Barack Obama

Prevention: Smoking Cessation Programs

- Smoking is part of a wider preventive program; provides no specific plan for smoking cessation.

Public Information on Price & Quality of Providers

- Hospitals, providers, and health plans are required to collect and report information publicly.

Other Investments:

Shortages of health professionals have been documented across Indiana. The supply of health professionals needed is based on demand and need for health care services. The shrinking supply and an increased demand are expected for physicians, especially primary care physicians, as well as nurses over the next two decades.

The data for rural Indiana shows disparity in the distribution of physicians: 22 percent of the population lives in rural areas while only 9 percent of the physicians practice in these areas. Whole counties and parts of counties in Indiana are designated Health Professions Shortage Areas (HPSAs) based on the designations and U.S. Census population projections. Of the 92 Indiana counties, 30 were designated as Primary Care HPSAs in whole or in part. These problems ultimately result in a magnified public health burden. Access to timely primary and preventative health care can result in lower health care costs and better health outcomes than uncoordinated, delayed care.

John McCain

Shortage:

- Campaign has not addressed this issue

Uneven Distribution:

- Where cost effective, employee telemedicine and clinics in rural and underserved areas

Barack Obama

Shortage:

- Will expand funding to include loan repayment, adequate reimbursement, grants for training curricula, and improved working conditions

Uneven Distribution:

- Campaign has not addressed this issue

Public health issues have been given little importance though the rates show an alarming situation. The state has a high number of adults with chronic diseases, obesity, smoking, etc., which leads to poor health status and reduced productivity. Concentration on education and motivation for lifestyle changes will lead to a healthier and more productive state.

Neither candidate has all the answers for a comprehensive, fiscally sound plan. It is important to note, however, that this issue is prominent in this election year and most assuredly will receive attention in the next presidential term. How they proceed in changing the underlying dynamics of health care costs, insurance, and service delivery will be critical.

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