



# *In the Literature*

## UNINSURED IN AMERICA: PROBLEMS AND POSSIBLE SOLUTIONS

Karen Davis, Ph.D.

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The deficiencies in the U.S. health care system are well documented: patients harmed by avoidable medical errors, fragmentation and inefficiency that result in poor-quality care and lost value, consumers forced into debt and bankruptcy to pay for medical bills, and above all, increasing numbers of Americans who go without the security of health insurance coverage. A new article by Commonwealth Fund president Karen Davis, Ph.D. proposes strategies—and examines efforts already under way at the state level—to achieve a health care system that provides affordable, accessible care for every American.

Nearly all the growth in the number of uninsured people (which has swelled from 40 million in 2000 to almost 47 million in 2005) is among those aged 18 to 64, most of whom are working, says Davis in [“Uninsured in America: Problems and Possible Solutions”](#) (*BMJ*, Feb. 17, 2007). Much of the increase is due to employers cutting back on coverage and benefits in response to rising costs and adverse economic circumstances. The consequences of this failure to provide universal coverage are dire: lost lives, decreased economic productivity, underuse of essential services, and inefficient and poorly coordinated care.

### **Activity on the Federal Front**

Despite the fact that public leaders, health care experts, and industry executives say expanding health insurance coverage should be a top priority for the President and Congress, it is unlikely that the federal government will legislate on this issue.

First, uninsured people are not politically organized and do not represent a strong voting bloc, Davis says, and second, the federal budget is in deficit and tax revenues are at their lowest point in 40 years, making funding options scarce. Adding to the political inertia, Congress is deeply divided along party lines. Democrats support comprehensive solutions to expand public programs and employer-based coverage while Republicans favor market-based solutions that encourage consumers to shop around for cheaper health insurance and health care prices.

Davis suggests an alternative way to finance expanded coverage: reinvest savings gained through increased efficiency. Aligning incentives with results by reforming provider payments to reward high-quality, patient-centered, and efficient care is one strategy for achieving this outcome.

### **States Take the Lead**

Encouraging activities are already under way at the state level, Davis says. Strategies include expanding existing programs to cover low-income adults, as well as children; creating an insurance pool for small businesses and the self-employed, with premium assistance for low-wage earners; and requiring employers to either provide health benefits or contribute to a fund to finance coverage for working people.

- Massachusetts’s plan, enacted in April 2006, aims to make health care coverage affordable for all uninsured residents. Employers must either provide

benefits to workers or pay into a fund to finance coverage. State and federal dollars are used to subsidize care for the poor, and the state Medicaid program has been expanded to cover more uninsured children.

- In California, Governor Arnold Schwarzenegger has proposed a plan for universal coverage that includes premium subsidies for low-income individuals and a requirement that employers either provide insurance or pay a fee equal to 4 percent of employee earnings.
- Vermont employers who do not provide coverage must contribute \$365 per year for each full-time employee. Governmental assistance is available to low-income earners to purchase private insurance.
- Maine's plan—initiated in January 2005—created an insurance pool for small businesses, required employers to contribute 60 percent of each worker's premium if they chose to join the pool, and expanded the state's Medicaid program to cover all poor adults.

### **Moving Toward Success**

With the exception of California, these new plans are taking place in states with relatively small uninsured populations and have made use of federal matching funds available under Medicaid. “[I]t will be interesting to follow the recent expansion proposal in California with this state’s relatively larger population and higher uninsured rate,” Davis says.

Recently, bipartisan bills have emerged in Congress to support demonstrations of state expansion efforts. Given a divided Congress, these bills may have the most realistic chances of success. With the problem worsening, it is clear that policymakers and legislators will have to take action. “If the U.S. hopes to achieve a high performance health system that provides value, it will have to tackle the perplexing problems of access, quality, and cost and overcome considerable political and economic obstacles, as well as institutional resistance to change,” Davis says.

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## Suggested Government Actions to Achieve Universal Health Coverage

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### **Federal**

- Legislate to match state funding for coverage of low-income adults up to one-and-a-half times the federal poverty threshold.
- Allow small businesses and uninsured people to purchase coverage through the Federal Employee Health Benefits Program.
- Require all businesses to either provide health benefits to all employees or contribute \$1/hour of work toward coverage under public programs; require everyone to purchase coverage.
- Extend Medicare program to uninsured adults aged 55 to 64 and eliminate two-year wait before disabled people are eligible.
- Revise Medicare's payment system to reward higher quality and greater efficiency, with savings used to expand coverage.
- Dedicate tax of 1 percent of income to financing expanded coverage and use existing subsidies for low-income charity care to finance expansion.

### **State**

- Revise the children's health insurance program to include low-income adults up to one-and-a-half times the federal poverty threshold and children up to three times the threshold.
- Revise Medicaid's payment system to reward higher quality and greater efficiency, with savings used to expand coverage.