

At Issue: HEALTH CARE REFORM

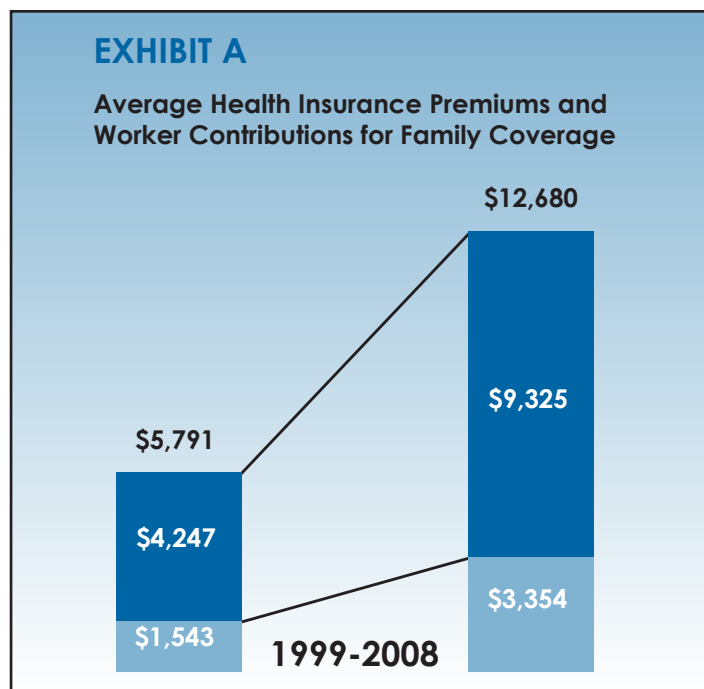
Healthy hometowns make for a healthy America. But today, America's local governments face fundamental challenges as they strive to protect and improve the health of city employees and other residents.

Like most businesses in the country, cities and towns are finding that their budgets are overstretched by the ever-increasing costs of providing health care coverage to municipal employees and their families. In addition, cities face the much more basic challenge of trying to make sure all residents stay healthy. With 46 million people living without health insurance in the United States, many individuals and families are not receiving the care they need to live healthy and productive lives.

The National League of Cities believes that significant federal leadership and far-reaching health care reforms are needed to control the rising costs of health insurance and to ensure that every American has access to adequate care.

WHERE WE STAND

Rising health costs imperil city budgets. Local governments are one of the largest employers in the country; millions of Americans work for the nation's cities and towns. In 2007, 86 percent of local governments offered health care benefits to employees and their dependents, contributing on average 91 percent of premiums for individuals and 73 percent of premiums for family coverage.¹ However, in the past 10 years



Source: Employer Health Benefits 2008 Summary of Findings. The Kaiser Family Foundation and Health Research and Education Trust, 2008.

the average premium for employer-sponsored health insurance has increased 119 percent, growing from \$5,791 for a family in 1999 to \$12,680 in 2008.² This rate of growth far outpaced inflation and GDP growth.

The rising cost of employer-sponsored insurance translates into a real strain on municipal budgets. As a result, cities and towns increasingly are finding it

“... it is the growth in health-related costs that is a primary driver of the fiscal challenges facing the state and local government sector.” — **Government Accountability Office report, 2007**

1 National Compensation Survey: Employee Benefits in State and Local Governments in the United States, September 2007: U.S. Department of Labor, Bureau of Labor Statistics, March 2008

2 Employer Health Benefits 2008 Summary of Findings. The Kaiser Family Foundation and Health Research and Education Trust, 2008.





difficult to provide health benefits for their employees, while at the same time covering the costs of necessary city services like police, fire and sanitation. According to a 2007 report from the Government Accountability Office, "... it is the growth in health-related costs that is a primary driver of the fiscal challenges facing the state and local government sector."³

A recent National League of Cities survey of city finance officers provided additional perspective on the budgetary challenges cities face because of health care costs. In the survey, 84 percent of respondents cited "health benefits" as having a negative impact on cities' budgetary capacity to meet city needs. This marked the tenth straight year that health care has been among the top factors having a negative impact on fiscal budgets.⁴

Adding to the fiscal burden on cities is the cost of retiree health care. Studies have estimated that the total liability

technology, for example, could yield \$77 billion or more in savings per year.⁶ The nation could save billions more by requiring the insurance industry to be more transparent in its dealings with consumers, whether they are local governments, individuals, or small businesses. With easy access to information about health care premiums, co-payment rates, administrative costs, and insurance company profit margins, purchasers could boost their bargaining power and make more informed (and more cost-effective) choices.

Consumers, doctors, insurance companies and employers all must be active participants in reducing costs. But leadership by the federal government is needed to ensure across-the-board change in areas from promoting healthy lifestyles to reforming insurance.

Lack of insurance threatens residents' health, adds to costs. In addition to their role as employers, cities

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for unfunded state and local government retiree health benefits across the country is between \$600 billion and \$1.6 trillion.⁵

America's health care system is broken. The rising costs of health care in America stem from a range of factors. Americans are leading less healthy lifestyles, increasing the need for treatment for heart disease, diabetes and other diseases. Doctors and hospitals are using outdated methods of record keeping, which can increase administrative costs while limiting care coordination among doctors, resulting in costly redundancies in treatments and tests.

To drive down costs, reform is needed in all areas of the health care system. Investments in health information

have another vested interest in the health care debate: promoting the health and wellness of local residents. There are approximately 46 million Americans living without health insurance today, and millions more are underinsured. Of the 46 million uninsured Americans, 8.1 million are children.⁷

The lack of insurance less healthy residents. People do not receive adequate disease prevention services, including annual checkups for children. The lack of preventive care, in turn, means children and adults are more prone to chronic diseases such as diabetes and heart disease.

Employees are less productive, and children are less likely to succeed at school. In addition, when people

³ *State and Local Governments: Persistent Fiscal Challenges Will likely Emerge within the Next Decade.* United States Government Accountability Office, July 2007.

⁴ *City Fiscal Conditions in 2008.* National League of Cities, September 2008.

⁵ *State and Local Government Retiree Benefits: Current Funded State of Pension and Health Benefits.* United States Government Accountability Office, January 2008.

⁶ *Health Information Technology: Can HIT Lower Costs and Improve Quality?* Rand Corporation, 2005.

⁷ *Income, Poverty, and Health Insurance Coverage in the United States: 2007.* US Census Bureau, August 2008.



“As employers, the rising cost of health care is really hurting municipal budgets and as city leaders, we are concerned about the health and well being of our residents. This is a problem that can no longer be ignored and it is time for the federal government to make health care reform a real federal priority.”

— Paul Gresham, Councilmember, Centerville, Ohio

do get sick, their conditions become more expensive to treat. Community health centers become strained and are less able to meet residents’ needs. As these and other problems worsen, morbidity and mortality rates will rise, and the general health of American communities will deteriorate, posing problems not just for cities and towns but for the entire nation.

AGENDA FOR THE NATION

Control costs. The National League of Cities believes major reforms are needed to control costs and reduce the rate of growth in health care expenditures and coverage costs. Given its key role in reform efforts, cities and towns urge the federal government to:

- Focus on disease prevention and management instead of more costly episodic medical procedures.
- Establish national performance standards for physicians and hospitals to lead to fewer costly errors.
- Provide financial incentives for medical providers to use health information technology as a way to improve care coordination and reduce costs.
- Enact reforms to reduce administrative costs in the insurance industry.
- Require insurance companies to publicly disclose their premiums, co-payment rates, administrative costs, and profit margins so purchasers can effectively compare costs.

Expand access to care. The National League of Cities believes local, state, and federal leaders must collaborate to design a health care system that ensures that all residents can have access to affordable health care coverage. American cities and towns support federal efforts to:

- Conduct a public information and outreach campaign to all uninsured individuals who are eligible for government health care programs like Medicaid and the State Children’s Health Insurance Program (SCHIP) to encourage them to take advantage of what’s available.
- Provide all employers with the same tax incentives to offer health insurance to employees, so that all employers are supported for providing workers with health benefits.
- Create new pooling opportunities so small employers and self-employed individuals can obtain group rates to reduce costs and make it affordable to obtain health insurance.
- Create financial incentives for individuals to purchase health care coverage for themselves and their families, so that all receive the same incentives to buy health insurance either through an employer or on the individual market.
- Ensure that all individuals and families can obtain health insurance. Among the options for ensuring coverage: expanding existing government programs, such as Medicare or SCHIP; allowing employers to buy into the federal system (the Federal Employees Health Benefits Plan); or establishing an alternative program that assures coverage for everyone.
- Ensure that all children receive basic health benefits.



A VISION FOR THE FUTURE

The rising cost of providing health insurance and health care to employees and their families is having a substantial impact on the fiscal integrity of cities throughout America. It is time for cities, states and the federal government to join with health care insurers, providers and citizens to find a solution to this serious problem. America can control health care costs and expand access to quality, affordable care for all citizens. The federal government must take the lead in implementing reforms that will lead to healthier hometowns and a healthier nation.

“Making health care affordable for everyone in this country is a national priority. Municipalities like ours are constantly struggling to keep up with the growing cost of healthcare insurance for our employees. It is an issue threatening the ability of local governments to continue to provide essential services like public safety, transportation, and sanitation. We urge our elected officials in Congress to take a stand on this issue once and for all and come up with a responsible solution, one that expands access to care and reduces costs.”

— **John Brenner, Mayor, York, Pennsylvania**

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