Testimony

Industry, Business, and Labor Committee

September 10, 2009

North Dakota Department of Health

Good morning, Chairman Keiser and members of the interim Industry, Business, and Labor Committee. My name is Dr. John Baird, and I am a field medical officer and section chief for the North Dakota Department of Health. I am here today to provide testimony regarding your study of factors impacting the cost of health insurance and specifically to provide information about the uninsured in North Dakota found in a statewide survey conducted through the health department.

Health Insurance Coverage in North Dakota

The North Dakota Department of Health has supervised two surveys of health insurance coverage in the past 15 years. In 1994 a Robert Wood Johnson Foundation funded State Initiatives Project survey found an uninsured rate of 9.9 percent in the state. In 2004 in a State Planning Grant survey funded by the U.S. Health Resources and Services Administration we found an uninsured rate of 8.2 percent in North Dakota, or about 52,000 people. There are several national surveys which estimate the uninsured rate in each state including the Current Population Survey (CPS) done by the U.S. Census Bureau which is frequently quoted. In the CPS 2005-2007 3-year average North Dakota had 11.1 percent uninsured or 68,000 people. We consistently have a lower rate of people without health insurance coverage than the national average.

Household Survey

On behalf of the North Dakota Department of Health, I supervised a health insurance study in 2004-2005. The Center for Rural Health at the University of North Dakota School of Medicine and Health Sciences was contracted to do the research for this grant.

Rate of Uninsured

In the spring of 2004, information about health insurance coverage was gathered through a telephone survey, collecting information from a random sample of 3,199 individuals in North Dakota households. The survey indicated that 8.2 percent of people in our state are uninsured – they do not have private health insurance such as employer-sponsored policies or public insurance such as Medicaid, CHAND or Healthy Steps. The survey showed:

- More than 11,000 children younger than 18 and 41,000 adults were uninsured.
- The uninsured are more likely to be young adult, unmarried, and male.
- Native Americans were far more likely to be uninsured at 31.7 percent, compared to the Caucasian rate of 6.9 percent. (IHS is not considered an insurance)

Income Levels of Uninsured

A resident living in a household with an income of less than $10,000 was more than twice as likely to be uninsured (16.6%), compared to the overall state rate of 8.2 percent. Nearly three-quarters of uninsured North Dakotans resided in a household with an income below 200 percent of the federal poverty level, which in 2004 was $37,700 for a family of four.

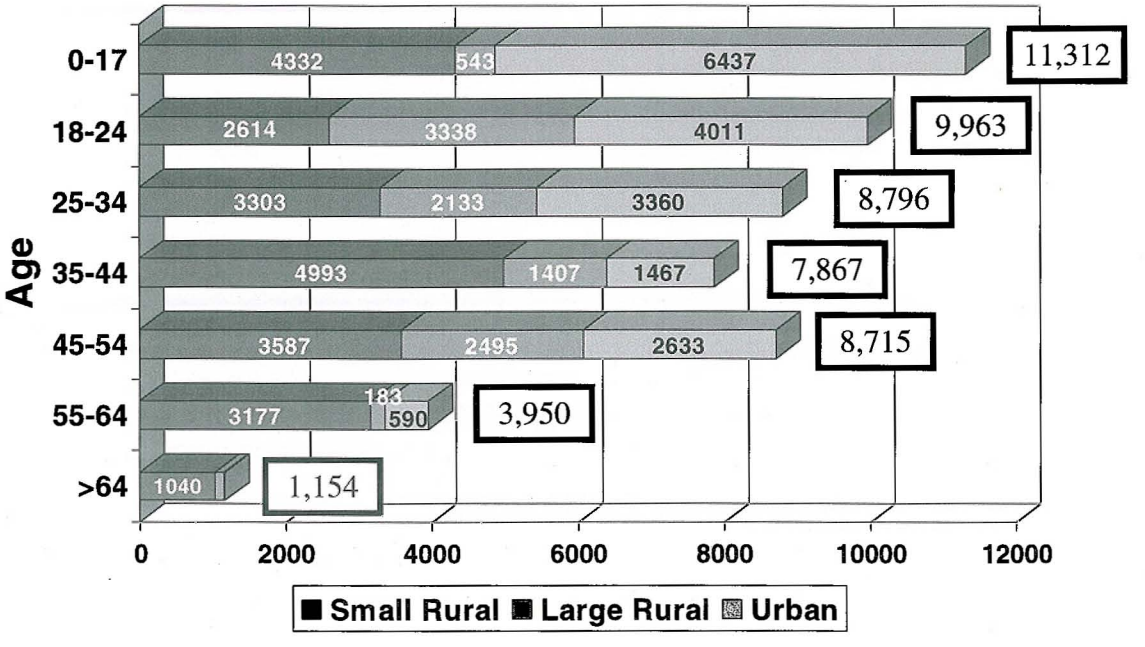
Areas of Residence of Uninsured

To look at how insurance rates varied by population density, the state was divided into three population groups:

- Urban (population more than 16,700 people) – including Bismarck, Fargo/West Fargo, Grand Forks and Minot
- Large Rural (5,000 to 16,699 people) – including Devils Lake, Dickinson, Jamestown, Minot AFB, Valley City, Wahpeton and Williston
- Small Rural (less than 5,000 people) – the remainder of the state

Of the 52,000 people who were uninsured, 44 percent lived in small rural areas, 36 percent in urban areas and 20 percent in large rural areas. The study also showed that 9.1 percent of individuals residing in small rural areas were uninsured, as were 7.7 percent of those in urban areas and 7.4 percent of those large rural areas.

The study looked at the number of uninsured individuals by age groups and areas of residence. The following chart gives a graphic representation of the geographic and age distribution of the uninsured in North Dakota. It illustrates that a large portion of the uninsured are young adults and children.



The following table shows the percentage of uninsured in two ways, either as a percentage of all the uninsured in the state or as a percentage of the individuals in the particular age group. Of all the uninsured, 17 percent are between the ages of 25 and 34, 19 percent are between 18 and 24, and 22 percent are younger than 18. Of all the young adults in North Dakota between the ages of 18 and 24, 15.9 percent are uninsured.

Age Group	Percentage of All Uninsured	Percentage of Age Group
0-17	22%	8.1%
18-24	19%	15.9%
25-34	17%	9.4%
35-44	15%	8.5%
45-54	17%	8.9%
55-64	8%	7.2%
> 64	2%	1.4%
	100%	

Employment of Uninsured

The majority of uninsured older than 17 were employed (71.7%), which compared with 82.3 percent of insured adults being employed. Of those who were employed, those in smaller-sized businesses were more likely to be uninsured. Self-employed individuals had the highest rate of being uninsured at 21.3 percent. Businesses with two to 10 employees had a rate of 10.6 percent uninsured, and those with more than 500 employees had the lowest rate at 3.8 percent uninsured.

Survey of Employers

As part of our health insurance study, in 2005, the University of North Dakota Center for Rural Health partnered with Job Service North Dakota to survey a sample of North Dakota employers on health insurance coverage for their employees and their family members. About two-thirds (64%) of businesses provided health insurance coverage (single and/or family) to their employees. Single coverage health insurance was offered to full-time employees by more than half (60%) of the businesses. About twelve percent of the employers offered single coverage to part-time employees. For family health insurance coverage, slightly less than half (48%) indicated their full-time employees are offered this option. The larger the business the more likely they were to offer single and family health insurance to their employees. The most commonly mentioned reasons for not providing health insurance to their employees were the high cost of premiums, employees were covered by some other source, high employee turnover, and too many low-wage workers.

Rate of Underinsured

The 2004 study also estimated the rate of underinsured North Dakotans. The term underinsured is often defined as having some type of catastrophic health insurance coverage and spending more than 10 percent of a family's income on health care. A national study (*JAMA. 2006;296:2712-2719*) found that in 2003, 19.2 percent of Americans spent more than 10 percent of their tax-adjusted family income on health care, and 7.3 percent spent more than 20 percent of their family income on health care.

Our 2004 study estimated that 8.5 percent of individuals in North Dakota were underinsured, using the definition of spending more than 10 percent of their family income on health care.

Patchwork of Healthcare Coverage

Healthcare coverage is a patchwork of private and public programs. The foundation of our system has been employer-based private health insurance. This started as a job benefit during the wage and price freeze in the great depression and has gradually evolved from catastrophic coverage to pre-paid medical care. Since 1965 coverage has included public programs including Medicare for the elderly and disabled and Medicaid and CHIP for the poor. Those who do not have insurance coverage, private or public, have to pay for their care directly, seek safety-net coverage such as at federally funded community health centers, or postpone care.

Conclusion

The 2004-2005 study of health insurance coverage estimated that almost 17 percent of North Dakotans are either uninsured or underinsured. The consequences of being uninsured have been shown in a number of national studies. Without health insurance or access to affordable primary care, people are less likely to receive timely preventive care, more likely to be hospitalized for avoidable health problems, and have worse clinical outcomes for chronic diseases such as diabetes, cardiovascular disease and mental illness. They are less likely to receive preventive services, have a decreased life expectancy, and experience substantial financial impact from medical bills, often to the point of bankruptcy.

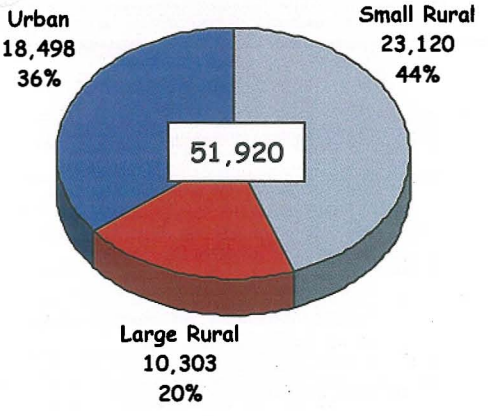
Attached please find some graphic handouts summarizing what I have just discussed. This concludes my testimony. I am happy to answer any questions you may have.

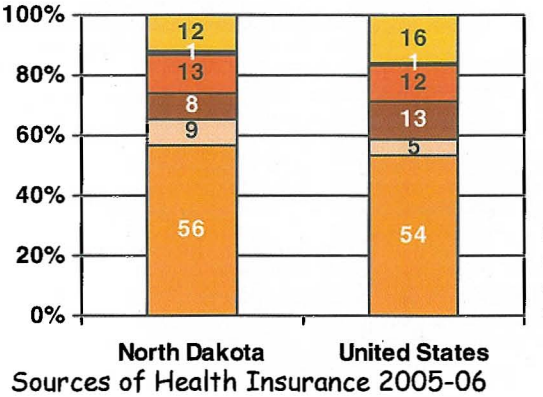
Uninsured in North Dakota -

NORTH DAKOTA DEPARTMENT of HEALTH

8.2% of North Dakotans are uninsured (51,920 people)

North Dakota Household Survey - Feb-Mar 2004, UND Center for Rural Health, funded by HRSA State Planning Grant
(1994 RWJF State Initiatives Project survey - 9.9% uninsured)





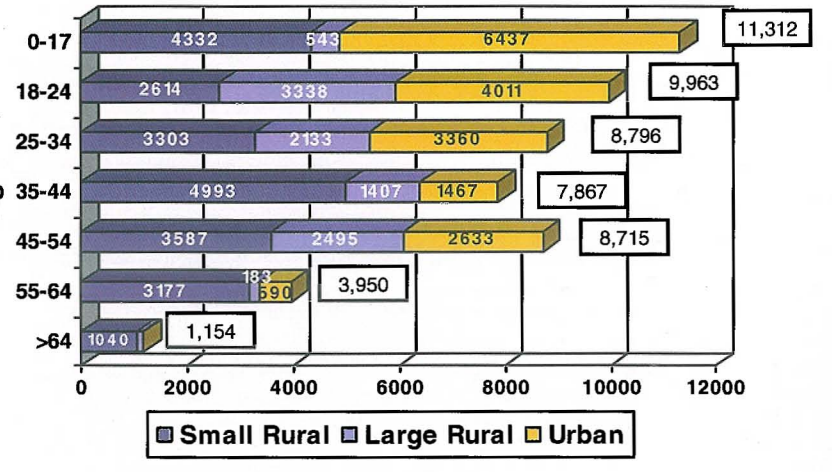
Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2006 and 2007 Current Population Survey.

Sources of Health Insurance 2005-06

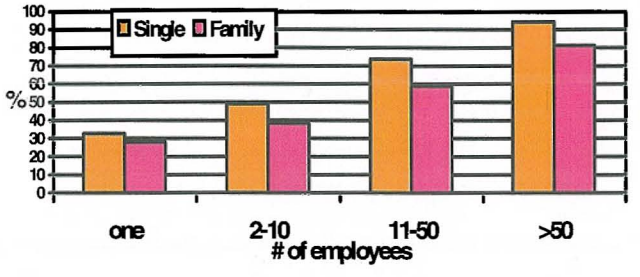
Demographics of Uninsured -

Age - 22 percent of uinsured are children
- younger adults high rate of uninsured
Gender - Males more often uninsured
Race - Native Americans 31.7% uninsured
- Whites - 6.9% uninsured
Marital status - unmarried more uninsured
Income - lower income are more uninsured
Employment - 71.7% of uninsured are employed
Small-businesses - higher uninsured rates (10 or fewer)

	Percent of Total	Percent of Group	Age	Small Rural	Large Rural	Urban	
	22%	8.1%	0-17	4332	543	6437	11,312
	19%	15.9%	18-24	2614	3338	4011	9,963
	17%	9.4%	25-34	3303	2133	3360	8,796
	15%	8.5%	35-44	4993	1407	1467	7,867
	17%	8.9%	45-54	3587	2495	2633	8,715
	8%	7.2%	55-64	3177	183	590	3,950
	2%	1.4%	>64	1040			1,154
	100%						



ND Employers offering Insurance to Employees



Reasons employers not offering insurance

Premiums too high (46%)
Employees covered elsewhere (34%)
High turnover (7%)
Too many low wage employees (6%)

Consequences

Uninsured
- Less likely to receive timely preventive care
- More likely to be hospitalized for avoidable health problems
- Worse clinical outcomes for chronic diseases (Diabetes, CV disease, Mental illness)
- Less likely to receive preventive services
- Substantial financial impact, Medical bills - factor in half of bankruptcies
- Decreased life expectancy

Health Care providers - Uncompensated/Charity Care
- ND Hospitals estimated annual uncompensated care - $32.5 Million (AHA Annual Survey 2000)

JRB - May 2008

Center for Rural Health

RURAL HEALTH FACTS

Employer-Sponsored Health Insurance in North Dakota

Summer 2006

Employer-sponsored health insurance for employees is one of the primary sources of health insurance coverage in the United States. In 2004, approximately 159 million Americans, or 62 percent of the nonelderly population, were insured through employers (Fronstin, 2005). This is a decline from 2000 when 67 percent of nonelders were covered by employer-sponsored health insurance.

In 2005, the University of North Dakota Center for Rural Health partnered with Job Service North Dakota to survey a sample of North Dakota employers on health insurance coverage for their employees and their family members. We sought to determine the rates and patterns of employer-sponsored health insurance coverage and explore barriers that prevent some employers from providing this benefit to their employees.

About half (52%) of those surveyed responded. Most of the responding employers are in the private sector (94%), followed by local government (3%), state government (3%), and federal government (0.1%). The most common firm size is two to 10 employees (59%), followed by 11 to 50 (29%), 51 to 100 (5%), one person (4%), and more than 100 employees (3%).

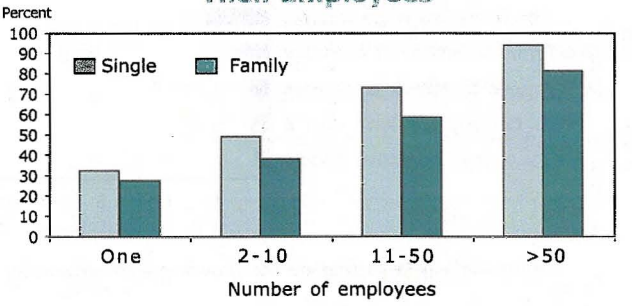
Health Insurance – Single and Family

Overall, about two-thirds (64%) of firms provide health insurance coverage (single and/or family) to their employees. Single coverage health insurance is offered to full-time employees by more than half (60%) of the firms. About twelve percent of the firms offer single coverage to part-time employees. For family health insurance coverage, slightly less than half (48%) indicate their full-time employees are offered this option. About ten percent indicate health insurance coverage is offered to their part-time employees, too.

Health Insurance by Firm Size

As indicated in Figure 1, the larger the firm the more likely it is to offer single and family health insurance to their employees.

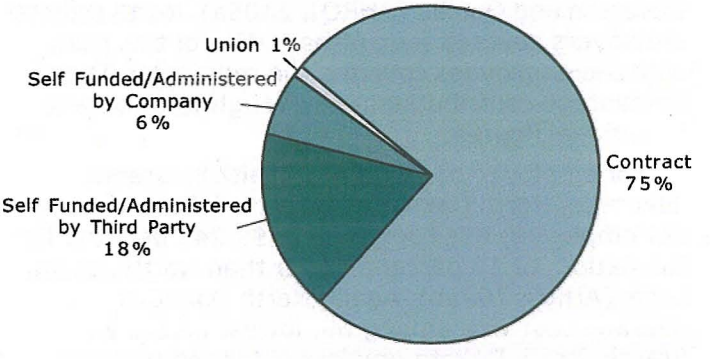
Figure 1. North Dakota Employers Offering Health Insurance Coverage to Their Employees



Health Insurance Sources

Among firms that offer health insurance to their employees, the most common form is through a contract (Figure 2) with a commercial insurance company (e.g., Blue Cross/Blue Shield). Less frequently mentioned is 'self-funded and administered by third party payer.' That is, the employer hires an outside agency to manage the various aspects of purchasing and maintaining health insurance policies. 'Self-funded and administered by the company' was infrequently mentioned. This is where the employers have in-house personnel which manage the purchase and maintenance of health insurance policies.

Figure 2. How is Your Health Insurance Set Up and Administered?

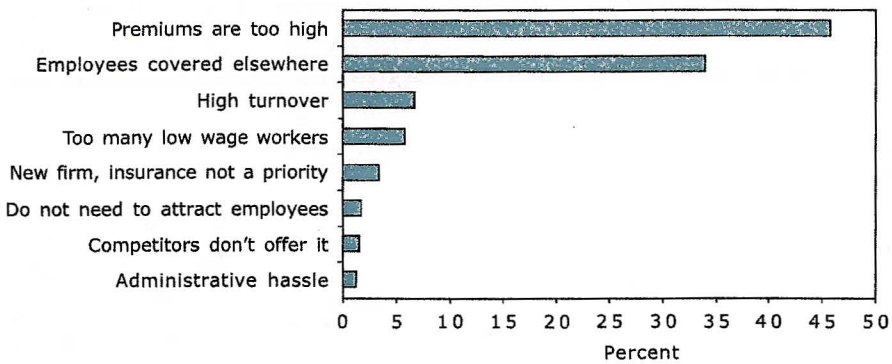


Reasons for Not Providing Health Insurance

The most commonly-mentioned reasons for not providing health insurance to their employees are the high cost of premiums, employees being covered by some other

source, high employee turnover, and too many low-wage workers (Figure 3).

Figure 3. Reasons for Not Offering Health Insurance to Employees



Note: Among firms that do not provide health insurance.

Premium Payment

We asked employer respondents what portion they pay of their full-time employees' health insurance premiums. For single health insurance coverage, almost half of the firms pay the full annual premium; of the remainder, 15 percent pay at least half of the annual premium. For family coverage, about 30 percent of the firms pay the full annual premium; of the remainder, 16 percent pay half of the annual premium.

Costs for Health Insurance

To examine average health insurance costs for North Dakota, we used federal Medical Expenditure Panel Survey (MEPS) data. For employer-based *single* health insurance, North Dakota had an average cost of about $3,000 per employee, a figure that was substantially lower than the national average ($3,481) and among the lowest across all States in 2003 (Agency for Healthcare Research and Quality [AHRQ], 2005a). North Dakota employers covered four-fifths (19%) of this cost, with the employees covering the remainder. These percentage contributions were roughly equivalent to national figures.

For employer-based *family* health insurance coverage, North Dakota averaged $7,866 per year per employee; this compared to $9,249 per year for the nation, or 18 percent higher than North Dakota costs (AHRQ, 2005b). Again, North Dakota's average cost was among the lowest across all States. North Dakota employers tended to cover about three-quarters (73%) of the premium and employees paid the remaining one-quarter. This percentage breakdown was comparable to figures for the nation.

Conclusion

Although North Dakota's average employer-based health insurance cost is among the lowest in the nation, 36 percent of surveyed employers do not provide health insurance coverage to their employees, primarily due to high premium costs. Small employers (10 or fewer employees) in North Dakota are least likely (55%) to provide any type of health insurance coverage to their staff. Conversely, large employers (>50 employees) within the state are most likely (94%) to provide insurance coverage to their employees.

Employer-based health insurance is a cornerstone of the state's health care infrastructure. Access to affordable health insurance is and will likely continue to be a serious concern for North Dakota employers, especially small firms, who are expending substantial efforts to recruit and retain good workers. In the past several years, premiums have increased beyond the rate of inflation and worker earnings (Gencarelli, 2005). In the face of rising health care and insurance costs, it will become increasingly important for policymakers and employers to seek new ways for securing and maintaining employer-based health insurance coverage in North Dakota.

References

AHRQ, Center for Financing, Access and Cost Trends. (2005a). 2003 Medical Expenditure Panel Survey (MEPS) - Insurance Component. Tables II.C.1, II.C.2, II.C.3. Available at: http://www.meps.ahrq.gov/MEPSDATA/ic/2003/Index203.htm

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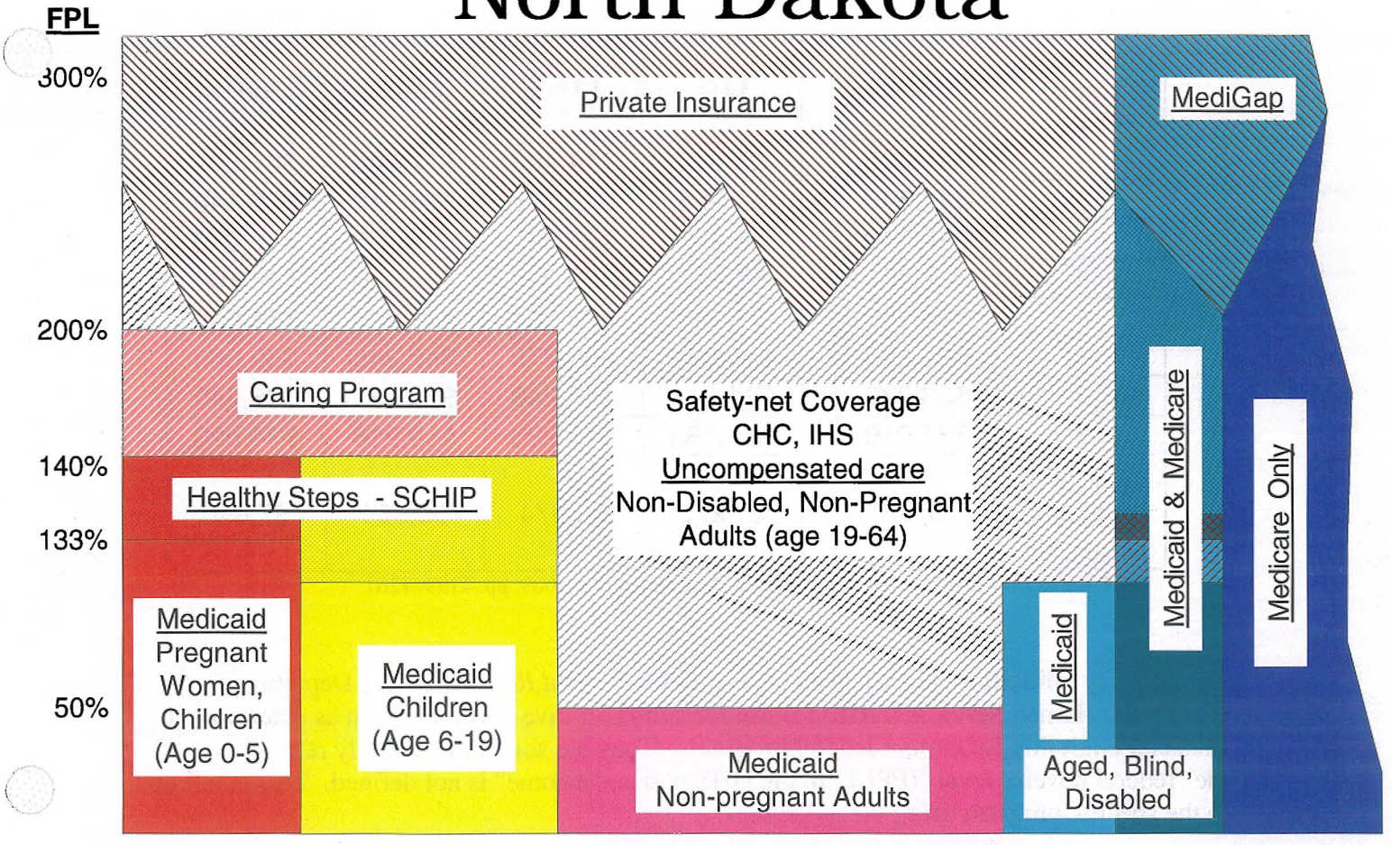
Patchwork of Healthcare Coverage
North Dakota



Private Insurance – Purchased through employer (large-group plan, small-group plan, self-insured plan) or individually purchased.

Medicaid – eligibility based on net income compared to federal poverty level (FPL) and sometimes assets
Asset test was removed for children and family coverage groups. Income levels are:
Pregnant women & children to age 6 – 133% FPL Children aged 6 to 19 – 100% FPL
Family coverage (1931) – 34% FPL Transitional (under Family coverage 1931) – 185% FPL
Medically needy (under age 21 & over age 65, pregnant, caretakers, blind/disabled) – 83% FPL
SSI (Blind & Disabled) – 80% FPL

Medicare savings plan programs – Special low income Medicare beneficiaries (SLMB) – 120% FPL
Qualified Individual-1 (QI-1) – 135% FPL
Qualified Medicare beneficiaries (QMB) – 100% FPL

Healthy Steps – North Dakota's CHIP (Children's Health Insurance Program) – 18 years old or less
Family's NET income greater than Medicaid level but less than or equal to 160% FPL

Caring Program for Children – thru Noridian – health & dental care for uninsured children 161-200% FPL

Medicare – Disabled or over 65 years, Part A entitlement for hospital, home health, skilled nursing
Part B voluntary, supplementary for professional services

MediGap – private insurance that pays for some expenses not covered by Medicare

Uncompensated care & Safety-net coverage –provide for uninsured, private pay individuals

JRB – 9/09

2009 HHS Poverty Guidelines
48 Contiguous States & D.C.

Persons in Family Unit	100%	34%	133%	160%	200%
1	$10,830	$3,682	$14,404	$17,328	$21,660
2	$14,570	$4,954	$19,378	$23,312	$29,140
3	$18,310	$6,225	$24,352	$29,296	$36,620
4	$22,050	$7,497	$29,327	$35,280	$44,100
5	$25,790	$8,769	$34,301	$41,264	$51,580
6	$29,530	$10,040	$39,275	$47,248	$59,060
7	$33,270	$11,312	$44,249	$53,232	$66,540
8	$37,010	$12,583	$49,223	$59,216	$74,020
For each additional person, add	$3,740	$1,272	$4,974	$5,984	$7,480

SOURCE: *Federal Register*, Vol. 74, No. 14, January 23, 2009, pp. 4199–4201

The **poverty guidelines** are issued each year in the *Federal Register* by the Department of Health and Human Services (HHS) for use for administrative purposes, such as determining financial eligibility for certain federal programs. They are sometimes loosely referred to as the "federal poverty level" (FPL). In the HHS notice, "income" is not defined. This is left up to the specific program using the guidelines.

The poverty guidelines are a simplification of the **poverty thresholds** updated yearly by the Census Bureau for statistical purposes such as estimating the number of Americans in poverty. The poverty thresholds were originally developed by Mollie Orshansky of the Social Security Administration in 1964. She based her poverty thresholds on the Department of Agriculture's economy food plan, the cheapest of four nutritionally adequate diets "designed for temporary or emergency use when funds are low." She took the dollar cost of the food plan and multiplied by a "multiplier", a factor of three for families of three or more persons. In effect, she took a hypthetical average family spending one third of its income on food, and assumed that it had to cut back on its expenditures. She assumed that expenditures for food and non-food would be cut back at the same rate. Orshansky presented the poverty thresholds as a measure of income inadequacy, not of income adequacy - "if it is not possible to state unequivocally 'how much is enough,' it should be possible to assert with confidence how much, on average, is too little." Since 1969 the thresholds have been indexed by the Consumer Price Index.

http://aspe.hhs.gov/POVERTY/09poverty.shtml
http://aspe.hhs.gov/poverty/papers/hptgssiv.htm

September 2009
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NORTH DAKOTA
DEPARTMENT *of* HEALTH