Testimony by Janis S. Cheney
State Director, AARP North Dakota
To
Interim Health and Human Services Committee
June 16, 2010

Chairman Weisz and members of the Interim Health and Human Services Committee, I am Janis Cheney, State Director for AARP North Dakota. Thank you for your invitation to present information regarding the availability and affordability of health care services in the state.

Given that others scheduled to present this morning have access to specific data related to your issues of study, I thought it would be of interest to first share some perspectives of our members in North Dakota regarding health care, and second, the impact – likely or potential – of the new federal health care legislation on affordability and availability of health care.

In the most recent survey of AARP members in North Dakota, members were asked to indicate their levels of concern about a variety of items:

- 76 percent said they were extremely or very concerned about affording the cost of prescription drugs.

- 79 percent were extremely or very concerned about having Medicare as a base for retirement health insurance.

- 83 percent were extremely or very concerned about affording health care.

- 75 percent were extremely or very concerned about affording the cost of long-term care.

- 72 percent were extremely or very concerned about having long-term care services that would allow them or a family member to stay at home as long as possible.

- 75 percent were extremely or very concerned about being able to stay in their own home as they get older.

When asked about state legislative issues, two of the top priorities related to health care:

- 89 percent said affordable, accessible health care should be AARP's top priority or a high priority.

- 69 percent said affordable, accessible in-home care services should be our top priority or a high priority.

Clearly, the availability and affordability of health care services is a significant concern for North Dakotans 50 and older. That's why we also strongly advocated for some of the specific provisions included in the new federal health care law...provisions that help seniors afford the cost of their prescription drugs...help make insurance more affordable for those in the 50-64 year old age group...and increase access to long-term care services and supports.

Affordability

In testimony before the Interim Industry, Business and Labor Committee on May 27, Dr. Len Nichols, Professor of Health Policy and Director, Center for Health Policy Research and Ethics at George Mason University, said affordability is the single largest reason the number of uninsured in this country continues to grow. Insurance premiums claimed 7% of median family income in 1987. By 2006 it had jumped to 17%. Without health reform, just six years from now, in 2016, premiums would increase to 45% of median family income.

Provisions in the new health care law address affordability...even for people on Medicare. Since 2000, Medicare premiums have doubled and the cost of prescription drugs have

skyrocketed. The new law will close the Medicare Part D prescription drug coverage gap (commonly referred to as the "doughnut hole") by 2020. North Dakota has more than 100,000 Medicare beneficiaries. It's estimated that about one-third of those with a prescription drug plan fall into this coverage gap. This year, they will automatically receive a $250 rebate to help them cover the costs of their prescriptions. Next year, they will receive a 50% discount on brand name drugs and a 7% discount on generic drugs. For people with high drug costs, this could save them almost $2,000. The coverage gap will narrow each year until it is fully closed in 2020.

The new health law includes other provisions for Medicare beneficiaries that impact affordability. For example, beginning next year, Medicare beneficiaries will be able to receive preventive care, such as screenings for diabetes and cancer, free of change.

The new health law also makes coverage more affordable for our members in the 50-64 year age group. In North Dakota, 13,000 people age 50-64 are uninsured and another 24,000 people in that age group buy coverage in the individual market.

Although more than half of uninsured Americans ages 50 to 64 work, they may not be able to get insurance through their employer because they work for a small business that doesn't offer insurance or they are self-employed and can't buy or can't afford coverage in the individual market. People in this age group are also more likely to have a pre-existing condition and are routinely denied individual insurance in the private market.

In North Dakota, as many as 47,200 people age 50-64 may be eligible for a tax credit that will help make premiums affordable. An estimated 8,800 lower income North Dakotans in this age group would qualify for even more protection from unaffordable health care costs through the Medicaid program.

The new law creates new rules for insurance companies so that they can no longer discriminate against people who have pre-existing conditions or people who are sick. Insurance companies will no longer be able to charge unaffordable rates based on age. In North Dakota, insurance companies can charge older people up to five times more for

health care in the individual market. The new law allows insurers to charge no more than three times what younger people pay for the same health insurance.

The new law also includes affordability provisions for younger people. They will be eligible for the same tax credits if they earn $44,000 or less. And young adults can remain on their parents' insurance policy until age 26.

Availability

Access to health services in North Dakota is influenced by geographic, economic and other factors. Payment methods, workforce supply, and even area population fluctuations influence availability of services.

According to the Kaiser Family Foundation, an imbalance between reimbursement levels and cost of providing care is driving some health care facilities in North Dakota to decrease services. Negative operating margins are increasing the financial fragility of health care in the state. Additionally, limited access to health services is a challenge due to geographic distances, health professional shortage areas, and, for uninsured and underinsured, lack of adequate insurance coverage.

Kaiser goes on to say that public health, home health and EMS are, in many cases, challenged to continue their current activities across their current service areas. Decreasing or delaying access to these services can have direct implications for patient outcomes.

Kaiser estimates 8.2% of North Dakota's population as uninsured. That's approximately 51,900 people. Some other estimates show the number of uninsured a high as 75,000. In North Dakota, the specific groups that are more likely to be uninsured include rural residents, young adults, American Indians, and workers of small employers. The lack of health insurance has a profound impact on individuals and families as it seriously limits access to health care, contributes to poorer health outcomes, increases inefficiencies within the health care system (emergency room care), and reallocates financial responsibility for the payment of care in inequitable ways.

In addition, the longer people in the 50-64 year age group go without insurance, the more likely they will enter Medicare with health problems. This places a greater financial burden on Medicare and undermines the program's ability to provide coverage for future generations.

The Kaiser Commission on Medicaid and the Uninsured estimated North Dakota could see almost 29,000 new Medicaid enrollees by 2019 under the new health law. That would reduce the number of uninsured adults at or below 133% of the poverty level by 45%. With an enhanced outreach effort, the number of new enrollees could be as high as 40,000. That would reduce the number of uninsured adults at or below 133% of the poverty level by almost 70%. Under either scenario, more than 90% of the added cost would be paid by the federal government.

You can access care in North Dakota even if you do not have insurance. But there is a cost for that, a hidden cost, commonly known as uncompensated care. We have heard about bankruptcies related to health care expenses, and how the uninsured go without preventative care and often have a critical condition before seeking care...which all adds to the difficulty of treatment, the uncertainty of the outcomes, and cost of care. So, the affordability pieces that have been discussed as part of health care reform should be of interest to all of us. People who have adequate and affordable health insurance coverage are more secure, more stable, and continue to be productive members of our state. The best case scenario would be that every person in North Dakota has adequate health insurance, and every alternative that lowers the number of uninsured helps all of us who in some way are paying for the unseen costs.

There are provisions in the new federal health law that strengthen Medicare. In North Dakota, Medicare is the health insurance coverage for more than 100,000 of our citizens and contributes to their financial security.

Because more than 20% of older Americans suffer from five or more chronic conditions, our health issues sometimes require several doctors with different specialties and several drugs from those different specialists. Patients discharged from the hospital frequently

report difficulty remembering clinical instruction and confusion over correct use of medications. Hospital readmissions have been reported to be a significant issue for Medicare. The transitional care benefit that is part of health care reform will provide the medical guidance needed, home visits to coordinate complex care with multiple clinicians, teaching self-care, and promote access to long-term services and supports as needed. Clinical trials showed a 45% reduction in hospital readmissions. Transitional care will provide an immediate benefit to Medicare, and a model that will promote better health outcomes that can used in other areas of health care.

AARP worked very hard to see that attention was given to long term services and supports in health care reform. For years, we have worked with the legislature on long-term care issues. There are several long term care provisions that are part of health care reform, many of which offer states new options and financial incentives to expand access to home and community based services. Spousal impoverishment protections...some of which we have done on a state level, continued funding for Aging and Disability Resource Centers and Money Follows the Person...both are demonstration programs that we are taking advantage of in North Dakota, opportunities for an enhanced FMAP (federal medical assistance percentage) for states that increase access to home and community based services, and the Community Living Assistance Services and Supports (CLASS) insurance plan.

And finally, on the subject of availability, I'll mention a couple of things about workforce. We don't have a nursing or healthcare work force shortage in North Dakota right now...we do have some issues with geographic distribution. Seventeen counties have less than the national average of RNs per 1,000 people. We do need to look toward the future, as residents of a state with a higher than average aging population. 25% of North Dakota's RNs plan to retire by 2016; 25% of LPNs plan to retire by 2017. Well over half of the staff members in nursing homes, assisted living, and basic care are over 40 years of age. Many of us have already been in discussions about improving the pipeline and recruitment methods for replacing these valuable workers in North Dakota.

Part of health care reform addresses health care workforce needs, provides for demonstration projects for nursing education, provides funding for geriatric education and training, and grants for residency and employment of nurse practitioners.

Again, thank you for this opportunity to be here, Mr. Chairman. I'd be happy to try to answer any questions you or other members of the committee have.