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MAKING QUALITY HEALTH CARE COVERAGE AVAILABLE TO ALL NORTH CAROLINIANS: THE ROAD FROM HERE

I was proud to work with Action for Children and other health care advocates this legislative session to gain passage of a landmark expansion in coverage for uninsured North Carolina children.

Thanks to the efforts of our coalition, NC Kids Care will begin expanding our state's coverage to include the approximately 38,000 uninsured children in families with incomes from 200% to 300% above the poverty level. That means coverage will become available to children in four-person families earning up to around \$62,000 in annual income. North Carolina will be one of 18 states —but one of only two Southern states — that extend statewide coverage that far up the income scale.

When I was Senate Appropriations Chair in 1997, we seized a historic opportunity to start state coverage of uninsured children from working-poor families. Taking advantage of substantial matching-fund assistance from the new federal S-CHIP program, we were able to initiate new coverage based on a sliding-income scale basis. And our Health Choice initiative has proven instrumental in reducing the uninsured rate among children in our state – from 18% in 1997 to around 12% in 2005, despite the addition of 400,000 more kids in the state. Now through the development of our new “Kids Care” initiative, we will be able to make another significant dent in our state's uninsured rate.

I am equally proud that the Health and Wellness Trust Fund, which I have chaired since becoming Lieutenant Governor in 2001, stepped up to provide start-up funding for a high-risk health insurance pool in our state. Thousands of North Carolinians who were previously deemed uninsurable due to the seriousness of their pre-existing health conditions will now be able to purchase more affordable coverage. The high-risk pool should also provide some needed cost stabilization in the small employer market.

Both of these actions represent significant steps on the road to affordable health coverage for all North Carolinians. I strongly believe we can and must reach that goal. But I also know that we still have a long way to go.

The road will obviously be much shorter if the current deadlock in Washington can be broken and the federal government will commit to working with the states on another major partnership to expand health coverage. Unfortunately, President Bush seems focused only on throwing obstacles in our way, stalling even state efforts aimed at

covering more uninsured children. The Bush administration's wrong-headed tactics will almost surely fail in the long run – as they have in so many other areas. Yet its rear-guard action could delay “waiver” approval of states' expanded children's coverage plans through 2008.

This sad state of affairs at the federal level makes one fact perfectly clear. States cannot depend on health care leadership from Washington. We have been waiting too long for renewed action on health policy in Washington. We must take bold steps at the state level. It is the morally right and economically smart thing to do.

Maybe in some far-off utopia, someone can simply draw up a plan for universal coverage on paper and expect it to somehow just happen. But North Carolina is the real world. If we want to improve the health and lives of our people, it's up to us to craft a workable plan and make it happen. In the end, we can get it done and we can do it right. But nobody should expect to avoid the gnashing of teeth, the locking of horns, and the knocking of heads that will be necessary along the way.

To tackle this challenge, I see four main areas for action: (1) assuring coverage to *all* children; (2) expanding our focus and covering uninsured parents in working families; (3) making private insurance more affordable for middle class households; and (4) lowering baseline health care costs by focusing on preventive care.

1. Universal Coverage for Children

The next step for expansion of health coverage in North Carolina is clear: we need to extend the full coverage umbrella to encompass *all* children in our state.

This will require three steps focused directly on children and a fourth step focused on families.

First, we need to fund and enrich NC Kids Care so that coverage of children between 200-300% of poverty is more comparable to coverage under our Health Choice program.

Second, we need to add a “buy-in” arrangement to NC Kids Care that will provide affordable public or private options on a sliding-scale basis for currently uninsured or uninsurable children in families above the 300% poverty level.

Third, we must enhance public outreach and enrollment to keep eligible children from falling through the cracks. While North Carolina now enrolls more than 1 million children in Medicaid and Health Choice, more than 180,000 eligible children at or below 200% of poverty remain unenrolled. To address this challenge, my Task Force for a Healthier North Carolina recently provided a range of outreach and enrollment improvements that our state needs to implement. And we need to be ready to add new best practices developed in other states.

2. The Challenge of Covering Uninsured Families

The fourth and biggest step toward universal coverage for children involves extending coverage to their parents.

I am thrilled that after all these years of our hard work a consensus in our state is finally emerging in favor of universal coverage for children. But the truth is that we will never get as close as we should toward that goal until we start including the parents of these poor children and helping whole families to obtain coverage. Research confirms that a crucial element to enrolling more eligible children is covering their parents as well. A report from the National Academy of Sciences could not have put it better: “Health Insurance Is A Family Matter.”

Our declarations about quality health coverage for all North Carolinians are empty if our efforts do not reach beyond children. Over 700,000 thousand adults – or more than half of our state’s roughly 1.4 million uninsured population – are members of households that subsist at or below 200% of poverty. I think we can all agree that such uninsured men and women are hardly in a position to purchase standard private insurance coverage, even if it were offered to them. The overall premium for a family of four now averages between \$10-11,000 annually and the employee share is near the \$3,000 level. As a recent Kaiser Family Foundation report declares, “employer coverage is out of reach for nearly all employed low-income parents who are uninsured.”

We will have to demonstrate an extremely disciplined approach for layering in new public coverage that the state can afford over a period of years. My starting point would be to extend first-stage Medicaid coverage to parents up to 150% of poverty with cost-sharing on a sliding-income scale basis.

The fact of the matter is that low-income parents in North Carolina are not currently eligible for such public coverage once their income reaches above 37% of the poverty level. Thus by expanding coverage up to 150% of poverty, we can make eligible approximately 125,000 currently uninsured working parents. When that 125,000 boost in parent coverage is combined with the extension of a universal coverage umbrella for our 250,000 to 300,000 currently uninsured children, we will have covered over 400,000 of our currently uninsured population.

The North Carolina Institute of Medicine has estimated that an approximately \$50 million state commitment will trigger enough federal matching support to start first-stage coverage for parents up to 100% of poverty and that another \$28 million state commitment will do the same for parents from 100-150% of poverty. As more parents participate and coverage is extended to parents up to 200% of the federal poverty level, we should expect an additional cost in the range of \$120 million range over a handful of years. Yet the savings from less uncompensated care at hospital emergency rooms and better family health will be substantial.

By that time, we may be greeted by a new day in Washington with serious action on the universal coverage front for all uninsured adults. But it is clear that, right now in North Carolina, we must break the ice and start focusing broadly on uninsured families and not just on uninsured children.

3. Making Private Insurance More Affordable for Middle-Class Working Families – Especially Employees of Small Business

While it is vitally important to start covering our poorest families, it would not be wise policy to adopt a one-dimensional approach that focuses simply on doling out dollars for public coverage. Most working people in our state and nation have private insurance, and they want to keep it that way. The problem we face, however, is that our overall uninsured rate continues to grow because the cost of this private coverage has risen beyond the reach of not just poor working families but many middle-class families as well.

The weak link in employer-sponsored insurance coverage is the small business sector. Over 95% of North Carolina firms with 50 employees or more offer health insurance. By contrast, among the firms that have less than 50 employees, less than 43% offer coverage. Over the last handful of years, insurance premiums for small businesses have been escalating by between 40% and 60%--a rate that is essentially double that experienced by bigger businesses.

I believe that small as well as large businesses want to provide health insurance options for their employees. And our state government must work effectively to make sure that private employers not only maintain health coverage for their employees but expand it as well. State government must especially help alleviate the severe insurance cost crunch faced by our smaller businesses.

We can and should take a number of steps in this arena. First, enhanced tax incentives are one obvious way to encourage the purchase of health insurance. Second, we need to establish—as some other states are already moving to do—an affordable small-business coverage policy that provides a well-rounded basic package of preventive out-patient and hospital services. The cost of this coverage package could be shared equally on a one-third basis among the employer, employee, and the state. Third, we should establish a state-sponsored “Health Insurance Exchange” which small businesses and self-employed individuals can leverage more affordable private coverage.

4. Lowering the Health Care Cost Baseline through Preventive Health Care

We can talk about expanding health coverage for children and working families all day long. But if we don't take action to bring underlying health care costs under control by improving the overall health of our people, we are simply bailing water from a leaky boat.

While insurance-focused solutions are certainly worthwhile, they are, practically speaking, simply discounts off of the escalating baseline cost for health care services. Over the last thirty-five years, this health cost baseline nationally has risen from less than \$360 per capita (1970) to almost \$6,700 per capita (2005), and it threatens to keep rising until it is completely out of sight.

To tackle the problem of making health care coverage available and affordable, we must address the problem at its most fundamental level. We must lower the health-care cost baseline itself.

The best way to lower that baseline is clear. We must prevent and control disease to the greatest degree possible on the front end—not simply attempt to treat and pay for it on the back end.

“Reforms for slowing the growth in health care spending,” as the Emory University health care economist Kenneth Thorpe recently pointed out in Health Affairs, “have largely focused on insurance-based solutions. However, much of the growth in health care spending over the past twenty years is linked to modifiable population risk factors such as obesity....” Figures such as distinguished journalist and commentator David Broder similarly encourage a “shift of focus to preventive care and management of chronic diseases” because it can yield the twin benefits of “reduced costs and better care.”

Health care spending data makes the undeniable case for targeting preventive and chronic disease care. About 75% of health care spending is associated with treating such chronic diseases as diabetes, heart disease, and high blood pressure. Over 60% of the rise in real per capita health care spending over the last 30 years can be traced to the treatment of these diseases and their growth and prevalence. Obesity by itself is responsible for 30 percent of that increase. As Thorpe puts it, “no proposal to provide [expanded] coverage will be successful unless we create a system that focuses on primary care and disease prevention.”

Yet preventive health care constitutes less than 5% of current health care spending. Recent estimates indicate that successfully shifting to a preventive care focus could result in savings up to \$120-125 billion annually. Washington could and should lead such a coordinated national movement. In order to elevate preventive care nationally to this next level, the Brookings Institution and the Center for American Progress have recently unveiled an initiative to promote the idea of a national Wellness Trust.

That kind of news makes me very pleased that our own Health and Wellness Trust Fund has been a leader in developing on the state level a model for catalyzing and crystallizing what needs to be done across the nation.

Experts at both the Center for Disease Control and the Robert Wood Johnson Foundation have heralded our Fit Together initiative as one of the most impressive anti-obesity

efforts in the country. The state Trust Fund's efforts have also put North Carolina at the forefront of the fight against teen tobacco use, for healthier foods in our school lunchrooms, and for addressing health disparities among sub-groups in our population. For our seniors, the Trust Fund has led the development of state financial and counseling assistance to support the purchase of out-patient prescription drugs. It also is providing crucial financial support to catapult North Carolina into the top tier for cancer research. And in this most recent session, the General Assembly began discussions about the Trust Fund leading a new state effort in support of stem-cell research to help unlock its potential for combating diabetes and other chronic conditions.

5. Conclusion: Making North Carolina the Healthiest State in the Nation

My goal is clear. I am dedicated to turning North Carolina into the healthiest state in the nation. I know that will require a far-reaching commitment because North Carolina has long resided in the center of America's smoke, stroke, and obesity belts. But setting that lofty goal is an essential step to ultimately assuring that affordable and quality health care is available for all North Carolinians.

I recognize that better coverage of preventive care must be part of the picture. As we are doing with mental health care, we should push to make certain that preventive care becomes a standard part of health care in North Carolina. The award-winning Community Care initiative is making impressive strides in developing designated "medical homes" of primary-care physician networks for Medicaid patients and should be capable of extending its cost-effective approach throughout our public coverage. We should also turn our state employee health coverage into a top preventive health plan. Such a "North Carolina Cares" plan could then serve as a model that can be encouraged for private coverage. But as the efforts of our Health and Wellness Foundation are proving, we must also focus on continuing advances in public health services and public health education.

A 19th century statesman once famously declared: "The health of the people is the foundation upon which all their happiness and their powers as a state depend." While a lot of things have completely changed since that time, this statement has only become truer.

I believe North Carolina's progress in these early days of the 21st century can be measured by how far we travel down the road to affordable and quality health care for all our people. That is why North Carolina's next Governor must be committed to that goal regardless of what happens or does not happen in Washington.