

Health Care for All Illinois

Contact: Nicholas Skala | 312-782-6006 | nick@pnhp.org

Medicare Not Mandates: An Analysis of the of the Governor's Health Plan

A Backgrounder for the Press and Public

April 2007

Note: On March 7, 2007, Governor Rod Blagojevich announced his proposal for health reform in Illinois. Health Care for All Illinois submits this critique in the interest of a clear and informed public debate.

Key Points:

- **Not Universal:** By the Governor's own estimates, tax credits will only help one-third of Illinois' 1.8 million uninsured residents get coverage.
 - **Substandard Coverage:** The Governor promises comprehensive benefits for an affordable price, but the only way to cheapen private plans is to strip down coverage with higher deductibles, bigger co-payments, and exclusions of important services. Already, one-quarter of the *insured* go without needed care due to costs, and 75 percent of the 40,000 Illinoisans bankrupted by medical bills each year *had* insurance when they got sick. The Governor's plan does nothing for the millions of *underinsured* of Illinoisans with inadequate coverage; it only expands these defective plans to more people.
 - **"Individual Mandate":** If tax credits don't work, the Governor plans to force the uninsured to buy coverage or face a penalty. However, a reasonably comprehensive insurance policy costs \$4,000 for an individual or \$11,000 for a family. Few of the uninsured can afford this, even with the proposed subsidies.
 - **No Cost Control:** The Governor offers no realistic way to control costs, so any gains in coverage under his plan will be quickly erased as costs continue to rise and employers (who bear the brunt of financing) are forced to cut benefits, wages, or jobs. A future recession could tear the system apart altogether.
 - **There is a Better Way:** A single-payer statewide insurance system ("Medicare for All Illinoisans") could offer comprehensive benefits and cost control to sustain them, for no more than Illinoisans are spending now. The state's own consulting firm gave such a system a better evaluation than any other plan. Illinois currently squanders more than \$13 billion per year on private insurance bloat and bureaucracy, more than enough to cover all the uninsured.
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Health Care for all Illinois

Health Care for All Illinois is a coalition of physician, nurse, disability, labor, consumer and civic groups committed to supporting comprehensive health insurance coverage for all Illinoisans through a single-payer statewide universal insurance system.

Founding members of Health Care for All Illinois include Illinois Physicians for a National Health Program, Health and Medicine Policy Research Group, the National Nurses Organizing Committee, the Cook County Nurses, Access Living, the Progress Center for Independent Living, Metro Seniors in Action, the Illinois Older Women's League, the Illinois Green Party, the Illinois Progressive Democrats of America and the United Electrical Workers Western Region.

For more information, visit www.healthcareforallillinois.org
or contact Nicholas Skala at 312-782-6006 or nick@pnhp.org

Governor Blagojevich's Flawed Promise of Health Care for All

By Nicholas Skala, Health Care for All Illinois

In March 2007, Governor Rod Blagojevich unveiled a plan to expand health coverage in Illinois. While the Governor's plan has many admirable components, it offers only short-term band-aids for our sick health system. In contrast, a single-payer statewide health insurance system could offer real health care for all for no more than we're paying now:

What's in the Governor's Plan?

The Governor's plan has three major components:

1. **A Modest Expansion of Existing Public Coverage.** A new Medicaid program will cover those under 100% of the Federal Poverty Level (FPL) (~\$10,000 – mostly childless adults).
2. **Taxpayer Subsidies to buy Private Coverage.** Those making less than 400% of the FPL (about \$80,000) would get a subsidy to help pay for this coverage.
3. **Mandate that the Uninsured buy Coverage.** If the tax credits don't work, individuals would be forced to buy an "Illinois Covered Choice" plan from a private insurer, either individually or through their employer. Not buying insurance would become an offense for which the uninsured would be punished by a tax levy. (The Illinois Adequate Health Care Task Force, which formed the basis for this plan, recommended a penalty of up to 115% of the cost of a premium). Employers could offer group plans to their workers or pay a tax.

What's good about the Plan?

- **The Plan Expands Some Coverage:** Although the coverage will be inadequate and unsustainable, the plan does expand some coverage to those who genuinely need it. The new Medicaid program for the destitute is especially laudable.
- **The Plan Makes Reforms to the Insurance Industry:** Although the plan preserves wasteful private insurers, it does make significant reforms to the insurance market and places restrictions on insurance companies.

What's wrong with this Plan?

- **The Plan is Not Universal:** The Governor originally estimated that tax credits would only get one-third of Illinois' 1.8 million uninsured residents coverage.
- **The Plan is Unaffordable:**
 - **For Illinoisans:** The average reasonably comprehensive insurance policy costs \$4,024 for individuals and \$10,880 for families. Most of the uninsured are not rich enough to afford this, even with subsidies.

- **For Businesses:** The Governor proposes to raise \$2 billion from a gross receipts tax on business. While many businesses such as Wal-Mart need to start paying their fair share, this will hurt many others. Rising costs are not the fault of business, and forcing employers to shoulder the costs simply encourages them to cut benefits, wages, or jobs. Some may move out of the state.
- **For Taxpayers:** The Governor estimates the plan will cost the state \$2.1 billion. With no way to control costs, that number will quickly skyrocket at the expense of other critical public services.
- **The Plan Offers Inadequate Coverage:** The authors envision the plan's benefits to be consistent with a typical commercial package, but today's insurance policies are so riddled with exclusions, co-payments, and deductibles that millions of insured Americans go without needed care due to cost. Nor do typical insurance policies protect against financial ruin: of the 40,000 Illinoisans bankrupted by illness each year, more than three-quarters had coverage when they got sick.

The plan's authors promise comprehensive coverage for affordable prices, but this is like promising delicious cookies with no fat or calories. The only way to get affordable plans from private insurance companies is to strip down coverage or boost individuals' out of pocket costs. In Massachusetts, which has implemented a similar plan a 56 year old making \$30,000 annually will have to spend \$7,164 in premium and deductible payments before insurance kicks in, and still pony up 20 percent of hospital costs after that.

- **The Plan is Unsustainable:** The plan has no way to control skyrocketing health care costs. Predictably, the rising costs will cause employers to drop coverage while state revenues are drained by the increasing cost of Medicaid and subsidies for private insurance. A future recession would bankrupt the system entirely.

Are there Alternatives to this Plan?

Yes. A **Single-Payer Statewide Health Insurance System** was introduced to the Task Force by a coalition of doctor, nurse, disability, labor, civic and seniors' groups (and endorsed by more than 170 Illinois physicians), but it was defeated by insurance industry interests. A single-payer program would eliminate the private insurers as payers for health care and use the savings to provide comprehensive coverage for all Illinoisans.

Features of the single-payer plan include:

- **Comprehensive coverage for all Illinoisans** including doctor, hospital, long-term, mental health, dental and vision care as well as prescription drugs and medical supplies.
- **No Premiums, Co-Payments, or Deductibles** that inhibit access to care and unfairly burden the poor.
- **Free Choice of Doctor and Hospital** and an end to HMO dictates over patient care.
- **Pays for Itself** by eliminating wasteful private insurance administration and profit. Modest, progressive taxes would replace what is currently paid out-of-pocket.
- **Controls Costs so Benefits are Sustainable** through negotiated physician fees, global budgets for hospitals and bulk purchasing of prescription drugs and medical supplies.