
Health Care Business Plan for Escambia County's Low Income, Uninsured Population

*Final Report
Executive Summary*

Submitted to:

Escambia County Health Care Task Force

Submitted by:



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EXECUTIVE SUMMARY

The people of Escambia County, along with those in many other parts of the nation, are facing a major health care cost crisis. The costs of health care have risen to the point that many of the County's employers can no longer afford to provide health insurance benefits for their employees, and the employees can no longer afford to purchase individual health insurance policies. The result has been:

- a continuing increase in the number of low income County residents who have no health insurance and are not eligible for any publicly funded health care program, such as Medicare or Medicaid;
- rapid growth in the number of low income, uninsured residents who seek health care at the County's three hospital emergency rooms resulting in a rapid growth in the uncompensated costs for the three hospitals; and
- rapid growth in insurance costs as the hospitals and other County health care providers are forced to charge higher prices to insured payers to cover the uncompensated costs for those who cannot pay.

Escambia Health Care Task Force. In recognition of the growing crisis, the Northwest Florida Legislative Delegation appointed the Escambia Health Care Task Force in May 2001. The Task Force found that the health care crisis, along with other factors, has resulted in Escambia County having higher rates of cardiovascular disease, heart disease, chronic liver disease and cirrhosis, strokes, and productive life loss due to illnesses than selected Florida peer counties. The Task Force also found that over 50,000 of the County's residents had no health insurance and were not eligible for any publicly funded program, such as Medicare or Medicaid.

The Task Force recommended that a broad based coalition of community leaders be established to develop a health care delivery system for the growing number of low income, uninsured County residents who are not eligible for any publicly funded programs. The Northwest Florida Legislative Delegation reappointed the Escambia Health Care Task Force in December 2002 to continue working to implement these recommendations.

This Current Report. This report, developed under the guidance of the Task Force, accomplishes the following tasks:

- evaluates the impact of the growing number of low income, uninsured residents on the health care crisis faced by the community;
- assesses the future growth of the crisis if no corrective actions are taken; and
- recommends a health care delivery model for low income, uninsured residents that will significantly reduce the costs to the community and help reduce the future severity of the crisis.

The Current Health Care Crisis. As indicated above, the current health care crisis in Escambia County, as well as the state as a whole, is fueled primarily by rapidly escalating costs of health insurance that is forcing many businesses to cease providing health insurance benefits for their employees.

- The primary method by which most individuals acquire health insurance is through their employer's employee group insurance benefit programs (91 percent of insured). Only 9 percent of the people with health insurance buy their insurance as individual policies. Thus, the ability of businesses to offer health insurance benefits to their employees is critical to maintaining an insured population.
- A 2002 survey of Florida businesses by the Florida Chamber of Commerce found that:
 - Only 76 percent of Florida employers offered health insurance benefits to their employees. Based on prior Chamber surveys, the 76 percent rate of employers is down from 77 percent in 2001, 86 percent in 2000, and 91 percent in 1999.
 - Thirty-five percent of the businesses dropped their coverage or experienced premium increases they could not afford.
 - Fifty-five percent of employers who were unable to offer health insurance benefits cited high costs or limited access to group health insurance as the reason.
 - Over the previous 12 months, 86 percent of employers experienced an increase in premiums. Of these, 47 percent endured a greater than 20 percent increase.
 - Forty-two percent of the employers indicated that they will be forced to consider eliminating health insurance benefits if they experience further increases in premiums.
- Since 1999, health insurance costs across the nation have increased an estimated 54.3 percent, with the annual percentage increases rising each year from 8.3 percent in 2000 to 13.9 percent in 2003.
- National research indicates that for each 1.0 percent increase in health insurance costs, 0.084 percent of the population lose their health insurance. Applying this ratio to Escambia County indicates that the 13.9 percent increase in insurance costs in 2003, alone, resulted in an estimated 3,506 County residents losing their health insurance.
- Small businesses are especially vulnerable to increases in health insurance costs because of the size of their employee groups and their generally low profitability levels. Since 94.8 percent of the

County's businesses are small businesses (with fewer than 50 employees), Escambia County's insured employees are at greater risk of losing their health insurance.

- Currently, an estimated 54,414 of Escambia County's 300,245 population have no health insurance and are not eligible for any publicly funded program.
- An estimated 31,941 of the uninsured County population have an annual income of less than 200 percent of the federal poverty level, which is only about \$18,700 per year for a single person.
- An estimated 18,503 of the County's uninsured population will seek medical care in 2003 and will be unable to fully pay for those services. As a result, the County's hospitals and other health care providers will experience an estimated uncompensated cost of \$31.6 million in 2003.
- The County's hospitals and other health care providers have no choice other than to pass their uncompensated costs on to insurance payers if they are to stay in business. Thus, in 2003, the uncompensated costs passed on to, primarily, insurance payers was approximately \$31.6 million. This \$31.6 million represents an "**invisible tax**" that is charged on insurance policies to cover the uncompensated costs of treating low income, uninsured patients.
- Only about 159,095 (53 percent) of the County's 300,245 population have health insurance. Thus, the "**invisible tax**" is currently being paid by only about 53 percent of the County's residents (primarily the employers of the 53 percent). The cost of the "**invisible tax**" is currently approximately \$199 per insured person per year. For a small employer with 15 employees with employer paid health insurance benefits for employees only, the estimated annual "**invisible tax**" is \$2,977.
- The "invisible tax" of \$199 per person represents an annual "tax" of about 6.8 percent on current insurance policies.

Crisis to Become Much Worse. While the health insurance crisis is already a major problem for the County's businesses that have to pay the growing "**invisible taxes**," for those employees who have lost their insurance and the health care providers who are having to shoulder the burden of rapidly growing uncompensated costs, the crisis will become far worse over the next ten years if corrective actions are not taken. Conservative estimates indicate that, under current conditions, health insurance premiums will grow at about 10 percent per year for the next ten years (as compared to 12.7 percent in 2002 and 13.9 percent in 2003).

A vicious cycle has been set in motion whereby increased costs of health insurance premiums lead to more uninsured residents, which leads to higher uncompensated costs ("**invisible taxes**"), which leads to more uninsured residents, which leads to higher

insurance premiums; and the cycle continues to worsen. Without corrective action to break the cycle:

- The estimated number of **uninsured residents** in Escambia County **will grow** from the current (2003) level of 54,414 to 85,317 in 2013.
- The estimated number of low income, **uninsured patients** seeking care primarily from the County's hospitals **will grow** from 18,503 in 2003 to 29,011 in 2013.
- The estimated annual **uncompensated cost ("invisible tax")** of medical care **will grow** from \$36.1 million in 2003 to \$91.8 million in 2013.
- During the same time period, however, the estimated number of **insured** residents **will decline** from 159,095 in 2003 to 145,156 in 2013.
- The result will be a rapid growth in the **"invisible tax"** per insured resident from an estimated \$199 in 2003 to \$633 in 2013. An employer with 15 employees will experience an increase in the estimated annual "invisible tax" from \$2,977 in 2003 to \$9,488 in 2013.
- During the 10-year period, an estimated 32,090 County residents will lose their health insurance due to the cost for insurance becoming higher than they and their employers can afford.

Problems with the Current Health Care Delivery System for Low Income, Uninsured Residents. The current system in Escambia County for delivering medical services to low income, uninsured residents is unnecessarily expensive. In addition, the delivery of care does not adequately entail preventive and consistent treatment. The system can be characterized as an "isolated encounter-based" delivery system where low income, uninsured patients:

- Primarily use the hospital emergency rooms for most, if not all, of their medical care needs. Because emergency rooms are designed, equipped, and staffed to treat major medical emergencies, they are much more expensive places to receive primary care treatments than physician offices. Data from the County's three hospitals show that over 20,000 of the annual emergency room visits by low income, uninsured patients are not emergencies and could be treated in a physician office at an 82.5 percent lower cost.
- Routinely postpone seeking medical treatment until the illness has progressed to a critical level, requiring greatly increased costs of treatment. This is especially true for patients with chronic diseases such as diabetes, asthma, hypertension, and cancer where early treatment could prevent disease progression, thereby enabling the

person to continue working and preventing subsequent hospitalizations and medications.

- Frequently do not get prescriptions filled or comply with physician follow-up treatments, again, allowing their diseases to progress to the point where much more expensive treatments are required.
- Usually do not have a regular physician—i.e., “medical home” where their medical records are maintained. As a result, the continuity of care that is critical for quality care is not available, leading to lack of consistency of treatment and greater chances of disease progression.

Who are the Low Income, Uninsured Residents not Covered by a Publicly Funded Program? Low income, uninsured residents not eligible for publicly funded programs are primarily the working adults (under age 65) who work for employers who do not offer health insurance benefits, the self employed, those with part-time jobs not eligible for employee benefits, and the unemployed who are seeking work.

Publicly funded health care programs are limited primarily to Medicare, which covers individuals over the age of 65; Medicaid, which primarily covers low income individuals with severe disabilities and low income pregnant women; and KidCare programs which cover children from low income, uninsured families. No publicly funded primary medical care programs currently exist for low income, uninsured adults under age 65 who are not severely handicapped or are not pregnant.

Current System for Delivering Medical Care to Low Income, Uninsured Residents in Escambia County. Currently, medical care for low income, uninsured residents is provided by:

- the County’s three hospitals, which treat an estimated 13,895 low income, uninsured patients per year through both their emergency rooms and admission as inpatients, along with specialty clinics that provide limited services;
- Escambia Community Clinics, serving approximately 2,416 patients per year from approximately \$1.0 million per year provided by Sacred Heart and Baptist hospitals and \$0.38 million provided by Escambia County government; and
- two volunteer clinics, St. Joseph’s Medical Screening Clinic and the Health and Hope Clinic (recently established). Each treat nonpaying patients two half days per week and are capable of treating approximately 1,200 patients per year.

Alternative Business Models for Delivering Health Care to Low Income, Uninsured Patients. Because national reform of health care delivery is not on the near-term political agenda, communities across the country have begun to initiate organized programs to provide more efficient, higher quality medical care to their low income, uninsured residents and to reduce the “invisible tax” charged to insurance and private

payers. Although every program has been designed specifically to operate within the unique environment of each community, four general delivery models have evolved:

- **Clinic Model.** In the Clinic Model, public monies are either allocated to a clinic to provide as much care as possible to low income individuals or contracted on a per unit basis. Besides serving uninsured individuals, the clinic may serve Medicare and Medicaid patients, thus providing greater continuity of care as patient eligibility changes and providing a broader financial base for the clinic. The clinic focuses on primary and preventive care. Specialty and hospital care are referred out as needed, but usually are not supported by clinic funds.
- **Comprehensive Managed Care Model.** In the Comprehensive Managed Care Model, an organizational unit receives public funds to manage the health care program for low income, uninsured residents. The organization contracts with clinics, and providers are contracted for services on a per encounter or per member per month basis. Specialty, hospital, and other potential services such as dental are contracted also. Collectively, these service networks provide comprehensive care and case management for primary and preventive—as well as urgent and chronic illness—care.
- **Volunteer Model.** In the Volunteer Model, an extensive network of providers willing to volunteer their services is organized to provide charity care throughout the community. Referrals are coordinated to avoid overburdening providers. Primary care and specialty providers may offer services in clinics or private offices. Inpatient costs are covered by area hospitals. Area pharmacies may participate. The costs of the health care for low income, uninsured patients is absorbed by providers primarily by charging higher costs to paying patients.
- **Insurance Model.** In the Insurance Model, an organization administers an insurance program with premiums from employers and/or patients and co-payments for services. Provider networks are formed and patients are assigned to a network for services. In some cases, public funds are used to subsidize the insurance costs.

Recommendations for Escambia County. For those Escambia County residents with annual incomes between 150 percent and 200 percent of the federal poverty level, the Community needs to develop or support private development of an insurance model under the Florida Health Flex program, which authorizes the sale of low cost/low benefit health insurance products. A Florida Health Flex program for Escambia County would enable both employers and individuals to purchase affordable insurance which, when combined with lower cost hospitalization insurance, would provide a reasonable level of coverage to low income, uninsured residents.

For those residents with annual incomes less than 150 percent of the federal poverty level who cannot afford to purchase low cost, low benefit health insurance, the Community (based on the specific criteria described on page 3-22 of the full report)

should develop a Comprehensive Managed Care Model, which will effectively and efficiently meet the needs of this group of the County's population. The advantages of a managed care model include:

- provision of "medical homes" for all patients to ensure that they receive consistency of care to minimize disease and cost of treatment progressions;
- provision of health screening services to identify health problems early to prevent disease and cost of treatment progression;
- redirection of low income, uninsured patients to lower cost physician offices and clinics and away from the much higher cost hospital emergency rooms for primary medical care;
- utilization of existing providers, thereby providing broad geographical access to providers and avoiding the need to acquire, equip, and establish new facilities; and
- provision of an organizational unit to design and manage the delivery structure to include:
 - negotiations with medical providers to secure the most efficient delivery system;
 - management of plan finances;
 - management of medical provider issues.
- provision of a case management program to:
 - assess patient eligibility to ensure that only eligible patients are admitted to the program;
 - ensure that members who are eligible for other publicly funded programs use those programs first;
 - work to change patient habits of using hospital emergency rooms for primary health care to using lower cost physician offices;
 - guide patients to the most efficient and effective treatment centers;
 - assign patients to providers to ensure that no single provider is overloaded with low reimbursement patients;
 - discipline patients who do not meet plan requirements; and
 - maintain patient nonmedical records.

Services Provided by Managed Care Plan. The services provided by the managed care plan will be limited to annual health screenings and primary medical care with a limited formulary for pharmaceuticals (see Exhibit 5-5 on page 5-12 for list of services anticipated). Hospitalization, organ transplants, home health care, and other expensive services are excluded (see Exhibit 5-6 on page 5-14 for list of excluded services).

Costs of Managed Care Plan. The estimated annual cost per patient member of the managed care plan for 2004 is \$662, compared to an estimated \$3,349 for a comprehensive health insurance policy for a single employee, for the limited services provided.

Funding for a Managed Care Plan. The successful development of a community managed care plan for providing efficient and effective managed care for low income, uninsured residents will require a reliable and continuing source of funds. The only reliable and continuing source of funds is a locally established tax. Many other communities in Florida have already established such taxes (See Exhibit 4-5 on page 4-8.) The report recommends a half-cent local option sales tax dedicated to funding health care for uninsured residents with annual incomes less than 150 percent of the federal poverty level. A half-cent sales tax will generate about \$17 million per year and will provide adequate funding for the next 10 years.

Advantages to the People of Escambia County. An organized and dedicated tax supported managed health care plan for serving the medical needs of low income, uninsured residents offers major advantages to both the County's insured and uninsured residents. The plan will:

- reduce the annual "invisible tax" paid by County employers who provide health insurance benefits to their employees by an estimated \$11 million in 2004, rising to an estimated \$36 million in 2013;
- reduce the annual increases in health insurance costs by an estimated 2 percent;
- prevent the loss of health insurance due to cost increases for an estimated 7,680 County residents;
- after paying for the costs of the managed care plan, provide an annual saving to the community of an estimated \$8.1 million in 2004, rising to \$17.9 million in 2013;
- transfer the primary care treatment away from expensive hospital emergency rooms to lower cost physician offices of an estimated 7,000 low income, uninsured patients in 2004, rising to 16,000 in 2013;
- prevent the hospitalization of an estimated 317 low income, uninsured patients in 2004, rising to 676 in 2013; and

- provide a much higher quality of health care for low income, uninsured residents than they are currently receiving through the highly expensive hospital emergency rooms.

The plan also will significantly improve the level of health care received by low income, uninsured residents by:

- providing a “medical home” for the patients where medical records will be maintained and treatments can be provide on a consistent basis;
- providing sufficient resources to ensure that patients are able to comply with treatment requirements, thereby reducing illness progression;
- providing a chronic disease clinic for those patients with chronic diseases so as to reduce disease progression; and
- enabling patients to go back to work quicker by both healing illnesses quicker and reducing illness progression.

Collectively, these improvements will raise the overall status of health and quality of life in Escambia County.