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HEALTH POLICY BULLETIN

FOCUS: HEALTH
CARE COSTS AND
INSURANCE PREMIUM
INCREASES

Despite extensive public and private sector cost-containment efforts, health care costs in 1987 rose 8.9 percent to \$499 billion nationwide. Even more daunting, the U.S. Department of Commerce predicts in its annual industrial outlook that health care costs will rise another 9 percent in 1988, to \$2,135 per person. These increases have precipitated a large rise in health insurance premiums. In Michigan, according to Bob Swanson, director of contract analysis at the Insurance Bureau, "some groups have seen reductions in premiums and others have seen dramatic jumps of up to 70 percent." Health-maintenance organization subscribers are paying between 5 and 18 percent more for coverage, Swanson notes. Alan Ferguson, vice president and actuary for Blue Cross and Blue Shield of Michigan, says that, on average, Blues' premiums for group plans have risen 20 percent. "We didn't anticipate such an acceleration in health care expenditures in 1987," Ferguson notes.

The hue and cry about rising health care costs and insurance premiums is hardly new; at least one of the culprits, outpatient costs, is. While the high costs of new drugs and technology and of treating AIDS, the aging of the population, and the inability of HMOs to control costs are oft-cited explanations for increases, the focus this time around seems to be the surprising surge in outpatient care costs. Although employers and insurers have pushed outpatient care as a less costly alternative to inpatient care, largely through lower co-pays and lower deductibles, few anticipated that the alternative would be so expensive. "It remains to be seen if the rise in outpatient costs is due more to greater utilization of services or to increases in the cost of services," notes Kevin Kelly, assistant director of the Michigan State Medical Society. "If it is the former, we need to consider that the convenience of outpatient clinics, lower co-pays aside, may encourage people to seek needed health care they might not otherwise pursue." Some cost-containment strategies may have inadvertently improved access and thereby failed to contain costs.

With the appointment of the State Government Health Care Delivery and Cost Containment Team, the governor has responded to escalating health care costs in Michigan, especially as they add to the cost of doing business here. Co-chaired by Department of Commerce Director Doug Ross, Department of Labor Director Elizabeth Howe, and acting Department of Public Health Director Raj Wiener, the team will initially include state government representatives whose departments are directly or indirectly involved in health care and will meet for the first time in early March. In late spring, the team will be expanded to include business and health care providers and associations. "We are not gathering to point fingers at each other. We want to encourage public-private sharing of worthwhile strategies for controlling costs," explains Larry Tokarski, the Commerce Department's director for business climate development. A report, with recommendations, is expected by the end of the year. Given the often competing claims of cost cutters and improved access advocates, it will be interesting to see how the governor and legislature weigh the respective merits of the team's recommendations and those of the Governor's Access to Health Care Task Force, whose report is due in the fall of 1989.

FOCUS:
MENTAL HEALTH

The governor's austere FY 1988-1989 budget accommodates a \$45.3 million increase (\$41.9 million from general fund/general purpose monies) for the Department of Mental Health (MDMH). "The proposed mental health appropriation indicates the governor's continued commitment to restoring the recession years' deep cuts in our budget," says Thomas Watkins, the state's mental health director. Watkins points out that the increase is not for new programs: \$16.4 million is a transfer from the Department of Social Services for nursing home care already coordinated through MDMH, \$20 million is for programs begun in 1987, and \$9 million is for inflation adjustments. Watkins stresses that the state's mentally ill still have many unmet needs; \$200 million worth, according to representatives from community mental health programs.

The department's commitment to community-based services continues with its announcement in February that it will close Traverse City Regional Psychiatric Hospital in October 1989. "The closing is appropriate because of the excellence of community mental health services in the northern lower peninsula," says Watkins. "We can arrange hospital or nonhospital care in Alpena for the Alpena resident who would have stayed at the Traverse City facility." At a March 1 public hearing, Representative Thomas Power, Senator Connie Binsfeld, and Senator Mitch Irwin urged the MDMH to postpone the closing until it had more information on the appropriateness of community-based services and on the relative costs of hospital and community-based care.

OF INTEREST

In the next two weeks, the governor expects to narrow the choices for the new Department of Public Health director to three or four from a pool of state and national candidates. Greg Morris, the governor's personnel director, added that "there is no reason to make a hasty decision because Raj Wiener is a top-notch interim director." Wiener has gotten high marks for her leadership and political savvy from inside and outside the department.

The department's 1987 annual survey of health risk behaviors shows that 29 percent of the state's adults smoke. Although approximately the same percentage of men and women smoke, the percentage of males who smoke has declined from 36 to 28.4 percent in the last five years. At 41 percent, black females had the highest smoking rate. The percentage of Michigan adults who abstain from drinking alcohol has increased from 23.6 to 38.9 in the last five years, although the percentage of chronic heavy drinkers (two or more drinks per day) remains about the same (8.8 percent) as in 1982.

In the next thirty days, look for

- the House Public Health Subcommittee on Certificate of Need to have a working draft of a CON reform bill ready for hearings in mid-March. This draft will be substantially different from HB 5145.
- the House Public Health Subcommittee on AIDS to report out HB 4992 (making it a felony to donate blood while knowingly infected with AIDS) and HB 5189 (requiring written informed consent before AIDS testing and providing for confidentiality of test results).
- the Senate to introduce and begin discussion of the FY 1988-89 Public Health and Mental Health appropriations bills.

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