



Healthy Wisconsin:

*Good Medicine for
Wisconsin's
Economy*



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INTRODUCTION

In June 2007, the Wisconsin state Senate approved a groundbreaking health reform initiative known as Healthy Wisconsin. Part of the state's Biennial Budget Bill for 2007-2009, Healthy Wisconsin is an innovative and expansive plan. If enacted, it will provide comprehensive, quality health coverage to all people in the state. At the same time, Healthy Wisconsin will deliver important economic benefits to the state—producing savings within the health care system, creating jobs, and generating business activity.

To find out more about those economic benefits, Families USA analyzed the impact of Healthy Wisconsin and the companion program, BadgerCare Plus, which expands coverage through both the Medicaid and BadgerCare programs (see box on page 2). We found that together, these programs would stimulate Wisconsin's economy while easing the burden on the state's working families.

KEY FINDINGS

Insuring more people will strengthen Wisconsin's economy.

State dollars that Wisconsin invests in expanding coverage through Healthy Wisconsin and BadgerCare Plus will draw new federal money into the state—dollars that otherwise would not flow into Wisconsin's economy.

- The federal funds drawn in by Healthy Wisconsin and BadgerCare Plus will generate more than \$1 billion in new business activity in Wisconsin.
- This investment will also create nearly 13,000 new jobs in the state. These new jobs will be created in the health care sector and in other sectors as the new federal dollars circulate through the Wisconsin economy.

Wisconsinites who have job-based coverage pay more for health insurance premiums to cover the cost of care for the uninsured.

- In 2007, premiums for Wisconsin families with job-based coverage are \$794 higher due to the cost of care for the uninsured.
- In 2007, premiums for Wisconsin individuals with job-based coverage are \$308 higher due to the cost of care for the uninsured.

Expanding coverage means lower health care costs for Wisconsinites.

- In Wisconsin, the cost of care for the uninsured that is not paid out-of-pocket by the uninsured themselves will be about \$626 million in 2007.
- With fewer uninsured people, less money will be needed to provide care for the uninsured. This, in turn, will reduce the costs that are passed on to those with health insurance.

HEALTHY WISCONSIN IN BRIEF

Healthy Wisconsin builds on Governor Doyle's BadgerCare Plus plan, an expansion of both Medicaid and BadgerCare that is also included in the Biennial Budget Bill. If Healthy Wisconsin is enacted, it will provide every resident with the same affordable, high-quality, comprehensive coverage that state legislators receive. Care will be provided through either a statewide fee-for-service plan or through a "Health Care Network" that contracts with a new governing body—the Healthy Wisconsin Board.

The Healthy Wisconsin plan will ensure that both employers and employees pay their fair share for quality health care. Employees would pay no more than 4 percent of their wages subject to Social Security tax (an average of \$140 a month), and employers would pay between 9 and 12 percent of employees' Social Security wages (an average of \$370 a month per employee) to finance the program.

To protect consumers and employers, Healthy Wisconsin will implement new regulations in the health care market. For example, participating health care networks will be required to spend at least 92 percent of the revenue they receive on direct medical care (as opposed to administrative costs) and on measures to improve quality and contain costs. Healthy Wisconsin would also prohibit these networks from denying enrollment or coverage for participants based on age, sex, race, health status, employment status, and a number of other factors. These rules will make the system fair for all people in Wisconsin.

DISCUSSION

The Healthy Wisconsin plan is the right prescription for the state. Investing in expanding health coverage will not only improve the health and well-being of Wisconsinites, but it will also give a boost to the state's economy.

Healthy Wisconsin will extend health coverage to more than 460,000 Wisconsinites who are currently uninsured. The benefits of providing health coverage for each of these individuals, including improved access to medical care and financial protection from catastrophic health care costs, are clear. What is less obvious is the unique role that expanding health coverage will have in stimulating the state economy and reducing health care costs for everyone.

Money that the state invests in expanding coverage through Healthy Wisconsin and BadgerCare Plus will pull new federal dollars into the state—dollars that would not otherwise flow into the state. These new funds create jobs and generate activity for both large and small businesses, passing from one person to another in successive rounds of spending. For example, health care employees spend part of their salaries on new cars, which adds to the income of employees of auto dealerships, enabling them to spend part of their salaries on washing machines, which allows appliance store employees to spend extra money on groceries, and so on. Economists call this the “multiplier effect.” Because of this multiplier effect, expanding coverage through Healthy Wisconsin and BadgerCare Plus will generate more than \$1 billion in new business activity and create nearly 13,000 new jobs, a return on the state’s investment that far exceeds the cost of expanding coverage.

In addition to generating economic activity due to the multiplier effect, expanding coverage through Healthy Wisconsin and BadgerCare Plus will help bring down the cost of health care for all Wisconsin residents who have job-based health insurance coverage. Currently, when a Wisconsinite without health insurance gets sick, he or she is likely to delay or forgo care. If the symptoms get bad enough, however, these uninsured people see doctors and go to the hospital. Without insurance to cover the high costs of health care, the uninsured struggle to pay as much as they can: Nationally, more than one-third (35 percent) of the total cost of health care services provided to people without insurance is paid out-of-pocket by the uninsured themselves. The remaining amount—nearly \$626 million in Wisconsin in 2007—is paid primarily by two sources: Roughly one-third is reimbursed by a number of government programs, and two-thirds is paid through higher premiums for people with health insurance.

How does the cost of care for the uninsured end up being passed on in the form of higher premiums for people with job-based insurance? Currently, the cost of care for the uninsured that is not paid out-of-pocket by the uninsured or covered by government programs is built into the rates that physicians and hospitals charge people who have health insurance. This means that insurance companies have to pay more for the care that people with insurance receive. These additional costs, in turn, are passed on to people with insurance in the form of higher health insurance premiums. In 2007, families in Wisconsin with job-based health insurance are paying \$794 more due to the costs of care for the uninsured. Wisconsinites with individual coverage through their jobs are paying \$308 more.

By expanding coverage, the Healthy Wisconsin program will lessen the burden of financing care for the uninsured and bring down health care costs for all Wisconsinites. Lower costs, coupled with the economic benefits generated by the new federal dollars drawn into the state, make the Healthy Wisconsin plan and BadgerCare Plus good medicine for Wisconsin’s economy.

FACTS ABOUT THE UNINSURED

Why are people uninsured?

- Their jobs don't offer health insurance.
- They are offered job-based coverage, but they can't afford the employee share of the premium.
- They've recently been laid off or are between jobs.

Who are the uninsured?

- Four out of five uninsured Americans are in working families.
- One out of five uninsured Americans is a child.
- Nearly nine out of 10 uninsured children come from families where at least one parent works.
- In more than half of all two-parent families with uninsured children, both parents work.

What happens when the uninsured get sick?

- Uninsured people delay or forgo critical health care.
 - Uninsured children are nearly five times more likely than insured children to have a delayed or unmet health care need.
 - Uninsured adults are four times more likely to delay seeking medical care.
- Uninsured people are sicker when they seek care and are more likely to receive care at hospitals.
 - Two-thirds of care provided to uninsured Americans is provided by hospitals.
 - Uninsured children are five times more likely than insured children to use the emergency room as a regular source of care.
 - Uninsured adults are more likely to be diagnosed with a disease at a later stage and are less likely to receive therapeutic care (e.g., drugs, surgery) than the insured.
- Uninsured people pay more for the care they receive, and they have trouble paying for this care.
 - The uninsured are often charged more for health services than people with insurance.
 - Nearly 40 percent of uninsured adults reported problems paying their medical bills.
 - More than half of all bankruptcies are due, at least in part, to medical expenses.

CONCLUSION

Now is the time for Wisconsin leaders to pass the Senate health reform bill. The health care reforms included in both the Healthy Wisconsin and the BadgerCare Plus plans are visionary and will set a precedent for other states looking to improve health coverage and contain health care costs. Covering Wisconsin's families through Healthy Wisconsin and BadgerCare Plus will save money, improve the health and productivity of Wisconsin's workforce, and stimulate the state's economy.



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