



## Playing the health insurance gamble

Business owners, workers forgo expensive coverage

Austin Business Journal - May 5, 2006

by [Jonathan Selden](#)

Austin Business Journal Staff

A growing number of small business owners and full-time workers make up about 80 percent of America's 46 million people without health insurance.

The number of people without such insurance increased 11.2 percent from 2001 to 2004.

Though California beats Texas in absolute numbers, the Lone Star state ranks No. 1 for the percentage of its population lacking health insurance, with one out of every four Texans living without coverage. That translates into 5 million people without insurance in Texas--an estimated 250,000 in Travis County alone.

"I think it's unconscionable that, in our state, we have a 25 percent uninsurance rate," says Ann Kitchen, executive director of the [Indigent Care Collaboration](#)--a regional nonprofit consortium of Travis County's "safety net" health care providers that includes its major hospitals, clinics, and medical societies.

And the trend is not good, says Austin/Travis County Health and Human Services Department Director David Lurie. "Maybe that number's going up." Among them: people who are employed but do not have coverage," he says. "Some of these folks do forego insurance and then when they have a medical crisis," they wish they had it.

Nationwide, 16 percent of the population is uninsured, according to an October 2005 report from the [Employee Benefits Research Institute](#).

Rolling the dice and foregoing insurance is something a growing number of middle-class people with incomes of \$50,000 a year or greater are trying. That segment is the fastest-growing group among the nation's 46 million people without health insurance, health care officials said.

In 2003, 17 percent of the uninsured were families with incomes of more than \$75,000. Another 16 percent of the uninsured had family incomes of \$50,000 to \$74,999, while 34 percent of the uninsured had incomes of less than \$25,000, according to a recent [Texas Hospital Association](#) report.

"When we say 25 percent uninsured in Texas, we're not just talking about the poor," says Diana Resnik, vice president of community care for the Seton Healthcare Network.

"You've got a lot of uninsured that are not poor," she says. "They're bringing home a decent salary, but they don't have the benefit of the employer offering insurance. That is as big a problem as the poor."

Immigrants also make up a portion of the uninsured, though possibly not as much as many would think, based on anecdotal evidence from Texas health care providers.

Individual hospitals can't ask patients whether they're in the country illegally, so it's tough to track. But a 2005 Kaiser Family Foundation report found that, between 2000 and 2003, the number of uninsured U.S. citizens increased by 3.6 million, while the number of noncitizens increased by 1.2 million.

"That's a factor," says Kitchen, but "it's not the overwhelming" majority of charity care cases that most people think it is.

Seton's Reskin doesn't see the immigrant problem as the major issue. "I don't think it's the tipping point. I think it's one of many problems."

Last year in Travis County, 189,517 uninsured or underinsured patients accessed the member locations of the Indigent Care Collaboration, says Sandy Coe Simmons, director of research and evaluation for the group. In 2004, that number was slightly less -- 185,225. Overall, she says, that's about 22 percent of the 849,000 population of Travis County, but the actual number of uninsured may be about 3 percent higher because some aren't using health care services either because they're healthy or unhealthy -- just not getting the care they need.

The typical uninsured healthcare system user, she says: 20-to 44 year-old women seeking primary care.

### Vicious cycle

Overall, the uninsured don't have the ability to use the entire health care system and face a host of challenges, including poorer health and high medical bills. Employers with uninsured workers typically have less-productive employees and more sick days, because they're distracted by undiagnosed medical conditions and don't receive appropriate care.

"When you have working people who can't get insurance and children who can't get insurance, they can't contribute to the community like everyone else can," says Kitchen, "they can't contribute to the economy."

Also, employers who sponsor insurance coverage face a higher cost -- a hidden tax, if you will -- built into their premiums because of the cost of caring for the uninsured. That's because health care providers pass along the cost to insurance companies when rates are renegotiated, and that additional cost is in turn passed on to policyholders.

And those premiums haven't just been slowly creeping up in recent years, as any business owner who has received a rate quote can tell you.

Premiums increased an average of 9.2 percent in 2005, which is four times the increase in earnings of 2.7 percent and more than two times the rate of inflation, 3.5 percent, according to the 2005 Annual Employer Health Benefits Survey from the Kaiser Family Foundation and Health Research and Educational Trust.

Premiums have increased 73 percent since 2000.

In addition, hospitals and other health care providers are increasingly saddled with more bad debt and uncompensated care, a trend that hospitals say can't continue indefinitely without destroying the system. Bad debt is any portion of the bill that can't be collected.

"It does have an impact on everyone in the community," says Kitchen, because hospitals "do have to turn around and charge more to people with insurance."

In 2005, for example, the St. David's Healthcare system says it provided more than \$172 million in uncompensated care--including charity care, bad debt and the un-reimbursed costs of Medicare, Medicaid, and Champus.

The Seton Healthcare Network says it spent \$217 million in uncompensated care in 2004--including charity, uncompensated care, and its community benefits--and that number is rising.

"It's unsustainable. We cannot continue," says Resnik. "Every year it seems like we exceed the budgeted amount from the year before."

The Texas Department of State Health Services reports that Travis county hospitals spent \$314.1 million in uncompensated care in 2004.

Even smaller hospitals are not immune to the trend. Williamson County hospitals spent \$37.7 million and Hays County spent \$17.1 million in uncompensated care in 2004.

Pretty much all Texas hospitals, not just the public hospitals, feel squeezed financially, said John Hawkins, vice president of government relations for the Texas Hospital Association. "It's becoming more critical now."

In 2004, Texas hospitals provided \$9.2 billion worth of uncompensated care, which includes bad debt expenses, according to information from the Texas Hospital Association.

That's compared with \$3 billion in uncompensated care in 1993. On a national level, uncompensated care increased to \$60 billion from \$25 billion during the same time frame.

Mary Grealy, president of the Washington, D.C.-based Health Leadership Council, says everyone is paying.

"Everyone is affected by this, whether you're a provider of health care services or if you're an employer that offers health insurance to your employees," Grealy said. "We're all paying for it."

"The level of charity care is so expensive for our hospitals and our clinics that it's unsustainable," Kitchen says. "We have to find every last dollar that's available."

*Johathan Selden can be reached at [jselden@bizjournals.com](mailto:jselden@bizjournals.com) / (512) 494-2522.*