

# The Wisconsin Health Care Partnership Plan

## A LABOR-MANAGEMENT PARTNERSHIP SOLUTION TO OUR HEALTH CARE CRISIS

**The health insurance crisis has become a race to the bottom in which no one wins.**

### **We need major health care reform now**

Wisconsin and our nation are facing a true health care crisis: Rapidly increasing costs will soon put quality health care out of reach of a majority of the U.S. population. In Wisconsin, it already is out of reach for 500,000 residents.

Nearly every employer is confronted by health insurance premium increases in high single or double digits; some are facing increases of well over 20 percent annually. Most employers try to shift these costs to their workers—who either can't afford to pay the additional costs or experience a declining standard of living to retain health care.

Almost every workplace conflict is rooted in health insurance costs, and nonunion workers are affected just as much as union workers—if not more. Employers, especially small business owners, feel the strain the most. They have a smaller purchasing pool and as a result pay much more for the same benefits. Many have to make staffing and insurance cuts, leaving more and more people uninsured. The costs of uncompensated care for the uninsured are shifted to the cost of insurance premiums. In essence, the health insurance crisis has become a race to the bottom in which no one wins.

In the United States, we pay almost twice as much per person for health care as any other country. How can we spend so much more on medical care and have constantly rising costs, while nearly 46 million Americans are without health insurance entirely? The answer is relatively simple:

We have a highly fragmented system by which people access health care, and that fragmented system is extremely expensive, adding a "tax" of about 25 percent to pay for the bureaucracy necessary to administer this complex system. That "tax" includes the costs of administering hundreds of insurance and HMO plans (each with its unique set of co-pays, deductibles and coverage exclusions), negotiating discounts with hospitals and physicians and "experience-rating" each group

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covered by a specific health insurance policy-to say nothing of advertising and promotional costs. None of these costly operations actually provides health care or improves its quality; they are simply an added cost we pay for the way our health care system is structured.

Currently, some employers manage to offer health care to their workers, but at great cost. Other employers offer no health insurance at all or offer only substandard insurance that is often unaffordable for working families because of high out-of-pocket payments for premiums and co-pays. The result? Many workers do not have comprehensive, affordable health insurance, while the escalating costs of caring for the uninsured are shifted to employers and insured workers via higher charges to cover the costs of uncompensated care. This system is costly, dysfunctional and unfair.

Some suggest that larger purchasing pools are the solution because they can lower costs dramatically. But voluntary purchasing pools don't work because only groups with above-average costs want to participate. "Consumer-driven" or "market" reforms simply shift costs to individuals and ration access to health care according to wealth. None of these approaches increases access to quality health care, improves our health care system or reduces overall costs.

Other strategies to reduce costs have included computerized drug ordering, quality control measures, computerized medical records and patient safety protocols. These changes help to lower costs slightly and raise the quality of care; however, they are not enough. HMOs and insurance companies have to choose to voluntarily implement these modest changes, and the small gains will not materialize until many years from now. We need answers now.

**The solution:  
The Wisconsin Health Care Partnership Plan**

A coalition of organizations-including unions, employers, physicians and other concerned groups-has developed a new proposal: the Wisconsin Health Care Partnership Plan. It is based on our current system of employer-based access to health care for workers and their families, but lowers costs and levels the playing field between employers by requiring all employers in both the private and public sectors to pay their fair share towards the cost of health care.

The basic elements of this plan, inspired in part by Wisconsin's successful and nationally emulated Workers Compensation and Unemployment Insurance systems, are:

- A Labor-Management Commission will be established through legislation to decide precisely what the health care plan will cover.

**All Wisconsin employees and their dependents will be covered by a common comprehensive health care plan.**

The Commission will be required to develop a quality-driven comprehensive plan, not just bare-bones or catastrophic coverage, and the plan will cover all medically necessary care. The Commission also will oversee a bid process for administration of the plan. Modeled after the Wisconsin Workers Compensation and Unemployment Insurance advisory councils, the Commission will be advised by the finest medical and health care experts available in the state and the nation.

All Wisconsin employees and their dependents, in both the private and public sectors, will be covered by the common comprehensive health care plan developed by the Commission.

- The plan would be financed by a fair split of costs between employees and employers. Employers would pay a standard monthly assessment for each employee, as determined by the Commission. Employees would pay their fair share in the form of deductibles and co-payments. An actuarial study of the Wisconsin Health Care Partnership Plan done by the highly regarded Lewin Group estimated that, even with reduced employer assessments for part-time workers and low-wage workers in small firms, the standard employer assessment would have been considerably less than \$300 per worker per month in 2003, the year the actuarial study was done. (The assessment is projected to be \$330 - \$340 per worker per month in 2006.)
- The employee share of the cost will be paid through co-pays (\$15 per physician visit, \$10 for generic prescription drugs, \$20 for brand name prescriptions) and deductibles (\$300 per year for a single person, \$600 for a family).
- Employers may offer, or unions may still bargain for, employer payment of part or all of any co-pays, deductibles or other employee costs set by the Commission, as well as additional benefits (such as vision, dental or long-term care, which we do not propose to include in the initial Plan).
- The self-employed, early retirees and their families and others not covered through employment could buy into the plan at cost, thus making comprehensive health insurance affordable to those who currently are charged extremely high premiums for substandard coverage. (The cost for buy-in has not been determined. It will certainly be less than an individual policy in current markets, but this will be a separate statewide community-rated pool that will participate in the cost reductions of the standardized comprehensive plan and reduced prescription drug prices.)

## Why the Health Care Partnership Plan will work

- The Wisconsin Plan will level the playing field for employers on health care costs and eliminate cost shifting between plans that cover active employees and members of their families.
- Small businesses will pay the same per-employee assessment as large ones, thus reducing their costs for health insurance and extending comprehensive insurance to employees and owners of small businesses, many of whom currently have limited health insurance or none at all.
- The Plan will reduce administrative costs dramatically by standardization. Currently, about 25 percent of the cost of health care in the United States is for bureaucratic administration—much of which is simply figuring out who is to pay what in every single health care encounter. In contrast, administrative costs for Medicare are about 3 percent, and in countries with universal health care, they are about 7 to 8 percent.
- The Plan will establish a group large enough to bargain effectively with pharmaceutical companies for significantly reduced prescription drug prices and to establish common quality standards for hospitals and health care providers that can control and significantly reduce costs. Price reductions for prescription drugs are estimated by the Lewin Group to be at least 20 percent.
- The Plan will make it possible to universalize, in Wisconsin, best-practice quality standards such as wellness programs, preventive care, computerization of medical records and prescription drug ordering, quality measures and quality control. It also will make it possible to universalize integrated, intensive treatment ("chronic disease management") for those who need the most care (the 15 percent in any group who account for about 70 percent of total costs). In short, it will raise the quality of life and health care for all Wisconsinites and make health care more affordable for employers.
- The Plan is a standard, comprehensive, quality-driven plan, as opposed to the expensive health care market and plan fragmentation we have today—which is supplemented by an even more complicated and expensive variety of public programs to fill in the gaps. Major savings are possible by adopting a simpler, unified system.
- The Wisconsin Plan avoids the problems of adverse selection (which have undermined just about every effort to organize voluntary buying pools) because it will include all employers. In addition, the prescription drug bulk-purchase buying pool will not be subject

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to adverse selection. Quite the contrary: Other state programs could be included, since the greater the volume of drug purchases, the more bargaining power we have to reduce prices.

- Participants in the Wisconsin Plan will have complete freedom to choose their primary care physicians. However, to contain costs, visits to specialists not recommended by a person's primary care physician will be subject to a 25 percent co-pay.
- Because all workers and their dependents will be covered by the Plan, the number of uninsured in Wisconsin will be reduced dramatically to fewer than 85,000 people.

This proposal, paired with a similar publicly funded plan for those not covered through employment (paid for by reduced public expenditures for Medicaid and Badger Care), will be a powerful driving force for economic development. Imagine if we could tell present and prospective Wisconsin employers that their health care costs for employees will be considerably lower than in other states, the quality of care will be higher and they will have no administrative costs for the health care of their workers.

Wisconsin does not have to be a victim of the current crisis in health care costs and access. A labor-management partnership, with the support of the medical community and other concerned groups, can restructure our health care system to the immense benefit of employers, workers and their dependents. We can turn this crisis into an exciting opportunity to fundamentally reform our health care system and ensure the highest quality of health care for all at an affordable price.

***In the 2005-06 Session, the Wisconsin Health Care Partnership Plan was introduced as Senate Bill 698, co-sponsored by State Senator Russ Decker (D) and State Representative Terry Musser (R).***

