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Does health care still cost **MORE IN OWENSBORO** than other places?

By Fran Ellers

Back in 2003, the Public Life Foundation of Owensboro reported that a lack of competition among health insurers in Daviess County might be contributing to higher insurance premiums for Daviess County families than families throughout the rest of Kentucky.

Today, the lack of competition still exists, though the effect on premiums is harder to gauge. The earlier report focused on premiums for state employees, which are public record. Thus the report was able to compare costs and claims in Daviess County with other areas of the state. In 2003, for instance, local state employees were paying as much as \$1,800 per year more than employees in other counties, and did not have a choice of insurance companies. The only community with similarly high premiums was the Ashland area in northeastern Kentucky.

In 2004 and 2005, however, the situation moderated – even though state employees in Owensboro still didn't have a choice of insurers (and the company providing coverage changed each year), rates were no longer the highest in the state. Then in 2006, the state opted to become self-insured. Now all state employees pay the same premiums, regardless of where they live.

That was good news for Daviess County state employees. However there is now no way to compare local premiums with premiums in other parts of the state because private employer benefits are not disclosed.

Nevertheless, there is still only one dominant health insurer available to private employers in Owensboro, Anthem Blue Cross & Blue Shield, in spite of the community's efforts to increase competition and reduce the cost of care.

And without question, the dominance of one insurer affects the coverage options that are available to small employers and thus many families in Daviess County.

Here's a look at where things stand today.

Choice of insurers is limited

Several health insurers are authorized to sell coverage to small

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employers in Daviess County but few of them do.

"We just don't have any options," said Tom Watson, owner of Tom Watson's Prosthetics & Orthotics Lab and also mayor of Owensboro. "If you're going to provide coverage for your business, it's pretty much Anthem or nothing."

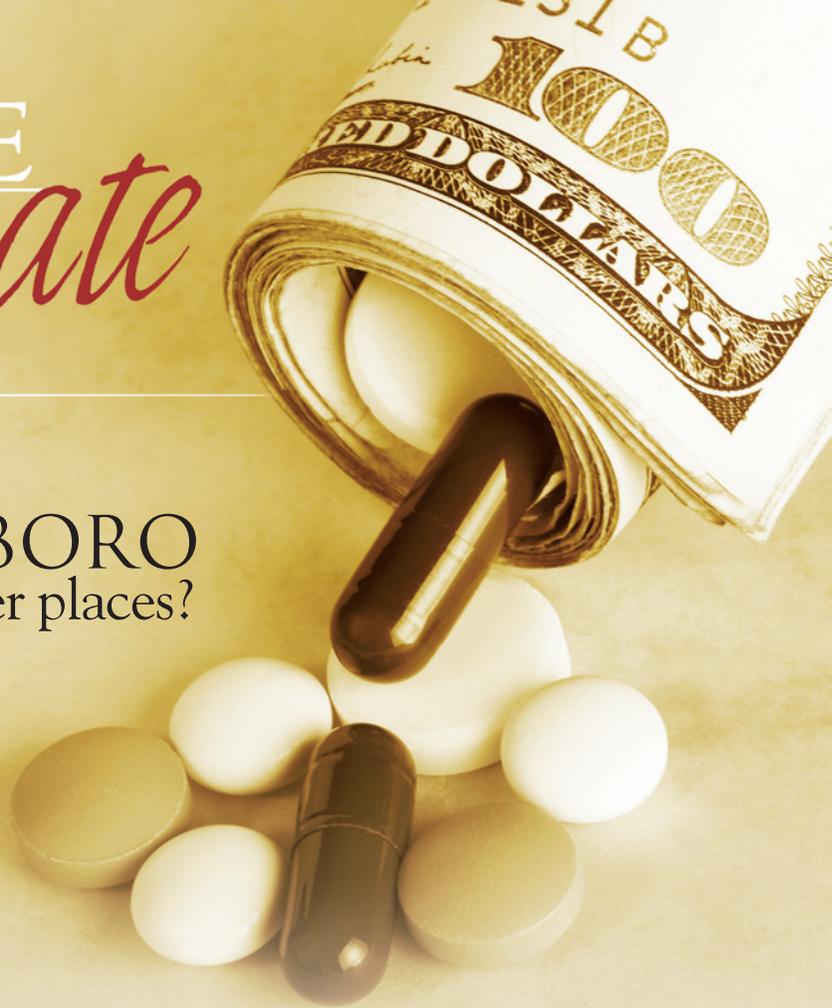
That's basically true, agreed Ed Heath, executive director of Owensboro Community Health Network, which contracts with

health insurers on behalf of local doctors, Owensboro Medical Health System and other health-care providers.

For the last several years, the network has been trying to attract more insurers to provide small employer coverage, Heath said. There has been some limited progress. Humana, which at one time complained that it was shut out of the Daviess County market because doctors wouldn't agree to its terms, has become more active locally. That is likely because it now manages Kentucky's self-insured health plan for all state employees and has access to most local physicians.

But few other major insurers are interested in the Daviess County market -- for one thing, it takes a lot of small businesses to make such a venture profitable, and Anthem already dominates.

Also, insurers such as Humana are more likely to venture into a new market if they already have a large employer on board; however, there are few of them in Owensboro.



Still, at least one more option could become available in the next year – a managed-care HMO through Welborn Health Plans, which is owned by Welborn Clinic, a group of physicians in Evansville, Ind. The Owensboro Community Health Network has been working on an agreement with Welborn for months, Heath said, but there are still hurdles, including state approval.

HMOs generally have not been popular outside Kentucky's urban centers. But Watson argued that small employers are eager for a viable alternative to Anthem. His company sells prosthetic devices, for instance, and insurance usually covers part of the cost.

Anthem pays only a few thousand dollars for an artificial arm or leg, though technological advances have made the prosthetics much more expensive, Watson said. One of his customers is considering quitting his job and going on Medicaid so he can afford a new prosthesis, Watson said.

"Unless there's competition in the area," Watson said, "it's going to stay that way."

Attracting insurers is difficult

In any case, it's not likely that competition will increase significantly anytime soon. Heath said that the Owensboro Community Health Network has worked for years to attract more insurers. Among other things, the network joined forces with provider networks in communities such as Bowling Green to offer major insurers a larger pool. But that didn't work either.

The 2003 report said that the local medical community, including doctors in the network, might be contributing to the lack of competition by refusing to accept the rates that some insurers provided. Anecdotal in 2003, it cost Anthem 30 percent more to pay for delivering a baby in Owensboro than in Louisville, Anthem executive Mike Lorch had said. Lorch says that is still true today, according to Anthem spokeswoman Christi Lanier-Robinson.

Heath acknowledged that local rates were comparatively high at one time; he also said they have come down every year since 1999. OMHS, too, has been willing to negotiate deeper discounts with insurers, he said.

"In the last three or four years, they haven't told us no for anything," he said. Since the 2003 report, the hospital has signed coverage agreements with Humana and CHA, according to Russ Ranallo, OMHS vice president of financial services.

Watson, a provider himself, argued there's no real incentive to turn down most private insurance plans because, as baby boomers reach retirement age, doctors and other providers must depend on Medicare payments as a base. And most private insurers pay more than Medicare.

"I don't think anybody in the medical field feels they can hold anybody hostage for more reimbursement," Watson said.

Of more concern to providers today, Heath said, are the limits that some insurers set on coverage. "I've been here 13 years ... I've seen this community evolve," he said. Rather than being concerned about reimbursement rates, providers "basically want to reduce the hassles that come with getting reimbursed ... do we know what the rules are, and how often they can be changed? How do I get approval for somebody (to stay in the hospital) over the weekend?"

State making efforts to encourage small employer plans in Kentucky

A more receptive attitude, however, may not help much at this point.

MORE INFORMATION WILL SOON BE AVAILABLE FOR KENTUCKY CONSUMERS

The 2006 Kentucky budget bill required that state government provide information to consumers about the cost and quality of services at hospitals and medical doctors in Kentucky. The bill also calls for the state to publish "information that relates to health care financing and delivery system(s) and health insurance premiums and benefits that is in the public interest."

The idea is to support the use of insurance plans and health savings accounts that push consumers to comparison shop for the lowest cost, highest-quality care. Such plans can be less expensive for employers to provide.

State health officials expect to start posting the information online by early 2007. Already, the Office for Health Policy in the Cabinet for Health and Family Services has a link to information on hospital prices at the Kentucky Hospital Association website, <https://www.kyha.com/Pricing/SelectHospital.asp>. (The prices do not reflect what hospitals are actually paid by insurers, however.)

The hospital association also has a link to a federal government website which provides information about quality for individual hospitals, including OMHS, at www.hospitalcompare.hhs.gov.

Kentucky still is not an attractive state for major insurers, according to Brian Crall, secretary of the Kentucky Personnel Cabinet who is a former state representative from Daviess County.

Several major insurers left Kentucky after a health-care reform bill passed in 1994. And even though many of the law's provisions were later rolled back, Kentucky's population is generally poorer and sicker than in other states, making it a less attractive market for insurers.

Also, Kentucky is still considered more heavily regulated than some states, Crall said. (Research is mixed on whether this is actually the case.)

To attract more insurers to Kentucky's small-business market, Crall helped pass a state law in 2004 that would allow insurers to offer a "mandate light" plan to small employers. But the plans haven't proven to be popular, at least so far. That's partly because the economy has improved and small employers are finding it easier to absorb small cost increases in their existing plans, Crall said.

Kentucky lawmakers took another stab at the problem this year, setting aside \$20 million for a pilot program, ICARE (Insurance Coverage Affordability and Relief to Small Employers). As of November 2007, seven major insurers were offering a variety of plans through ICARE.

ICARE provides stipends of \$40 per month per employee to small employers (with two to 25 employees) who agree to provide insurance for the first time. Stipends of \$60 per month are available to any small employer with at least one employee with a high-cost medical condition. In both cases, the employers must be willing to pay half of the premium for employees' health insurance.

ICARE began in October 2006, so it is too soon to know whether small employers will take advantage of it. It is administered by the Kentucky Department of Insurance, and employers may apply to receive the stipend on a first-come, first-served basis. The website is <http://doi.ppr.ky.gov/kentucky>.

Access to primary-care doctors	Daviess	McCracken	Hopkins	Warren	Christian	Pulaski	Perry	Jefferson	Fayette	Boyd
Number of primary care doctors 2006/2001	66/65	69/71	57/60	90/92	44/55	64/57	45/47	905/902	467/459	70/81
2006 ratio per 1,000 population	.7	1.0	1.2	.9	.6	1.1	1.5	1.3	1.7	1.4
Number of specialists, 2006/2001	136/130	158/170	64/64	160/174	69/58	76/68	59/43	1,687/1,697	1,115/1,031	169/157
2006 ratio per 1,000 population	1.5	2.4	1.4	1.6	1	1.3	2.0	2.4	4.1	3.4
Total physicians	202	227	121	250	113	140	104	2,692	1,582	239
2005 ratio per 1,000 population	2.2	3.5	2.6	2.5	1.6	2.4	3.5	3.8	5.9	4.8
Population (2006 Census estimate)	93,060	64,698	46,705	98,960	70,145	59,200	29,452	699,827	268,080	49,594

Source: Kentucky Licensed Physicians by Specialty, August 2006, Kentucky Cabinet for Health and Family Services

Is care too expensive here?

The 2003 report looked at other factors that might contribute to a lack of competition, including higher health insurance claims from the Owensboro area (making insurers more reluctant to offer coverage). At the time, state employees in the region including Daviess County had higher claims than other parts of the state.

Some in the community argued that Daviess Countians have higher rates of disease than people elsewhere in Kentucky and thus spend more on health care. In general, state and local records did not bear that out then or now. The 2006 health report card for the Green River region, for instance, shows the region did better than the state average on two-thirds of the major health indicators.

On the other hand, Daviess County's health delivery system does not operate in the most cost-efficient manner, which may contribute to higher costs or claims. In 2003, Daviess County had fewer primary care doctors per capita than any other community its size in Kentucky except for Hopkinsville. As of August 2006, that was still true, according to state records.

Primary care doctors are generally the gatekeepers of the medical community. Through annual checkups, they educate their patients about how to protect their health and spot signs of disease before it becomes more difficult (and costly) to treat.

Lack of access to primary care doctors was given as one reason for Daviess County residents' high rate of use of the Owensboro Medical Health System emergency room, which is much more expensive than a doctor's office visit.

In 2003, OMHS had the second-busiest emergency room in the state. Today it's the busiest in Kentucky, with more than twice as many visits as most other hospitals. And most of its users have insurance – only about one in five lack it.

Use of OMHS emergency room, other services	ER Outpatient Visits		Surgeries		CT Scans	
	Year	Year	Year	Year	Year	Year
OMHS ranking v. other hospitals	2001	2005	2001	2005	2001	2005
Actual numbers	2	1	11	11	11	10
	78,031	89,174	13,088	12,858	21,266	27,373

Source: Kentucky Annual Hospital Utilization and Services Report

ER visits at OMHS by county and insurance status, 2005	Total	Insured	Uninsured	Non-urgent
Percent from Daviess	78.4	77.9	22.1	14.1
Percent from other counties	21.6	From 69 to 89	From 11 to 31	From 5 to 13
Total percent	100	78.8	21.2	13.1

Source: OMHS

That's actually characteristic of communities with high ER usage, according to the medical journal *Health Affairs*. The journal recently examined the reasons why some communities have higher ER use than others, and found that it has more to do with lack of access to primary care than with a high rate of uninsured residents (Owensboro's rate of uninsured is below the state average, for instance).

Barber, of OMHS, said a complicating factor is the lack of full-service hospitals in surrounding counties – many have only a "critical access" hospital so residents must go to Owensboro for more complicated problems. About 22 percent of visits to the ER are from patients in surrounding counties.

The 2003 report discussed why Owensboro has comparatively few primary-care physicians for its population.

Crall recently that he believes the most relevant factor is Owensboro's location across the river from a population center in Evansville, Ind., where it may be more attractive for doctors to practice because of Indiana's lower income tax and medical malpractice rates (though Indiana has a higher average for paid malpractice claims, \$279,000, compared to \$224,000 in Kentucky).

On the other hand, at least partly because of hospital recruiting efforts, Owensboro has been able to attract specialists over the years – the ratio for the population compares better to other communities than the primary care ratio does.

What about primary care?

At one time, some leaders of the local medical community disagreed that Daviess County needed more primary care physicians. In the 2003 report, then-hospital Chief Executive Officer Greg Carlson acknowledged that Daviess County had too few, but said it was not the hospital’s responsibility to recruit more of them, though it did recruit specialists so that the hospital could do particular procedures.

Today, however, there is a general recognition of the need to expand primary care and reduce the use of the ER, and the hospital is more involved.

As part of its plan to build a new hospital and expand services, for instance, OMHS expects to recruit 30 additional primary care doctors (out of 80 doctors altogether, half of whom will replace retiring physicians). It will also add a second clinic for the uninsured (currently the hospital funds two doctors and other staff at the McAuley Clinic), said Jeff Barber, CEO of the hospital since 2004.

It will still be many years, however, before the addition of primary care doctors and services will make a dent in ER use, Barber said.

The hospital has already added a convenient care center, for instance. And several local doctors are now participating in the health department’s DC-CAP program to expand access to primary care by seeing uninsured patients for free. Yet ER use continues to grow.

And there’s another wrinkle in regard to primary care. Even if Owensboro does add primary care doctors who can keep patients out of the emergency room, Barber pointed out, they’ll also be diagnosing more disease and sending more patients to the hospital. In fact, that’s part of the hospital’s plan for future financial stability – to increase its inpatient population in part by increasing the number of local physicians.

In the meantime, the hospital is adding a hospitalist program – doctors whose only role is to check on patients in the hospital, allowing other physicians more time to see patients in their offices, Barber said.

Is there a local answer?

Owensboro is making significant efforts to reduce health care costs and expand access – but there’s only so much a local community can do.

The issue of inefficient health care systems, for instance, is also a state problem. The low rate of primary care doctors and high rate of ER usage

are characteristic of Kentucky compared to other states.

And the health insurance market issues are state and national problems. Premiums are rising every year for all employers, driven by health care costs and health insurance markets.

“Local attempts to significantly attack health care costs are a lot like whacking at the leaves and not much like chopping at the roots,” Crall said.

Since the 2003 report, for instance, more groups in Kentucky and nationwide have advocated for universal health care coverage through the federal government.

That’s partly because employers complain that it is becoming too expensive to provide coverage, while employees are sometimes dropping their employer coverage rather than pay increasing premiums.

According to Jody Wassmer, president of the Greater Owensboro Chamber of Commerce, member surveys over the last two years show that 90 percent of businesses consider health care insurance costs a “major concern” or “big concern.”

“This percentage far outweighs other topics such as taxes, worker’s compensation, workforce issues and transportation concerns. I hear similar numbers from other chambers around the country,” Wassmer said.

Crall expects politicians and employers to be making tough decisions in the coming years about how to cope. “Health insurance is found in the benefit section of most people’s employment handbook,”

Crall said. But “it is considered in many circles a fundamental right ... Is health care a fundamental right or a benefit? You have to legislate based on which it is.” ■

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About the writer: Fran Ellers



A member of our editorial board, Fran is a freelance writer, editor and communications consultant. She is a former reporter with the Louisville *Courier-Journal* and was a frequent panelist on Kentucky Educational Television’s “Comment on Kentucky.”

Reflecting on this assignment, Fran said that “governments and health care providers are slowly becoming more comfortable with providing cost information – but it’s still very hard for consumers to know what the bill is going to be and why it is sometimes so high.”

“I am always surprised how willing the Daviess County community is to address these kinds of complicated health care issues. Many local communities throw up their hands in frustration, believing that health care can only be ‘fixed’ at the state or federal level. But Owensboro looks for solutions, and as best I can tell, that is very unusual,” she said.

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