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Cuts on the Rise, Health in Decline:

The Impact of Cuts to Washington State's Health Care Structures

By Kim Justice

Introduction

Deep cuts in support for a range of public health services are threatening the well-being of Washingtonians, eroding our quality of life, and jeopardizing the state's economic future.

Another round of damaging reductions is on the way unless state policymakers decide to take a more balanced approach – one that includes revenue – to the state's economic challenges.

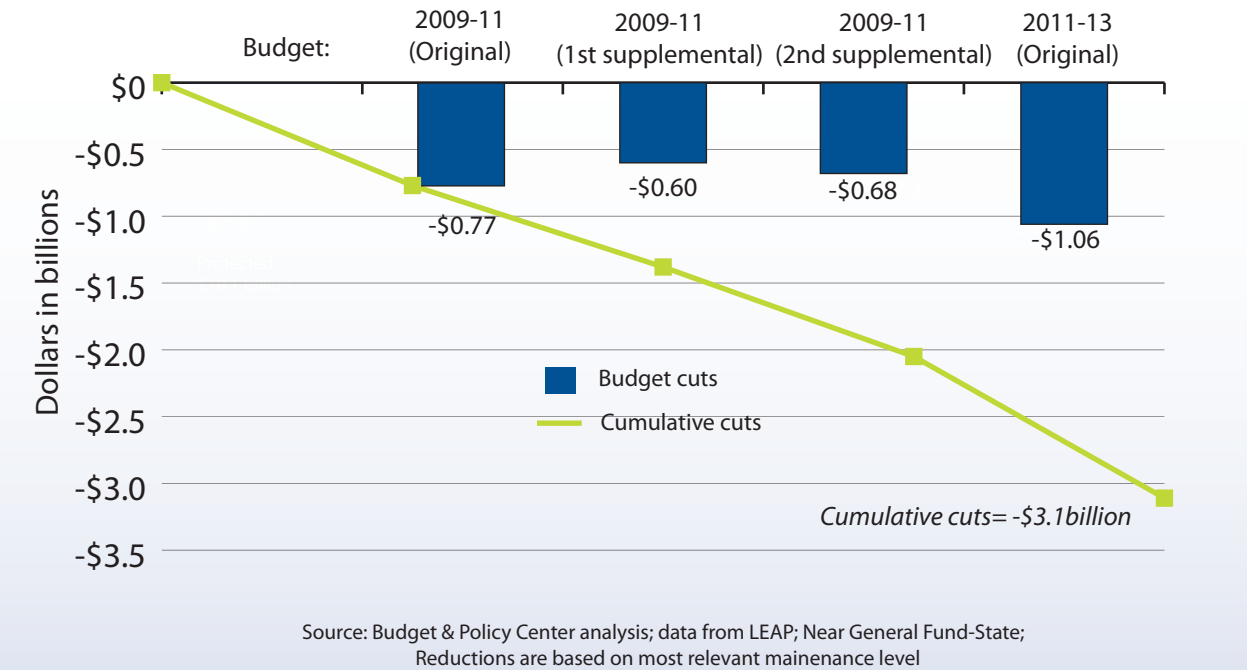
The timing of the health cuts couldn't be worse, putting working people and the elderly in a double bind as care and insurance options have been greatly diminished just as the need for them is rising.

Since 2009, that state has cut over $3 billion from investments in healthy people and the environment (Figure 1).[1] Today, Washingtonians face this distressing situation:

- ***The Great Recession has left more people without health insurance:*** One in seven Washingtonians – 880,000 people – have no health care coverage, an increase of about 170,000 since the start of the recession. That could jump by another 50,000 if two vital programs for low-income workers and disabled residents are eliminated, as the Governor recently proposed. For those who still have coverage, costs are on the rise.
- ***Cuts limit access to health care for people who need it the most:*** Over 60,000 low-income working adults have lost health coverage; over 40,000 elderly and disabled Washingtonians are getting less care in their homes, potentially forcing them into more expensive options; and over 180,000 people have been hurt by cuts in coverage for critical medical devices such as hearing aids and eyeglasses.
- ***The health care infrastructure is straining to keep up:*** Community clinics and hospitals, critical components of our health care system, are facing a dramatic – and costly – increase in demand, directly tied to the cuts made elsewhere. The number of patients without health insurance at clinics has surged 75 percent since 2000, and hospitals provided $700 million in uncompensated care last year.

It is vital that we have healthy people in order to build and maintain a strong workforce; we owe it to our children to make sure they grow up healthy and in safe homes; and we have a responsibility to care for those who are aging and disabled.

Figure 1: Washington's Health Care System Has Been Weakened by Cuts



Source: Budget & Policy Center analysis; data from LEAP; Near General Fund-State; Reductions are based on most relevant mainenance level

Those things are in jeopardy unless policymakers move away from cutting services and toward a solution that embraces revenue as part of the answer. Short-term solutions could include temporarily increasing the state sales tax and eliminating unproductive tax breaks.

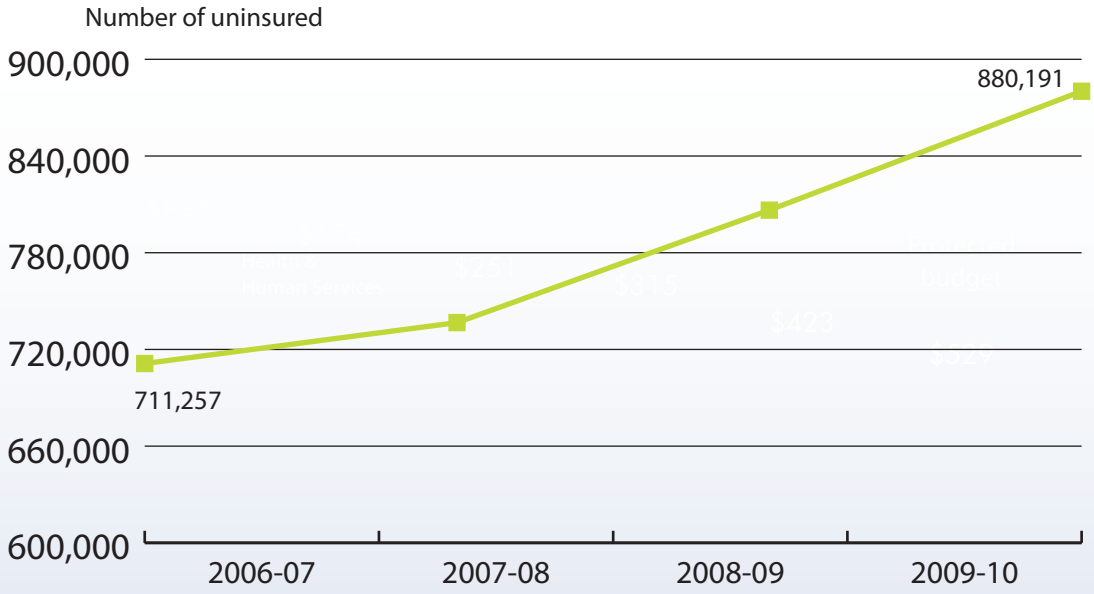
In addition, we need to make broader changes in the way Washington takes in revenue, to ensure long-term stability. This can be accomplished through a new tax on capital gains received by the wealthiest households, strengthening our state Rainy Day Fund, reducing taxes for lower- and middle- income families through the Working Families Tax Rebate, and bringing tax breaks in line with the rest of the budget. Tax breaks should be reviewed regularly to determine effectiveness so they can be reauthorized or eliminated, depending on whether they are delivering the results they're supposed to.

The Great Recession has left more people without health insurance

Extensive job losses during the Great Recession and the economy's slow recovery have dramatically reduced access to health care. Because health insurance is closely linked to employment, when the number of people out of work in our state rose – hitting 10 percent in 2009 – many Washingtonians were left without health insurance or a viable alternative.[2] That helped push the number of people without health insurance today to 880,000 – one in seven Washingtonians – an increase of about 170,000 since the start of the recession (Figure 2).[3]

Consequently, more people have turned to public health supports, such as Medicaid. In fact, over 200,0000 more Washingtonians used the state-federal program in 2010 compared to 2006 (Figure 3). Without our system for providing health coverage- including Medicaid- the increase in the number

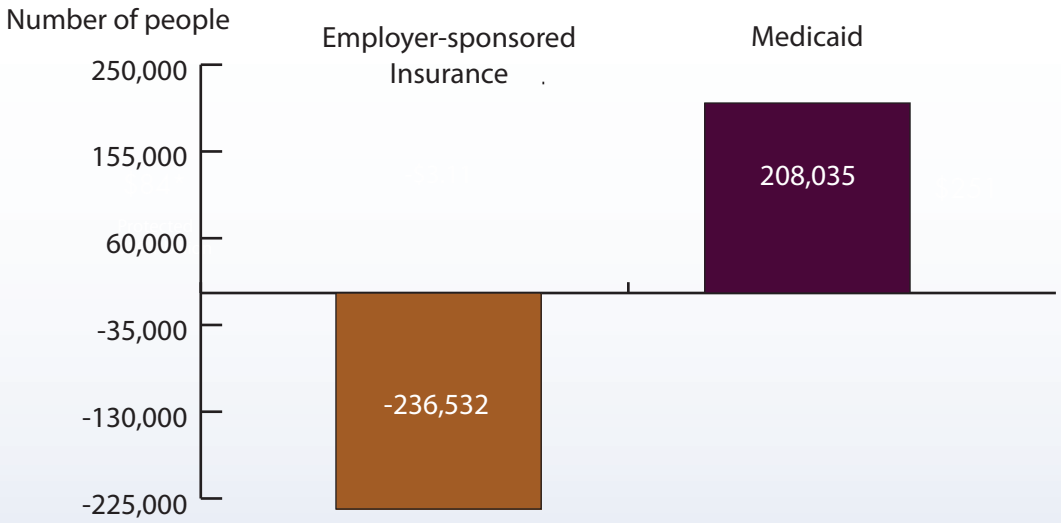
Figure 2: The Number of People Without Health Insurance has Increased



Source: Budget & Policy Center calculations of data from Census Bureau (CPS)

Figure 3: Medicaid Makes Up for Drop in Employer Health Coverage

(2006-07 to 2009-10)



Source: Budget & Policy Center analysis of Census Bureau data (CPS)

of Washingtonians without insurance would have been even greater.

Even for those who remain employed, health coverage is not a guarantee, and the cost is growing as employers shift more of the expense onto employees. The average contribution to employee health benefits rose by 13 percent for Washington families and by 24 percent for individuals from 2008 to 2010.[4]

The rising cost can prompt people to forgo coverage altogether, putting more strain on other health services. The percentage of employees eligible for coverage who chose not to take it rose to 21 percent in 2010, from 15 percent in 2008.[5] Continued investments in public health insurance are vital to stemming the impact of the recession.

Cuts limit access to health care for people who need it the most

Even as the need for health care options has grown, cuts have taken an enormous toll on Washington's most vulnerable residents:

- People with low incomes have lost entire treatments and services;
- Seniors and people with developmental disabilities have had their care reduced and costs raised;
- Preventive mental health services are rapidly disappearing; and
- Many low-income, working adults who don't qualify for traditional health insurance are unable to get affordable care.

People with low incomes lose access to services

Washingtonians with lower incomes are seeing entire components of their health care eliminated. In 2011, Medicaid – which provides coverage to some lower-income families with children, elderly people, and people with disabilities – stopped covering preventive and restorative dental care, eyeglasses, most hearing devices, and most podiatry services for adults.[6] More than 180,000 people were affected.[7]

Lack of these services can have consequences beyond immediate health. For instance, people who do not have the vision or hearing devices they need could have difficulty finding or keeping a job.

In addition, eliminating preventive services and access to important medical devices forces people to turn to more expensive care, such as emergency rooms, when their health deteriorates, canceling out any short-term savings from the cuts. In the case of dental care, it has been found that lack of paid-for preventive dental care is the main cause for untreated dental disease and the percentage of such patients showing up in the emergency room as a last resort.[8]

Under the Governor's proposed budget for the remainder of the 2011-13 biennium, people with low incomes would be required to pay a portion of the cost for a variety of medical services, such as prescription drugs, physician services and non-emergent medical transportation and emergency room visits. Although the amounts might be minimal, they would present a huge barrier. While results are mixed as to the impact of cost-sharing on health outcomes, one thing is clear– utilization of health services decreases as a result of cost-sharing. Even modest cost-sharing may dissuade people from preventive care that might provide great value in the future.[9]

Seniors get less care and pay more

Public investments play a critical role in ensuring that people with long-term health needs, particularly elderly men and women, receive a full range of support and services. In recent years, that commitment has been fading for many in need of long-term care.

For instance, more than 50,000 older Washingtonians had to pay more for their medication last year because of elimination of a program that covers drug co-pays

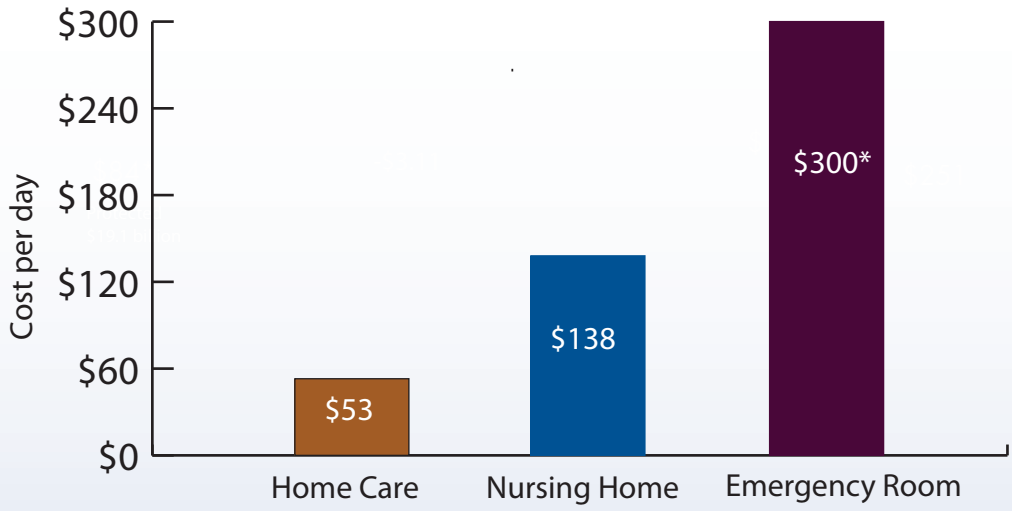
for low-income seniors and people with disabilities who are eligible for both Medicaid and Medicare. Even a co-pay of $2 to $6 can force seniors to make tough choices between paying for medication and paying for other essential needs, such as food and housing.

Additionally, over 40,000 seniors and people with developmental disabilities who need help with things others take for granted – bathing, dressing, eating and getting around – have had their home health care hours cut by an average of 14.1 percent since 2009. Under the Governor's 2012 Supplemental budget proposal, 1,600 would lose access to long-term care services altogether. Although considered to have the least-severe needs, without day-to-day assistance, their health could deteriorate and result in a need for more urgent care or institutionalization, a much more costly alternative.

The average daily cost of care for someone in a nursing home is $138; the average cost of in-home care is $53 per day (Figure 4).[10] Cost-effectiveness is a key reason why states had been expanding home and community-based care. Washington state had been seen as a pioneer in this effort, reducing the portion of the long-term care budget spent on nursing homes to 45 percent in the 2005-07 budget from 82 percent in 1991-93.[11] We cannot afford to reverse this trend.

Even if seniors avoid seeking care in a nursing home, they still may end up turning to more expensive alternatives. A recent study found that reductions in funding for home care were associated with increases in hospitalizations and emergency room visits.[12] As Figure 4 shows, at an average of $300 per visit, a trip to the emergency room is the most costly of all options.

Figure 4: Home Care is Much More Affordable than a Nursing Home or Emergency Room



Source: Budget & Policy Center analysis; data from Office of Financial Management, April 2011; *Emergency room cost reflects average cost per visit, does not include the professional component such as surgeon and anesthesiologist

Cost-saving preventive mental health services drastically reduced

Preventive mental health services, which have been an integral, cost-saving component of our public health system, have been cut severely. By addressing mental health problems in the early stages, the state saves millions of dollars in higher costs associated with later-stage treatments and public safety.

In Washington state, Regional Support Networks (RSNs) manage and coordinate mental health care for over 120,000 people. Funding for RSNs has been drastically reduced since the start of the recession and further cuts are being considered, another example of a short-term choice that will end up costing taxpayers more in the long-run.

Since 2009, funding to serve vulnerable clients who do not qualify for Medicaid (low-income, working-age adults who are not pregnant, disabled or do not have children) has been cut by approximately $44 million. The Governor's proposed budget would cut non-Medicaid funding for Regional Support Networks by an additional 3 percent, or $4.6 million.

Reductions in funding impede the RSNs' ability to provide treatment that would otherwise reduce the use of expensive crisis services for their clients. Outpatient services for non-Medicaid clients in some counties have disappeared entirely, meaning that individuals must be in a crisis to receive any services. In addition, RSNs around the state are reporting longer waits in emergency rooms, staff layoffs, and a decline in services for people transitioning to the community from institutional care.[13] This puts more pressure on law enforcement and local emergency rooms and endangers clients. If service cuts continue, more lives will be put on the line.

Over 150,000 low-income, working adults can't get Basic Health coverage

Another forward-thinking asset on the chopping block is the state's Basic Health Plan (BHP). Since 1987, Basic Health has provided affordable health coverage for low-income, working adults who do not qualify for traditional health care programs, do not get coverage through their employer, and are unable to afford private insurance. At its peak, in December of 2000, the plan served just over 130,000 people who chipped in co-payments, premiums and deductibles. Today there are a mere 40,000 people enrolled and over 150,000 on a waiting list (Figure 5).[14] The Governor has proposed eliminating the plan.

In 2001, voters confirmed the value of the BHP by overwhelmingly approving (by two-thirds) a measure to increase enrollments by 175,000. It even served as a model for a provision in the federal health care reform law. Despite its success and popularity, the plan was hit with a series of budget cuts, imploding enrollment.

The state has also maintained a commitment to provide health coverage for people who cannot work due to a disability, through what has commonly been known as the Disability Lifeline program. The program provides much-needed health services for people who suffer from physical and mental disabilities. However, under the Governor's proposed budget, that program is slated for elimination.

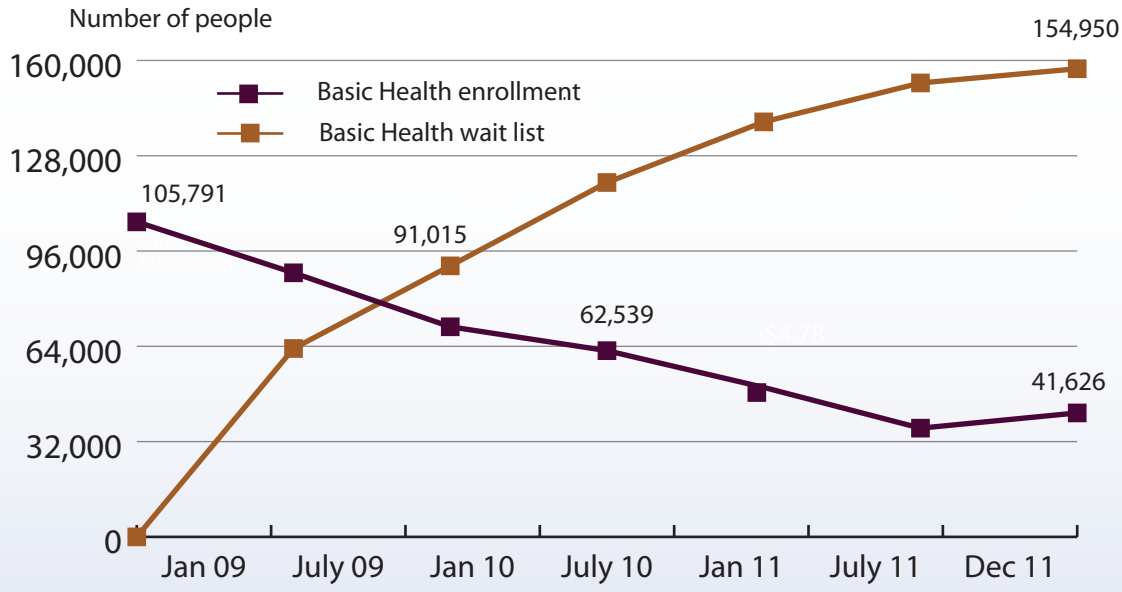
With the approaching implementation of federal health care reform, it would be prudent for policymakers to preserve the valuable infrastructure of both Disability Lifeline and Basic Health (see Box 1).

Health care infrastructure is straining to keep up

Community health centers and hospitals play a critical role in our state's health care system, particularly for low-income families and those who have no health coverage.

But they have been weakened by recent cuts, despite growing demand for their services because of the weak economy and reductions in other areas of health care spending. In the last legislative session alone, community health centers (CHCs) sustained over $300

Figure 5: Enrollment Down, Wait List Longer for Basic Health Coverage



Source: Budget & Policy Center analysis; data from Health Care Authority

million in cuts. Because CHCs serve anyone, regardless of ability to pay, the loss of state funds puts enormous strain on them. In 2010, CHCs served roughly 728,000 patients, 35 percent of whom were uninsured. The number of uninsured patients has increased 75 percent since 2000. Health centers have responded by freezing salaries, laying off providers, and reducing hours of operation.[15] If cuts continue and the number of uninsured rises, some CHCs will be faced with closing their doors.

Hospitals are another setting for serving people who lack insurance and often are not compensated. In 2010, Washington state hospitals provided an estimated $700 million in uncompensated care – $378 million in charity care and $311 million in bad debt write-offs – a 24 percent increase from 2008.[16] By 2013, that figure is expected to rise to nearly $1.2 billion.[17]

If the Basic Health Plan and Disability Lifeline programs are eliminated, as the Governor's 2012 budget proposal recommends, over 50,000 people would lose insurance. This would result in a loss of roughly $154 million for community clinics and $181 million for hospitals.[18] This means more layoffs of hospital and clinic staff, longer waits for patients, and less time for patients to spend with their doctors.

Conclusion

Since the recession began, health care opportunities for Washington residents have declined at the same time that public need increased as people lost jobs and health care coverage. Any financial savings to the state over this period from reducing services will only cause more expensive problems in the long-term. More significantly, cuts have put the health and well-being of Washingtonians at risk. More harmful reductions are on the horizon unless the legislature takes steps to raise revenue now and set our state on track for future prosperity and job growth.

Box 1: Federal health care reform offers compelling reasons to preserve Disability Lifeline and Basic Health

Elements of federal health care reform provide compelling reasons to preserve both Disability Lifeline medical and the Basic Health Plan until 2014, when national reform is fully implemented. Doing so, we can prevent more people from being without insurance in the meantime and preserve some of the systems the state will need to provide expanded care.

In January 2011, Washington state's plan for early implementation of Medicaid expansion, a key component of health care reform that will extend coverage to childless adults with annual incomes up to $15,028, was approved by the federal government.[19] Under the expansion, the federal government will pick up half the costs for covering approximately 55,000 people who are on Disability Lifeline medical and the Basic Health Plan.

This early expansion provides great relief to the state's cash-strapped budget, and shows the importance of investments in health care. It also serves as an important bridge to 2014 when federal health care reform goes into full effect, at which point the costs will be fully covered by the federal government for these low-income populations.[20] It is expected that 328,000 Washingtonians (37 percent of the state's uninsured population) will have access to health coverage by 2014.[21]

Indeed, the Basic Health Plan has been viewed as such a successful model for providing health care to those with low incomes that a federal Basic Health Option was included as part of federal health care reform. Beginning in 2014, the Basic Health Option could provide viable, affordable coverage for people with incomes between 138 percent and 200 percent of FPL who may not be able to afford coverage in the insurance market that the federal law will establish (known as the exchange), but earn too much to qualify for Medicaid. Individuals at this income level could greatly benefit from the improved affordability that the Federal Basic Health Option offers compared with the insurance exchange. A study conducted by the Urban Institute found that under the Basic Health Option, premium payments would drop from $1,218 to $100. Out-of-pocket costs would decline from $434 to $96 a year.[22]

With federal health care reform coming, we must build on the crucial assets that in the past have contributed to a healthier state. This will require bold action to get the economy back on track, create jobs, and get our state healthy again. To stave off further cuts, we can temporarily increase the state sales tax and eliminate unproductive tax breaks. But these short-term solutions must be combined with long-term reform. Meaningful, lasting change to our tax system can be accomplished through a new tax on capital gains for high-income households, strengthening our Rainy Day Fund, reducing taxes for lower- and middle- income families through the Working Families Tax Rebate, and bringing tax breaks in-line with the rest of the budget by requiring regular assessment of their effectiveness, continuing or ending them depending on the results.

The health and well-being of our state and its people are among the most important investments we can make – our quality of life and our prosperity depend on it.

Acknowledgments

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Endnotes

1. The primary source throughout the report is the author's analysis of budget data from the Legislative Evaluation and Accountability Program and the Office of Financial Management (see http://fiscal.wa.gov, http://leap.leg.wa.gov, and http://ofm.wa.gov).
2. Employment Security Department, seasonally-adjusted unemployment was 10% December 2009 through February 2010.
3. Census Bureau data (CPS). To improve statistical precision, CPS health insurance data were pooled into two-year periods – i.e. 2006-07 and 2009-10. The two-year periods were subsequently compared to determine the overall change in health insurance status since the start of the recession.
4. Medical Expenditure Panel Survey, US Department of Health and Human Services (http://meps.ahrq.gov/mepsweb/data_stats/quick_tables_results.jsp?component=2&subcomponent=2&year=2010&tableSeries=10&tableSubSeries=&searchText=&searchMethod=1&Action=Search)
5. See endnote 4
6. Preventive and restorative dental care will continue to be available for Medicaid recipients who are pregnant,reside in nursing homes or intermediate care facilities, or receive long-term care services under one of the Medicaid home- and community-based services waivers. Only emergency dental care will be covered for other adult medical assistance recipients.
7. Data from Health Care Authority.
8. Maryn McKenna, "The Root of the Problem: Emergency Physicians Struggle To Provide Dental Care When No One Else Will," *Annals of Emergency Medicine*, Volume 55, Issue 6 (2010), pp. A17-A19.
9. Dahlia K. Remler and Jessica Greene, "Cost-Sharing: A Blunt Instrument," *Annual Review Public Health,* 30 (2009) pp. 293–311.
10. Information provided by the Office of Financial Management, April, 2011.
11. "State Plan on Aging, Under the Older American Act for Washington State," Aging and Disability Services Administration, Department of Social and Health Services, 2006.
12. "Hard Times: The Effects of Financial Strain on Home Care Services Use and Participant Outcomes in Michigan," *The Gerontologist*, Vol. 49, No. 2 (2009) pp. 154-165.
13. According to the Washington Association of Counties, non-Medicaid outpatient services are nonexistent for clients in some parts of the counties; Non-Medicaid outpatient services have been eliminated in Grays Harbor RSN, Thurston Mason RSN, Pierce/Optum RSN, and Pend Oreille County.
14. Data from Health Care Authority.
15. Community Health Plan of Washington.
16. Washington State Hospital Association.

17. Office of the Insurance Commissioner.

18. Estimates provided by Community Health Plan of Washington and the Washington State Hospital Association. The community clinic network includes both the community health center system and the Community Health Plan of Washington.

19. According to the law, Medicaid expansion covers individuals with incomes up to 133% FPL, however, there is an income disregard of 5%, making 138% a more accurate figure.

20. Medicaid expansion will be fully covered by the federal government for the first two years beginning in 2014, and gradually drop to a 90 percent match by 2020.

21. Randall R. Bovbjerg, Matthew Buettgens, and Caitlin Carroll, "Understanding Newly Covered Populations Health Reform in Washington State," The Urban Institute.

22. Dorn, S., Buettgens, M., Carroll, C. "Using the Basic Health Program to Make Coverage More Affordable to Low-Income Households: A Promising Approach for Many States," The Urban Institute.