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A Letter from the Dean

Spring/Summer 2002

Dear Friends,

It's been nearly ten years since Americans last took a long, collective look at the issue of health insurance in this country. Much has happened since then. The cost of health care has risen dramatically, as has the price of prescription drugs. An increasing number of employers are requiring employees to pay a greater percentage of the cost of health care, and many large employers are cutting back on health care benefits for retirees. But one fact hasn't changed: too many Americans—according to the most recent estimates nearly 39 million, among them 8.5 million children—are uninsured, a fact that has widespread implications for the health of all Americans and for the economic, political, and social well-being of this country.

Those of us who genuinely care about the public's health must be willing to take up the debate. For those who have health care coverage, the system often works well. But for those Americans who lack insurance and become sick, it is ineffective. By the time the uninsured get health care, they can be sicker than their counterparts who have insurance. Nor do the uninsured typically get the follow-up care they require. Until the public at large is willing to examine this problem in a serious way, too many Americans will remain vulnerable to the effects of disease and injury, and the rest of us will continue paying too much, too often, for health care. As a nation we need a change in outlook.

Dean Noreen Clark

Eight out of 10 uninsured Americans belong to working families with modest incomes. They pay taxes and contribute to the nation's productivity, but their jobs may not provide health benefits, or they can't afford the premiums themselves. Neither can they afford private insurance on their own, and they aren't eligible for public programs. "It is the quiet crisis of the uninsured," as Thomas J. Donahue, president and CEO of the U.S. Chamber of Commerce, and John J. Sweeney, president of the AFL–CIO, wrote in a *Washington Post* editorial earlier this year.

Last year, an estimated two million Americans lost their health insurance, the largest one-year increase in the number of uninsured in nearly a decade. Given the recent slowing of the economy and simultaneous rise in both unemployment and health care costs, more Americans are likely to join those ranks in the near future. Moreover, a growing number of Americans are underinsured. With Baby Boomers now reaching Medicare age, and a dramatic rise in the prevalence of chronic conditions, such as diabetes and obesity, in America's children, the demands on our already overloaded health care system will only increase.

Even those who have adequate health care coverage suffer. Most of us pay three or four times again for health care; we pay once through taxes, a second time through insurance premiums and co-payments, a third time through supplemental insurance, and a fourth time through the cost of the products we buy.

Researchers at the **University of Michigan School of Public Health** have long been committed to the study of these important issues. It was here in the 1940s that **Nathan Sinai** of the Department of Health Management and Policy developed a voluntary health insurance plan that became the prototype for Blue Shield. A member of the Carnegie-funded Committee on the Costs of Medical Care in the late 1920s, Sinai was an early advocate

of prepaid group practice, a principal forerunner of the HMO concept. **Professor Sy Axelrod** furthered Sinai's pioneering work in health care organization, and collaborated with him on the study of voluntary health insurance plans. Axelrod launched the Bureau of Public Health Economics in 1943, and was involved in President Harry Truman's effort to implement a comprehensive national health insurance plan in 1950.

Today's faculty are engaged in a broad range of studies aimed at understanding and improving health care coverage in this country. For the past five years, **Professor Richard Lichtenstein** has been working to enroll underinsured children in southeastern Michigan in MIChild, a state-funded program designed to provide health insurance to the children of the "working poor"—those whose incomes are less than twice the federal poverty level. In a new project aimed at enrolling all eligible children from eastside Detroit in Medicaid, Lichtenstein is working to improve the relationship between community residents and the Family Independence Agency, which administers welfare programs. Lichtenstein is also collaborating on the development of innovative tools to help residents navigate the welfare and health systems.

Through grants from the Blue Cross Blue Shield of Michigan Foundation, **Professor Dean Smith** is exploring ways in which medical practices are changing to meet the demands of health maintenance organizations, including changes in risk-management practices, and **Professors Jack Wheeler** and **Rashid Bashshur** are working to determine the number and characteristics of uninsured and underinsured Michigan residents. Their work is in support of the Access to Care Coalition in Michigan.

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In a study aimed at assessing the employer role as an intermediary between insurers and consumers, **Professor Richard Hirth** is collaborating with Professor Michael Chernew and Robert Wood Johnson scholar John Moran to learn whether employers respond to diversity of age, race, gender, and income by offering a similarly diverse set of plans. Findings indicate they do, and that, contrary to popular thinking, employers do not ignore the needs and preferences of their employees. But the extent to which they can accommodate diverse preferences is limited by factors such as group size. In further studies, Hirth is examining the potential for reducing health-care costs by changing the cost-sharing structures of health care plans, and he is working with Chernew and RWJ scholar Reagan Baughmann to assess the availability of health coverage for lower-skilled workers in metropolitan areas.

In collaboration with Professor Catherine McLaughlin, **Professor Michael Chernew** has been studying the creation and use of health plan "report cards"—performance-based evaluations of health insurance plans—and their impact on both employer and consumer choice of plans. In other studies, Chernew is exploring determinants of rising health-care expenditures, the extent to which rising health care premiums cause coverage rates to decline, and HMO participation in the Medicare market.

A number of these research projects, as well as over 20 additional studies, are being conducted under the rubric of the University of Michigan–based Economic Research Initiative on the Uninsured (ERIU), directed by **SPH Professor Catherine McLaughlin**. Established in 2001 and funded by a three-year, $9 million grant from The Robert Wood Johnson Foundation, ERIU is the only program of its kind in the country. The initiative seeks to contribute to the political debate on the uninsured in a significant way by deepening policymakers' understanding of the interplay between labor force dynamics, health insurance coverage, and markets in general. ERIU researchers are asking such questions as: Do people choose jobs based on the availability of health insurance? What is the relationship between early retirement and health

insurance? What impact do rising health insurance premiums have on employer decisions to offer health insurance and on employee decisions to participate?

The initiative brings together nearly two-dozen economists from the University of Michigan, as well as economists from other U.S. campuses, to study the underlying dynamic between labor markets and health insurance. Many of the researchers involved in the initiative had never studied health care coverage before, a fact McLaughlin says is key to the program's strength. "It was time to bring new critical views into the process." Toward that end, McLaughlin and her colleagues have convened an advisory panel of Washington policymakers to target key questions for future debate. They have also assembled task forces to look at health-care coverage as it relates to vulnerable populations and the chronically ill.

Catherine McLaughlin (right), **director of the University of Michigan–based Economic Research Initiative on the Uninsured, and Sarah Crow, a research associate with the initiative.**

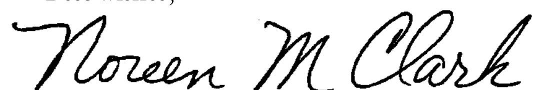
The data these researchers are compiling will be critical to any future policy debate. But public health researchers have another vital role as well. Through efforts to identify and understand the determinants of health throughout the population and to prevent widespread disease and injury, public health does much to help reduce the cost of health care in America. Prevention, in particular, is crucial to holding down costs. In fact, the concept of managed care is based on this principal. As the age-old argument goes, you can't fix the system by tinkering with the system, but rather by going to the root cause. So if we are to address the problem of health care coverage properly, it is critical that we go to the root of the problem and recognize that we need both equitable and adequate insurance and a sound public health infrastructure.

In the decade since policymakers last took a concerted look at health insurance, the problem of the uninsured has not gone away, and rising health costs guarantee that it won't. In fact, if health-cost trends continue at their current rate, in the next ten years we as a nation will spend an historically high percentage of our real income growth on health care. Eventually, realities like these will force us back to the debate table. The health and well-being of millions are at stake, as are billions of dollars. A public dialogue is central to finding our way through the dilemma. Collectively, we need to consider important questions. For example:

- Can we truly be a great nation if a significant number of us have no insurance at all and millions more find their coverage to be inadequate for basic needs?
- Are the overly high expectations for health care of the well-insured part of the problem?
- Could we create an efficient system where all of us are guaranteed a core package of good-quality services, regardless of our age, employment status, or income?
- What are the responsibilities of government and private-sector agencies and organizations in creating an equitable and effective system?

With political will, commitment, sound evidence, and careful analysis, we can find solutions. Work of public health researchers can inform and shape a debate. However, we need to begin a serious public discussion very soon, for in the meantime socioeconomic and other disparities will keep millions of Americans from getting the health care they need.

Best wishes,



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