

# Battle continues vs. unrelieved pain of healthcare costs

Tom Tobin • Staff writer • November 21, 2010

In the fractious American family of party politics, government and free markets, health care costs are the unmanageable teenager, oblivious to efforts at control or even comprehension.

Teenagers tend to grow up and become manageable. Health costs nationally, in New York state and in the Rochester region so far haven't.

Consider the efforts at control and comprehension.

President Barack Obama and Congress spent months in 2009 and early 2010 writing health reform legislation whose primary intention, at the start, was to provide coverage for tens of millions of Americans without health insurance. The result was a 2,000-page bill that some members of Congress acknowledged voting on without having read all of it.

Republicans retook the House of Representatives on Nov. 2 with a call to repeal the massive reform bill. But any such effort faces a veto threat and opposition in the Democrat-controlled Senate.

The bottom line: confusion.

"The uncertainty is worse now than before," said Rochester health consultant John Cogan.

New York state this year reinstated a "prior approval" process requiring private health insurers to submit premium increases for state review. The goal was to ensure that premiums reflect the cost of care.

The results: Some requests were moderated, but approved 2011 increases for Rochester-area insurers exceed 10 percent, much as they did before the new, tougher law.

Rochester is doing its own thing about health costs. The Finger Lakes Health Systems Agency is bringing businesses, insurers and providers together to discuss efficiencies. The Rochester Business Alliance also has an initiative aimed at controlling

## rising costs.

"But it's going to take time," said Health Systems Agency executive director Fran Weisberg. The future holds hope, she said, though the present isn't as accommodating.

Nationally, health care spending increased 5.7 percent to \$2.5 trillion in 2009, according to the federal Centers for Medicare & Medicaid Services. Meanwhile, the overall rate of inflation declined by 0.4 percent.

More than one-sixth of the U.S. economy — 17.3 percent last year — is now devoted to health care, and that figure is double the average spent by other industrialized countries. Some economists have cautioned that rising health care spending could lower economic growth by diverting too many resources to a single sector and limiting investment in other sectors such as education and transportation infrastructure.

Federal officials estimate U.S. health spending could soar to \$4.5 trillion by 2019. While the government expects Medicare's share of the total to flatten out at less than 4 percent of the economy this year, they say it will start rising again and reach 5 percent by 2030. And that takes into account ongoing efforts at Medicare cost controls.

## Rates increase

New York's prior approval law hasn't done much to affect the trends, either. Excellus BlueCross BlueShield won approval of premium increases of 10

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percent to 12.5 percent for its community-rated products, those most often bought by small businesses. Some of MVP Health Care's premium requests for its small groups were pared — the insurer was looking in some cases for increases exceeding 40 percent — but the company won approval for raises topping out around 20 percent.

Rochester's collaborative health planning efforts are forging ahead. "We're working hard on such things as hospital re-admissions," Weisberg said, and she praised efforts by all the local players to deal with other cost drivers, including emergency-room care, obesity and hypertension.

But tangible impacts on rising costs remain elusive, and insurance rate increases are keeping many individuals and businesses out of the market. Nearly 17 percent of people between ages 18 and 64 in Monroe County lack any kind of health insurance.

The pain associated with high costs came across clearly in dozens of comments posted on a state government website in connection with Excellus' and MVP's rate requests. The state redacted the names and addresses of the respondents.

"These increases have to stop," one person wrote. "People cannot continue to absorb this kind of expense. My wife and I have no huge savings account and we live off my pension and what little bit I make doing handyman work ... My whole pension will be gone by the time I am 65 and eligible for Medicare."

"If you cannot address this situation with MVP, next year I will be forced to do one of two things," a business owner wrote. "Either stop providing health insurance or move my company to another state. I'm leaning toward the latter."

However, the state Insurance Department held no public hearings and acknowledged that many subscribers in employer-sponsored plans may not have known about the online forum.

"Employers are the policyholders in most cases, and the law allows insurers to delegate to policyholders the duty of informing people of their right to comment," said John Powell, assistant superintendent for health at the Insurance Department.

"We will follow up to see how that worked."

## Lack of knowledge

Health costs spiral in part because a normal check on market excess, the informed consumer, is often absent. The private insurance system has insulated people from understanding the full cost of medical care.

Government, meanwhile, has tended to focus more on access and quality than cost.

The state Health Department, for instance, issues report cards on hospitals and provides basic information about doctors.

But the full and itemized cost of one emergency-room visit, which averages \$1,000, isn't directly borne by the consumer. Except for co-pays, the bill goes straight from hospital to insurer.

Still, people aren't clamoring for more facts on costs.

"What people want to know right now is how to get through," said health consultant Cogan, a partner with Lawley Benefits Group LLC in Rochester.

"The situation with health reform after the election has added more confusion for business.

"They need to plan two or three years out, and right now they have no idea what's going to happen."

Cogan said the growing popularity of high-deductible plans combined with health savings accounts means people will have to become more

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"If they do that, they might see the value of going to an urgent care center over an emergency room," he said.

Because of the cost explosion, providing health coverage is often as much an emotional decision as a financial one for business executives.

Nancy Hughes, president of SPS Medical Supply Corp. in Henrietta, said her company picks up coverage costs for single workers and part of the cost for families, helps with co-pay expenses, and expects to do so even as expenses rise.

"I just feel that as a medical company, we should do this," Hughes said. "When I tell other CEOs what we pay, their first reaction is 'Are you crazy?' But I know how hard it would be for some families if we didn't do this."

Matthew Augustine, co-owner of Monarch Express, a print and graphic design store in Rochester, will pay in 2011 what he paid in 2010: half of the premiums.

"It's been a tough year, and we're waiting for the economy to pick up," Augustine said. "But I figure it's been a tough year for my employees as well. I look at these health costs every year and it's impossible to know where they're headed.

"I don't know how long I can keep going as I have. But I will try."

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