

**“Maine’s Health Care Cost – Coverage Conundrum  
Setting the Economic Climate”**

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**Slide 1: Introduction**

Good morning. It’s a pleasure to be here this morning to talk about “The Health Care Cost - Coverage Conundrum”. My job today is to “Set the Economic Climate”.

I want to start today’s discussion by recognizing right up front, the importance of the health care industry to the Maine economy. The health care and social assistance sector employed over 93,000 in 2003 which is fifteen percent of wage and salary jobs. It has been one of Maine’s fastest growing sectors over the past two decades, and it pays average wages over \$40,000 for hospital and ambulatory jobs. This industry is an economic force. We must keep this in mind when considering major changes.

But my focus today is not so much on the industry, per se, but on two broad areas. First: the economic and demographic trends that affect the demand for health care services. Second: the economic and demographic trends that affect access to health care services.

**Slide 2: Growth Council Vision**

The Maine Economic Growth Council has articulated a vision for the state. In its annual “Measures of Growth” report it states: *Our vision is a high quality of life for all Maine citizens.* This graphic shows that a high quality of life is attained through the balancing of a healthy economy, a healthy environment, and healthy, vibrant communities.

This is a complex system where the vision is reached through trade-offs, through balance, through optimizing - not maximizing. The same is true in health care. For a high quality of life it’s imperative that Maine people have access to health care services. However, it is also extremely important that costs are kept in check, so the enterprises that employ these people can remain in business and pay good wages.

## **Slide 3: Real Gross Domestic Product & Consumer Price Index**

There are five economic and demographic factors that affect the demand for health care services. The first is the overall health of the economy. When an economy is overheated stress is high; people are working long hours; sometimes work spaces become overcrowded; there is less time for training and enforcing safety measures; a higher proportion of unskilled, under-trained workers are hired. All these factors can lead to health problems, accidents or unsafe work conditions. When an economy is growing too slowly or is in recession, workers lose jobs, health care benefits are cut, financial and emotional stress takes a toll on individuals and families.

Like Goldilocks, we're seeking the porridge that is just right! There is good news here. The United States economy has emerged from a very mild recession, growth has resumed but at a moderate pace, and forecast is for growth in the 3-4% range, which is sustainable.

## **Slide 4: Maine Wage & Salary Employment Forecast**

Maine is also growing. In fact, Maine's recovery has outpaced New England's. The projected growth of 1%-2% is in the lower range of "just right", but it's a decent forecast.

## **Slide 5: Unemployment**

The rate of unemployment is another factor that affects demand for, as well as access to, health care. At 4.3% in August, Maine's jobless rate is a full percentage point below the United States. This statewide rate is very low by historical standards.

## **Slide 6: Unemployment by County**

While overall unemployment levels are low, it is important to note vast differences across Maine. Unemployment ranges from 2.5% in Cumberland County – which I'd call red hot – to 9% in Washington County, which brings on other health pressures. Thus, there are likely geographic pressure points.

## **Slide 7: % Population by Age Cohort**

The second major factor that affects the demand for health care is Demographic Trends. Maine's population is aging. We are already the third oldest and we are expected to age faster than any other state.

The age cohorts that tend to demand the most in terms of health care are the elderly and young children. While the number of young children is projected to decline slightly; those aged 65-74 will double, those 75-84 will increase 55%, and the ranks of the very old will grow 20%. This raises huge public policy issues. Particularly in an industry that already has labor shortages.

## **Slide 8: Pie – Age Composition**

In 2000, 14% of the population was over 65. By 2025, fully 21% will be over the age of 65, or – put another way - one in five Mainers will be a senior citizen. Granted people are living longer, fuller lives. They will undoubtedly be more active and have fewer disabilities. However, in sheer numbers, they will put huge demands on the health care system.

## **Slide 9: Maine Rank – National Composite of Child Well-Being**

In terms of the relative health of our child population, Maine's rank has slipped slightly to 12<sup>th</sup>. Maine is doing very well in some areas: infant mortality is down 26%, child death rate is down by 29%, rate of teen deaths by accident is down by 20%, and the teen birth rate is down by 64%. This is all great news and is due, in part, to the hard work of many folks in this room.

Where Maine slipped is in the percent of low birth-weight babies, which is up 15% and the percent of families headed by a single parent, which is up 26%. Overall, Maine children's well being still ranks relatively high.

## **Slide 10: Death Rates from Select Chronic Diseases**

A third factor that affects demand for health care is how we treat ourselves and each other. This shows the death rates in Maine for Cardiovascular Diseases, Cancer, and Diabetes. These diseases are largely attributed to lifestyle choices such as smoking, diet, and exercise.

The bad news is that in 1997, Maine ranked 4<sup>th</sup> highest in the nation in deaths from these diseases. The good news is that the death rates have either stabilized or declined.

## **Slide 11: Cigarette Smoking Among 18-34 Year Olds**

One of our biggest health challenges in Maine is smoking. In 2002, 34.6% of Maine people aged 18-34 smoked cigarettes. Smoking is the leading cause of preventable death in Maine. Smoking by this age cohort also puts their young children at risk.

## **Slide 12: Drug and Alcohol Use**

This shows the numbers of drug and alcohol arrests which is meant to be a proxy for substance abuse. Over the past decade, abuse has risen. In short, we're not treating ourselves very well.

## **Slide 13: Reported Domestic Assaults**

And how are we treating others? Well, the Growth Council gave this indicator a “Red Flag”, recognizing the sizable increase in the number of domestic assaults since 1999.

## **Slide 14: On the Job Injuries**

A fourth factor that affects demand is workplace safety. While Maine remains above the U.S. average in terms of on-the-job injuries, there is some good news here in that the incidents of workplace injury or illness have fallen.

## **Slide 15: Air Quality**

The 5<sup>th</sup> factor influencing demand for health care is the environment and air quality is of particular interest given Maine’s high rate of lung disease. The number of days Maine experiences unhealthy air due to ozone has gradually declined, but performance remains sporadic.

## **Slide 16: Water Quality**

But the water quality of Maine lakes has been exceptionally high, and the water quality of Marine areas has improved dramatically since the early 90’s.

## **Slide 17: Personal Income Growth**

Turning to the factors that influence access to health care: access to health care can be financial or geographic. Financial access, to a large extent, is determined by income. Maine’s income levels have been growing. Income gains in Maine over the past three years outpaced the U.S.

## **Slide 18: Per Capita Personal Income Gap**

However, Maine remains 9% below the U.S. average. According to a recent Portland Press Herald article, Maine ranks 10<sup>th</sup> in per capita health costs and 37<sup>th</sup> in average household income.

## **Slide 19: Per Capita Personal Income 2002**

In addition, income varies across the state, so financial access to health care services may vary geographically as well, creating pressure points.

## **Slide 20: Percent of Jobs that Pay Livable Wages**

While income is a good, overall indicator, other trends provide insights into the quality of jobs and vulnerable groups of workers. This shows that the percent of jobs in Maine

that pay a livable wage (185% of the poverty level or about \$22,000 a year for a family of 2) has not improved in 8 years. Fully 1/3 of Maine jobs do not pay a livable wage.

## **Slide 21: Multiple Job Holdings**

Further, the multiple job holding rate in Maine has remained high and is about 20% above the U.S. average. 7% of Maine workers are working at least two jobs at the same time. This has implications for health, for families, and for access to health insurance.

## **Slide 22: Maine Employment Gains – Manufacturing/Non-Manufacturing**

Access to health care has also been greatly affected by the transition of Maine's economic base away from manufacturing. Over the past four years, Maine has lost 17,000 manufacturing jobs. This is a concern for two reasons: The first is that, on average, manufacturing jobs tend to pay more (+60%) and they tend to provide 2-3 times the benefits.

## **Slide 23: Manufacturing Concentration by County**

In addition, the concentration of manufacturing jobs varies widely by region leaving some areas – particularly rural Maine - highly vulnerable.

## **Slide 24: Personal Income & General Fund Growth**

For a significant portion of Maine's population, financial access to quality health care is directly related to the fiscal condition of the state. State revenues have seen wild swings over the years. When Governor Baldacci entered the office in 2003 he faced a \$1.1 billion budget gap. As we enter 2005, the gap is only slightly smaller, creating real challenges.

## **Slide 25: Real K-12 Expenditures vs. Growth**

The problem is that 35% of General Fund monies finance K-12 education, and the cost of education has been rising faster than revenues for years.

## **Slide 26: Medicaid**

State Government's second largest expenditure is on health and human services (a little under 1/3 of the total budget) and these costs have been rising extremely fast, driven by Medicaid.

## **Slide 27: Cost of Doing Business**

And we seem to have reached a limit on how much we can raise taxes, as evidenced by the two tax referenda this year. Maine's cost of doing business has risen to be 10% above the U.S. average. This puts Maine businesses at a distinct disadvantage.

## **Slide 28: Sprawl**

A final factor I'll mention is geographic access. This is a picture of sprawl over my lifetime – the percent of population living in suburban and rural areas has grown from 36% to 56%; making it extremely difficult to deliver health services.

## **Slide 29: Percent of Population without Health Insurance Coverage**

So the conundrum is crystal clear. We have made some progress in health insurance coverage and we have a greater percentage insured than the U.S.; but Maine, with 11% of the population uninsured, remains the worst in New England. So, there's certainly room for improvement. This has been a major driver of Governor Baldacci's Dirigo Health Plan.

## **Slide 30: Health Care Costs**

At the same time, health care costs as a percent of GSP and have risen to 15%. Maine is 3<sup>rd</sup> highest in the nation (just below West Virginia and North Dakota), and well above the U.S. average of 11.6%. This simply must change as it is taking its toll on Maine's economic vitality.

## **Slide 31: Maine's National Rank on Health**

Before we launch head-long into solving this Cost-Coverage Conundrum and before we beat ourselves up for all the things that need to be improved... Let's take a minute to put our situation in perspective and to celebrate the things we are doing right! Despite the challenges, Maine's national rank on health is high and has been rising. While there are areas that definitely need attention, we must be doing something right.

The challenge now is to bring costs back into balance without decimating coverage. With state budget woes, an aging population, the transition away from manufacturing jobs, and our sprawling pattern of development; it will take every ounce of Yankee ingenuity we can muster, but I have every confidence it can be done.