WHAT IS THE NATURE OF THE HEALTHCARE CHALLENGE FACING SOUTH FLORIDA?

South Florida is a dynamic community defined by its diverse population, which includes large groups of senior citizens and immigrants. According to the 2000 census, Broward, Miami-Dade, and Palm Beach Counties alone are home to nearly one million elderly (age 65 or older) persons and nearly two million foreign-born persons. While these populations give the region character and flavor, they also add to the strain on the local healthcare system.

One of the biggest strains comes from the uninsured. Approximately 2.5 million Floridians lack health insurance coverage, and Miami-Dade County is home to the largest percentage (28.7%) of these Floridians. Many of the state's uninsured can be called the "working poor." They often work low-wage jobs at small businesses in the service sector. Either they cannot afford insurance premiums, or their employers do not offer health insurance plans. A number of Florida's retirees are also uninsured.

The uninsured strain South Florida's healthcare system because they rely on emergency care instead of preventive care. When they get sick, they go to a hospital instead of a primary care physician. These visits to the emergency department stretch resources and increase wait times. They also carry a high financial cost, which the hospitals (and, therefore, other patients) must absorb. In fact, in 1999, Florida's hospitals absorbed $1.2 billion in costs associated with treating uninsured patients.

WHAT APPROACHES SHOULD WE TAKE TO REDUCE THE NUMBER OF UNINSURED IN FLORIDA?

APPROACH ONE: Support the Affordable Healthcare for Floridians Act.

In 2004, the Florida Legislature passed the Affordable Healthcare for Floridians Act. The Act contains three measures designed to improve access to health insurance.

First, the Act expands the Health Flex Program statewide. This program invites insurers, HMOs, local governments, and other organizations to develop plans that "offer basic affordable health care services to low-income uninsured state residents." One of the first Health Flex Plans was created by American Care, Inc., a physician group in Miami-Dade County. When approached by the state, few insurance carriers have expressed interest in the program. Some local governments have expressed interest, but believe the program would need to be subsidized by Medicaid to be successful.

Second, the Act recreates Florida's high-risk insurance pool, which was closed to new enrollees in 1991. The pool guarantees health insurance to Floridians with pre-existing, high-risk conditions and others "who would not otherwise have access to insurance." According to the Florida Insurance Council, "high-risk pools always run deficits because premiums for sick individuals can never cover the costs of their care." Florida will cover the deficits in its pool with general revenue funds.

Third, the Act encourages insurers to offer plans in combination with Health Savings Accounts (HSAs) recently created by the federal government. HSAs are interest-bearing, tax deductible accounts used to cover healthcare expenses. When people without health insurance use HSAs, they must play a more active role in making their healthcare decisions. The Florida Legislature hopes uninsured Floridians can use the savings benefits of HSAs to make insurance premiums more affordable.

APPROACH TWO: Establish insurance pools for small businesses.

As previously noted, many of Florida's uninsured are employed by small businesses. A number of these small businesses do not carry health insurance plans because they cannot afford their portion of the premium payments. The Small Business Administration estimates that, in 2002, the average premium payment for private companies with less than 10 employees was $4495 per employee. During that same year, the average premium payment for private companies with 100-999 employees was $4072 per employee.

Some propose allowing Florida's small businesses to pool together to leverage their insurance plan purchasing power. These proponents believe the pools will make insurance coverage more affordable by spreading the costs over a larger number of workers. On a national level, small business insurance pools are called Association Health Plans (AHP), and the Congressional Budget Office has estimated they could bring premium reductions of anywhere from 9% to 25% to small businesses.

Opponents note that the reductions will likely be at the low end of the range. Also, they worry that these pools might operate outside of state insurance regulations and might fail to maintain reserves adequate for covering all claims. In addition, many small employers who can afford health insurance plans might abandon those plans to join a less expensive purchasing pool.

APPROACH THREE: Change malpractice liability laws.

In recent years, the medical liability insurance premiums that doctors pay have increased sharply. In fact, the Congressional Budget Office reports that doctors' premiums increased an average of 15% between 2000 and 2002. Florida has some of the highest medical liability insurance premiums in the nation. For example, in 2002, general surgeons in Miami-Dade County who were covered by the state's largest insurer paid an annual premium of $174,300 – a 75% increase over the premium paid in 1999.

Some believe the rising costs of medical liability insurance have increased the cost of healthcare in general, which makes health insurance more expensive for all Americans. They propose capping the amount of non-economic (pain and suffering) damages that can be awarded in malpractice cases. A July 2002 report by the U.S. Department of Health and Human Services stated that caps on non-economic damages could drive down healthcare costs by 5% to 9%.

Opponents say there is no assurance that capping non-economic damages will lower doctor's premiums. Only legislation rolling back premiums can provide real assurance. These opponents also state that – if the premiums do go down – the 5% to 9% savings might never be passed on to patients. Yet, the caps will prevent patients who have experienced pain and suffering from getting the injury awards they deserve.

THREE APPROACHES TO REDUCING THE NUMBER OF UNINSURED

- ***Support the Affordable Healthcare for Floridians Act.***
- ***Establish insurance pools for small businesses.***
- ***Change malpractice liability laws.***

WHAT APPROACHES SHOULD WE TAKE TO MAKE PRESCRIPTION DRUGS MORE AFFORDABLE IN FLORIDA?

Broward, Miami-Dade, and Palm Beach Counties are home to millions of senior citizens, including nearly one million people who are age 65 or older. According to an October 2000 report to the U.S. House of Representatives, more than 40% of these seniors lack prescription drug coverage. One out of every eight Florida seniors surveyed said they skipped or reduced dosages because they could not afford their full prescriptions.

APPROACH ONE: Support privatized prescription drug discount programs.

Medicare currently offers a drug discount card program to seniors. The cards are sponsored by private organizations, including some health insurance companies. The U.S. Department of Health and Human Services states that these cards could bring seniors, especially low-income seniors, savings of 11% to 18% on brand-name drugs. The savings on generic drugs could be even larger. These price reductions come from manufacturer rebates and other special arrangements the private sponsor organizations have made with drug manufacturers.

Supporters of privatized prescription drug discount programs, like the one approved by Medicare, believe they are the best way to make prescription drugs more affordable. They say the cards help focus the discount on the groups that need it most – in this case, senior citizens. In addition, the privatized aspects of the program take the financial and administrative burden off the government and help to fuel competition that drives costs down even further.

Critics say prescription drug discount programs are too complicated for the neediest groups, like senior citizens, to understand and use. In addition, they believe the discounts are too small to offer real relief and that privatization has failed to fuel substantial competition in the past.

APPROACH TWO: Continue to allow Floridians to re-import drugs from other countries.

When Americans discuss re-importation of prescription drugs, they usually focus on Canada. Brand-name prescription drugs are generally priced lower in Canada than they are in the U.S. In fact, in 2004, a Lipitor prescription that cost $204.57 at a U.S. pharmacy cost only $144.57 at a Canadian pharmacy. The cost savings come from a variety of factors, including drug price controls established by the Canadian government and an exchange rate that favors American consumers.

Promoters of re-importation say it guarantees a substantial costs savings to all Americans who use prescription drugs. They also believe re-importation gives buyers bargaining power with pharmaceutical manufacturers, which could drive all drug prices down. In addition, they argue that re-importation puts little burden on the government, since it is up to consumers to pursue the bargain.

Critics of re-importation warn that the prescription drug demand from one state – like Florida – could consume the entire Canadian drug market. In addition, they point out that the safety of imported drugs cannot be guaranteed and that some pharmaceutical manufacturers have refused to supply Canadian pharmacies that choose to export prescription drugs. These critics also worry that large scale re-importation could undermine the revenues pharmaceutical manufacturers need to support the research that brings new drugs to market.

APPROACH THREE: Stop pharmaceutical companies from advertising drugs directly to consumers.

In 2001, pharmaceutical manufacturers spent $19.1 billion to promote prescription drugs. 86% of this advertising was focused on doctors. The other 14% went to direct-to-consumer (DTC) advertising. DTC ads are the ones seen on television and in magazines. They usually focus on a drug company's leading, brand-name products. There is much debate about how much of the cost of these advertisements is passed onto consumers, but most people would agree that drug prices reflect at least some of these promotional costs.

Some propose putting a moratorium on DTC prescription drug advertising. They believe this will reduce the cost of prescription drugs in two ways. First, they say pharmaceutical companies will need less money for advertising, which should mean a cost savings for consumers. They think Canada's lower drug prices are at least partially due to the nation's 1997 ban on direct-to-consumer advertising. Second, they say a DTC ban will lead fewer consumers to seek specific drugs from their doctors, which will reduce the number of drugs prescribed. As a result, consumers will no longer be purchasing drugs they do not need.

Critics of this plan say the public deserves to be directly informed about available medical treatments, including prescription drugs. They also argue that there is no

evidence that DTC advertising directly impacts the price of drugs or that it encourages inappropriate prescriptions. In addition, they note that there is no guarantee that the dollars pharmaceutical companies do not spend on advertising will be passed onto consumers in the form of lower drug prices.

THREE APPROACHES TO MAKING PRESCRIPTION DRUGS AFFORDABLE

- ***Support privatized drug discount programs.***
- ***Continue to allow re-importation of drugs.***
- ***Ban pharmaceutical companies from advertising direct to consumer.***

Additional information about *By the People: A Citizen's Healthcare Forum* can be found on WPBT Channel 2's website. Simply log onto www.channel2.org and click on the *Citizen's Healthcare Forum* button.

This portion of the backgrounder was prepared by WPBT Channel 2.