Healthcare for Uninsured Children: Where We Are and Where We Are Going

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Bio:

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Abstract:

President Barack Obama campaigned on a promise to expand healthcare coverage in the United States to all. This essay examines the political campaign promises, the current mixed structure of the public and private insurance programs in the United States, focusing on children's healthcare. The paper concludes by examining the options for reform facing the nation: expansion of the private healthcare system, expansion of the public healthcare system, and a novel suggestion for a healthcare program for children that is modeled after the public schools with public tax funding, but with an option to choose a private insurance plan instead if families can afford it.

Introduction

President Obama made many promises while campaigning for the Presidency. One of the main topics he used to garner support for his cause was healthcare reform. President Obama made this a central theme to his candidacy. He championed the concept that high taxed, government-run healthcare and unregulated insurance companies are both wrong. President Obama is striving for a healthcare system in which everyone has both private and public sources of insurance available. He has many different ideas on how to change the healthcare system so that it works better for the people. One of the priorities he established was healthcare for children. With 8.6 million uninsured American children, there is increased pressure to expand coverage to include these children. In 2007, 58.4% of American children (about 45 million) received healthcare through private insurance coverage, 27.6 % (21.5 million) were covered through Medicaid, with 2.9% (2 million) covered by other public programs leaving the remaining 11.1% without coverage (Sullivan & Klein, 2008). This uninsured number is down from 11.8% in 2006, a difference of 500,000 children. The new Administration is hoping that this positive trend will continue with the passage of the Children's Health Insurance Program Reauthorization Act of 2009 and the health information technology incentives written into the American Recovery and Reinvestment Act of 2009. The goal of achieving complete coverage, however, will not be achieved without further expansion. Many possible plans for covering the remaining uninsured have been proposed and are being debated in Congress. These include expansions of both private and public healthcare providers.

The Private Sector

The majority of the American public receives its healthcare coverage through private group insurance plans available through their employers. Private health insurance coverage began to

expand rapidly in the U.S. following World War II when employers cleverly offered workers nontaxable fringe benefits to get around the freeze on wages mandated by Congress to prevent inflation in those boom times. Recently, there has been an increased market for independently purchased health insurance that is not subsidized by employers. The major subdivisions of private insurance include the commercial health insurers, Blue Cross and Blue Shield programs, and health maintenance organizations or HMOs. Commercial health insurers are owned by either the stockholders in the company or the members of the plan (Claxton, 2002). Blue Cross and Blue Shield plans started out as not-for-profit health organizations. Today Blue Cross and Blue Shield plans are generally franchised organizations in most states and operate very similarly to commercial health insurers while in other states they continue to operate as nonprofit insurers.

The HMO plans operate by spreading costs to all of the participants in the plan. This keeps people from having outrageous costs when they have a medical emergency. Managed care is prevalent among private insurers.

> Under managed care, health coverage providers seek to influence the treatment decisions of healthcare providers through a variety of techniques, including financial incentives, development of treatment protocols, prior authorization of certain services, and dissemination of information on provider practice relative to norms or best practices. (Claxton, 2002, p. 3)

This helps the insurance companies keep costs down by avoiding more expensive procedures. Most American children get their healthcare through a private employer-sponsored program which falls into one of the three categories listed above. There has been a growing trend in recent years in purchasing individual or family health insurance coverage directly from an insurance company without going through an employer. Private insurance is a difficult thing to maintain

because it is so often linked to employment, so when employees lose their jobs they will lose coverage for their entire family. Changing jobs can be equally difficult because changing employers could mean changing insurance companies with different benefits and different physicians.

The Public Sector

Much has been made of public healthcare through the years of debate regarding healthcare reform in the United States. Public healthcare systems like those implemented in Canada and Great Britain have been at the forefront of positive and negative publicity surrounding large scale public healthcare programs. The United Kingdom provides almost free healthcare to its citizens through the National Health Service in which the national government owns the healthcare facilities and employs the healthcare workers, although there is small but growing number of British citizens that are privately insured. Canada provides a national insurance program to all of its citizens. The Canadian system is a single-payer system in which the government provides payments to hospitals and physicians that are negotiated annually between the federal and provincial governments. In the United States, the private insurance model is predominant, with a publically funded health insurance program for retired workers (Medicare) and a publically funded program for low income residents (Medicaid).

Medicaid

Medicaid was signed into law as part of Title XIX of the Social Security Act of 1965 by President Lyndon B. Johnson. It was introduced as a way to cover low-income families who were not covered by employer-sponsored insurance. The misconception that Medicaid covers everyone who is poor is not true and shows a gap in the coverage provided by the government. Low-income, non-disabled adults, whether they have children or not, are very rarely covered by

Medicaid and those people form a significant percentage of the uninsured population. In many states it falls to counties, cities, and communities to fill the gaps left after those with private insurance and Medicaid. Medicaid is jointly funded by the federal and state governments to take care of citizens. The administration is handled at the state level and because of this, many states handle Medicaid funds very differently. Every state must answer to the Center for Medicare and Medicaid Services (CMS). Within the broad regulations laid out by the CMS, states can use the funds to care for children's healthcare in the way that best suits the uninsured population of their state.

Medicaid works by paying for services in the private or public sector for beneficiaries of the program. A Medicaid participant is able to see any doctor willing to take Medicaid patients, and the doctor then bills the state Medicaid administration. There is a troubling tendency for many doctors to opt not to see patients who use Medicaid as health insurance because the pay is not as good as private insurers and in some cases, barely covers the cost to the doctor for performing the service. In a 2007 Wall Street Journal Article, Vanessa Fuhrmans explains some of the glaring problems with Medicaid in the state of Michigan.

> For every chest X-ray Dr. Mukkamala performs, for instance, Medicaid pays him $20. Commercial insurers such as Blue Cross pay about $33 and Medicare pays $30. But with technicians, film and other equipment, his costs are about $29 per X-ray, he estimates. (Fuhrmans, 2007, p. A1)

This is a snapshot of the growing problems with Medicaid due to lack of funding, and this is seen in every state to one degree or another. Many attempts have been made to expand coverage to more uninsured children.

Children's Health Insurance Program

The Children's Health Insurance Program (CHIP) was one such attempt. CHIP began in 1997 when President Bill Clinton signed it into law as the largest expansion of tax-payer funded healthcare since Medicaid began. Originally named the State's Children's Health Insurance Program (SCHIP), CHIP was designed to provide insurance coverage for children who did not qualify for Medicaid, but were still uninsured. States have the freedom to structure their CHIP programs in a way that best suits its citizens. Some states, like Louisiana, combine CHIP with Medicaid and combine the funds to best serve their kids. California, on the other hand, splits the two programs into a Medi-Cal (Medicaid) and Healthy Families (CHIP) program. Like Medicaid, CHIP is funded by both federal and state dollars. States have used CHIP to expand coverage to children whose family's income falls as high as 300% above the Federal Poverty Level.

Executive Orders handed down during the Presidency of George W. Bush made it more difficult for states to expand coverage to some of the higher income families between 250% and 300% of the Federal Poverty Level. Arguing that expanding coverage to higher income families took healthcare dollars away from the original target group for CHIP, President Bush set up checkpoints that states had to meet in order to raise CHIP eligibility over 250% of the Federal Poverty Level. In order to cover children whose family income was greater than 250% of the Federal Poverty Level, states had to have 95% of children less than 200% of the Federal Poverty Level enrolled in either Medicaid or CHIP and had to have no more than a 2% drop in employer-sponsored insurance over the last five years. Most public health experts believed that these standards were impossible to meet and was essentially a federal ban on covering children above the 250% limit (Georgetown University Health Policy Institute, 2007). For similar reasons, two

attempts to reauthorize and expand CHIP, which were set to expire at the end of 2007, were vetoed by President Bush. Congress passed a bill to continue CHIP funding until May 31, 2009 to give them more time to come up with an effective compromise.

Children's Health Insurance Program Reauthorization Act of 2009

After the simple extension passed under President Bush, one of the first priorities of the 111th Congress was to reauthorize CHIP. With a new Presidential administration coming to power, this task proved to be much easier than under the previous administration. One of the first pieces of legislation to pass through the Congress and be signed by President Obama was the Children's Health Insurance Program Reauthorization Act of 2009 (Kaiser Family Foundation, 2009), which amended Title XXI of the Social Security Act to extend and expand coverage under the program. It provides federal funding for healthcare for indigent children through 2013 with plans built in for continued and expanded coverage after that point.

The Obama administration, in conjunction with the signing of this bill on February 4, 2009, rescinded the requirements for raising coverage limits put in place by President Bush. The additional funding and the repeal of the limitations on coverage has allowed the states to move forward with raising coverage levels to as high as 300% of the Federal Poverty Level. In periods with increased coverage limits, like the one following this Act, we see, perhaps counter intuitively, that with increased efforts to finding eligible children in the new levels, we find more children eligible for the lower limits that were missed or dropped during previous enrollment initiatives. The Congressional Budget Office (CBO) estimates that an additional 6.5 million children will be covered by 2013 that would otherwise have no medical coverage. In addition to the increased funding for children's coverage, the act lowers the amount available for coverage for parents, making exceptions for pregnant mothers but limiting waivers for parent coverage.

States currently covering parents could continue that coverage through 2011, and coverage of childless adults through the end of 2009 (CHIPRA, 2009). Coverage of legal aliens with appropriate documentation is now approved, eliminating a previous five-year waiting period required before being eligible for Medicaid and CHIP.

American Recovery and Reinvestment Act of 2009

Another hallmark piece of legislation that came from the first session of the 111th Congress was the American Recovery and Reinvestment Act of 2009. This is commonly referred to as the "Economic Stimulus Bill." Included in this bill are a series of programs and investments designed to stimulate the United States economy out of the recession that plagued the country from the end of 2008 through 2009. Among the programs were healthcare improvements and incentives to get healthcare facilities up-to-date with health information technology and provide tax incentives for healthcare coverage. Of the nearly $148 billion allocated for healthcare in the bill, the majority is to be used for Medicaid expansion, health subsidies for the unemployed, and upgrading hospitals and clinics to electronic medical records and other health information technology updates (American Recovery and Reinvestment Act of 2009).

Princeton's Uwe Reinhardt, a James Madison University Professor on Political Economy, theorizes that providing quality healthcare to all American citizens would stimulate the economy more than the programs in the American Recovery and Reinvestment Act (Louis-Charles, 2009). Job creation, increased productivity, and development of health information technology would have a stimulant effect on the economy. However, the steps taken by the Obama Administration are widely considered to be steps forward in the healthcare industry, and will have much of the stimulant effect Reinhardt believes accompanies expanding our healthcare program. One problem commonly faced by indigent children is the lack of a regular healthcare provider. They

do not have a single doctor they go to visit when they are sick. Often, their doctor is whatever doctor is assigned to the emergency department at their local hospital. This makes it very difficult for the doctor to provide any sort of continuity in care for the patient. Electronic medical records, which are subsidized by the American Recovery and Reinvestment Act, will make it easier for doctors to know what kind of care has already been provided to the patient by doctors in the past, what kind of family and personal history the patient has, and other information that goes along with seeing the same doctor, even if it is not possible for the patient to see the same doctor each time.

Where We Are

Problems Remaining to be Solved

While the efforts by the 111th Congress through the Children's Health Insurance Reauthorization Act and the American Recovery and Reinvestment Act should be applauded and appreciated, it is not the end of the road. We still have 8.6 million uninsured children in America (Sullivan and Klein, 2008). To put that number in context, 8.6 million is larger than the population of New York City by 300,000 people. This is roughly the size of the populations of Los Angeles, Chicago, and Houston combined. There is still much work to be done. Despite spending more money on healthcare each year than any other nation, the U.S. ranks 28th among developed nations in infant mortality rates. Healthcare costs account for 16% of U.S. gross domestic product, and yet is also the number one reason why Americans file for bankruptcy.

President Obama addressed these issues in a 2008 Presidential debate with Republican opponent John McCain. Obama said,

> I think [healthcare] should be a right for every American. In a country as wealthy as ours, for us to have people who are going bankrupt because they can't pay their medial bills--

> for my mother to die of cancer at the age of 53 and have to spend the last months of her life in the hospital room arguing with insurance companies because they're saying that this may be a pre-existing condition and they don't have to pay her treatment, there's something fundamentally wrong about that. (Second Presidential Debate, 2008)

This is a sign that the national perspective on healthcare is changing to be more inclusive and to see healthcare as a right, not a privilege for only wealthiest and healthiest among us. This shows that those 8.6 million children might someday have the healthcare they cannot afford today.

Proposed Solutions

There are many ways that these issues could be solved and many Congressional leaders have put forth different iterations of plans in the last decade. The solutions we consider have some constraints, however. We know that this problem is not going to fix itself, so proposed solutions must be practical and cost-effective. We will consider three possible solutions that have been proposed over the last few years. We will consider a large investment into the expansion of private healthcare, a government sponsored healthcare program, and a public school model for healthcare. Each solution has aspects to it that solve problems, while in some cases creating new problems. We will compare these models and arrive at a model best served to solve the healthcare deficit in America.

Where We Are Going: Expanding Private Care

A theory common among those that believe strongly in the market is that if we wait long enough, market corrections through supply and demand will cause the price of private insurance to come down to a level where everyone can get coverage for a good price. We are starting to see the possibilities for this solution to take place with the rise of companies like Assurant Health who sell individual and family policies directly to citizens without employer involvement. They

sell temporary and long-term health coverage to self-employed, unemployed, and other people who do not get enough health coverage from their employers. With the demand for health insurance going up, companies will be forced to provide more options at better prices to stay competitive in the market. Introducing the government into this competition would give an unfair advantage to the government because they have more press coverage and tax dollars to operate with. This might cause the private insurance sector to go under because they cannot afford to compete with the government and would undermine that the American free market economic system. However, in times of economic turmoil, insurance companies might be forced to cut jobs and coverage in order to stay in business and continue to function as a company. People would lose part of their coverage when the economy is down just when they need the most relief from healthcare expenses. This plan would have a minimal effect on tax payers because everyone would be paying for their own individual healthcare plans and so there would be no need for an increase in taxes.

National Healthcare Plan

A "national healthcare plan" is an ambiguous term by most standards because there are so many ways to provide a nationally run healthcare plan. This could be run similar to the program that exists in the United Kingdom where all healthcare is provided directly from the government with no insurance necessary. Citizens of the U.K. go to government run clinics and hospitals and no money changes hands. In Canada, they provide their national healthcare differently. Canada decided to institute a government insurance program, so that citizens go to private doctors and hospitals, but the services they receive are paid for with public government funds. The system adopted by the United States would probably be closer to the Canadian system because it more closely resembles our current system.

This system would work similar to the current U.S. Postal Service. This service would be provided to everyone at minimal direct cost to the person, because most of the cost associated with running the program would be taken out of tax dollars. People would have the option to opt out of the program in order to purchase their own private insurance similar to how citizens can choose to ship mail with UPS, FedEx, or similar private mail carrier systems. The coverage of healthcare by tax dollars would be positive because it would not rely on the current economic state of the person needing service. The coverage could be guaranteed by the government in times of economic troubles so citizens would not be in danger of losing their coverage because of insurance companies protecting their bottom lines. This would have higher levels of confidence in healthcare protection during recessions. Changing government administrations with different views of how best to provide coverage might lead to some level of instability every time America changes leadership. To implement any type of national healthcare plan would require a relatively large tax increase in order to fund healthcare for everyone.

The Public School Model

Between the two extremes we have already covered, I propose that there is a compromise. If we relate the national healthcare plan to the U.S. Postal Service, then the compromise plan might best be compared to our public school system. The United States should consider a plan so that, starting with prenatal care, all healthcare is covered by some national plan for all children. Under this plan, new parents will not have to worry about adding new people to their private employer-sponsored insurance or to worry about having to choose between food for their children and health insurance. This plan could be strictly age based or require verification of enrollment in school similar to driver's license privileges. The plan would encourage providing solid education and healthcare through their early lives so that our children

grow up to be healthy, educated, and ready to enter the American workforce where they will receive employer-sponsored benefits. This would maintain the private insurance market, although changing the target customers. Parents would be able to get more comprehensive coverage for themselves instead of minimal coverage for the whole family.

Parents who want to include their children because their employers provide comprehensive coverage at a competitive rate and they have the income to cover them, would be able to opt out of the program just as they are able to opt out of public schools by sending their children to private schools. Taxes would have to be levied for these services, but not to the extent necessary for a full nationwide healthcare plan. Taxes could be paid in a manner similar to school taxes where they are collected and distributed at the local level so that each city or county could use the money in a way that was most consistent with the health needs of children in the area. This would hopefully prevent any kind of delay between the collection of funds and the payment of doctors and nurses for their service to the children of America.

Comparing the Plans

Coverage

One of the most important elements to consider when purchasing health insurance is how much coverage is provided by the plan. With a private insurance plan, the coverage will depend entirely on the type of policy you have, what company you take it from, and what procedure is needed. This could create confusion when trying to determine whether the care services needed are covered under your specific plan, but also allows flexibility for customers to only purchase the level of coverage they need based on their current age and health status. It would be impossible to dictate on a national level what kind of coverage everyone requires and so the national plan would have to be almost fully comprehensive to cover the healthcare needs of the

average American. The children-only plan would have similar problems, but would maintain the flexibility to choose a policy for adults who are starting to buy their own health coverage.

Cost

As was already mentioned, national healthcare programs require tax dollars from the citizens to support. A full cost analysis would have to be done in order to determine what tax rates would be necessary to cover every American for the national healthcare plan. Similar analysis would be required to evaluate the children-only plan, which would require a lower tax level, but perhaps a different structure based on whether it is established as a local or state managed program or as a department run through the federal government. Private insurance policies would send the cost directly to those covered under them and their employers, which requires no direct tax dollars to fund.

Stability

There are many factors to consider when determining the stability of a healthcare system. The private insurance solution would not be regulated by a government employee who says whether or not you will receive the experimental care you could choose on a more flexible private insurance plan, but would be subject to fluctuations of the market. During booming economic times, coverage would be more comprehensive and less expensive, but, as times get hard, some coverage might get cut or rates might go up for the same basic coverage. A national healthcare plan would not be as affected by market swings and trends. However, in a government-run system, civil servants would be responsible for deciding what services and procedures would be covered under the United States national healthcare plan, and this might not include some specialty treatment. In order to get this care covered, it might be necessary to apply

for a waiver or testify before a board of government employees. This would be similar to the situation in private insurance when more radical treatment methods are proposed.

Conclusion

Healthcare is one of the most pressing issues facing the United States today. There is much work to be done in order to provide healthcare coverage to every American citizen. As a nation, our leaders should strive to make sure that as many citizens as possible have the best healthcare available. There are many ways to approach this problem, all of which might work long term, but we want to see as much progress as possible quickly. We must also consider the troubling economic times we are currently in which do not allow for an out of the normal investment of tax dollars because we need to be more frugal with out money now than in times of prosperity. We have made several key steps in the first few months of 2009, but this is hopefully just the beginning of our leaders coming together to put together a comprehensive healthcare package that will make it easier for all American citizens to get the healthcare coverage they need in order to be healthy, contributing members of the American workforce. The expansion of both private insurance tax credits and public healthcare plans will be needed to bridge the gap between those who can afford quality health insurance and those that rely on public programs such as Medicaid and CHIP for their healthcare. Providing nationally sponsored healthcare to our children will free up some income for parents to get better coverage for themselves while still guaranteeing quality healthcare for their children. This will put children in a better position to be healthier and better educated and, therefore, make them an asset to their future employers. This would end the cycle of children growing up with no healthcare and give every child a better opportunity to make their full contribution the United States of America.

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