

## Rising Health Care Costs By Glenn Grothman

One of the most difficult and important issues facing both the state legislature and our country is that of health care costs. It is not unusual to hear of health insurance premiums going up 30% a year for some employers.

As rising health care costs force employers to have employees pay larger shares of their insurance premiums, it prevents increases in take home pay. More significantly, it puts our state and country at a huge competitive disadvantage compared to foreign labor. It is probably one reason why employers are reluctant to hire new employees even as the country recovers from an economic downturn.

Health care costs are also a huge problem for government budgets. Most government budgets on all levels are employee related – so health insurance premiums have a big effect. Even the cheaper family plans offered by the state of Wisconsin for its employees cost the state about \$11,000 per year. The state is the health insurer of the poor through Medicaid and related programs. Not surprisingly, this is the part of the state budget that has grown fastest.

Why have costs gone up so quickly? Why is inflation outside of the health care fields almost nonexistent, but we spend massive amounts more each year on health care? Studies will attribute much of the recent increase to increases of costs and the amount of prescription drugs, the aging population, new hospitals and equipment, and some fraud.

While this is true, a huge part of the problem is that when purchasing health care, unlike other goods and services, the consumer is frequently not the one who pays the bill. While we are seeing more co-pays and larger shares of premiums paid by employees, the bulk of additional costs for drugs, tests, and additional doctor visits are still directly paid by insurance. As a result, more people are not cost conscience when they make medical purchases. This is a large part of the problem. If an insurance policy paid for all car repairs it would probably cost \$50 for an oil change and \$400 for new battery. We must find a way to have patients monitor costs. (Large increases do not have to be the case – medical procedures such as cosmetic surgery, which are not covered by insurance, have actually dropped in cost in the last few years.)

There are two main ways employees can pick up more costs. One is to pay more of the premium; another is to pay more of the actual bill. Would you rather apply \$3,000 toward your health premium or have a \$5,000 deductible on your policy? The deductible could be paid for with pretax dollars. When presented with this choice, I am told many employees or their unions claim they would rather pay the insurance premium and get complete coverage. In the long run, this is clearly not in society's benefit.

This year for the first time almost all state employees will be paying some of their health insurance premiums. Unfortunately, the state of Wisconsin, in negotiations with its employees, is pushing for more of the premium being paid and not an increase in deductibles. This is a big mistake. Furthermore, because such a large segment of the population is employed by the government, if government employees are not cost conscience health care providers will not be pushed into providing the information that employees that do have big deductibles should be demanding. I will be introducing legislation requiring at least a \$1500 deductible on all state insurance policies. I should point out in negotiations with their unions, this deductible will take the place of some of the payment of premiums. Nevertheless, the state should take a leadership role among all governmental entities in making deductibles the norm. As more employees have deductibles on their policies, they will demand more information from the providers, which will make it easier for everyone to become a smart medical shopper.

Please let me know what you think on this issue. Contact me here in Madison---please call 1-888-534-0058.

Madison Address: P.O. Box 8952, Madison, WI 53708-8952

Home Number: (262) 338-8061

E-Mail: Rep.Grothman@legis.state.wi.us

Madison Office Toll-Free: 888-534-0058

Madison Fax: 608-282-3658

WWW: <http://www.legis.state.wi.us/assembly/asm58/news/index.html>