



Five Ways to Improve Health Care for Women

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Introduction

Women are the nation's major healthcare decision makers.¹ An election survey of voters found women listed health care as a higher priority than men.² Women recognize that the current healthcare system has many problems, many of which directly or indirectly affect working women, married women, and mothers.

At the forefront of concerns facing Americans, but especially women, is the lack of healthcare security. An estimated 19 percent of women between the ages of 18 and 64 have no healthcare coverage.³ Issues such as rising healthcare costs, changing workforce dynamics, and the shortcomings of public health programs all affect healthcare coverage for women and contribute to the consequences of uninsurance for all Americans.

Policymakers must act on initiatives that help alleviate the unease in the current healthcare system and prevent a further increase in the number of Americans without health insurance. These policies should be based on the principles of individual ownership, choice, and control. Policymakers should:

- Reform the tax treatment of health insurance;
- Expand coverage options;
- Improve consumer-directed care models;
- Modernize the employer-based system; and,
- Transform the current entitlement structure.

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Challenges to Women's Healthcare Coverage

The healthcare system faces a variety of challenges, many of which are uniquely illustrated by their effect on women.

Changing Workforce Dynamics

Although the majority of Americans get their coverage through the workplace, the outdated World War II employer-based model can negatively affect coverage for women.⁴

It is difficult for an employer to design a one-size-fits-all plan to meet the varying needs of its workforce. Thus, many employees are left unhappy with the choices made by their employer.

- People no longer stay with one job for their entire lives. The workforce is more mobile and temporary. The Department of Labor estimates about one-third of the workforce changes jobs each year and the average worker will hold ten jobs by the time he or she is 38 years old.⁵
- Just because you have a job does not mean you have health insurance. Over two-thirds of the uninsured are part of working households, meaning at least one person in the household has a job.⁶
- The type of job also affects the availability of coverage. Part-time and contract workers are not typically offered coverage through the workplace.

For women, these workforce dynamics can have a direct effect on coverage. Not only is the workforce more mobile and transient, but women tend to be entering and leaving the workforce more often than men. A woman may leave the workforce to start a family. Upon returning, a woman's job status may change to part-time or contract work, which often does not include the same healthcare benefits as full-time work. This can be even more problematic, for example, for a single mother who works several part-time jobs but does not qualify for coverage through any of them.

Rising Costs of Employer-Based Coverage

Most Americans get health insurance through their workplace. Thirty-eight percent of women qualify for employer coverage on their own, while 25 percent obtain employer coverage as a dependent.⁷ Employer-based coverage faced premium increases of 9.2 percent in 2005.⁸ Annual premiums for individual coverage topped \$4,000 and neared \$11,000 for family coverage.⁹

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The small-business sector, where coverage is regulated at the state level, tends to face additional costs because of state regulations. For example, state-mandated health benefits and services can add significantly to a health insurance premium. Council for Affordable Health Insurance actuaries estimate that mandates can increase the cost of health insurance by 20 percent to 50 percent, depending on the mandate and the state.¹⁰

Although the rate of increase was lower than in previous years, a 9.2 percent increase is still a significant burden to employers and employees. To address costs, employers often cut benefits, shift costs to their employees, or drop health insurance altogether.

These rising healthcare costs can affect women in a variety of ways, making it unaffordable and unattractive, or leaving some women without health insurance altogether. For example, some women may not be able to afford their share of an employer plan, others may not qualify for employer coverage, or they may not be offered coverage by their employer.

Moreover, because of the one-size-fits-all employer-based system, a woman's preferences may not be met. Either a service may be covered that a woman may not need or want (such as cosmetic surgery) or may find morally objectionable (like in-vitro fertilization). Alternatively, a service or product such as birth control or a diabetes nutritionist that they deem important may not be covered. Many women getting coverage through an employer-based system may be unhappy with the choices made by the employer, and are also left paying premiums that reflect those employer's choices.

As taxpayers, women should be concerned that the growing portion of government-provided health care is expected to rise, especially as more and more baby boomers retire and join Medicare and Medicaid.

Fiscal Instability of Public Health Programs

Government-run programs like Medicare and Medicaid are also a problem in today's health-care system.¹¹ First, they are fiscally unsustainable. The Congressional Budget Office estimates that Medicare and Medicaid will account for 12.6 percent of GDP by 2050, compared to 4.2 percent in 2005.¹² Centers for Medicare and Medicaid actuaries estimate that by 2015 half of all health spending will be controlled by the government.¹³

As taxpayers, women should be concerned that the growing portion of government-provided health care is expected to rise, especially as more and more baby boomers retire and join Medicare and Medicaid. As with all entitlement programs, these government programs depend on a growing workforce to support future retirees. In addition, women tend to live longer and are more likely to enroll in one or both of these programs, thus increasing their dependence on government for their healthcare needs when they are older or face financial hardship.

Moreover, women who must depend on these programs face declining quality of care. In Medicare and Medicaid, personal medical decisions on such questions as breast reconstruction, access to the latest drug innovation or Alzheimer's care are in the hands of politicians and government bureaucrats rather than a woman and her doctor.



Consequences of Uninsurance

Uninsurance is a concern for the uninsured and the insured. People without insurance worry about what will happen if they get a costly medical condition, such as cancer; people with coverage worry that they may lose their coverage and join the ranks of the uninsured.

Uninsurance also contributes to the costly uncompensated care system . . . Thus, while some women may not feel directly affected by the uninsured, the reality is that it affects them as taxpayers and can strain their own access to care.

While studies show that most uninsured are not without coverage for long periods of time, lapses in coverage still have negative consequences, both for the individual and for the health-care system as a whole. For example, being uninsured perpetuates the lack of continuity of care. According to the Kaiser Family Foundation Women's Health Survey, 51 percent of uninsured women do not have a regular doctor.¹⁴ Only 51 percent of uninsured women reported having a breast exam, and only 59 percent of uninsured women reported having a Pap smear, compared to 81 percent and 80 percent, respectively, of women with private coverage.¹⁵ This may lead some uninsured women to obtain care once a condition is no longer preventable, resulting in inefficient and costly care.

Uninsurance also contributes to the costly uncompensated care system. In 2004, estimates of the costs of uncompensated care for the uninsured ran as high as \$41 billion, 85 percent of which was paid for with government funds.¹⁶ Thus, while some women may not feel directly affected by the uninsured, the reality is that it affects them as taxpayers and can strain their own access to care.



Policy Objectives

To address current deficiencies effectively, policymakers should focus on solutions based on the principles of ownership, choice, and control. Following these principles can help remedy many of the issues facing women (and men) in today's healthcare system.

Ownership

Individuals should own their health insurance coverage and be in charge of the resources spent on their health. Today's healthcare system is dominated and controlled by employer-sponsored coverage in the private sector and government-sponsored care in the public sector. Employers and government do not control where an individual purchases car insurance or a home mortgage. Why should they control healthcare decisions—arguably a far more personal and private matter?

Owning one's coverage would also make insurers directly accountable to the individual, not to an employer or government that tend to focus more on cost than on individual preferences or needs. It would also resolve the issue of portability, a major problem in today's system, by linking coverage to a person rather than an employer or the government.

Under an individual-ownership system, women would no longer be dependent on their employer, employment status, or the government for their health care. Women would be able to own and control their healthcare coverage throughout their lifetime. Such an arrangement would also lend itself to longer-term relationships between women and their healthcare providers.

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Choice

Current employer and government models follow a one-size-fits-all approach that gives women little choice of coverage or services. The number of employers who offer a choice of different plans has declined, especially among small businesses. According to the Kaiser Family Foundation and Health Research and Educational Trust 2005 employer benefit survey, only 33 percent of small businesses provided a choice of more than one plan.¹⁷

As for government plans, reimbursement and regulatory policies directly affect a woman's choice and access to care. For example, fewer doctors are willing to participate in Medicare or Medicaid.¹⁸ Close to 30 percent of women on Medicaid or Medicare found that a doctor would not accept them as new patients.¹⁹

Healthcare coverage should also reflect the differences between women's healthcare needs and those of men, children, and even other women. Each woman should be able to



choose the coverage arrangement that best suits her specific needs and preferences. A new individual-based system could foster greater specialization, an important feature as new medical innovations and treatments emerge that are based on individual genetic makeup.

Control

U.S. healthcare spending reached \$1.9 trillion and accounted for 16 percent of GDP in 2004.²⁰ Such trends are unsustainable in the private sector and in the public sector. To address the issue, the current system depends predominately on the government and employers to control healthcare costs, sometimes at the expense of individual needs and preferences. As noted, these models depend on rationing techniques: either direct rationing, such as cutting benefits, or indirect rationing, such as cutting provider payments or access to prescription drugs.

Instead of depending on the government or employers to control healthcare costs by rationing care and services on behalf of the public, individuals should determine how best to allocate effectively and efficiently their healthcare resources. Even among women, different women will make different choices based on what they value and prefer. For example, one woman, in consultation with her doctor, may choose radiation over surgery while another woman may choose surgery. An individual-based system allows individuals to weigh their own options based on what they value rather than the choices, or lack thereof, the government or an employer dictates.

Moreover, once control has been returned to the individual, the natural principles of supply and demand will force the healthcare system to meet optimal performance standards based on both cost and quality.



Policy Recommendations

The new Congress should focus on five fundamental policy changes to transform our health-care system into one that better serves not only women generally, but all Americans.

Reform the Tax Treatment of Health Insurance

Today's tax code provides unlimited tax breaks for those who obtain coverage from the workplace but does not extend any comparable tax benefit to those who purchase coverage on their own. Ideally, the current tax treatment of health insurance should be restructured so that it is fairer and neutral to where individuals get their coverage. One way to solve this problem is through a refundable, advanceable tax credit to individuals who purchase coverage on their own. A *refundable* credit would ensure that even those with lower incomes, who have little if any tax liability, receive the full credit. An *advanceable* credit would ensure that individuals purchasing coverage on their own receive up-front credit when premiums are due rather than having to wait for the end of the year for reimbursement.

A tax credit option would revolutionize the current healthcare system by allowing individuals to purchase and maintain their own coverage, regardless of their job or job status.

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Expand Healthcare Coverage Options

Typically, individuals buying their own health insurance are limited to coverage regulated by their state. State policies, such as the combination of strict community rating and guaranteed issue, which require insurers to sell coverage at a fixed price, regardless of age or health status, can significantly affect affordability. The cost of coverage can therefore vary significantly from state to state.

For example, premiums for a family policy in New Mexico averaged annually just under \$3,000 in 2005, compared to just over \$14,000 in New Jersey.²¹

Individuals should have the freedom to decide the state and regulatory structure under which they purchase their health coverage. In an age where individuals can purchase cars and mortgages from various states and over the Internet, the same should be true for health insurance. Such a change would allow Americans to purchase the type of coverage that they feel best meets their individual financial and medical needs.

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Improve Consumer-Directed Models

Since passage of health savings accounts (HSAs) in 2003 and the most recent administrative



changes in HSAs enacted in the last days of the 109th Congress, consumer-directed models that engage the individual more in healthcare decisions have increasingly become a viable and affordable alternative health insurance product. HSAs allow individuals to open a tax-preferred saving account for health expenses provided they purchase a qualified high-deductible health plan. The tax-preferred savings account can be used to pay for qualified health services, including but not limited to meeting the deductible and any cost-sharing requirements of the health plan.

To make HSAs and other consumer-directed products work better, policymakers should look for ways to encourage the market to design tools that help consumers make better healthcare decisions. Information on price and quality should not be set by the government, but led by private-sector innovation. While still relatively new, consumer-directed products put consumers back in control of their healthcare decisions, restore the doctor-patient relationship, and encourage individuals to spend their healthcare dollars wisely, maximizing quality of service obtained for the money spent.

Allow For Greater Employee-Employer Flexibility

Under the current employer-based health insurance system, employers make healthcare decisions for their employees. Under a new, more individual-based system, the role of employers would remain voluntary, but employers would also have the option of moving from a defined-benefit system, where the employer sponsors a health plan, to a defined-contribution system, where the employer chooses to contribute to a worker's own health plan. Employers could base contributions on a specific budgeted amount rather than on unpredictable premium

increases. There is precedent for such change in the pension system, where employers have moved from a defined-benefit structure to a defined-contribution system for retirement.

Policymakers should therefore make certain that such action is not incompatible with or obstructed by existing law. These changes also should be optional: By no means should all employers be required to contribute to their worker's health insurance. In the end, in a system that put individuals in charge of selecting an insurance plan, with employers simply able to subsidize some of those costs, not only would the worker be better able to compare

benefits from competing employers based on a dollar contribution, but workers also might be able to leverage contributions from more than one employer.

[E]mployers would also have the option of moving from a defined-benefit system, where the employer sponsors a health plan, to a defined-contribution system, where the employer chooses to contribute to a worker's own health plan

Reform Healthcare Entitlement Programs

There is no doubt that current entitlement programs threaten to bankrupt our country. The country must face the undeniable future of these entitlements, and this will force policymakers to make some difficult decisions to meet the program liabilities.

Policymakers can start by beginning to transform these entitlements—in this case, Medicare and Medicaid—from defined-benefit to defined-contribution programs along the



lines found in the employer-based pension system. In Medicare, under a new, individual-based system, instead of giving up their health insurance at retirement, qualified seniors could receive “premium support” to enable them to maintain the healthcare plan they have held throughout their lives. In Medicaid, the health program for the poor, qualified individuals could also receive assistance to help them maintain private coverage and help pay for associated healthcare expenses. Under such a model, the taxpayer’s liability would move toward a more definable amount, and individuals, regardless of age or income, could maintain healthcare coverage of their own and not have to turn personal healthcare decisions over to the government in times of need or retirement.

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Conclusion

Women have reason to be particularly concerned about the future of America’s healthcare system, not only as major decision makers, whether they are single, married, or caregivers, but also as participants in the system and as taxpayers. Health care is deeply personal, and women should not feel comfortable or be complacent about turning such decisions over to their employers or the government.

In working to correct these flaws, policymakers should be guided by the principles of personal ownership, individual choice, and fiscal security.

Even within the changing political dynamics of Washington, it is past time for policymakers to recognize that the current system is deeply flawed and that in many instances, the system’s deficiencies can best be illustrated by their effect on women. In working to correct these flaws, policymakers should be guided by the principles of personal ownership, individual choice, and fiscal security. Enacting specific policies, such as reforming the tax treatment of health insurance, expanding choice of coverage, improving consumer-directed models, and facilitating a defined-contribution rather than a defined-benefit system for employers and the government, are steps that would improve the healthcare system and make it more responsive to the legitimate needs of all Americans—especially women.



Notes

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About IWF

Founded in 1992, the Independent Women’s Forum is a non-partisan, 501(c)(3) non-profit educational organization. Its mission is to rebuild civil society by advancing economic liberty, personal responsibility, and political freedom. IWF fosters greater respect for limited government, equality under the law, property rights, free markets, strong families, and a powerful and effective national defense and foreign policy. IWF is home to the nation's next wave of influential scholars—women who are committed to promoting and defending economic opportunity and political freedom.

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