

HELP Subcommittee on Primary Health and Retirement Security

Rural Health Care Costs Roundtable

September 25, 2018, 3:30pm

Dirksen Office Building Room 430

Good afternoon. My name is Tom Glause. I am the Insurance Commissioner for the State of Wyoming. I would like to thank this committee and especially Wyoming Senator Mike Enzi for the opportunity to address you today. In our short time together, I plan to discuss several of the issues and concerns facing health care delivery and health insurance in rural or frontier states like Wyoming and to provide you some considerations for changes.

Numerous studies report that access to healthcare is important for many reasons that effect the physical and mental wellbeing of our citizens.¹ However, in rural settings healthcare and health insurance face additional access and affordability challenges.

Rural residents often experience barriers to health care that limit their ability to obtain the care they need. Increased cost of health care in turn increases health insurance costs. We must remember that health care costs drive insurance costs.

I would like to outline several areas in which rural residents face challenges in health care and health insurance:

Access. Rural areas often have fewer medical providers and transportation limitations to reach services that may be located at a considerable distance. Further, rural residents have difficulties in the ability to take paid time off of work to use such services. Frankly, farmers and ranchers don't have "days off" from tending to livestock. Further, 43.4% of uninsured rural residents report that they do not have a "usual source of care."^{2 3} Only 24% of rural residents can reach a top trauma center within an hour. Rural areas suffer 60% of America's trauma deaths

¹ Health care effects include overall physical, social, and mental health status, prevention of disease, detection and treatment of illnesses, quality of life, preventable death and life expectancy as identified in [Healthy People 2020](https://www.healthypeople.gov/2020/leading-health-indicators/2020-lhi-topics/Access-to-Health-Services), <https://www.healthypeople.gov/2020/leading-health-indicators/2020-lhi-topics/Access-to-Health-Services>.

² June 2016 ASPE issue brief: <https://aspe.hhs.gov/system/files/pdf/204986/ACARuralbrief.pdf>.

³ "Usual source of care" (USC) refers to the provider or place a patient consults when sick or in need of medical advice.

despite having only 20% of the nation’s population. Necessary and appropriate services must be available and obtainable in a timely manner.

Available and Affordable Health Insurance Coverage. Rural areas tend to have fewer insurance companies offering plans.⁴ Wyoming has just one carrier on the Marketplace and two carriers in the Small Group market. Premium increases tend to be higher where there is less competition among insurers. Although 2019 rates are flat, Wyoming saw 2018 plans average increases of 48.6% for individual plans and 30.7% for small group plans.

Hospitals in Wyoming report that Medicare reimbursement is just 65% of the actual costs. This low reimbursement rate results in cost shifting to the non-Medicare population. Rising costs of care result in rising insurance rates.

Rural residents often have limited financial resources to pay for services, including available and affordable health insurance that is accepted by their provider. Rural uninsured are more likely to delay or forgo medical care because of the cost of care compared to those with insurance. Nearly 30% of rural residents report delayed care or report they did not receive care in the previous year due to the cost.

Workforce Shortages - Having an adequate health workforce is necessary to providing that “usual source of care.” A shortage of healthcare professionals in rural America can limit access to care.⁵

Medical Service Delivery Challenges - It is more challenging to deliver healthcare services in sparsely populated areas. Small communities are unable to support full-time physicians for many medical specialties, and the fixed costs of multi-million-dollar hospital equipment cannot be spread across as many patients as in urban or densely populated areas. Rural uninsured face greater difficulty accessing care due to the limited supply of rural healthcare providers who offer low-cost or charity healthcare.⁶ Advanced technologies and expensive medical equipment are cost prohibitive to smaller facilities and communities.

⁴ [Geographic Variation in Health Insurance Marketplaces: Rural and Urban Trends in Enrollment, Firm Participation, Premiums, and Cost Sharing in 2016](#), researchers from the RUPRI Center for Rural Health Policy Analysis, August 2016.

⁵ In September 2018, rural areas made up 57.27% of the primary care health professional shortage areas. See [data.HRSA.gov Preformatted Report](#), “Shortage Areas, Health Professional Shortage Area (HPSA) – Basic Primary Medical Care: Designated HPSA Statistics.”

⁶ Kaiser Family Foundation, 2014, 2016 issue briefs, <https://www.kff.org/uninsured/report/the-uninsured-a-primer-key-facts-about-health-insurance-and-the-uninsured-under-the-affordable-care-act>.

Privacy/confidentiality. Social stigma and privacy concerns are more likely to act as barriers to healthcare access in rural areas. Rural residents need confidence in their ability to use services without compromising privacy. Residents may be concerned about seeking care for issues related to mental health, substance abuse, sexual health, pregnancy, or even common chronic illnesses due to privacy concerns. This may be caused by personal relationships with their healthcare provider or others that work within the health care facility. In addition, concerns about other residents noticing them utilizing services such as mental healthcare can be a concern. Integration of behavioral health services with primary care can help.

Impact on Wyoming. All of these rural population factors affect the people of Wyoming. As a result, Wyoming’s insurance rates are generally regarded as the second highest in the nation.⁷ Wyoming is truly the land of wide open spaces, but that claim comes with a price. We are the least populated state in the nation in the tenth largest geographic area of approximately 98,000 square miles.⁸ We know the impact of long distances between towns and medical providers and we know the effect on health insurance costs. Wyoming knows the impact of having fewer medical providers and limited specialists. Wyoming has just 178 physicians per 100,000 population compared to the national average of 229.⁹

Additional factors that contribute to Wyoming’s high insurance rates are that many residents seek medical care from out-of-state providers. Approximately 70% of Wyoming’s population lives within 70 miles of a state border and larger urban centers with medical care.

Lastly, according to the Centers for Disease Control and Prevention (CDC) the prevalence of cigarette smoking among U.S. adults is highest among those living in rural areas.¹⁰ Unfortunately, Wyoming has a higher than average smoking rate.¹¹

Possible Solutions or Areas for Development:

⁷ Survey rankings vary depending upon criteria evaluated. Price alone doesn’t reflect access, availability, quality of care, and effect. See e.g. “Health Insurance Coverage of the Total population,” Kaiser Family foundation, KFF, <https://www.kff.org/other/state-indicator/total-population/?currentTimeframe>, “Health Insurance Rates by State,” <https://howmuch.net/articles/health-insurance-rates-by-state>; “Best and Worst States for Health Care,” <https://wallethub.com/edu/states-with-best-health-care/23457/>.

⁸ Wyoming has a total population of 585,501 in a geographic area of 97,814 sq. miles.

⁹ Skillnan SM, Dahal A. Wyoming’s Physician Workforce in 2016., Seattle, WA:WWAMI, Center for Health Workforce Studies, University of Washington, Feb 2017.

¹⁰ <https://www.cdc.gov/tobacco/disparities/geographic/index.htm>.

¹¹ <https://truthinitiative.org/tobacco-use-wyoming>.

I don't believe in merely exposing a problem without offering areas for development or change. I offer the following suggestions:

1. **Allow a lower medical loss ratio (MLR) for insurance carriers who cover rural areas** because the administrative costs per person are higher for rural areas. Allowing insurers to have a somewhat higher allowance for higher administrative expenses and profits would make it easier and more attractive for them to operate in rural areas. If more insurers are willing to operate in rural areas, their presence can increase competition and bring premiums down even more than the amount that the premium would increase because of the lower MLR. Also, if there were an increase, subsidized consumers would be protected by the structure of the premium tax credit, though of course unsubsidized consumers are not.
2. **Allow states more flexibility in setting rating areas** or rating rules to provide more affordable options in rural areas. States could use rating areas to help spread the higher cost of rural coverage across both rural and urban areas of a state
3. **Create a Federal grant program** to help states work with providers and carriers to provide lower-cost and higher-quality care in rural areas. The funds could be used to assist rural hospitals and clinics, promote telemedicine, and improve transportation. By funding these kinds of services through federal grants, they don't have to be paid for by enrollee premiums, leading to lower rates for all consumers.
4. **Fund Association Health Plans for Farmers/Ranchers** to provide more options as proposed in the Farm Bill reauthorization. Providing initial funding for associations of farmers can help introduce needed competition to rural insurance markets. While co-ops under the ACA did not prove to be successful, agricultural associations—like the Western Growers Association—have demonstrated a proven model for independent businesses to band together to meet their health care needs.
5. **Increase the availability and proper use of telehealth.** Through telehealth, rural patients can see specialists in a timely manner while staying in their home communities.
6. **Increase transparency** in cost of services. Studies have documented wide differences in the cost of services, even when accounting for differences in income, demography, and health status within regions. Increase transparency on Medicare reimbursements, cost shifting, and rate determinations.

7. **Increase provider competition.** Lack of provider competition in some geographic areas gives available providers market power to set rates for services. A study by the National Bureau of Economic Research found that prices charged by hospitals in monopoly markets was 12% higher than in markets with 4 or more hospitals.¹²
8. **Increase competition** among health insurers. When there is more competition insurers seek lower rates and gain greater market share. More enrollees means insurers can spread risk across a greater population base and reduce premiums.
9. **Increase programs to reduce smoking.** The negative health impact of smoking is widely known. Greater education and programs to reduce smoking in rural areas may go a long way in reducing health and insurance costs.
10. **Support legislation** to continue the suspension of the Health Insurance Tax (HIT) beyond 2019 and to restrict balance billing. The HIT tax is paid by insurers but the cost is passed on to consumers.¹³ Consumers too often receive unexpected bills from out-of-network providers, often for thousands of dollars. This can occur even when consumers choose in-network facilities. While some states have taken action to limit this practice, Congressional action is needed to address federally regulated plans and to spur further state protections. Balance billing has been particularly egregious with some air ambulance companies.

In Wyoming, we depend on air ambulances and want to keep the industry strong, but we do not want consumers caught in the middle of billing disputes between insurers and service providers. Wyoming and other states are prevented by federal law from addressing the excessive billing practices of some companies. With the Federal Aviation Administration (FAA) Reauthorization moving through Congress, there's an opportunity to address this concern and give insurance commissioners the authority they need to regulate effectively in their states. Although FAA is not within the jurisdiction of this committee, but I hope all Senators will support the language in the House version of the FAA bill to

¹² "The Price Ain't Right, Hospital Prices and Health Spending on the Privately Insured," Cooper, Craig, Gaynor, van Reenen, NBER Working Paper No. 21815, May 2018.

¹³ See e.g. "Legislation to suspend the Health Insurance Tax Will Help Make Premiums More Affordable," AHIP, <https://www.ahip.org/legislation-to-suspend-the-health-insurance-tax/>.

bring more transparency and consumer protections to the air ambulance industry.

Thank you again for the opportunity to provide some input on the health care and health insurance picture in rural America.