

US Health Care:  
The Future  
Week One:  
What's Happening to  
Insurance Reform?

Bill Scanlon

For

Osher Lifelong Learning Institute

April 2012

# Course Overview

- What's happening to insurance reform?
- Controlling costs
- Promoting quality and value
- Long-term care

# Health Care: Why Such a Problem

- Potential Under-use
  - Benefits of a healthy population
    - Robust labor supply and active citizenry
    - Control infectious diseases
- Information gaps
  - Efficacy and safety

# Health Care: Why Such a Problem

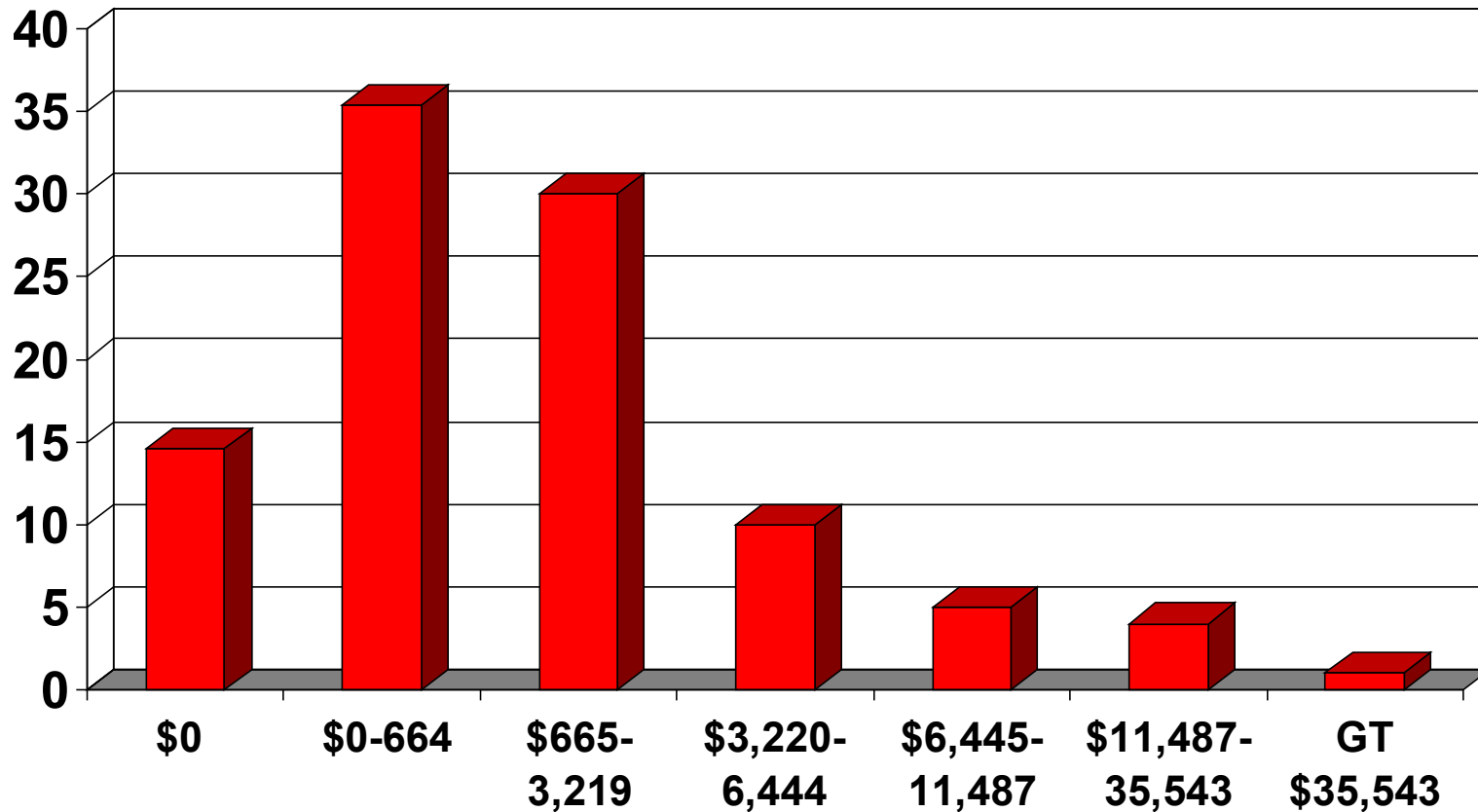
- Need for care often time critical
- Insurance
  - Essential to protection against catastrophic risk
  - Distorts decision making (Moral hazard)

# Uninsured

- Why insurance is important
- Who is uninsured and why
- What the Affordable Care Act would do

# Annual Health Care Spending Per Person

Percent of Persons



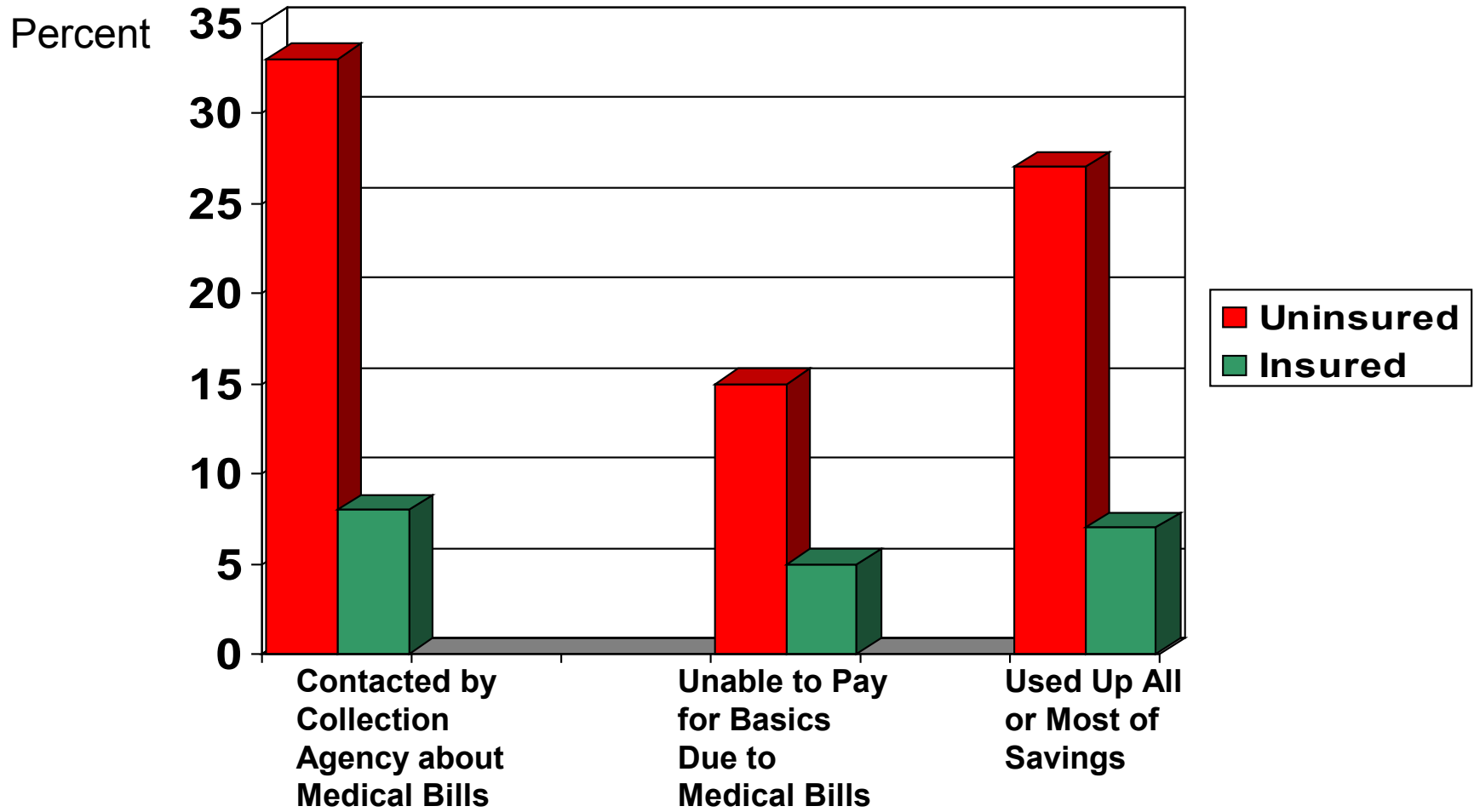
April 16, 2012

US Health Care: The Future OLLI  
Week One

# Value of Insurance DISCOUNTS

	<b>Provider's Charge</b>	<b>Provider Accepts as Payment in Full</b>	<b>Discount</b>
Office Visit	\$88	\$73	17%
	\$160	\$109	32%
Surgery	\$2160	\$1400	35%
Lab Test	\$60	\$15	75%
Imaging	\$51	\$12	76%
	\$326	\$60	81%

# Financial Consequences of Uninsurance



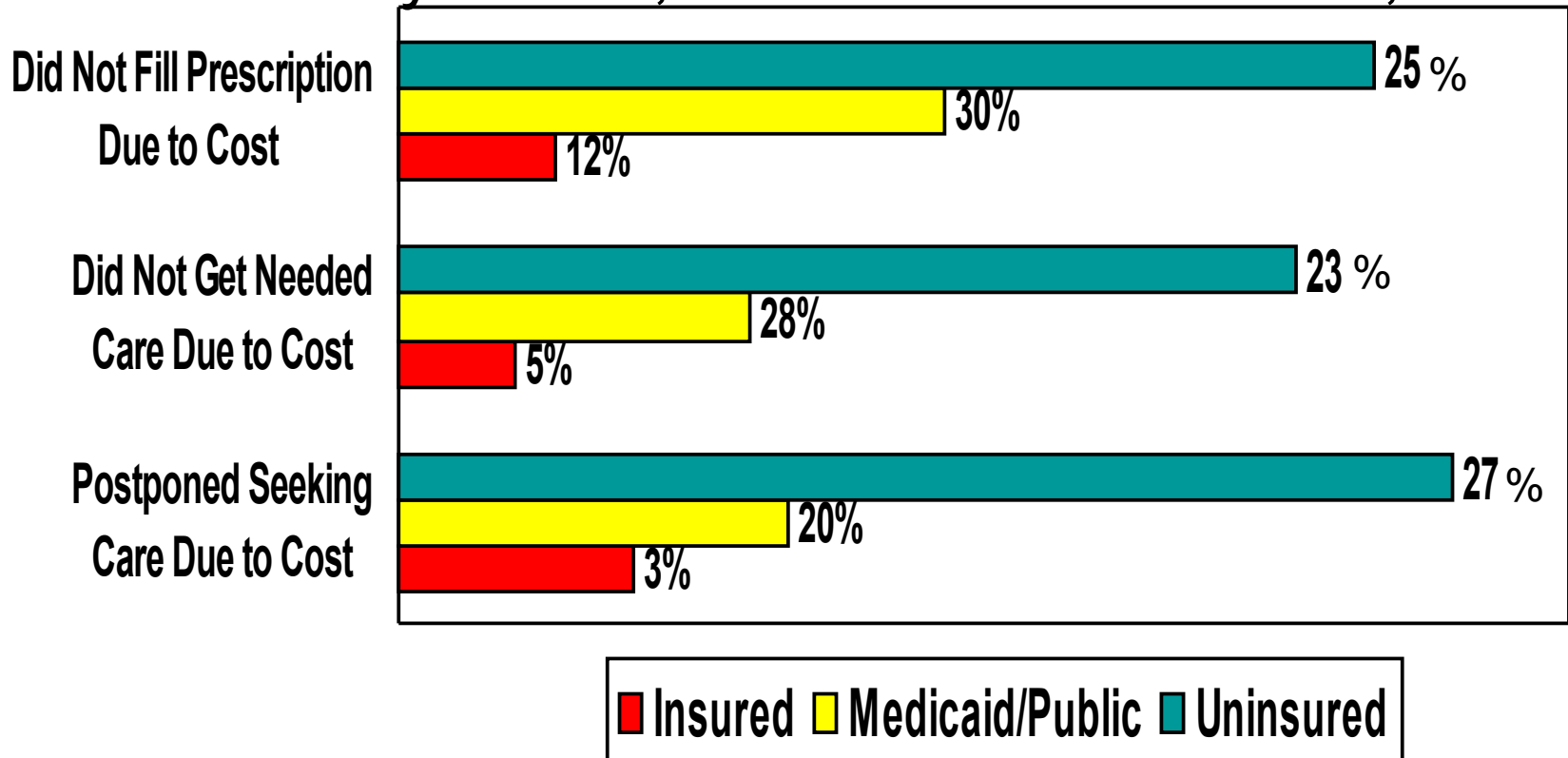
Source: Kaiser Family Foundation Poll

April 16, 2012

US Health Care: The Future OLLI  
Week One



# Problems Obtaining Needed Care Among Non-elderly Adults, Uninsured vs. Insured, 2007

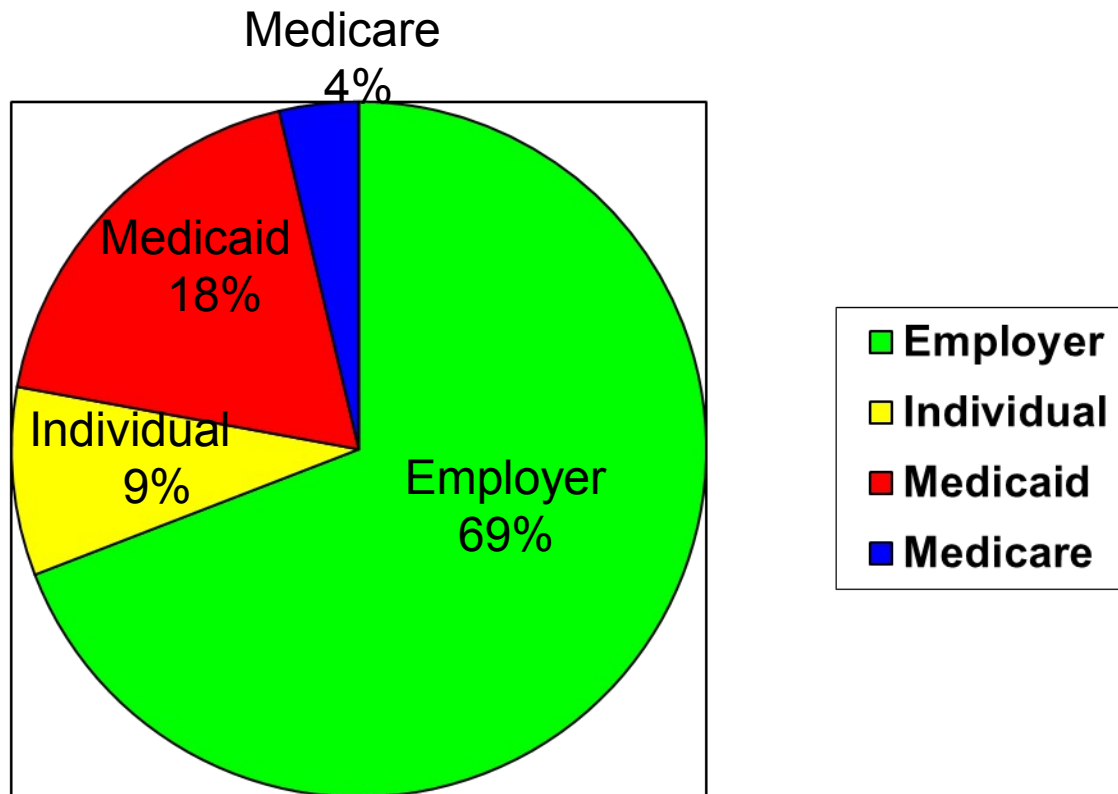


Source: Kaiser Family Foundation Analysis of 2007 National Health Interview Survey.

April 16, 2012

US Health Care: The Future OLLI  
Week One

# Sources of Insurance Non-Elderly Persons

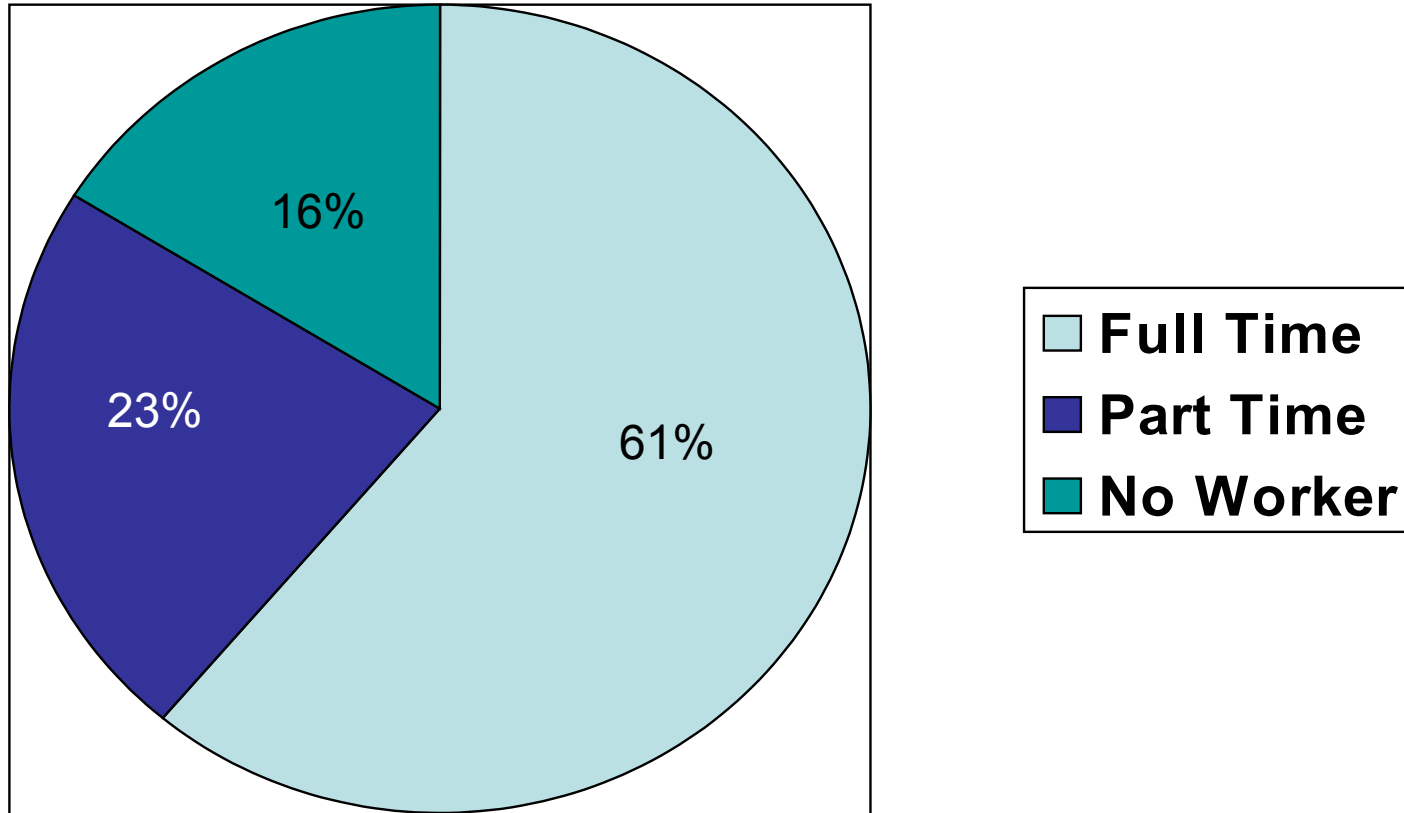


Source: Kaiser Family Foundation: [www.kff.org](http://www.kff.org)

# Why Do 50 Million People Lack Insurance

- They can not afford a policy
- No one will sell them a policy
- They do not want a policy

# *Uninsured Nonelderly Population by Work Status of a Family Member, 2010*



Source: Kaiser Family Foundation estimates from the March Current Population Survey, 2010 Supplement

April 16, 2012

US Health Care: The Future OLLI  
Week One

# The Employed Uninsured

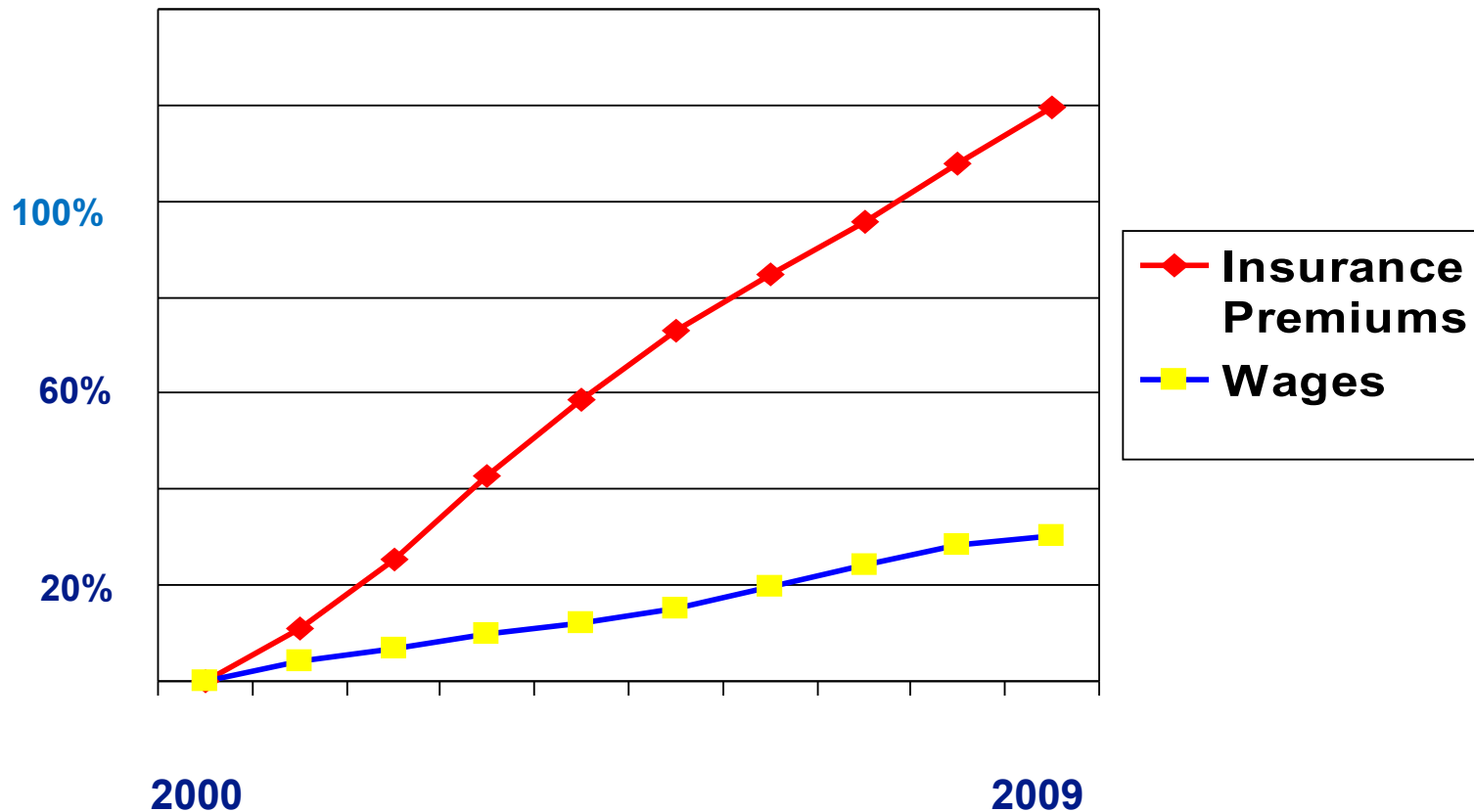
- 61 percent working full time and 23 percent working part time

**BUT**

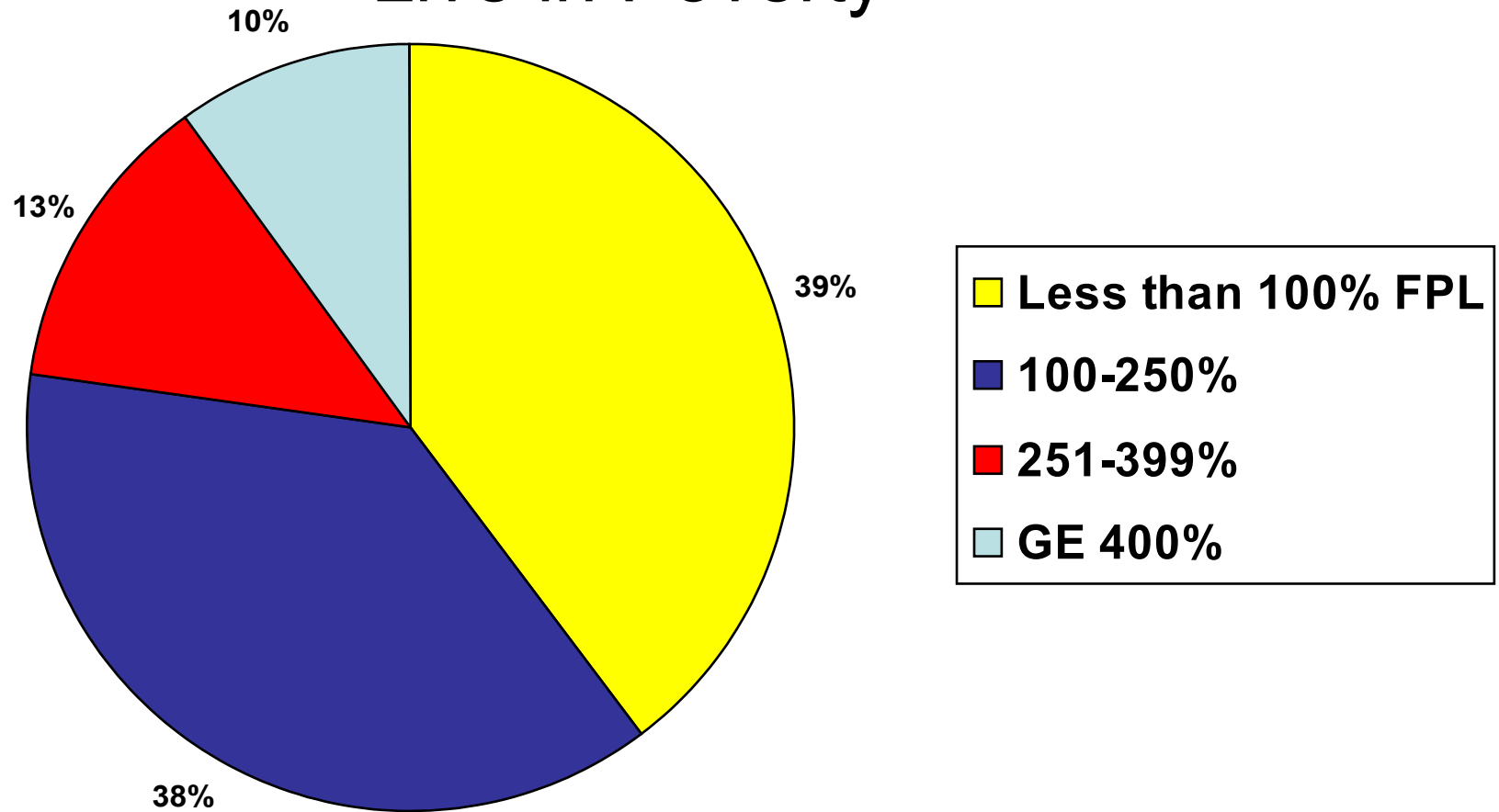
- 20 percent of uninsured workers are not eligible for their employer's insurance
- 67 percent of uninsured workers work for firms not offering insurance

# Can't Afford

## Growth in Health Insurance Premiums versus Wages



# Almost 40 Percent of Uninsured Live in Poverty



Source: 2010 Current Population Survey.

April 16, 2012

US Health Care: The Future OLLI  
Week One

# Medicaid Eligibility

- Categorical as well as financial criteria
  - Aged, Disabled, and Families
  - No non-aged, non-disabled, childless adults
- Many in poverty are not poor enough
  - 100% FPL guaranteed only for children and pregnant women



# Individual Market

## The Alternative to Employer Sponsored Insurance

### Barriers

- Underwriting
- Premium based on health status
- Pre-existing condition exclusion

# Coverage Denials

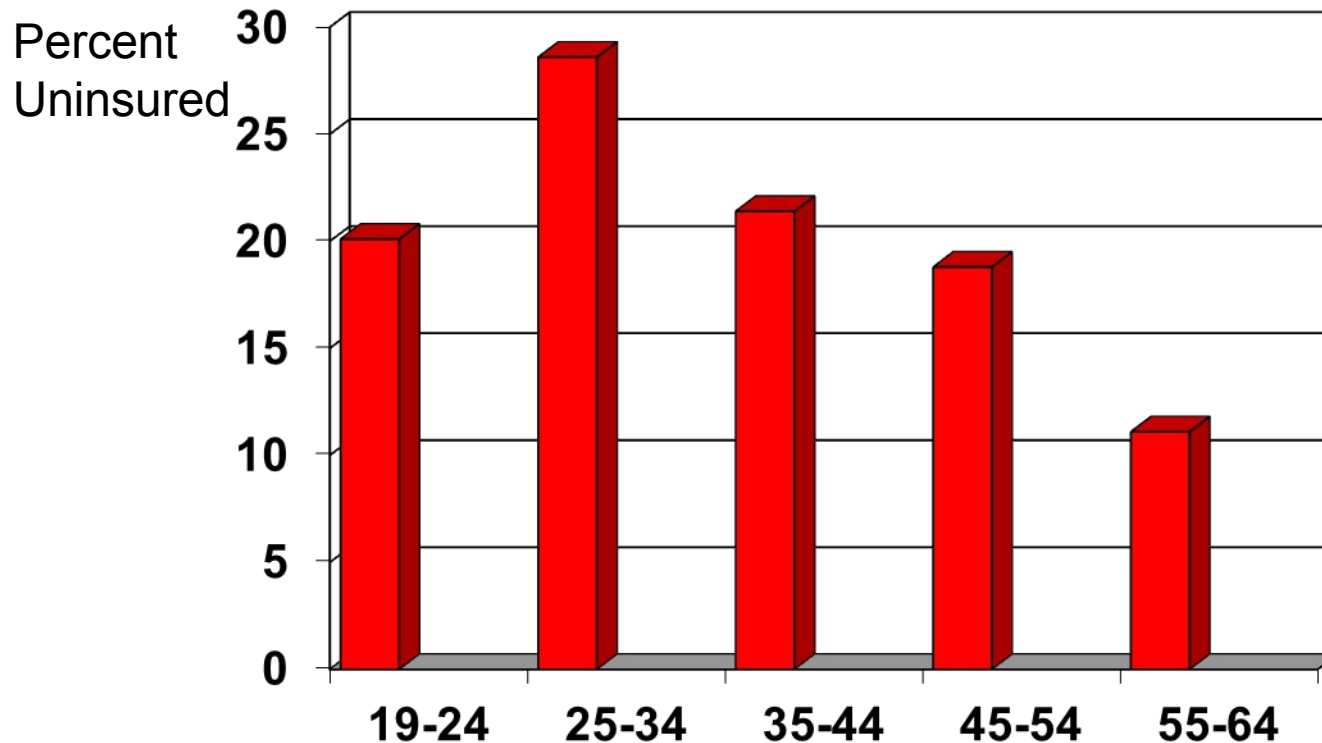
- Rough estimate—5 million of the uninsured have been denied coverage
- Four largest insurers
  - 257,000 denials in 2009
  - Share of applicants denied
    - 2007 12 percent
    - 2009 15 percent

Source: House Energy and Commerce Committee, 2010

# Underwriting Results

	<b>Denied Coverage</b>	<b>Higher Premium If Offered a Policy</b>	<b>Pre-Ex Exclusion</b>
25-29 year olds	12 %	33 %	7 %
35-39 year olds	13 %	35 %	9 %
45-59 year olds	16 %	32 %	9 %
55-59 year olds	24 %	28 %	12 %

# Don't Want Insurance Uninsured by Age



Source: Kaiser Family Foundation: [www.kff.org](http://www.kff.org)

# ACA

## Individual Insurance Expansion

	Denied Coverage	Couldn't Afford	Didn't Want
Guaranteed Issue/Renewal	X		
Limit Premium Variation		X	
Minimum Loss Ratio		X	
Expand Medicaid		X	
Create Insurance Exchanges		?	
Subsidize Policies Sold in Exchange		X	
Individual Mandate			X

# ACA

## Limits on Premium Variation

- Can not vary with health status
- May vary with:
  - Age 3 to 1
  - Tobacco Use 1.5 to 1

# ACA

## Medicaid Expansion

- Eliminate categorical eligibility restrictions
- Require states to cover persons under 133 percent of Federal Poverty Level

# ACA

## Medicaid Expansion

### Financing

- Newly eligible
  - 100 percent Federal 2014-2016
  - Reduced to 90 percent Federal by 2020 in steps
- Others
  - 50-80 percent Federal depending on state per capita income



# ACA

## Subsidies for Exchange Policies

- Eligibles--Persons with incomes between 133 percent and 400 percent of FPL
  - Single person---\$14,400--\$43,320
  - Family of 4-----\$29,400--\$88,200
- Subsidy = Difference between premium on “silver level” plan and a percentage of income----(2-9.5%)

# ACA

## Individual Mandate

- US citizens and legal residents must have qualifying coverage
- Penalty----Largest of
  - Per person amount (\$95-695)
  - Percent of modified income (1-2.5%)
  - National average premium of Bronze plan
    - CBO estimates for 2016
      - » Individual \$4,500-5,000
      - » Family \$12,000-12,500

# Supreme Court

## What are the Issues?

- Individual Mandate
  - Is it a tax?
  - Is it constitutional?
  - If it isn't constitutional, is it separable from all or part of the law?
- Medicaid
  - Is the expansion coercive?

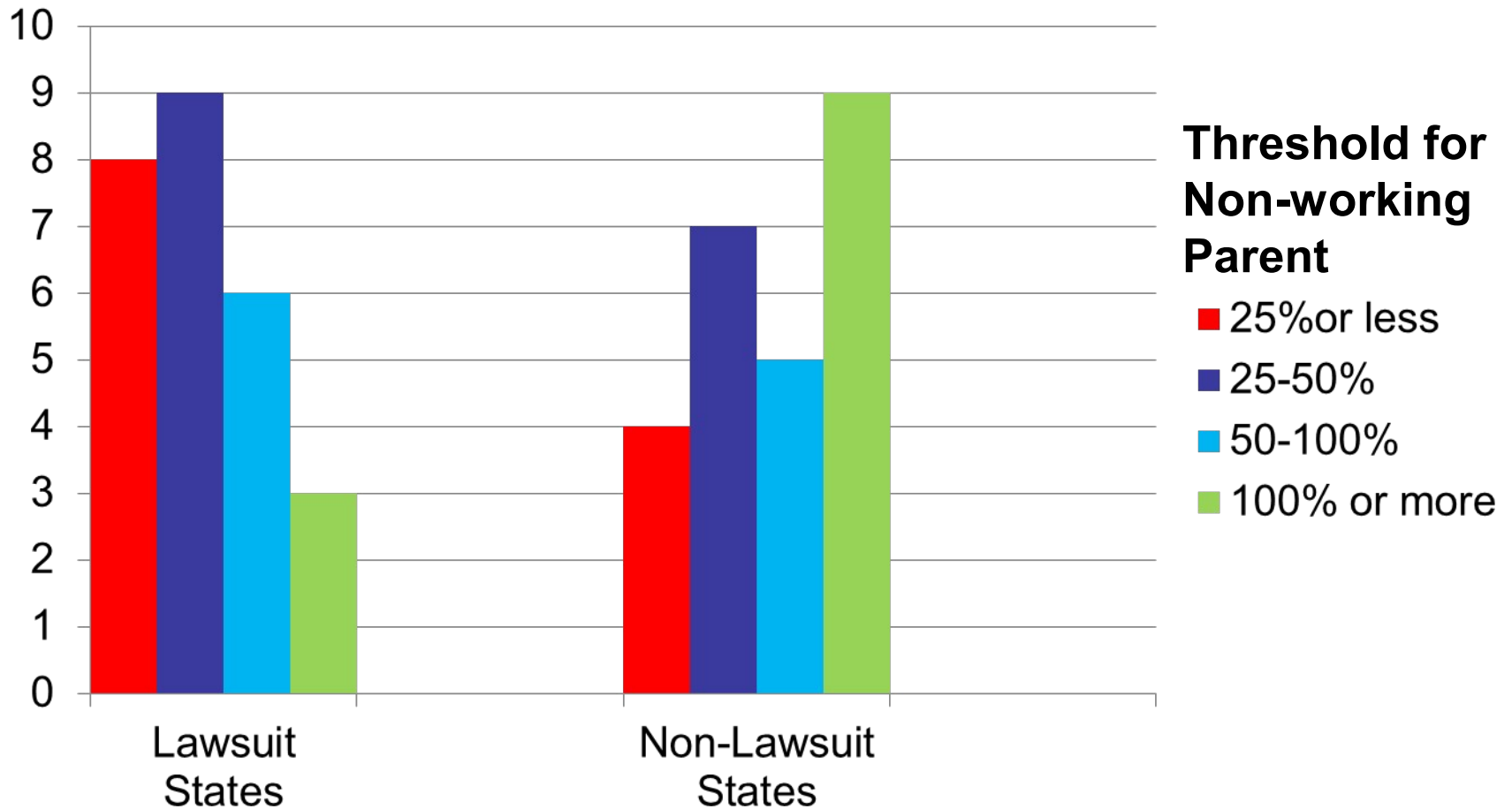
# Effect of Eliminating the Mandate

	With a Mandate 2019	Without a Mandate 2021
Coverage		
Individual Insurance	+ 25 Million	+19 Million
Employer Based	- 4 Million	- 8 Million
Medicaid	+ 15 Million	+ 9 Million
Uninsured	24 million or 8%	~ 40 million or ~ 12%
Individual Policy Premiums would increase 15-20 percent		

Source: Congressional Budget Office

# Eligibility Thresholds

## Lawsuit and other states



# Questions

April 16, 2012

US Health Care: The Future OLLI  
Week One