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

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# Value of Insurance

## DISCOUNTS

<table>
<thead>
<tr>
<th>Service</th>
<th>Provider’s Charge</th>
<th>Provider Accepts as Payment in Full</th>
<th>Discount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Visit</td>
<td>$88</td>
<td>$73</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td>$160</td>
<td>$109</td>
<td>32%</td>
</tr>
<tr>
<td>Surgery</td>
<td>$2160</td>
<td>$1400</td>
<td>35%</td>
</tr>
<tr>
<td>Lab Test</td>
<td>$60</td>
<td>$15</td>
<td>75%</td>
</tr>
<tr>
<td>Imaging</td>
<td>$51</td>
<td>$12</td>
<td>76%</td>
</tr>
<tr>
<td></td>
<td>$326</td>
<td>$60</td>
<td>81%</td>
</tr>
</tbody>
</table>

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Financial Consequences of Uninsurance

Source: Kaiser Family Foundation Poll
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Uninsured
Insured

Percent

Contacted by Collection Agency about Medical Bills
Unable to Pay for Basics Due to Medical Bills
Used Up All or Most of Savings

0
5
10
15
20
25
30
35
Problems Obtaining Needed Care Among Non-elderly Adults, Uninsured vs. Insured, 2007

- Did Not Fill Prescription Due to Cost:
  - Insured: 12%
  - Medicaid/Public: 30%
  - Uninsured: 25%

- Did Not Get Needed Care Due to Cost:
  - Insured: 5%
  - Medicaid/Public: 28%
  - Uninsured: 23%

- Postponed Seeking Care Due to Cost:
  - Insured: 3%
  - Medicaid/Public: 20%
  - Uninsured: 27%

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

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Sources of Insurance Non-Elderly Persons

- Employer: 69%
- Individual: 9%
- Medicaid: 18%
- Medicare: 4%

Source: Kaiser Family Foundation: www.kff.org

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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

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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

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Almost 40 Percent of Uninsured Live in Poverty

- Less than 100% FPL: 39%
- 100-250%: 38%
- 251-399%: 13%
- GE 400%: 10%

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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

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Denied Coverage</th>
<th>Higher Premium If Offered a Policy</th>
<th>Pre-Ex Exclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-29 year olds</td>
<td>12 %</td>
<td>33 %</td>
<td>7 %</td>
</tr>
<tr>
<td>35-39 year olds</td>
<td>13 %</td>
<td>35 %</td>
<td>9 %</td>
</tr>
<tr>
<td>45-59 year olds</td>
<td>16 %</td>
<td>32 %</td>
<td>9 %</td>
</tr>
<tr>
<td>55-59 year olds</td>
<td>24 %</td>
<td>28 %</td>
<td>12 %</td>
</tr>
</tbody>
</table>

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Don’t Want Insurance
Uninsured by Age

Source: Kaiser Family Foundation: www.kff.org

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# ACA
## Individual Insurance Expansion

<table>
<thead>
<tr>
<th></th>
<th>Denied Coverage</th>
<th>Couldn’t Afford</th>
<th>Didn’t Want</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed Issue/Renewal</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limit Premium Variation</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Minimum Loss Ratio</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Expand Medicaid</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Create Insurance Exchanges</td>
<td></td>
<td></td>
<td>?</td>
</tr>
<tr>
<td>Subsidize Policies Sold in Exchange</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Individual Mandate</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

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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

<table>
<thead>
<tr>
<th></th>
<th>With a Mandate 2019</th>
<th>Without a Mandate 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual Insurance</td>
<td>+ 25 Million</td>
<td>+ 19 Million</td>
</tr>
<tr>
<td>Employer Based</td>
<td>- 4 Million</td>
<td>- 8 Million</td>
</tr>
<tr>
<td>Medicaid</td>
<td>+ 15 Million</td>
<td>+ 9 Million</td>
</tr>
<tr>
<td>Uninsured</td>
<td>24 million or 8%</td>
<td>~ 40 million or ~ 12%</td>
</tr>
</tbody>
</table>

Individual Policy Premiums would increase 15-20 percent

Source: Congressional Budget Office

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Eligibility Thresholds
Lawsuit and other states

Threshold for Non-working Parent
- 25% or less
- 25-50%
- 50-100%
- 100% or more

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Questions