

# US Health Care Reform

## Week One:

### What's Special about Health Care and the Uninsured

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For

Osher Lifelong Learning Institute

October 2010

# Course Overview

- Why health care is special and the uninsured (access)
- Controlling costs
- Promoting quality and value
- Long-term care

# Health Care: Why a Policy Problem

## Market Failures

- Under use and externalities
  - Benefits of a healthy population
    - Control infectious diseases
    - Adequate labor supply and active citizenry
    - Satisfaction from others' well-being
- Information gaps
  - Safety and efficacy
- Time critical need for care
- Insurance
  - Protection for catastrophic risk
  - Distorted decision making (Moral hazard)

# Uninsured

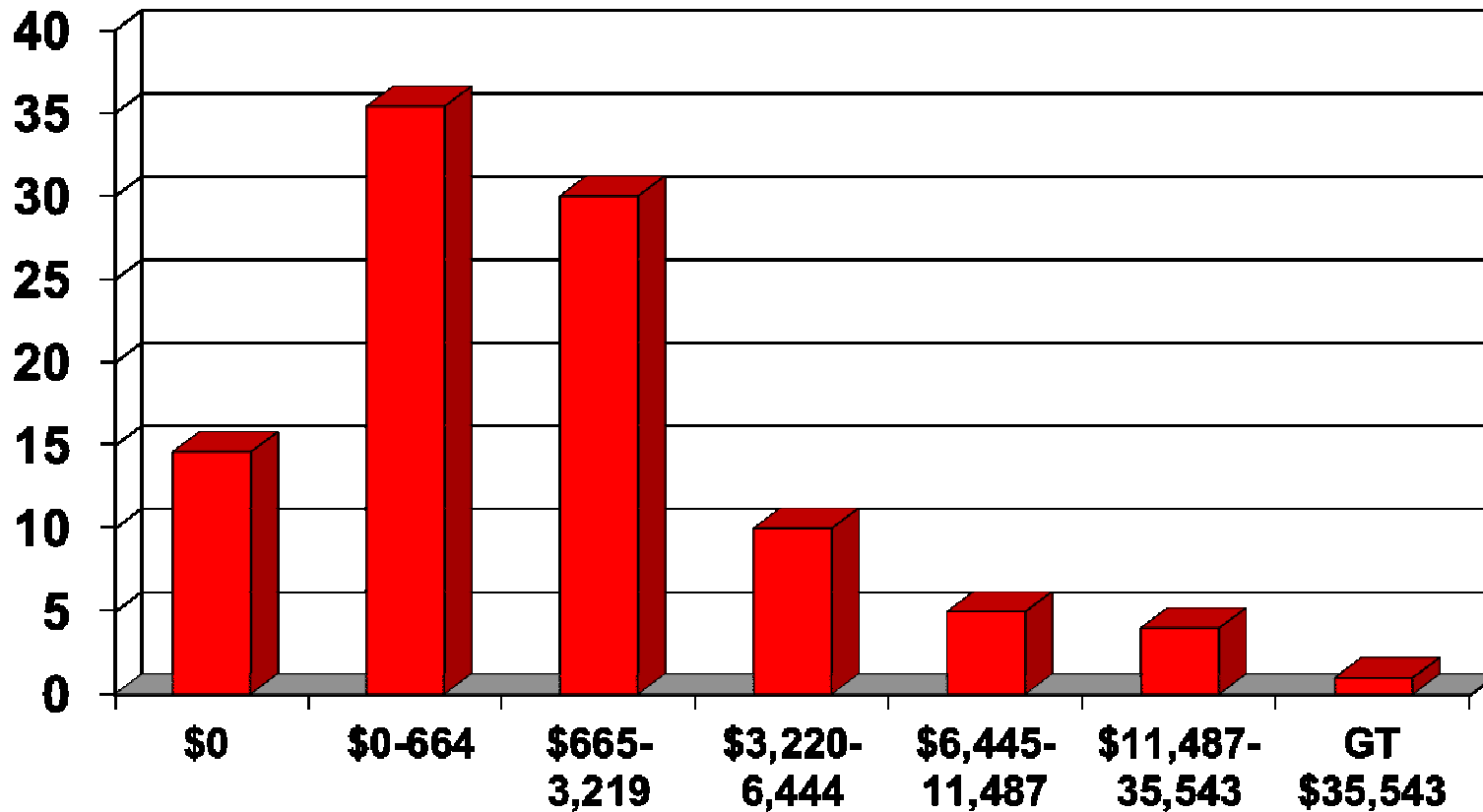
- Why insurance is important
- Who is uninsured and why
- Proposals for expanding coverage
- What the Patient Protection and Affordable Care Act (PPACA/ACA) does

# Health Care Individual Perspective

- Need for expensive care is risk
- Insurance is rational response to catastrophic risk

# Distribution of Health Spending Per Person

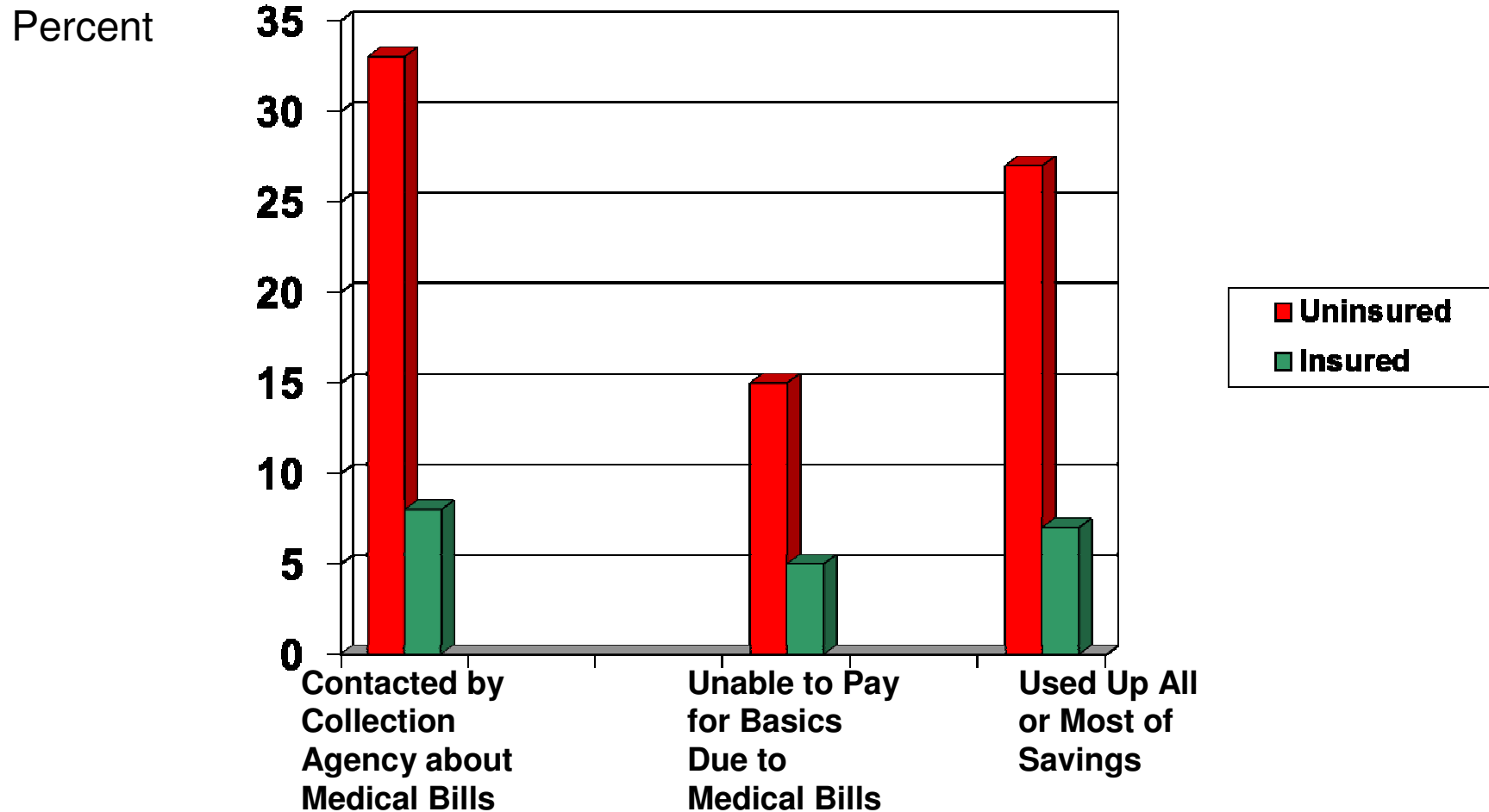
Percent of Persons



# Value of Insurance DISCOUNTS

	Charge	Allowed	Discount
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 Being Uninsured



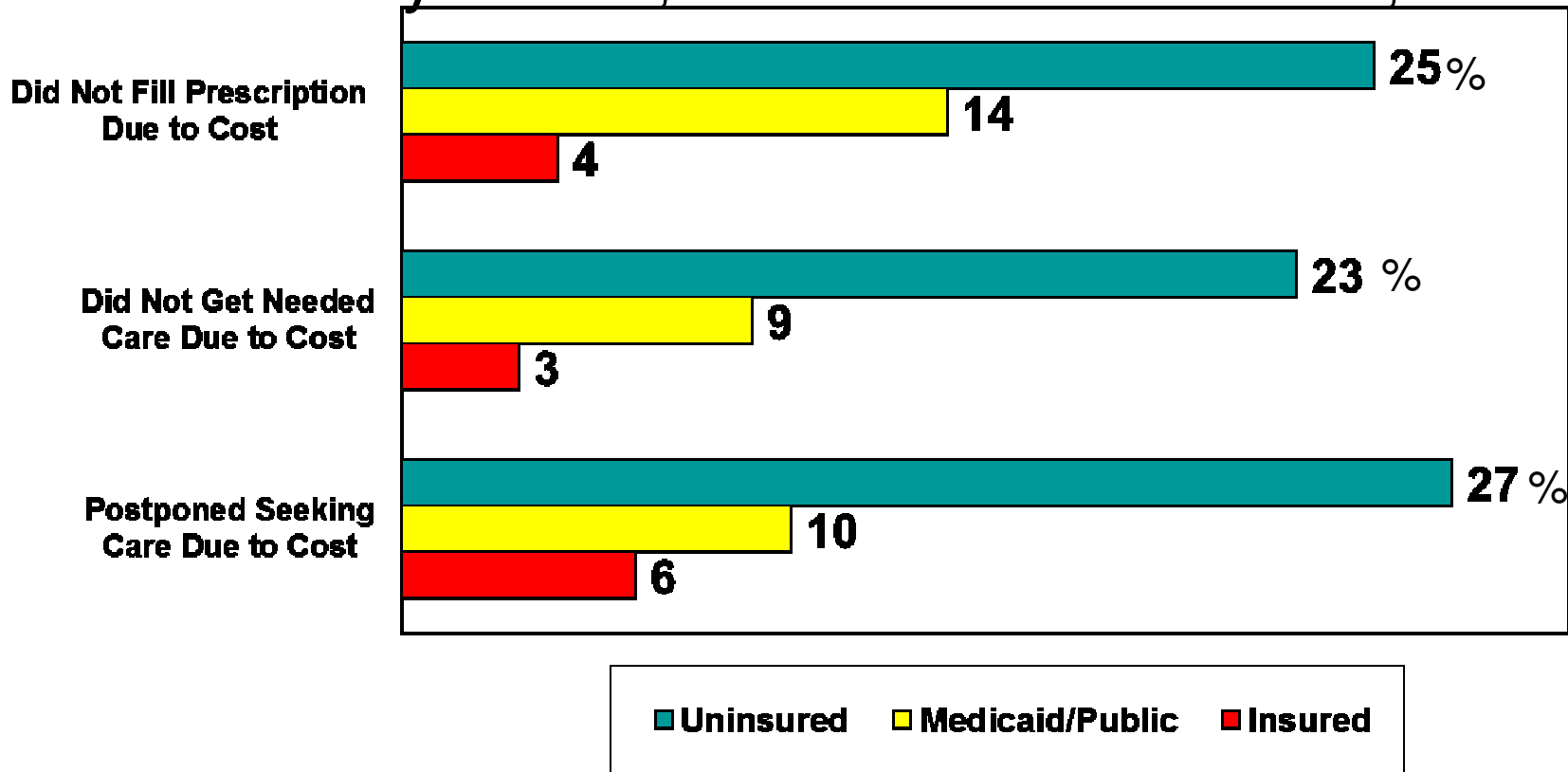
Source: Kaiser Family Foundation Poll

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



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

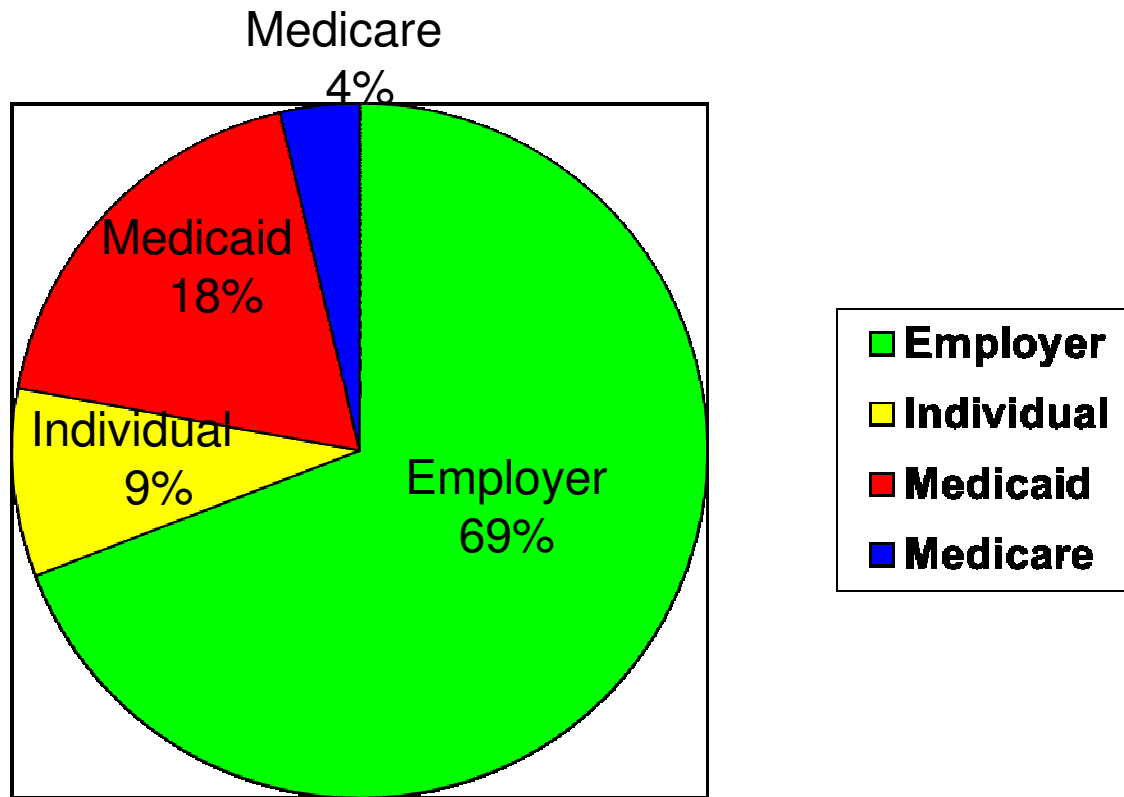
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# Why 50 Million People Lack Insurance

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

# Source of Insurance for Adults Under 65



# The Employed Uninsured

- 61 percent of uninsured work full time and 23 percent work part time

**BUT**

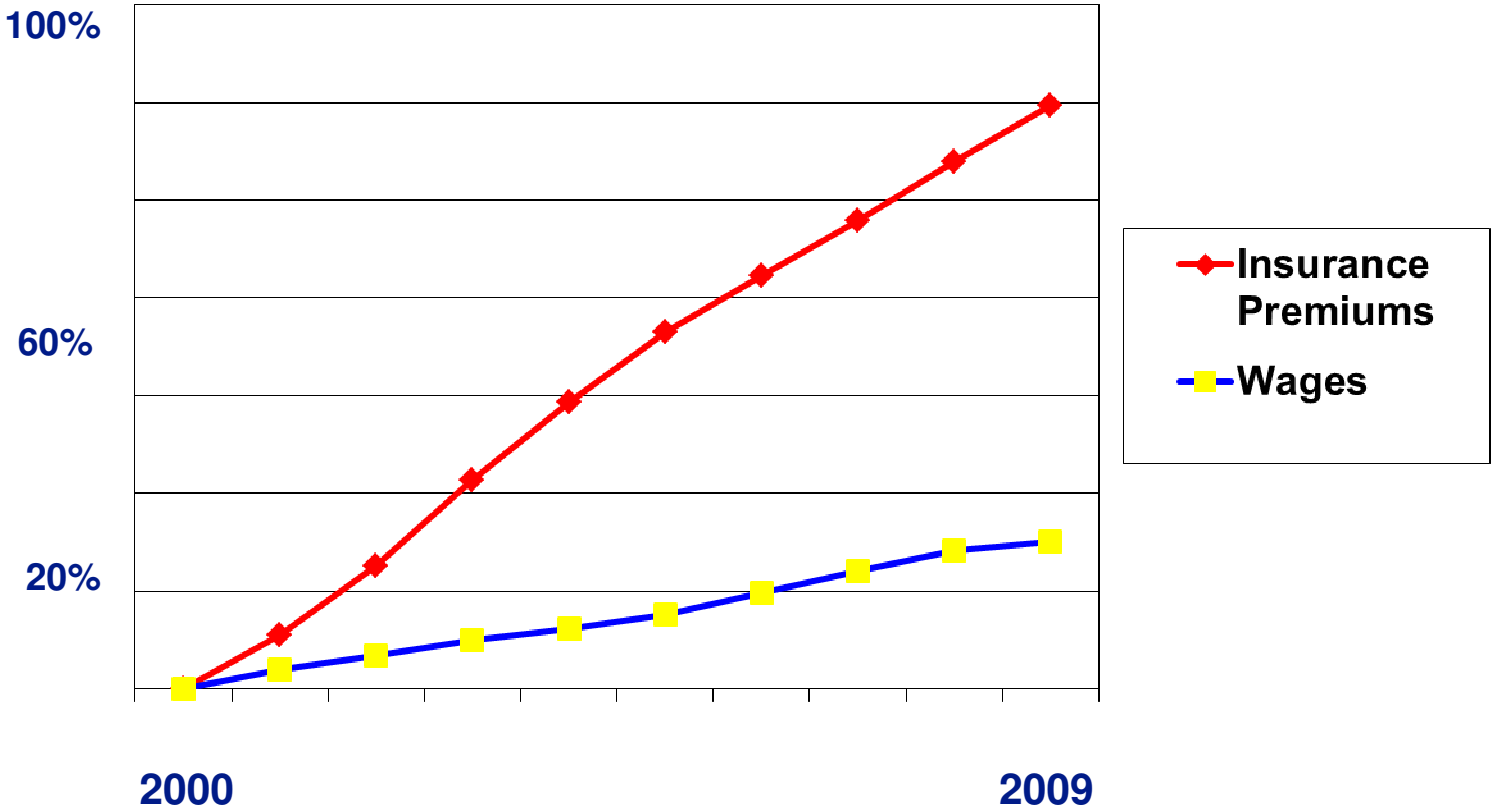
- 20 percent of uninsured workers are not eligible for their employer's insurance
- 67 percent of uninsured workers work for firms not offering insurance

# The Employed Uninsured

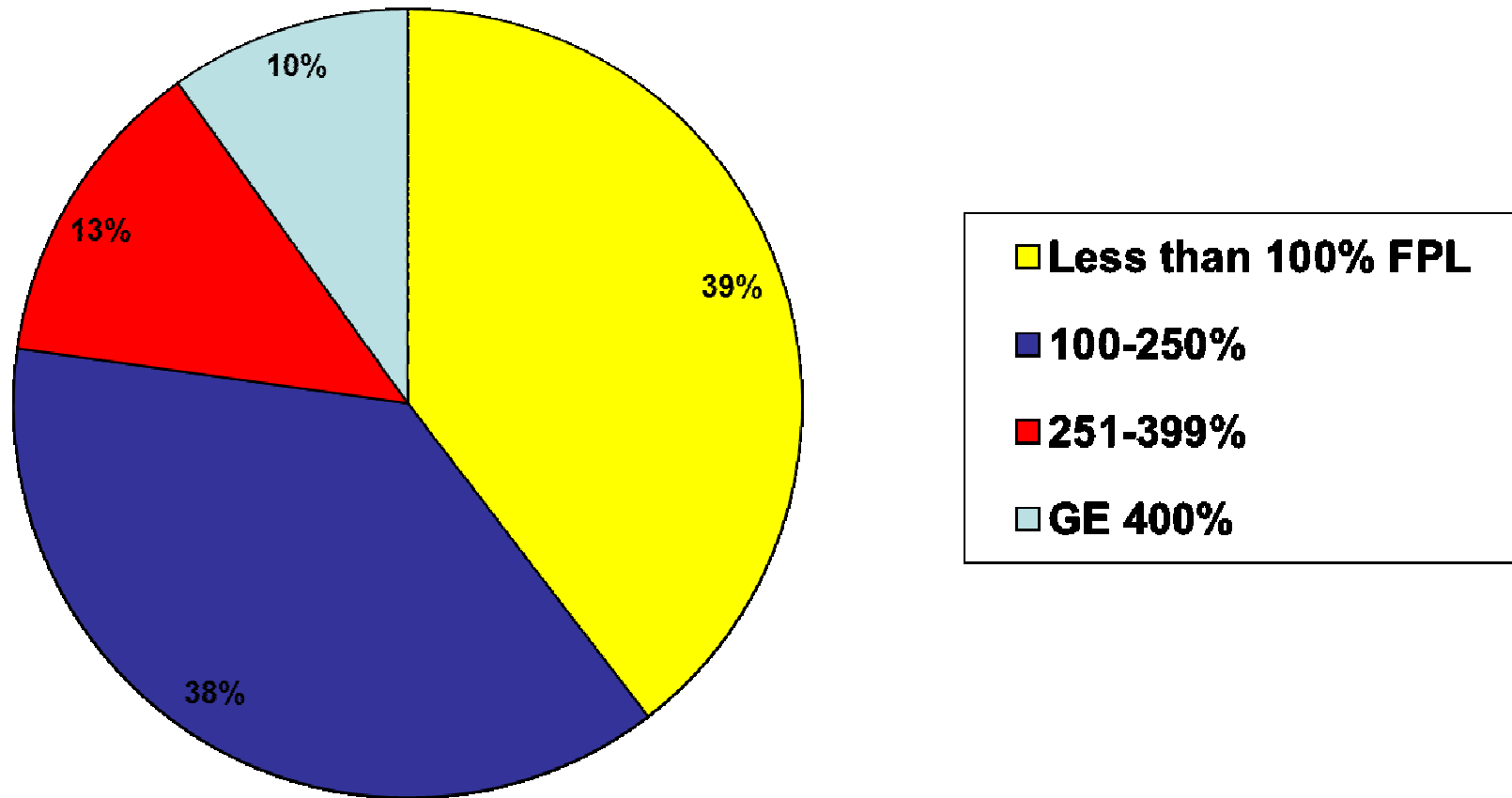
- 63 percent of uninsured workers are in small businesses
- Only 60 percent of small businesses offer insurance compared to 99 percent of large businesses
- Why the Gap
  - Underwriting/ Risk Segmentation
  - Administrative Costs
  - Insurance versus self-insurance

# Can't Afford Insurance

## Growth in Health Insurance Premiums versus Wages



# Uninsured Adults Under 65 by Poverty Status



Source: 2010 Current Population Survey.

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# Medicaid

- Joint State-Federal Program
- State designed and administered subject to federal requirements
- Federal government pays a share based on state's per capita income



# Medicaid Continued

- Eligibility
  - Categorical as well as financial criteria
  - Mandatory versus optional
  - 100% FPL guaranteed only for children and pregnant women

# Individual Insurance

The Alternative to  
Employer Sponsored Insurance and Medicaid

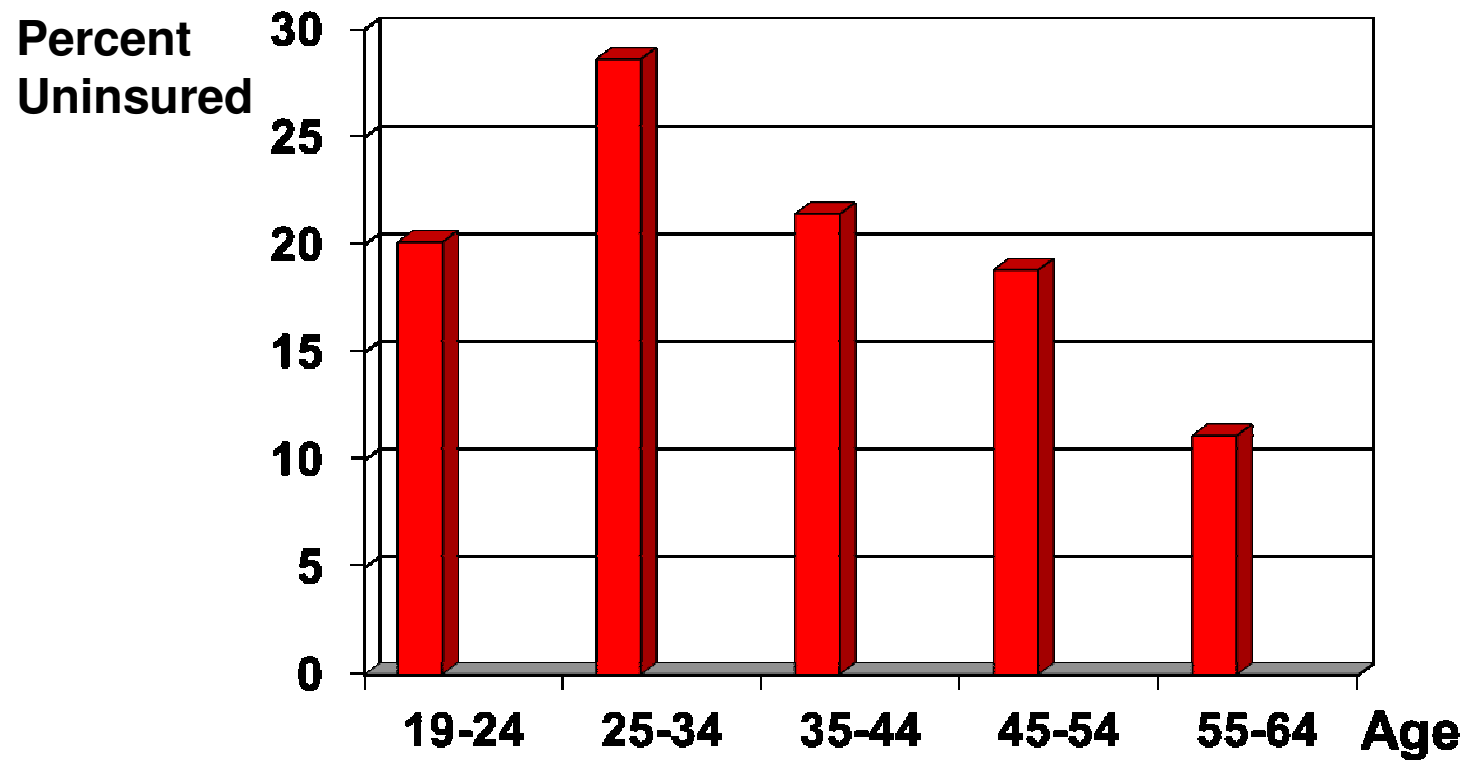
## **Barriers to Buying a Policy**

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

# 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

# Don't Want Insurance (Age as a Proxy)



# Coverage Expansion Proposals

- Presidential Candidates 2008
- Senator Enzi (R-WY)--- “Ten Steps to Transform Health Care in America Act”
- Senators Burr (R-NC) and Coburn (R-OK) ---“Every American Insured Act”
- Senators Wyden (D-OR) and Bennett (R-UT)---”Healthy Americans Act”

# Coverage Expansion Proposals

	<b>Obama</b>	<b>McCain</b>	<b>Enzi</b>	<b>Burr/ Coburn</b>	<b>Wyden/ Bennett</b>
Modify Insurance Rules	Yes	Yes	Yes	Yes	Yes
Modify Tax Treatment		Yes	Yes	Yes	Yes
Create Insurance Exchange	Yes		Small Business Plans	State Option	Yes
Expand Medicaid	Yes				Eliminate
Mandate Individual or Employer	Yes		?		Yes

# PPACA

## Insurance Expansion

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

# PPACA

## Limits on Premium Variation

- Acceptable Factors
  - Age
  - Geography
  - Plan type (Single versus Family)
- Allowed Range of Premiums
  - Age 3 to 1
  - Tobacco Use 1.5 to 1



# PPACA

## Medicaid Expansion

- Eliminate categorical eligibility restrictions
- Require states to cover persons under 133 percent of Federal Poverty Level
- Provide a benchmark benefit package to newly eligible adults (looks like private insurance, likely no long-term care)

# PPACA

## Medicaid Expansion

### Financing

- Newly eligible
  - 100 percent Federal 2014-2016
  - Reduced to 90 percent Federal by 2020 in steps
- Others
  - Prior sharing—50-80 percent Federal

# What are exchanges?

e.g., Massachusetts Connector  
[www.mahealthconnector.org](http://www.mahealthconnector.org)



Home

Find Insurance

Health Care Reform

About Us

SEARCH

You need health insurance. The state's Health Connector can help.



**Find the right health plan for you or your family.**

- Compare plans. We'll let you know if you might qualify for a low or no-cost plan.

**GET STARTED**

Individuals & Families

Individual & Family: Got Started



Young Adults



Employees



Employers



Brokers

### We're your connection to good health, Massachusetts!

The Health Connector is an independent state agency that helps you find the right health insurance plan.

Commonwealth Choice offers many options from brand name health insurance plans. They all carry our Seal of Approval for quality and value.

Commonwealth Care is low or no-cost health insurance for people who qualify.

Avoid tax penalties. Find out what's available to you.

### Glad to be insured



"I was young, healthy. I always thought that I was invincible. It never even crossed my mind that I could get hurt," Andrew Herlihy, Malden.

[Hear Andrew's story and more ...](#)

### Already a Commonwealth Care member?

- [Register](#) for access to your account
- [Log in](#) to choose a health plan and view account information
- Do you have a question?
- [1099 HC Information](#)



\*Optimize your Health Connector experience with [Internet Explorer 7.0](#) or [Firefox 3.0](#).





Print this page

Enter some basic information about yourself to start shopping for health insurance.

**Your Information** + REQUIRED INFORMATION

Residential ZIP Code \*

Type of Coverage \*  
 Self only  
 Self + spouse  
 Self +  dependent child/children  
 Family (self, spouse + dependent child/children)

Your Date of Birth \*   
(month / day / year)

Coverage to Begin \*  
 June 1, 2010  
 July 1, 2010

★ Health insurance rates depend on when you want coverage to start, where you live, your age, and the number of people you want to insure.

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Choose the type of plans that will meet your needs.

### Bronze

- \* Lower monthly cost
- \* Higher costs when you receive medical services



Who chooses Bronze plans?

[See Bronze Plans](#)

### Silver

- \* Monthly cost can run higher than Bronze
- \* Lower costs when you receive medical services compared to Bronze



Who chooses Silver plans?

[See Silver Plans](#)

### Gold

- \* Highest monthly cost
- \* Lowest costs when you receive medical services



Who chooses Gold plans?

[See Gold Plans](#)

or

[View all plans](#)

# PPACA

## Exchanges

- Established by states as agency or a non-profit
- Federally operated if state doesn't
  - 48 states have accepted planning grants
- Individuals and small businesses can purchase policies
  - State may extend to large businesses (>100) beginning 2017
- Members of Congress and personal office staff will use, unless otherwise insured

# PPACA

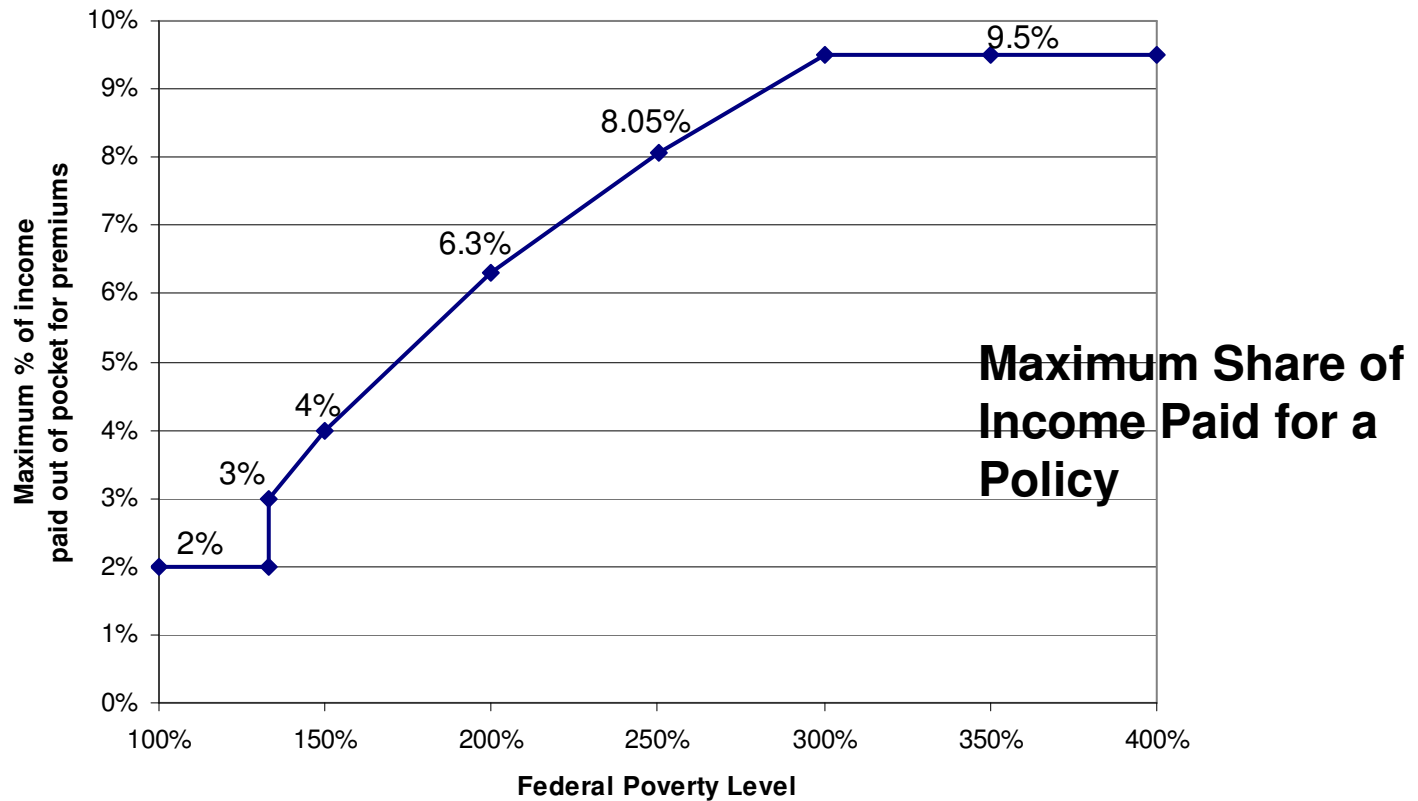
## Subsidies for Exchange Policies

- 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 the person’s income



# PPACA

## Subsidies for Exchange Policies



# PPACA

## Individual Mandate

- US citizens and legal residents must have qualifying coverage
- Penalties
  - \$695 per person up to \$2,085 for a family with 2.5 percent of income cap
  - Phased in 2014-2016
    - \$95 with 1 percent of income cap in 2014
  - Increased for cost of living after 2016

# PPACA

## Employers

- No mandate, but potential penalty for large employers (More than 50 employees)
- Penalty if a full time employee receives a premium subsidy from an exchange
  - Penalty potentially lower for employers offering insurance
- Tax credits for small businesses (Less than 50 employees and less than \$50,000 in average wages)

# PPACA

## Estimated Change in Coverage

	Change 2010-2019
<b>Source of Coverage</b>	
Employer	-4 million
Individual	-5 million
Exchange	+25 million
Medicaid	+15 million
Uninsured	-31 million

**Number of Uninsured in 2019--- 24 million**  
**Percent Uninsured 8 percent**

# Questions