US Health Care Reform
Week One:
What’s Special about Health Care and the Uninsured

Bill Scanlon
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

- $0
- $0-664
- $665-3,219
- $3,220-6,444
- $6,445-11,487
- $11,487-35,543
- GT $35,543
## Value of Insurance DISCOUNTS

<table>
<thead>
<tr>
<th>Service</th>
<th>Charge</th>
<th>Allowed</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>
Financial Consequences of Being Uninsured

Source: Kaiser Family Foundation Poll
Problems Obtaining Needed Care Among Non-elderly Adults, Uninsured vs. Insured, 2007

<table>
<thead>
<tr>
<th>Problem</th>
<th>Uninsured</th>
<th>Medicaid/Public</th>
<th>Insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did Not Fill Prescription Due to Cost</td>
<td>4</td>
<td>14</td>
<td>25%</td>
</tr>
<tr>
<td>Did Not Get Needed Care Due to Cost</td>
<td>3</td>
<td>9</td>
<td>23%</td>
</tr>
<tr>
<td>Postponed Seeking Care Due to Cost</td>
<td>6</td>
<td>10</td>
<td>27%</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Obama</th>
<th>McCain</th>
<th>Enzi</th>
<th>Burr/ Coburn</th>
<th>Wyden/ Bennett</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modify Insurance Rules</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Modify Tax Treatment</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Create Insurance Exchange</td>
<td>Yes</td>
<td></td>
<td>Small Business Plans</td>
<td>State Option</td>
<td>Yes</td>
</tr>
<tr>
<td>Expand Medicaid</td>
<td>Yes</td>
<td></td>
<td></td>
<td></td>
<td>Eliminate</td>
</tr>
<tr>
<td>Mandate Individual or Employer</td>
<td>Yes</td>
<td></td>
<td>?</td>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>
## PPACA 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>Expand Medicaid</td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Create Insurance Exchanges</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>Subsidize Exchange Policies</td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Individual Mandate</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>
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
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.

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, 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?
- 1000 HC information

*Optimize your Health Connector experience with Internet Explorer 7.0 or Firefox 3.0
Enter some basic information about yourself to start shopping for health insurance.

- Residential ZIP Code: 02138
- Type of Coverage: Self only
- Date of Birth: 08/08/1980
- Coverage to Begin: June 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.
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

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

Maximum Share of Income Paid for a Policy

Federal Poverty Level

Maximum % of income paid out of pocket for premiums

0% 1% 2% 3% 4% 5% 6% 7% 8% 9% 10%

100% 150% 200% 250% 300% 350% 400%
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

<table>
<thead>
<tr>
<th>Source of Coverage</th>
<th>Change 2010-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer</td>
<td>-4 million</td>
</tr>
<tr>
<td>Individual</td>
<td>-5 million</td>
</tr>
<tr>
<td>Exchange</td>
<td>+25 million</td>
</tr>
<tr>
<td>Medicaid</td>
<td>+15 million</td>
</tr>
<tr>
<td>Uninsured</td>
<td>-31 million</td>
</tr>
</tbody>
</table>

**Number of Uninsured in 2019--- 24 million**

**Percent Uninsured** 8 percent
Questions