

2009 Health Care Reform

August 25, 2009



Very Important to all Americans

Especially important to the uninsured and those who
lose coverage

Cost increases are going up too fast

Something needs to be done - let's get this right



Health Care Reform



While many Americans are happy with the coverage they have, the current system has shortfalls that leaves others uncovered.

Health Care Reform



Proposed Health Care Reform Legislation

Too costly as drafted?

**Better way to address the problems without
the negatives?**



Consensus for Market Reform



Revise Rules for Coverage

- ✓ All Individuals and employees must be covered
- ✓ Subsidies to make coverage affordable for all
- ✓ Reduce future cost increases

All Private Insurance Group & Individual Carriers

- ✓ Mandate coverage for everyone
- ✓ Cover all pre-existing conditions – guaranteed issue & renewability
- ✓ Community Rating, not based on health status
- ✓ Premiums vary only for age, family size, tobacco use and geography



Consensus for Market Reform



Medical Revisions

- ✓ Reward doctors & hospitals for providing better care
- ✓ Promote health & disease prevention, including eat right, more exercise and stop smoking (vary premiums accordingly?)
- ✓ More research on best procedures, drugs & devices
- ✓ Tort Reform to reduce costs for defensive medicine

Private Group & Individual Coverage would:

- ✓ Improve economics to reduce future premium increases
- ✓ Retain existing quality
- ✓ Retain existing access to care
- ✓ Retain competition to hold down cost

NOTE: All of this can be done by the private sector



Health Care Reform



America must address
Achieving Access & Affordability
while not creating a fiscal disaster
that will cripple our economy and
mortgage our children's future



Access – The Insured



Insurance Coverage Today (www.statehealthfacts.org)	
Employment Based	53.4%
Individually Purchased	4.9%
Medicare	12.1%
Medicaid	13.2%
Other Public	1.1%
Uninsured	15.3%

2/3 of employees rated current employer-based coverage as "excellent" or "very good"

(National Business Group on Health)

3 million adults & 6 million children are eligible for, but not enrolled in current government programs



Access - The Uninsured



TOTAL UNINSURED	45,657,000
US Citizen	35,920,000
Non-Citizens	9,737,000
TOTAL UNINSURED	45,657,000
Income: < \$25,000	13,539,000
\$25,000-\$49,999	14,515,000
\$50,000-\$74,999	8,488,000
\$75,000 or more	9,115,000
<i>Source: 2007 US Census Bureau</i>	

Should Illegal immigrants be included?

*At what income level should we contribute to the uninsured's costs?
How much?*

Affordability



Why does it cost so much?

Government Cost Shifting

New Technology

Access to Care (No waiting)

Legal-Defensive Medicine

Lifestyle – Health & Habits

(Smoking-Obesity-Diabetes-Lack of Exercise)

**Health
insurance
merely
“Finances”
the cost of
medical care**

The Health Care Dollar



Where Does Your Health Insurance Dollar Go?



Can the Government do it more efficiently?

*Includes prevention, disease management, care coordination, investments in health information technology and health support.
Based on a PricewaterhouseCoopers' analysis, *Factors Fueling Rising Healthcare Costs 2008*. © 2008 America's Health Insurance Plans



Affordability

Insurance Profits?



Most Profitable Industries

CNN-2008 Profits as a % of Revenues (issue May 4, 2009)

1	Network & Other Comm. Equip.	20.4%
2	Internet Services & Retailing	19.4%
3	Pharmaceuticals	19.3%
4	Medical Products & Equipment	16.3%
6	Financial Data Services	11.7%
8	Securities	10.7%
22	Insurance: Life, Health (stock)	4.6%
30	Health Care: Pharmacy & Other Services	3.0%
35	Health Care: Insurance & Managed Care	2.2%

The insurance industry's profits are much less than many other industries and are about where they should be to stay in business. As a result, the Industry is very competitive.



Present Cost Shifting to You



Medicare Pays

Doctors **20% less** &

Hospital **30% less**

than what private insurers pay

As a result:

Private Insurers & You Pay

\$150 a Month More for a Family of 4

Source: Milliman 2008



Present Cost Shifting to You



The Government just announced (July 2009) they will **REDUCE** Medicare & Medicaid payments even more.

- How much more will that cost the majority of Americans?
- How many doctors & hospitals will go out of business?

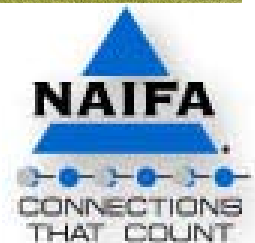
Health & Habits Costs



- Smoking: \$150 Billion/Year
- Alcohol: \$22 Billion/Year
- Obese-Overweight: 65% of population
- Diabetes: 7% (Much is Preventable)
- Lifestyle: 90% of heart disease is preventable



Sources: National Center for Health Statistics, 2005
World Health Organization



Draft Legislation

As of 8-25-09



ELEMENTS OF DRAFT LEGISLATION:

- Individual mandate or pay penalty
- Employer mandate or pay penalty
- Government plan to compete with private insurers
- Health insurance market reforms
- Subsidies for lower income individuals with incomes less than \$88,200 for a family of 4 through a Medicaid expansion
- New long term care program

Access Elements In Draft Legislation



Exchange - Access for individuals and small businesses to health insurance

Employer Mandate - All employers must offer or pay for health insurance for their employees

Pay 72.5% of Employee Premiums

Pay 65% of Family Premiums

OR pay 8% of Payroll Penalty

Individual Mandate - All individuals must purchase coverage
OR pay 2.5% income tax penalty

(Query: How will this be enforced?)



Proposed Government-Run Option



- Exacerbates cost shifting to the private sector
- Unfair competition with the private sector
- Underpays providers, resulting in longer waits
- Reduces access to care effectively rationing access
- New entitlement program can't be sustained without enormous *new* federal spending
- Would lead to a government-run, single-payer system: eliminates competition, reduced interest in developing new technologies and drugs.

Taxes for Reform



Cost for Reform

Cost for Reform
With a Government Option

Current Discussions

- Tax on insurers based on health insurance policy values
- Penalty/excise tax could be as high as 35 percent
- Tax limitations on FSAs HSAs, HRAs
- \$544 Billion surtax on high income taxpayers



Achievable Reform



Reform can be achieved to:

- Help lower costs
- Reduce future increases
- Ensure coverage is available to all citizens

Without resorting to new government programs or jeopardizing the high quality of care we enjoy and expect as American consumers



Comparison of Options



	Government Plan	Private Sector Plan
Covers Pre-Existing Conditions	Yes	Yes
All Guarantee Issue	Yes	Yes
Subsidy for Low Income Insureds	Yes	Yes
Employer Mandate	Yes	Yes
Individual Mandate	Yes	Yes
Specify Plans	Yes	Yes

Comparison of Options



	Government Plan	Private Sector Plan
Competes Fairly	No	Yes
Pays State Taxes	No	Yes
Covers State Mandates	No	Yes
Negotiates with Providers	No	Yes
Creates New Exchange	Yes	Not Needed

Comparison of Options



	Government Plan	Private Sector Plan
Cost to create	*	N/A
# of New Fed. Departments	53	N/A
New Employees	Unknown	N/A
New Office Space, etc.	Yes	N/A
Capital Required	*	N/A
Source of Funds	Taxpayers	N/A

HOW: Raise Taxes or Increase the Deficit

* *Estimates are Billions of Unknown Expenses*



Health Reform



Let's get this right!

www.naifa.org/health

www.gethealthreformright.org

This is one in a series of ongoing dialogs to enhance awareness of this major issue so the American Public can make informed decisions about their future health care. We will periodically update this material as information becomes available.

