

2009 Health Summit

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Robert Laszewski

**Health Policy and Strategy Associates,
LLC**

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“The Stars Are Aligned for Health Care Reform”

- **The health care cost crisis has reached a critical point.**
- **The Democrats have big Congressional majorities and a popular President with a “mandate” to act.**
- **The stakeholders are all at the table and cooperating.**
- **There is a sense of inevitability—it will happen this time.**

President Obama's Objectives For a Health Care Bill

- **Cover the uninsured.**
- **Begin to control costs—“bend the curve.”**
- **Health care reform must pay for itself over a ten-year budget window.**
- **Build on the existing employer-based system.**
- **Reform the insurance markets.**

**Two Approaches on the Table:
The Congressional Democratic Bills
The Baucus Attempt at Bipartisan Reform**

Key Components of Democratic Bills

- **Expand prevention and wellness programs.**
- **Increase the number of primary care physicians.**
- **Prohibit medical underwriting and pre-existing condition provisions.**
- **Expand Medicaid to 133% of poverty.**
- **Establish government-run insurance exchanges for the small group and individual market.**
- **Prohibit policy rating based upon gender, health status, occupation, and limit variation based upon age.**

Key Components of Democratic Bills...

- **Set administrative simplification standards through regulation to reduce administrative costs—claim denial timelines and standards for electronic transactions.**
- **Minimum loss ratio of 85%.**
- **Create an insurance czar to oversee insurance exchanges and subsidy program.**
- **Minimum benefit standards defined.**
- **Individuals and employers mandated to purchase coverage.**

Cost Containment

- **Lots of pilot programs aimed at changing provider incentives including “medical home” and “accountable care organizations.”**
- **Reducing “preventable admissions” through payment system.**
- **But skip reforming the Medicare physician payment system—relief for January 1, 2010 21% Medicare fee cut and beyond.**
- **Create Center for Comparative Research.**

Cost Containment

- **Improve primary care payments—increased Medicaid payments and bonuses for Medicare.**

Maximum a Family Would Pay

House Energy Bill

- **A family making 133% of poverty (\$29,327) would pay no more than 1.5% of income for premiums (\$444 a year).**
- **At 133% of poverty they would pay out no more than a \$100 deductible and would have a \$900 out-of-pocket cap.**
- **A family making 200% of poverty (\$44,100) would pay no more than 5.5% of income for premiums (\$2,424 a year).**
- **At 200% of poverty they would pay out no more than a \$500 deductible and would have a \$4,400 out-of-pocket cap.**

Maximum a Family Would Pay...

- **A family making 250% of poverty (\$55,125) would pay no more than 8% of income for premiums (\$4,416 a year).**
- **At 250% of poverty they would pay out no more than a \$1,000 deductible and would have a \$7,450 out-of-pocket cap.**
- **A family making 300% of poverty (\$66,150) would pay no more than 10% of income for premiums (\$6,612 a year).**
- **At 300% of poverty they would pay out no more than a \$2,400 deductible and would have a \$8,520 out-of-pocket cap.**

Maximum a Family Would Pay...

- **A family making 400% of poverty (\$88,200) would pay no more than 12% of income for premiums (\$10,584 a year).**
- **At 400% of poverty they would pay out no more than a \$3,000 deductible and would have a \$10,000 out-of-pocket cap.**

Paying for It

- **\$550 billion tax on incomes in excess of \$350,000.**
- **\$150 billion in cuts to Medicare Advantage plans.**
- **Marketbasket cuts to hospitals, bigger drug rebates, paying less for “preventable” admissions, and cutting Medicaid payments to hospitals that would gain from fewer uninsured.**

The Public Option

- **The “lightning rod” issue.**
- **Only individuals and small groups in the insurance exchange would be eligible for it.**
- **Providers do not have to participate.**
- **Medicare-like provider reimbursement.**
- **“But FedEx and UPS do well against the Post Office.”**
- **Would employers drop coverage?**

The Baucus Senate Finance Draft

- **Mark-up scheduled for the third week in September.**
- **Uses co-ops instead of a public plan option.**
- **Insurance companies and administrators would pay a 35% excise tax on benefit programs with a cost in excess of \$8,000/\$21,000.**
- **Health insurers would pay an annual fee of \$6 billion beginning in 2010—drug companies \$2.3 billion, device makers \$4 billion, and clinical labs \$750 million.**

Baucus...

- **Health plans would be required to comply with administrative simplification regulations by 2014 or pay fines.**
- **Limiting FSA contributions to \$2,000 a year.**
- **“Equalizing” Medicare Advantage payments by moving to a competitive bidding scheme.**
- **Insurance exchange would begin in 2010 but underwriting reform would begin in 2013.**
- **“Interstate” health plans would be allowed under compacts between states.**
- **A turbo-charged MedPAC would be created to take Medicare payment policy out of the hands of the politicians.**

Baucus...

- **Health insurance premiums could vary by 1.5:1 for tobacco, 5:1 age, family 3:1, and single 1:1.**
- **Including any geographic differences, premiums couldn't vary more than a ratio of 7.5:1 across the book.**
- **No employer mandate but an assessment (for employers above 50 employees) of a maximum of \$400 per employee per year if coverage not provided and the employee buys through the exchange.**

Baucus...

- **Individuals would be required to buy coverage beginning in 2013.**
- **Tax credit assistance for families making between 133% of poverty and 300% of poverty.**
- **Individuals would end up paying no more than 3% of income for premiums at 133% of poverty and no more than 13% of income for those at 300% of poverty.**
- **For a family, 300% of poverty is \$66,150 per year—13% of that is \$8,600.**
- **The penalty for not having insurance would be \$750 per person (\$1,500 for a family) up to 300% of poverty—\$950/\$3,800 above 300%.**

The Bills Would Be Very Good for the Big Business Stakeholders

- **We are on track to spend close to \$40 trillion on health care during the next ten years.**
- **Presuming the public option is eliminated, health insurers would see new premiums well in excess of \$1 trillion over ten years.**
- **Insurers would lose the extra Medicare Advantage payments worth about \$160 billion over ten years.**
- **Insurers would be responsible for billions in new taxes—but really more as a tax collector than a payer.**

Good for Business...

- **The drug companies cut a deal limiting their contribution to \$80 billion over ten years.**
- **The hospitals have limited their contribution to \$155 billion.**
- **The physicians will not have any more Medicare doc cuts.**
- **In the end, we have an entitlement expansion costing close to \$1 trillion over ten years.**
- **If would be paid for half with provider cuts and half with new taxes.**

But Would We Have Health Care Reform?

Deficit Neutral

Raising Taxes

Cost Containment

**Special Interests Get More Out Than
They Put In**

The Politics of Reform

- **A done deal?**
- **Big special interests neutralized.**
- **Swing voters?**
- **Approval ratings?**
- **1,000 pages of details.**
- **Individual mandate.**
- **Moderate and conservative Democrats the key.**
- **The White House and Leadership strategy is to get bills to the floor and put enormous pressure on the doubting moderate and conservative Democrats.**

Politics of Reform...

- **Will the Democrats use reconciliation rules which would only require 51 Senate votes or normal procedure which would require 60 votes?**
- **Can the Democrats really ram through anything so large as health care without a broad consensus for it in the country?**

**Any bill would be a huge win for
Democrats.**

**No bill would be a huge win for
Republicans.**

**But the Country Needs to Resolve the
Health Care Challenge!**