AHIP Center for Policy and Research

Ideas, research and policy solutions from America’s Health Insurance Plans

10.18.2006
Health Cost Trend Remains Stable at 7-9 Percent

The Center for Studying Health System Change (HSC) estimates that growth in prescription drug costs declined to about 5 percent in 2005. Meanwhile, costs for hospital care and outpatient surgical and diagnostic services grew by 9 percent.

09.25.2006
Small Group Health Insurance in 2006: A Comprehensive Survey of Premiums, Consumer Choices, and Benefits (Full Report; Slides)

A comprehensive survey of member companies offering coverage in the small group health insurance market, with premium and benefit data from more than 650,000 small groups covering 4 million workers and 3.2 million dependents.

06.28.2006
HSAs and Account-Based Health Plans

An Overview of Preliminary Research

05.25.2006
An Updated Survey of Health Care Claims Receipt and Processing Times

Electronic submission of health insurance claims more than tripled in the last decade, reducing administrative costs and allowing 98 percent of claims to be processed within 30 days of receipt.

03.09.2006
January 2006 Census Shows 3.2 Million People Covered By HSA Plans (Full Report; Summary; Slides)

A census of AHIP members shows enrollment in Health Savings Account (HSA) Plans tripled in ten months.
### PEOPLE WITH PRIVATE HEALTH INSURANCE COVERAGE

- People Covered by Private Insurance: 2,639,000
  - 52% Self-Insured
  - 48% Fully-Insured

### PERCENT OF EMPLOYERS OFFERING HEALTH INSURANCE

- 99% Large Employers
- 54% Small Employers

### AVERAGE ANNUAL HEALTH INSURANCE PREMIUMS

- Individual Market Single: $3,326
- Individual Market Family: $7,749
- Small Group Market Single: $4,848
- Small Group Market Family: $12,708
- Total State Premium Taxes Collected from Insurance Companies: $238,284,000

### JOBS IN HEALTH INSURANCE INDUSTRY

- 22,106 Direct Jobs
- 14,879 Other Insurance-Related Jobs
  - Total Jobs: 36,985

- Payroll Direct Jobs: $2,281,558,000
- Payroll Other Insurance-Related Jobs: $1,333,174,000
- Average Wage Direct Jobs: $103,257
- Average Wage Other Insurance-Related Jobs: $89,601

---

**State Health Facts**

- 9% Uninsured
  - Average Annual Medicaid Payment Per Enrollee: $6,657

**State Rankings**

- 6th in uninsured rate
- 3rd in Medicaid payment per enrollee
- 7th in % of residents covered by private insurance
- 3rd in % of employers offering health insurance

---

*Data from the U.S. Census Bureau, including state premium tax collected from all types of insurance companies, including health insurance.

*Data from the U.S. Census Bureau, NAIC reports, Bureau of Labor Statistics, and insurance companies. NAIC reports include jobs specifically hired for the health insurance industry, whereas insurance-related jobs consist of those hired in all insurance industries, including workers who produce or deliver goods and services on behalf of insurance companies.

*Indicates the number of jobs in that category.
Variation in Medicare Spending

Total Medicare Reimbursement
Parts A and B Reimbursement in 2003

Source: Dartmouth Atlas of Health Care
Quality Variation Even within Medicare

Discharges for Ambulatory Care Sensitive Conditions
per thousand Medicare beneficiaries in 2003

Source: Dartmouth Atlas of Health Care

Source: 2006-2007 AHIP Individual Insurance Survey
## Premiums for Selected States, AHIP Small Group Survey, 2006

<table>
<thead>
<tr>
<th>State</th>
<th>Single</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>$419</td>
<td>$1,097</td>
</tr>
<tr>
<td>Connecticut</td>
<td>$404</td>
<td>$1,059</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>$377</td>
<td>$989</td>
</tr>
<tr>
<td>United States</td>
<td>$311</td>
<td>$814</td>
</tr>
<tr>
<td>Iowa</td>
<td>$285</td>
<td>$747</td>
</tr>
<tr>
<td>Arizona</td>
<td>$281</td>
<td>$736</td>
</tr>
<tr>
<td>Virginia</td>
<td>$246</td>
<td>$645</td>
</tr>
</tbody>
</table>

Recent Trends in Health Insurance Premiums

- Federal Employees Health Benefits Plan
- Mercer
- Kaiser Family Foundation
- National Health Expenditures
Growth In Uninsured: Low, Moderate, Middle and High Incomes

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Uninsured (millions)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Population</td>
<td>43.5</td>
<td>44.8</td>
<td>47.0</td>
</tr>
<tr>
<td>Children</td>
<td>7.7</td>
<td>8.1</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Uninsured rates</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Population</td>
<td>14.9%</td>
<td>15.3%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Low Income (&lt;$25k)</td>
<td>24.1%</td>
<td>24.2%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Low-Moderate ($25-50k)</td>
<td>19.2%</td>
<td>20.1%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Middle Income ($50-75k)</td>
<td>12.3%</td>
<td>13.3%</td>
<td>14.4%</td>
</tr>
<tr>
<td>High Income ($75k+)</td>
<td>7.3%</td>
<td>7.7%</td>
<td>8.5%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau; revised estimates at [www.census.gov](http://www.census.gov).
Impact of Cost Shifting from Uncompensated Care, 2005

Source: K. Stoll, “Paying A Premium”, Families USA, June 2005
Indications of Under-compensated Care

Number of Announced Hospital Mergers & Acquisitions Compared to Annual Percent Change in Hospital Spending (NHE), 1998-2005

Technological Progress Without Clear Studies of Appropriate Use


Administrative Costs and Taxes: All Private Health Insurance

Source: CMS Office of the Actuary, January 2008
Administrative Costs: Medicare and Medicaid

Source: CMS Office of the Actuary, January 2008
### Increase in Premium Costs by Component, 2005

<table>
<thead>
<tr>
<th>Components</th>
<th>Share</th>
<th>Total Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Premium</td>
<td>8.8%</td>
<td>8.8%</td>
</tr>
<tr>
<td>General Inflation</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Healthcare Price Increases in Excess of Inflation (Above CPI)</td>
<td></td>
<td>2.6%</td>
</tr>
<tr>
<td>Cost Shifting</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>Higher Priced Technologies</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>Broader-Access Plans/Provider Consolidation</td>
<td>1.1%</td>
<td></td>
</tr>
<tr>
<td>Increased Utilization</td>
<td></td>
<td>3.8%</td>
</tr>
<tr>
<td>Aging</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>Lifestyle</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>New Treatments</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>More Intensive Diagnostic Testing/Defensive Medicine</td>
<td>0.8%</td>
<td></td>
</tr>
<tr>
<td>Increased Consumer Demand</td>
<td>1.2%</td>
<td></td>
</tr>
</tbody>
</table>

Source: PricewaterhouseCoopers.
How is the Premium Dollar Spent?

AHIP Proposal to Expand Health Insurance to All Americans

- SCHIP up to 200% FPL
- Child Health Credit up to 300% FPL
- Medicaid up to 100% FPL
- Universal Health Account with subsidies up to 400% FPL
- State Performance Grant
AHIP: Reauthorize and Expand SCHIP

- Increase SCHIP funding to help states cover projected shortfalls (at minimum funding to cover all children to 200 percent of FPL)

- Improve the environment for Premium Assistance

- Provide incentive funding for improving quality
AHIP: New Health Tax Credit for Children

- Encourage parents to maintain coverage for their children
- Proposal: $200 per child / $500 per family
AHIP: Tax-Free Universal Health Account

- Tax-free individual contributions
- Federal subsidies up to 400% FPL
- Employer contributions

Universal Health Account

- Pays for any type of health insurance
- Promotes portability
- Promotes continuity of coverage
- Serves as a “125”
AHIP: State Performance Grant Program

• $50 billion seed money over 10 years to assist states in expanding access

• States would submit plans to achieve coverage goals:
  – Ensure affordable coverage
  – Ensure availability of coverage
  – Establish Medicaid to FPL
  – Improve quality and reducing costs
  – Establish healthy living incentives
For each proposal, majority support extends to Americans of each party.

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Percent Support</th>
<th>Rep</th>
<th>Ind</th>
<th>Dem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giving a federal tax credit to low and moderate income parents</td>
<td>85%</td>
<td>83%</td>
<td>83%</td>
<td>88%</td>
</tr>
<tr>
<td>Increasing funding for health insurance program for children</td>
<td>77%</td>
<td>65%</td>
<td>75%</td>
<td>89%</td>
</tr>
<tr>
<td>Providing grants from the federal government</td>
<td>71%</td>
<td>59%</td>
<td>69%</td>
<td>82%</td>
</tr>
<tr>
<td>Having the federal government match contributions</td>
<td>69%</td>
<td>63%</td>
<td>67%</td>
<td>77%</td>
</tr>
<tr>
<td>Giving federal tax deduction for purchase of private insurance</td>
<td>69%</td>
<td>75%</td>
<td>69%</td>
<td>68%</td>
</tr>
<tr>
<td>Expanding the federal government’s Medicaid program</td>
<td>69%</td>
<td>54%</td>
<td>67%</td>
<td>82%</td>
</tr>
<tr>
<td>Establishing a tax-free Health Account for all Americans</td>
<td>65%</td>
<td>66%</td>
<td>64%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Question: Now I am going to read some different ideas that some people have proposed for providing health care coverage for people who are currently uninsured. Would you please tell me if you support or oppose each idea.
Responding to State Universal Participation Proposals

Insurance Enrollment Data → State Residency Records

State Insurance Verification System

Proof of Coverage → No Proof of Coverage

Universal “Seamless” Coverage

- State matches enrollment data with state residency records
- State contacts residents identified as not having coverage
- State auto-enrolls those who do not provide proof of coverage
- State pays initial premiums for auto-enrolled residents
- Auto-enrolled residents responsible for premiums & penalty

Auto-Enrollment → Penalties
State Guarantee Access Plans

Eligible for Access Plan

Claims Cost at/above 200%
OR
Policy Rescission

Access Plan Coverage Issued

Guarantee Access Plan Coverage
• Premium is 150% of standard market rate
• One-time open enrollment with no pre-existing condition exclusions
• No pre-existing condition exclusions if continuous coverage
• One-time agent compensation fee
• Providers paid Medicare rates
• Range of deductibles and cost-sharing amounts
• Rating factors and benefit package mirror the private market

Not Eligible for Access Plan

Return to Market

Health Plan Guarantees Coverage

Private Market Guaranteed Coverage
• Premium capped at 150% of standard market rate
• Health plans accept up to specified threshold - after all reach threshold, it is reset
• Benefit package similar to access plan and other private market coverage
**State-Based Reform: Massachusetts**

**Massachusetts Uninsured by Income (as a % of poverty)**

- **> 300%**: 204,000
- **100%-300%**: 150,000
- **< 100%**: 106,000

Total Uninsured Population = 460,000 (7.2% of total)
Total Population = 6,400,000

- **Medicaid-eligible but not enrolled**
- **Outreach**
- **Mandatory enrollment**

- **Affordable Products**
- **Sliding Scale Premium Subsidies**
- **Insurance Connector**

**Individual Mandate to Carry Health Insurance**

Source: Presentation to the Medicaid Commission by Governor Mitt Romney, January 26, 2006
Governor Schwarzenegger
Original Proposal

• Individual Mandate with Subsidies
  – Medi-Cal or SCHIP to 300% of Poverty for Kids
  – Subsidies under 250% of Poverty
  – Purchasing Pool for Subsidized People
• Employers With 10+ Workers: Coverage or “In Lieu” Fee of 4% of Payroll
• Increased Medi-Cal Reimbursement
• “Coverage Dividend:” 4% of Revenues for Hospitals
• Section 125 and HSA Contribution Improvements
• Cost, Quality, Wellness Provisions