



HEALTH CARE AND HUMAN SERVICES POLICY, RESEARCH, AND CONSULTING - WITH REAL-WORLD PERSPECTIVE.

# The Cost and Coverage Impacts of a Public Plan

Health Law Institute CLE

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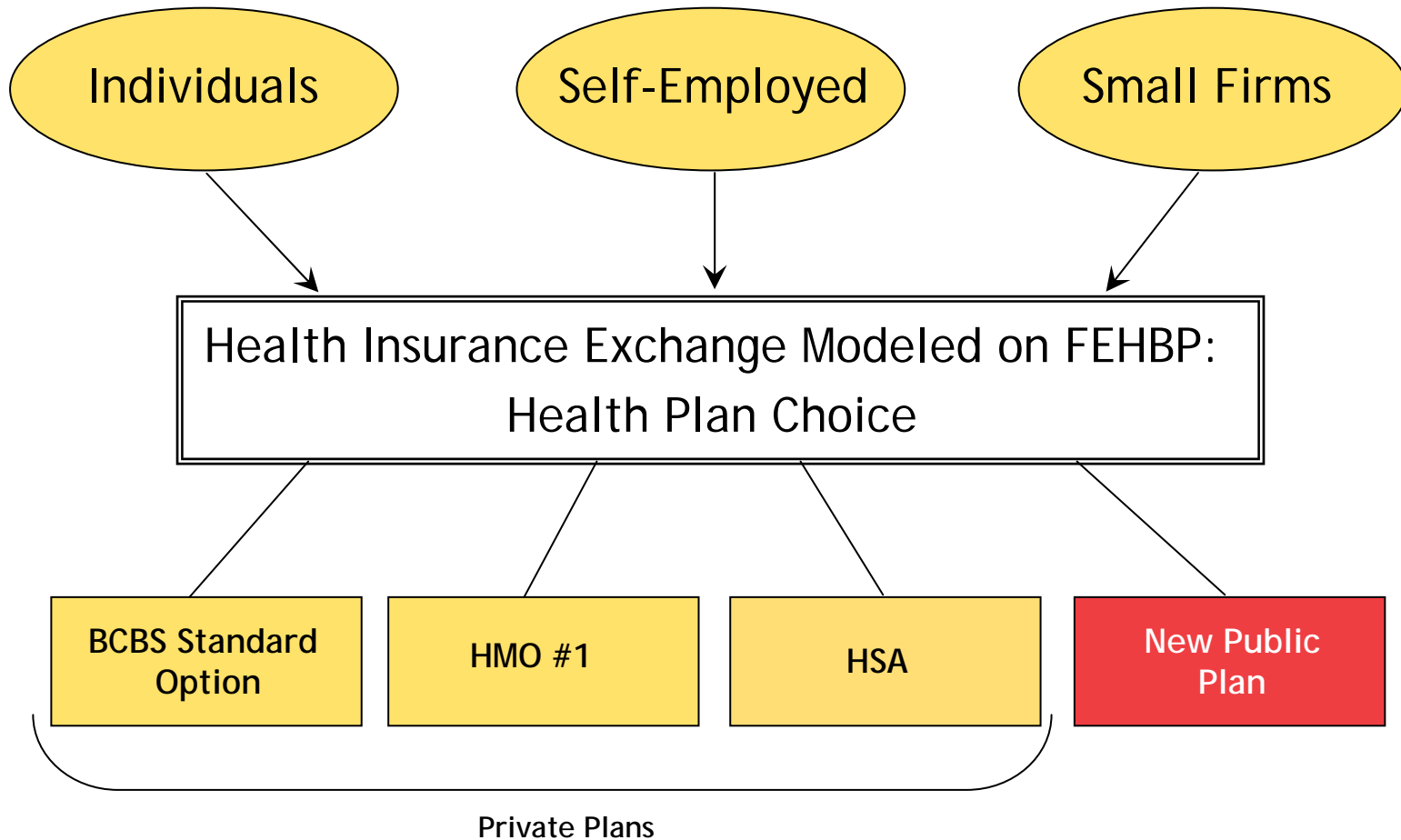
June 12, 2009

# About The Lewin Group

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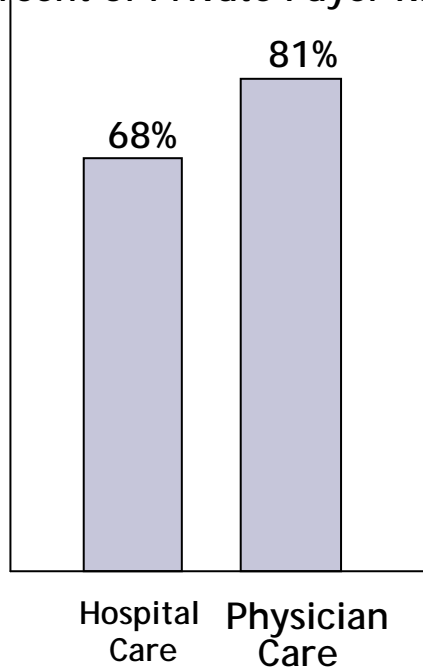
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# New Health Insurance Exchange: Obama Proposal

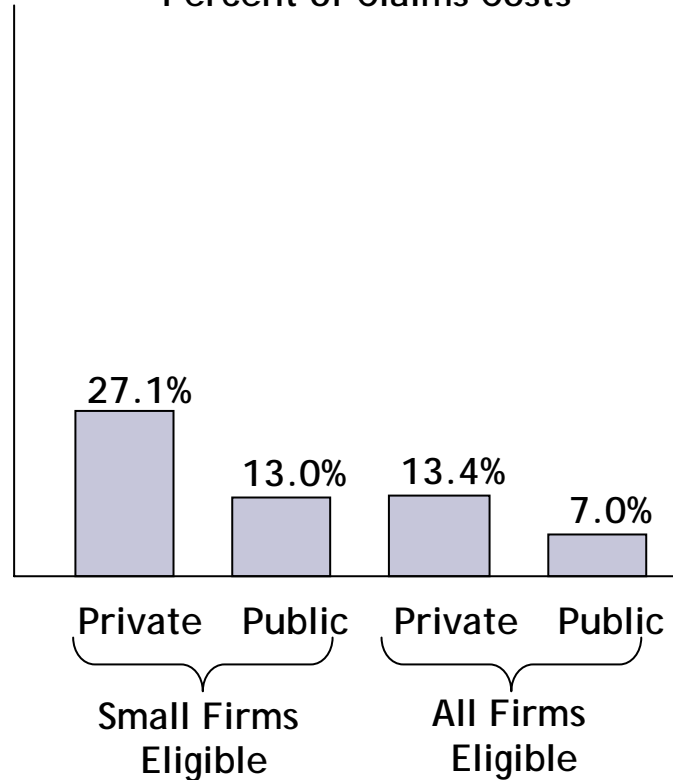


# Benefits and Administrative Costs under a Medicare-based Public Plan and Private Insurance Compared: 2010

Medicare Provider Payments as a Percent of Private Payer Rates

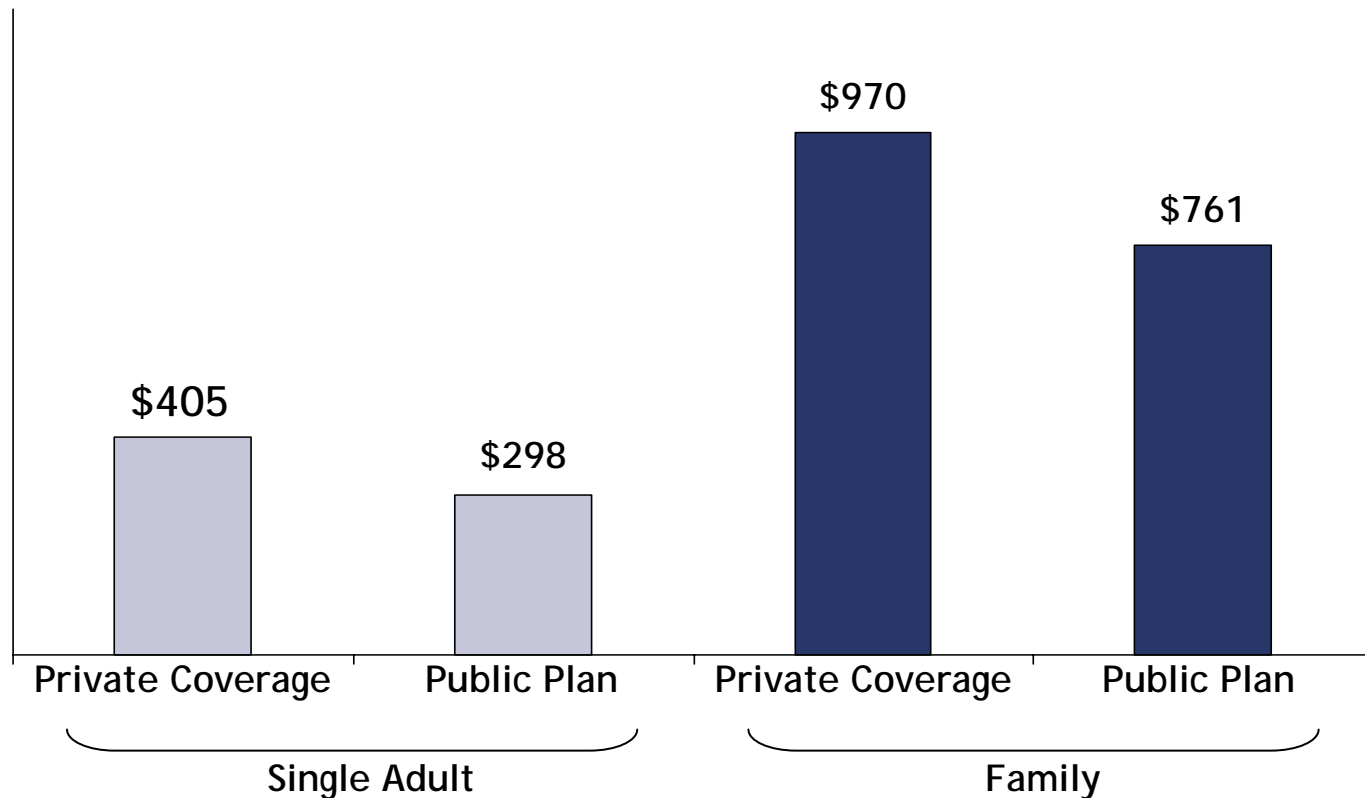


Administrative Costs as a Percent of Claims Costs



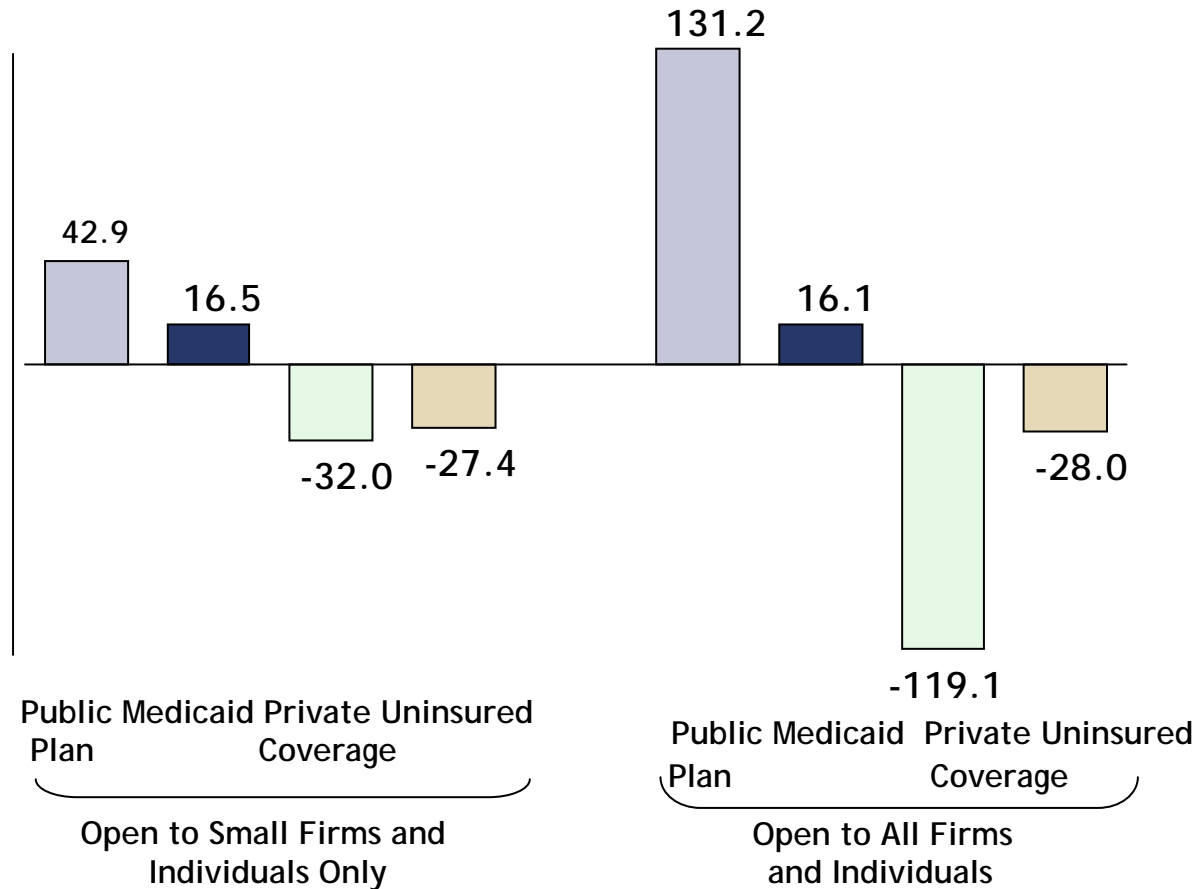
Source: American Hospital Association, "Trends Affecting Hospitals and Health Systems," TrendWatch Chartbook April 2009; "Report to Congress: Medicare Payment Policy," Medicare Payment Advisory Commission (MedPAC), March 2008; and State Health Facts, The Kaiser Family Foundations (KFF), 2003 report.

# Impact of Using Medicare Provider Payment Rates on Premiums in the Public Plan in 2010



Source: The Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

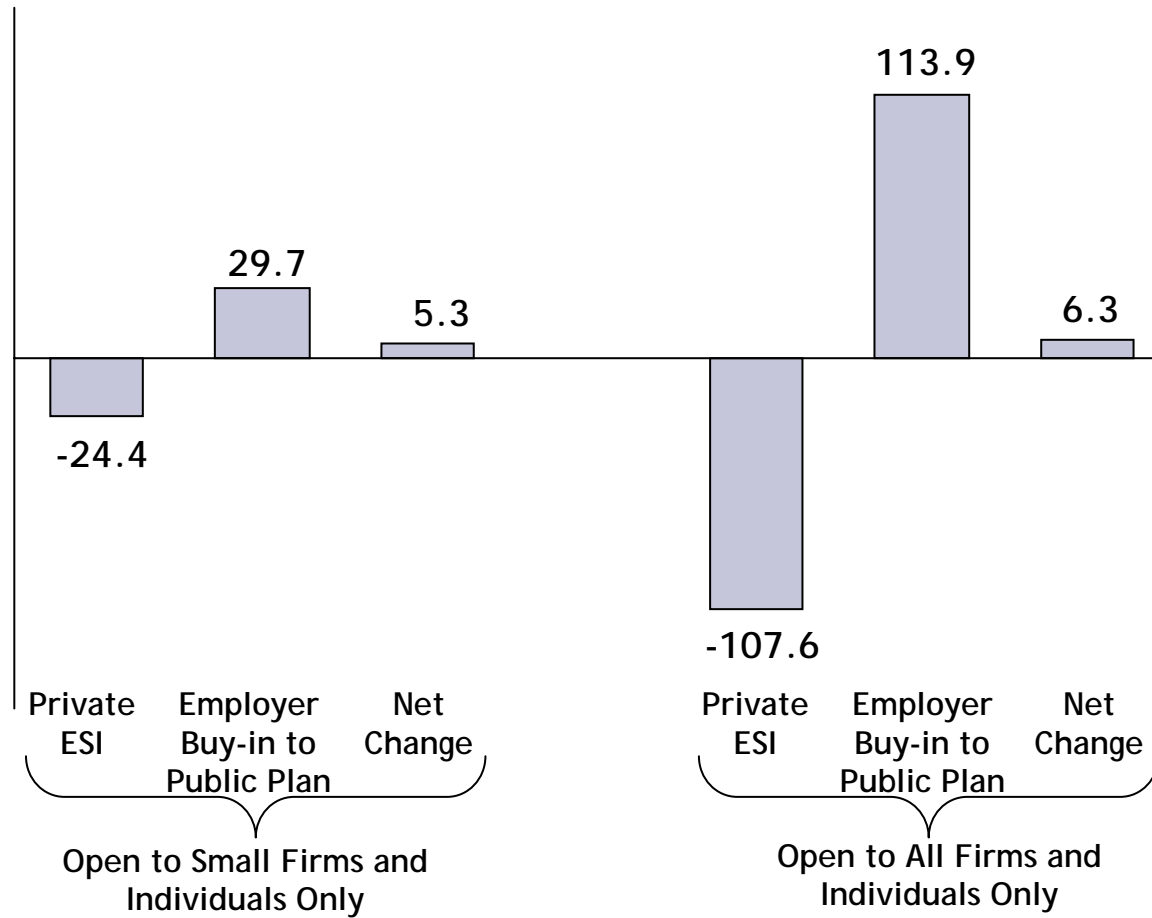
# Changes in Coverage under President Obama's 2008 Health Reform Plan in 2010: Assumes Public Plan using Medicare Payment Levels (millions)



a/ Changes in coverage under Medicaid and other programs not shown.

Source: The Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

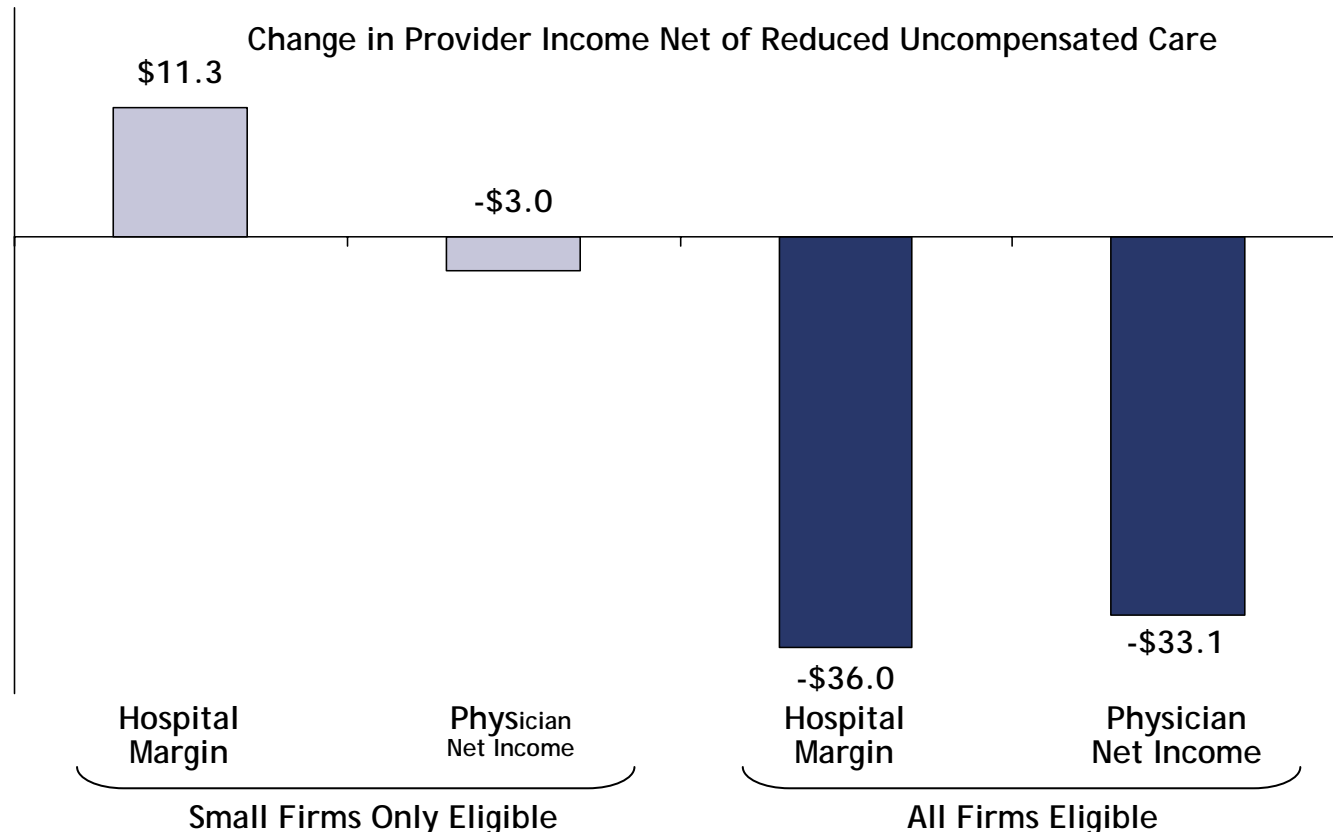
# Changes in Coverage under President Obama's 2008 Health Reform Plan in 2010: Assumes Public Plan using Medicare Payment Levels (millions)



a/ Assumes employers are required to either provide insurance or pay a 6 percent payroll tax.

Source: The Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

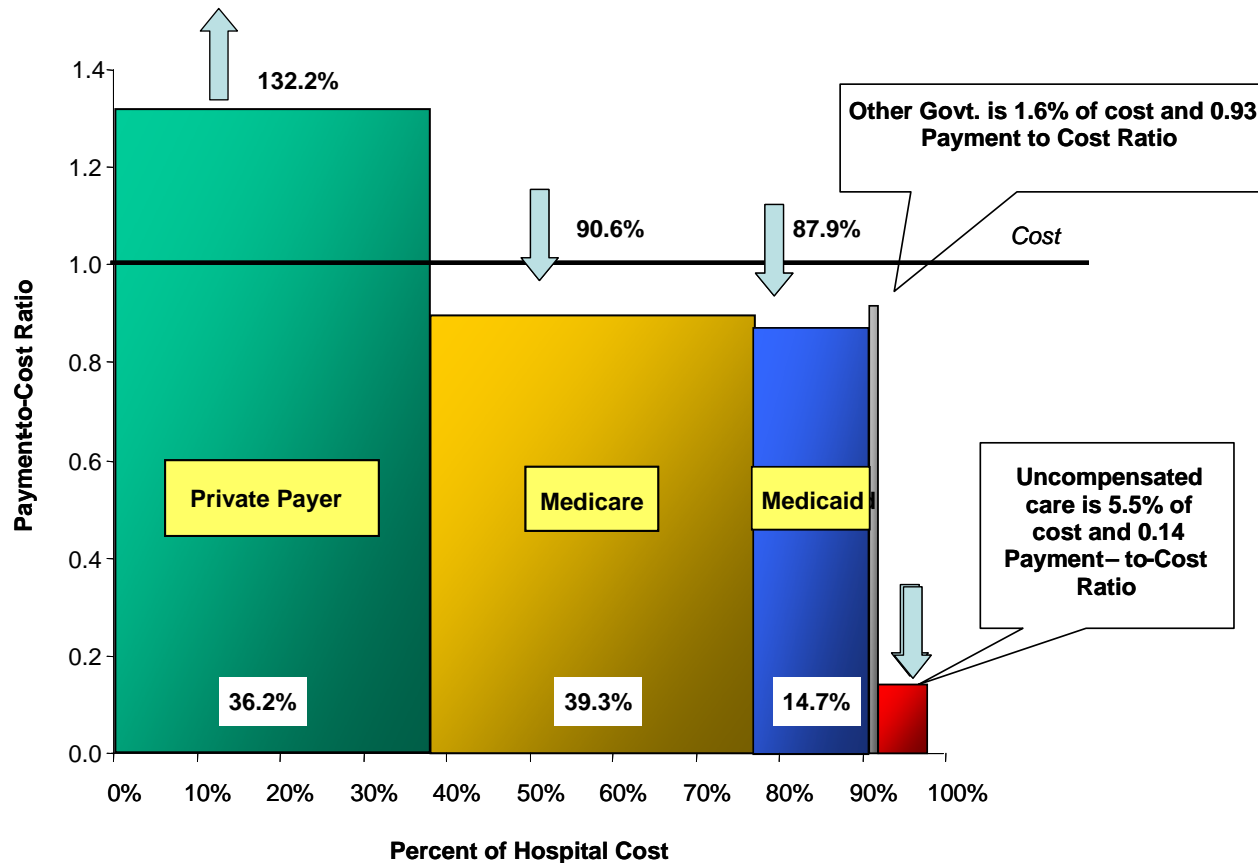
# Impact of Public Plan on Provider Income if Medicare Provider Payment Rates Used <sup>a/</sup>



a/ Includes provider net income due to increased utilization and reduced uncompensated care, payment level changes under the Medicaid expansion and changes in revenues due to the shift to the public plan.

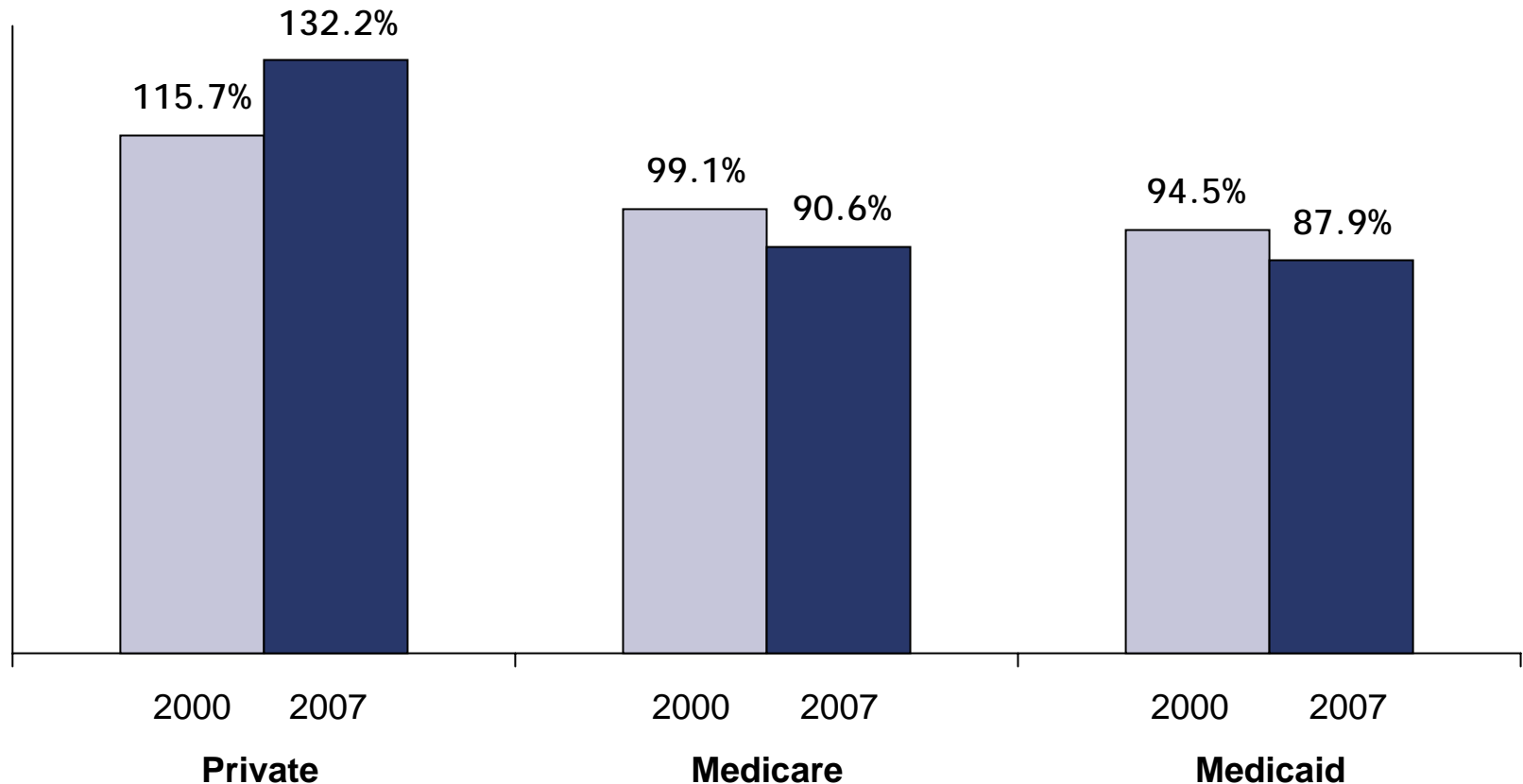
Source: The Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

# Payments as a Percentage of Costs for Hospitals by Payer Group Nationally for 2007



Source: Lewin Group analysis using published data from the American Hospital Association (AHA).

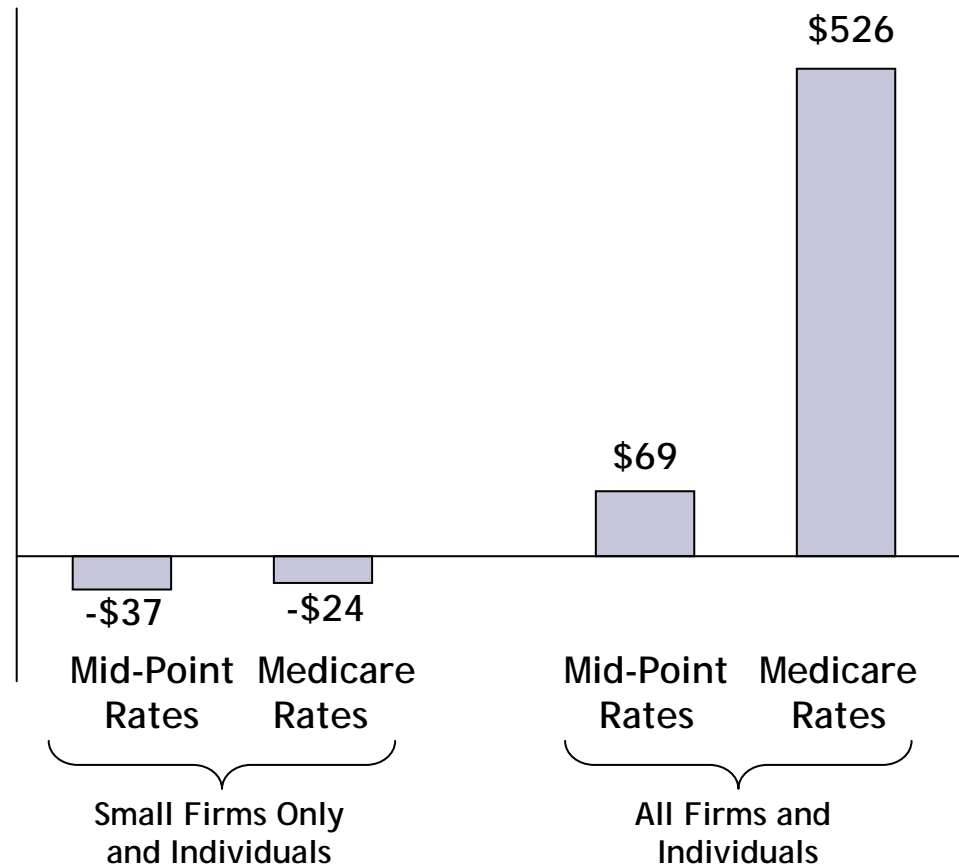
# Payments as a Percentage of Costs for Major Payer Groups Nationally in 2000 and 2007



a/ Payments as a percentage of costs excluding Disproportionate Share Hospital (DSH) payments is 79.4 percent.

Source: Avalere analysis of American Hospital Association (AHA) annual survey data, 2007, for community hospitals.

# Change in Cost-Shift per Privately Insured Person under President Obama's 2008 Reform Plan under Alternative Public Plan Scenarios



Source: The Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

# Summary of changes in coverage and provider revenues under alternative Specifications of the Public Plan in 2010 (in billions)

	Changes in Private Coverage (millions)	Changes in Hospital Net-Income (billions)	Changes in Physician Net-Income (billions)	Change in Cost-shift Per Privately Insured Person
<b>Medicare Payment Levels</b>				
Micro-Groups and Individuals	-\$21.4	\$17.1	\$0.7	-\$37
Small Groups and Individuals	-\$32.0	\$11.3	-\$3.0	-\$24
All Employers and Individuals	-119.1	-\$36.0	-\$33.1	\$526
<b>Private/Medicare Mid-point Payment Levels</b>				
Micro-Groups and Individuals	-14.4	\$21.0	\$0.9	-\$56
Small Groups and Individuals	-21.5	\$20.3	\$2.9	-\$37
All Employers and Individuals	-67.5	\$8.0	-\$5.9	\$69

a/ Includes provider net income due to increased utilization and reduced uncompensated care, payment level changes under the Medicaid expansion and changes in revenues due to shift to public plan.

Source: Lewin Group estimates using the Health Benefits Simulation Model.