

## KEY FINDINGS

### LEWIN GROUP ANALYSIS OF LONG TERM COSTS OF THE AMERICA'S HEALTHY FUTURE ACT OF 2009

The Lewin Group recently completed a study of the impact on the federal budget and deficit of the Senate Finance bill, America's Healthy Future Act of 2009 ("the Act"). The study is a comprehensive look at the cost and coverage effects of the Act on individuals, providers, employers and federal, state and local governments over 10 years. The study also examined the effects over a 20 year period to demonstrate the long-term impacts of the Act. The full study is available at

[http://www.lewin.com/content/publications/Peterson\\_Finance\\_Report.pdf](http://www.lewin.com/content/publications/Peterson_Finance_Report.pdf).

Cost and coverage impacts of The America's Healthy Future Act of 2009 are estimated using The Lewin Group Health Benefits Simulation Model (HBSM). To facilitate comparison of these proposals, Lewin adopted a standard set of data and assumptions that were applied uniformly across all of their similar studies. An in-depth explanation of HBSM is available at [www.lewin.com](http://www.lewin.com).

Where necessary, to show the impact of the plan, we assume the act is fully implemented in 2011 dollars and enrollment is fully matured in 2011.

Key findings of the study include:

#### Coverage

- The number of people without health insurance would be reduced by 23.9 million people, which is less than half the 49.2 million people who will be uninsured in that year.
- Of the 25.3 million people who remain uninsured, about 15.4 million are exempt from the penalty, 5.9 million who would not comply with the mandate, and 4 million undocumented immigrants.
- The Act increases eligibility for Medicaid to 133 percent of the FPL for all adults, resulting in a net increase in Medicaid enrollment of 14.1 million people.
- The number of people with employer-sponsored insurance will decline by 7.3 million people. This includes:
  - About 19.1 million people in firms that drop their coverage once their workers become eligible for subsidized coverage in the exchange; and
  - About 11.8 million people in firms that decide to offer coverage to avoid the penalty.
- The number of people with coverage as an individual would increase from 14.3 million people under current law to 31.4 million people under the Act.

#### Federal Costs

- The Act is fully funded with the revenues and program savings included in the legislation over both the 2010 through 2019 and 2020 through 2029 periods. The Act would reduce the deficit by \$15.9 billion in the first decade and \$355.4 billion over the second decade.
- Total benefits costs under the Act would be \$875.3 billion the 2010 through 2019 period including the cost of the Medicaid expansion (\$329.4 billion), the premium tax credits (\$505.7 billion) and the small employer tax credit (\$27.2 billion).

- There would be program offsets of \$291 billion over this period including penalty payments and an excise tax on high-cost health plans.
- Reduced payments under Medicare and Medicaid would save \$404.2 billion over the ten-year period.
- There would be other revenues of \$196 billion including new excise taxes on branded prescription drugs (\$22.2 billion), medical device manufacturers (\$38.6 billion) and a second excise tax on insurers (\$60.4 billion).

#### Excise Tax on High Cost Health Plans

- The Act imposes an excise of 40 percent of the cost of insurance in excess of \$8,000 for individuals and \$21,000 for families.
- Revenues from the tax would grow faster than the growth in projected subsidy costs. The thresholds for the tax are indexed to the consumer price index (CPI) plus one percent; however, based on historical health care cost growth levels, the study assumed that premiums would grow at twice that rate.
  - The tax would raise \$240.5 billion over the 2010 through 2019 period.
  - The tax would affect coverage for 33.3 million people when first implemented in 2013, of whom 3.1 million would be retirees.
  - The number of people in affected plans would grow to 60.5 million people in 2019 and 110.7 million people by 2029.
  - Revenues from the tax over the 2020 through 2029 period would be \$1.3 trillion.

#### State and Local Governments

- The Act would result in a net savings to state and local governments of about \$63.7 billion over the 2010 through 2019 period, primarily due to the following:
  - States would be required to pay roughly 10 percent of the cost of the Medicaid expansion beginning in 2014, which would be \$14.4 billion over the 2010 through 2019 period.
  - Health benefit costs for state and local government workers would increase by about \$45.4 billion over the 2010 through 2019 period reflecting the cost of the excise taxes and costs of either covering uninsured workers, or paying the employer penalty described above.
  - State and local governments would save \$122.2 billion on spending for safety-net programs resulting from the reduction in the number of uninsured during the 2010-2019 period.
- States would save about \$121.9 billion over the 2020 through 2029 period.

#### Private Employers

- Employers with 50 or more workers are required to either provide coverage or pay a penalty for each uninsured worker receiving the premium tax credit equal to the national average credit amount. An employer's liability is capped at \$400 times the number of fulltime workers. Also, the Act provides a tax credit to lower-wage firms with fewer than 25 workers for the purchase of coverage.
- In the early years of the program, firms that currently offer insurance would see a reduction in annual health spending of \$268 per worker. This would be primarily for firms that discontinue their health plans once subsidized coverage becomes available to their workers under the Act.

- Costs for firms that do not now offer coverage would increase by an average of about \$301 per worker.
- Small insuring firms would save up to an average of \$950 per worker due to the small employer tax credit and the advantages of purchasing coverage through the new health insurance exchanges.
- After 2016, employer spending would increase steadily under the Act reflecting the cost of paying the various excise taxes under the Act. Total employer health spending would increase by 2.1 percent by 2019.
- These estimates reflect increases in cost-shifting under the Act and assume that the cost of the excise tax payments will be passed on to employers and consumers in premiums, adjusted for a consumer price response.

### Impacts on Families

- Average health spending would increase by about \$218 per family under the Act in 2011, primarily due to increased premium payments for newly insured people.
- Insured families with income below \$50,000 would on average see savings averaging up to \$500 per family.
- Families with one or more uninsured members would on average see an increase in family health spending of \$1,205 per family.
- The report assumes that Fees/Taxes paid by insurers, device and pharmaceutical manufacturers are eventually passed on to consumers as higher premiums.

### Impact on National Health Spending

- Total national health spending would increase by about \$35 billion in the earliest years of the program, which is an increase of only about one tenth of one percent;
- The increase in national health spending would be \$114.2 billion over the 2010 through 2019 period and \$527.4 billion over the 2020 through 2029 period.
- Most of the increase in spending would be attributed to increased utilization of health services by newly insured people.

### Cost Shifting

- The Act would reduce spending under public programs by about \$404.2 billion over the 2010 through 2019 period, of which about two thirds (\$241.9 billion) would be in the form of reduced payments to providers for health services.
- Reductions in provider reimbursement would be partly offset by reductions in uncompensated care of \$151.4 billion over this period. Historically, about 40 percent of these reductions in revenues have been passed back to private payers in the form of higher charges.
- We estimate that the Act would increase the total amount of the cost-shift by about \$8.6 billion in 2014, rising to \$25.8 billion in 2019. Total cost shifting over the 2010 through 2019 period would be \$34.4 billion. The cost shift would rise to \$190.9 billion over the 2020 through 2029 period.
- The cost shift would affect premiums for all employers including government workers health benefits, and premium payments by individuals.