



Opening a Buy-In to a Public Plan:  
Implications for Premiums,  
Coverage and Provider  
Reimbursement

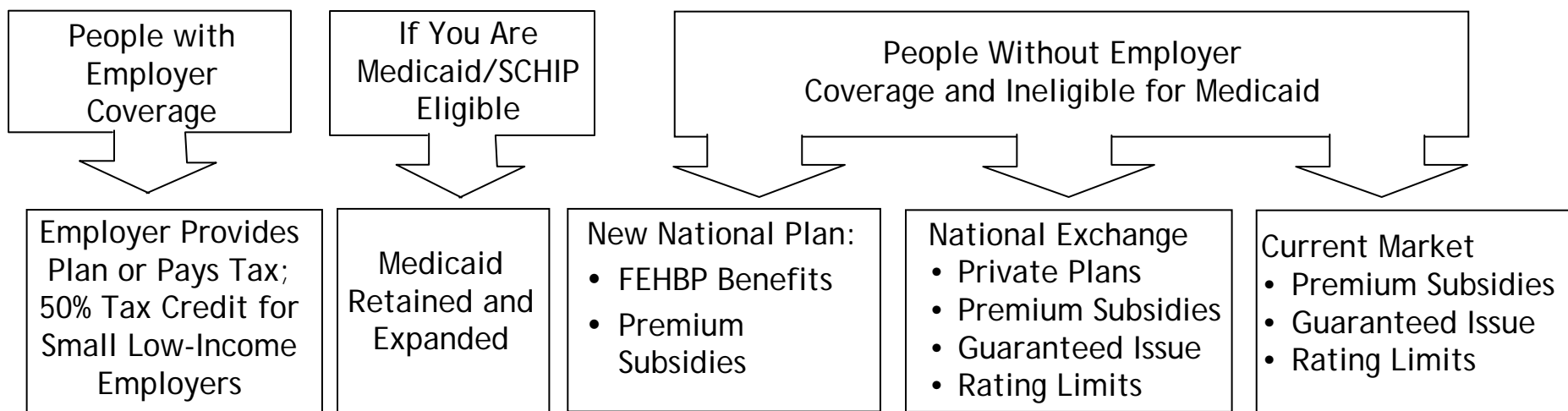
Presentation to Senate Finance Committee Republican Staff

December 5, 2008



# Obama Health Proposal - *“Plan for a Healthy America”*

- All Children Must Have Coverage - Enforcement not Specified
- Voluntary Subsidized Coverage for Low-Income - Not Specified
- New National Exchange as Alternative to Current Market

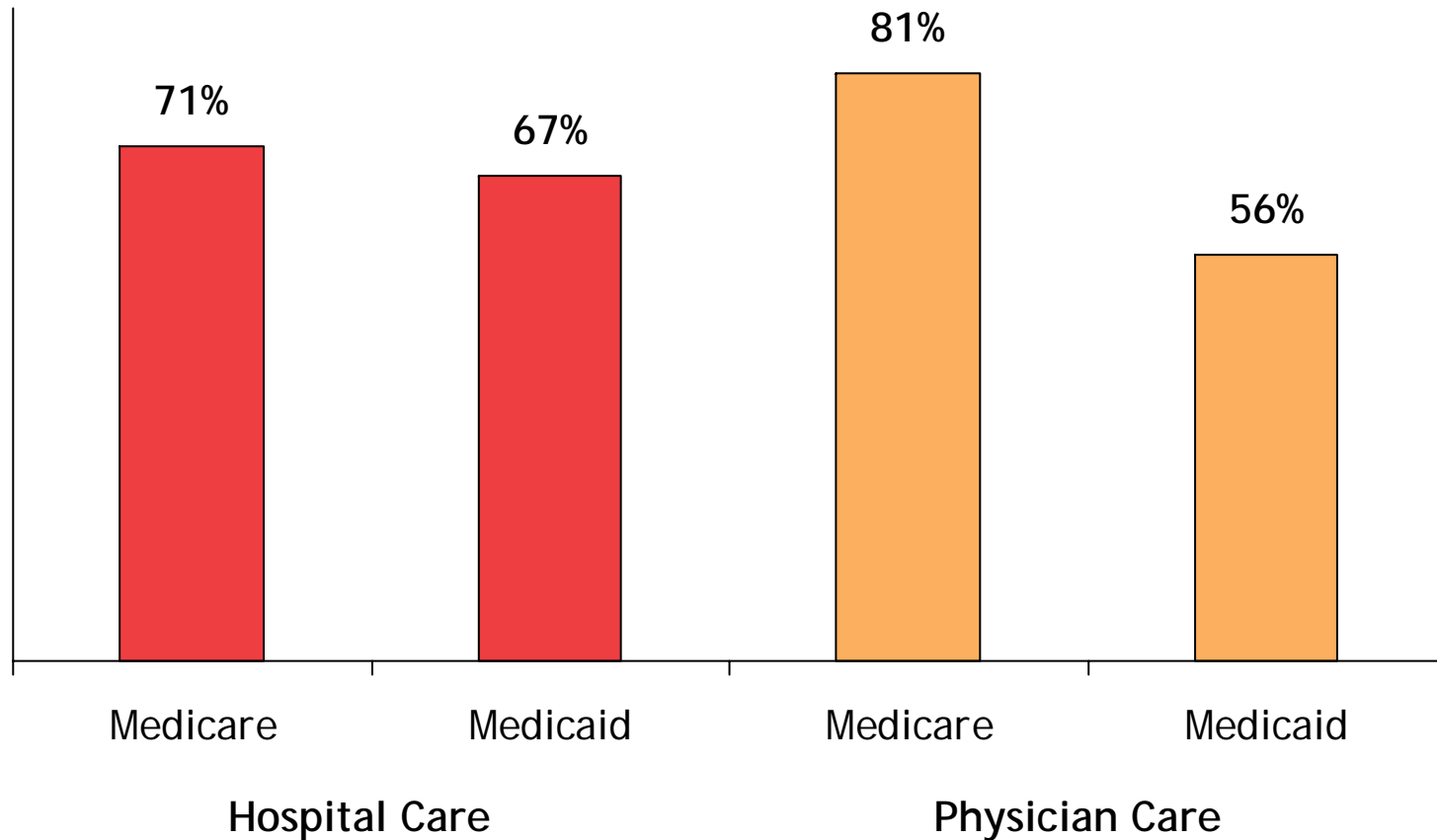


## Other Proposal Features

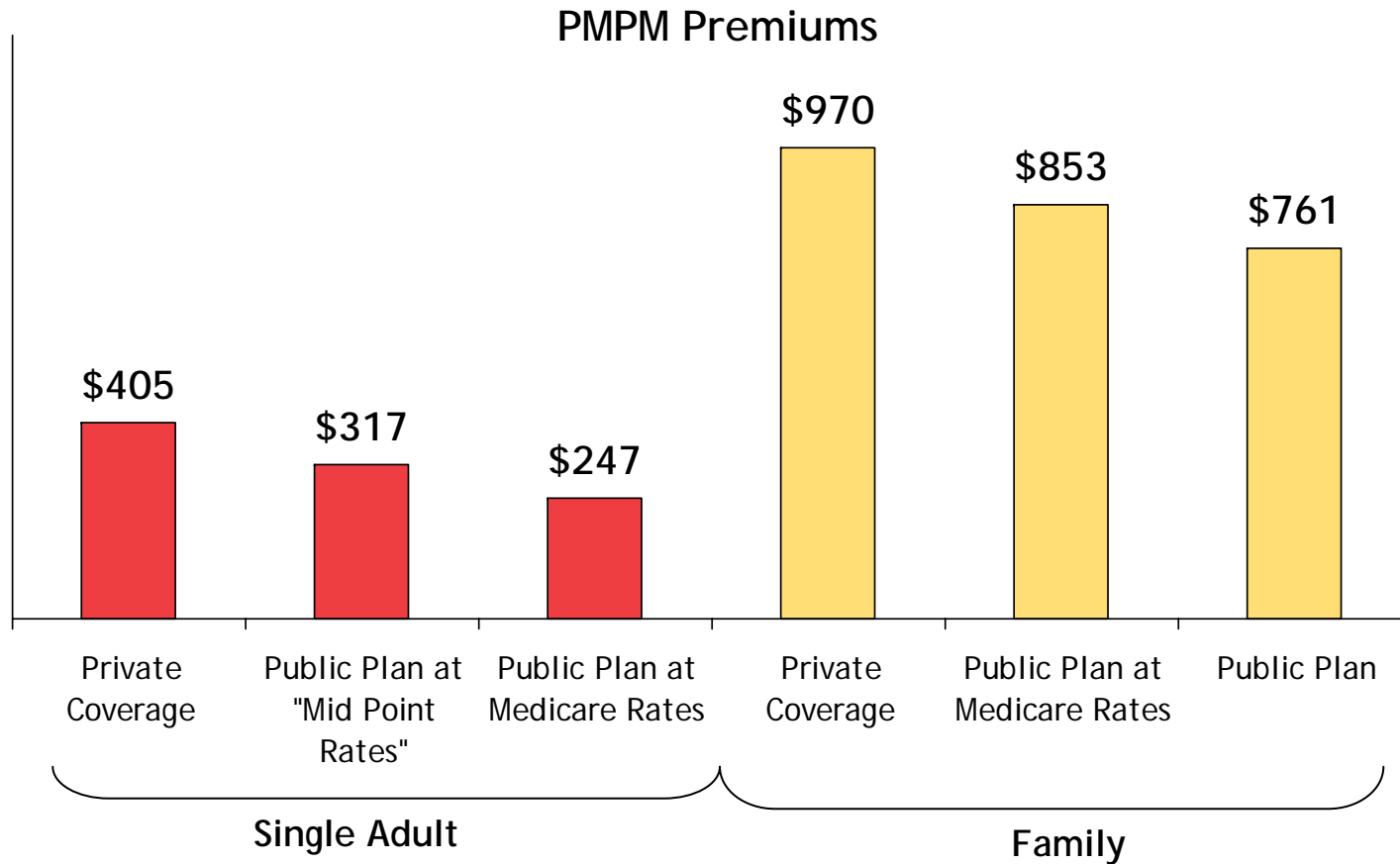
- Guaranteed Issue and No Health Status Rating in Exchange
- Funds Health Information Technology
- Funds Clinical Effectiveness Research
- Disease Management
- Funds Minimum Loss Ratio (in non-competitive areas)
- Negotiate Part D Drug Prices Directly With Manufacturers
- Permit Re-importation of Drugs
- Reduced Medicare Advantage Rates

# Public Program Provider Payments as a Percent of Private Payments for Similar Services

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# Public Plan Premiums Under Alternative Provider Payment Levels and with Medicare Administration per Person per Month (PMPM)



a/ Includes provider payment rates at midpoint between private and Medicare payment rates.

# Enrollment in Public Plan Under Obama Proposal Under Alternative Scenarios

|  | Eligible Groups                                 |                         |                         |  |                         |                         |
|--|---|-------------------------|-------------------------|--|-------------------------|-------------------------|
|  | Small Firms, Self employed and Individuals Only |                         |                         | All Firms, Self-Employed and Individuals |                         |                         |
|  | Private Payer Levels                            | Midpoint Payment Levels | Medicare Payment Levels | Private Payer Levels                     | Midpoint Payment Levels | Medicare Payment Levels |
| Public Plan Premiums as Percent of Private | -10%  | -25%                    | -40%                    | -9%                                      | -18%                    | -32%                    |
| Coverage Effects (millions)                |   |                         |                         |  |                         |                         |
| Reduction in Uninsured                     | 23.8  | 26.1                    | 27.4                    | 25.1                                     | 26.7                    | 28.2                    |
| Enrollment in National Public Plan         | 17.0  | 31.5                    | 42.7                    | 20.6                                     | 77.5                    | 130.5                   |
| Change in Private Coverage                 | -10.4   | -21.5                   | -31.8                   | -12.5                                    | -67.5                   | -118.5                  |

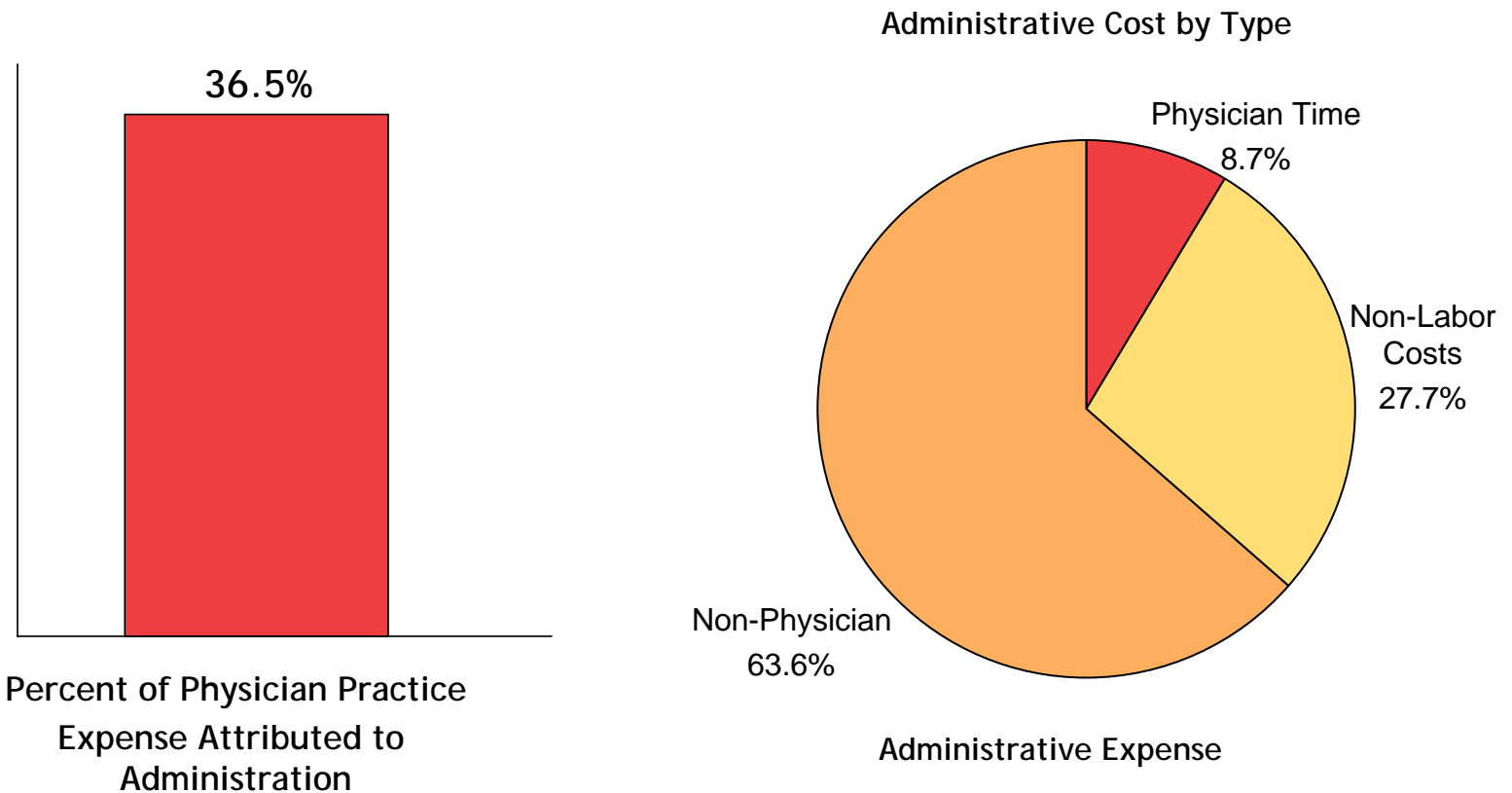
# Impact on Hospital Revenues in 2009 (billions)

|   | Assuming Mid Point Payment Levels |                    |
|---|-----------------------------------|--------------------|
|   | Small Firms Only                  | All Firms Eligible |
| Payment Level Reduction                       | -\$7.1                            | -\$29.3            |
| Payments for Previously Uncompensated Care    | \$22.0                            | \$22.0             |
| Net Change                                    | \$14.9                            | -\$7.3             |
| Change as a Percent of Total Hospital Revenue | 2.0%                              | 0.9%               |
|   | Assuming Medicare Payment Levels  |                    |
| Payment Level Reduction                       | -\$14.2                           | -\$58.5            |
| Payments for Previously Uncompensated Care    | \$22.0                            | \$22.0             |
| Net Change                                    | \$7.8                             | -\$36.5            |
| Change as a Percent of Total Hospital Revenue | 1.0%                              | -4.6%              |

# Impact on Physician Revenue in 2009 (billions)

|  | Assuming Mid Point Payment Levels |                    |
|--|-----------------------------------|--------------------|
|  | Small Firms Only                  | All Firms Eligible |
| Payment Level Reduction                        | -\$5.8                            | -\$19.8            |
| Payments for Previously Uncompensated Care     | \$3.0                             | \$3.0              |
| Net Change                                     | -\$2.8                            | -\$16.8            |
| Change as a Percent of Total Physician Revenue | -0.5%                             | -3.1%              |
|  | Assuming Medicare Payment Levels  |                    |
| Payment Level Reduction                        | -\$11.7                           | -\$39.4            |
| Payments for Previously Uncompensated Care     | \$3.0                             | \$3.0              |
| Net Change                                     | -\$8.7                            | -\$36.4            |
| Change as a Percent of Total Physician Revenue | -1.6%                             | -6.8%              |

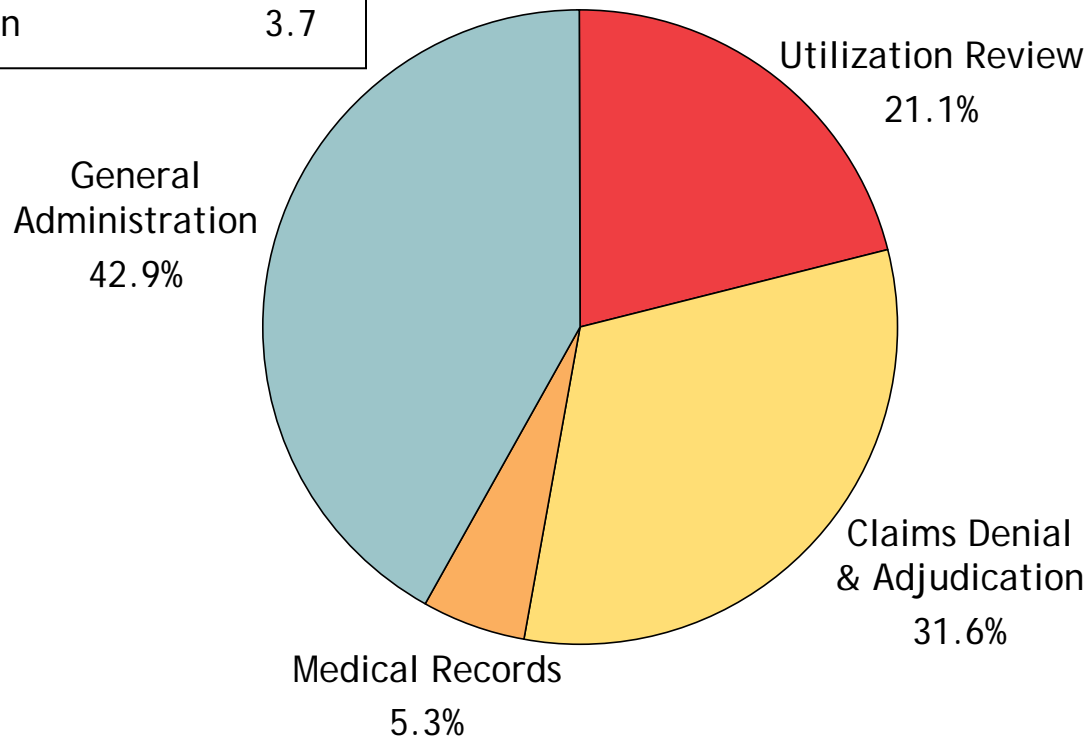
# Medicare Model Could Reduce Physician Practice Administrative Costs



a/ Based upon MGMA data, AMA data from "SocioEconomic Characteristics of the Medical Practice," and physician interviews

# Physician Time by Function <sup>a/</sup>

| Physician Work Hours Per Week |      |
|-------------------------------|------|
| Patient Care                  | 52.5 |
| Administration                | 3.7  |



a/ Based upon MGMA data, AMA data from "SocioEconomic Characteristics of the Medical Practice," and physician interviews

# The Payer Perspective: Impact of Utilization Review on Utilization and Costs

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- Reduced Admissions by 12.3%
- Reduced Inpatient Days by 8.0%
- Reduced Hospital Expensed by 11.9%
- Reduced Total Medical Expenditures by 8.3%
  
- Insurer Savings to Cost Ratio: 8 to 1
  
- Some Studies provide evidence of potential quality problems.

a/ Feldstein, TM, "Private Cost Containment, "The Effects of Utilization Review Programs on Health Care Use and Expenditures." Wickizer, TM., "Effects of health care cost-containment programs on patterns of care and readmissions among children and adolescents," American Journal of Public Health. 1999 September; 89(9): 1353-1358