



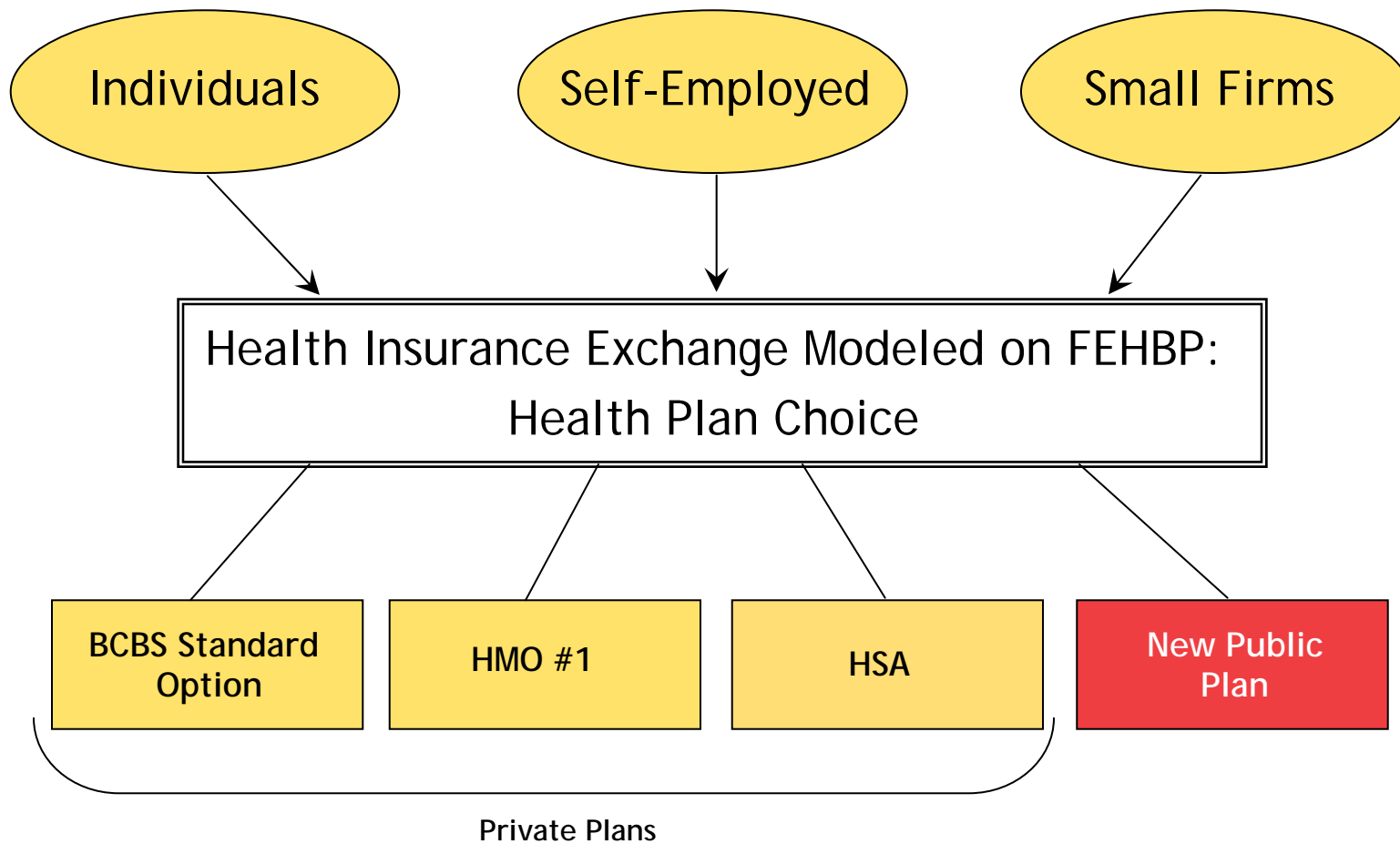
Opening a Buy-In to a Public Plan:
Implications for Premiums,
Coverage and Provider
Reimbursement

Presentation to Senate Republicans and Staff

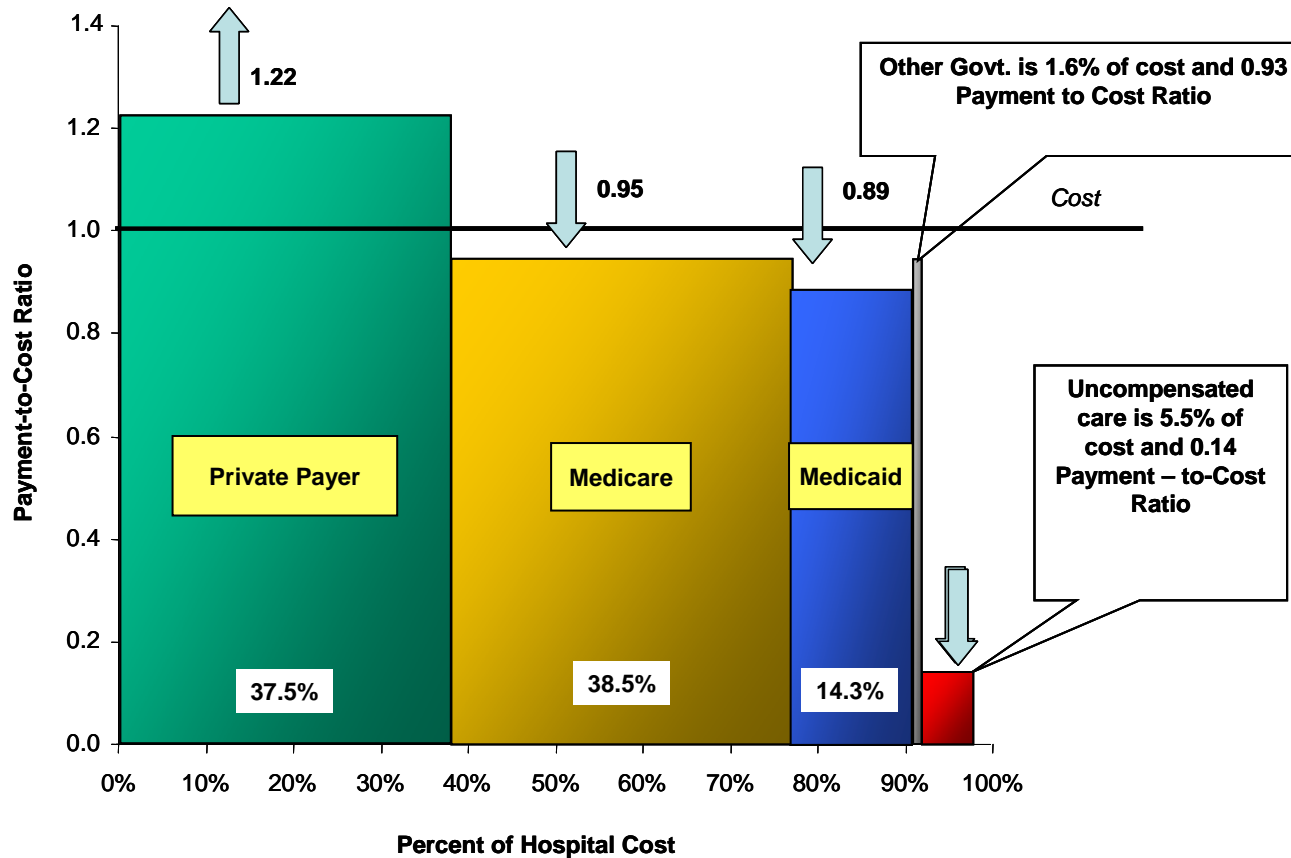
February 11, 2009



New Health Insurance Exchange: Obama Proposal

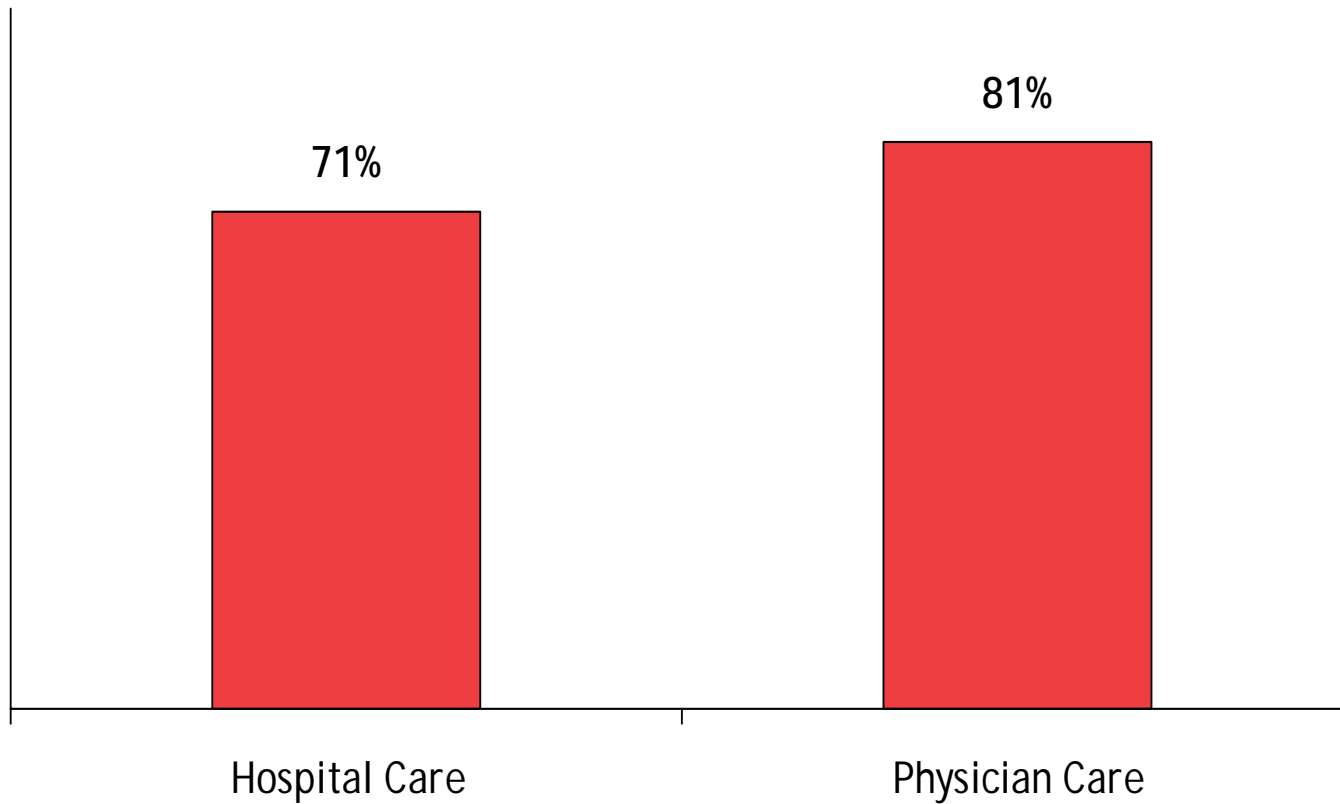


Average Payment-to-cost Ratios for Hospitals by Payer Group Nationally for 2002

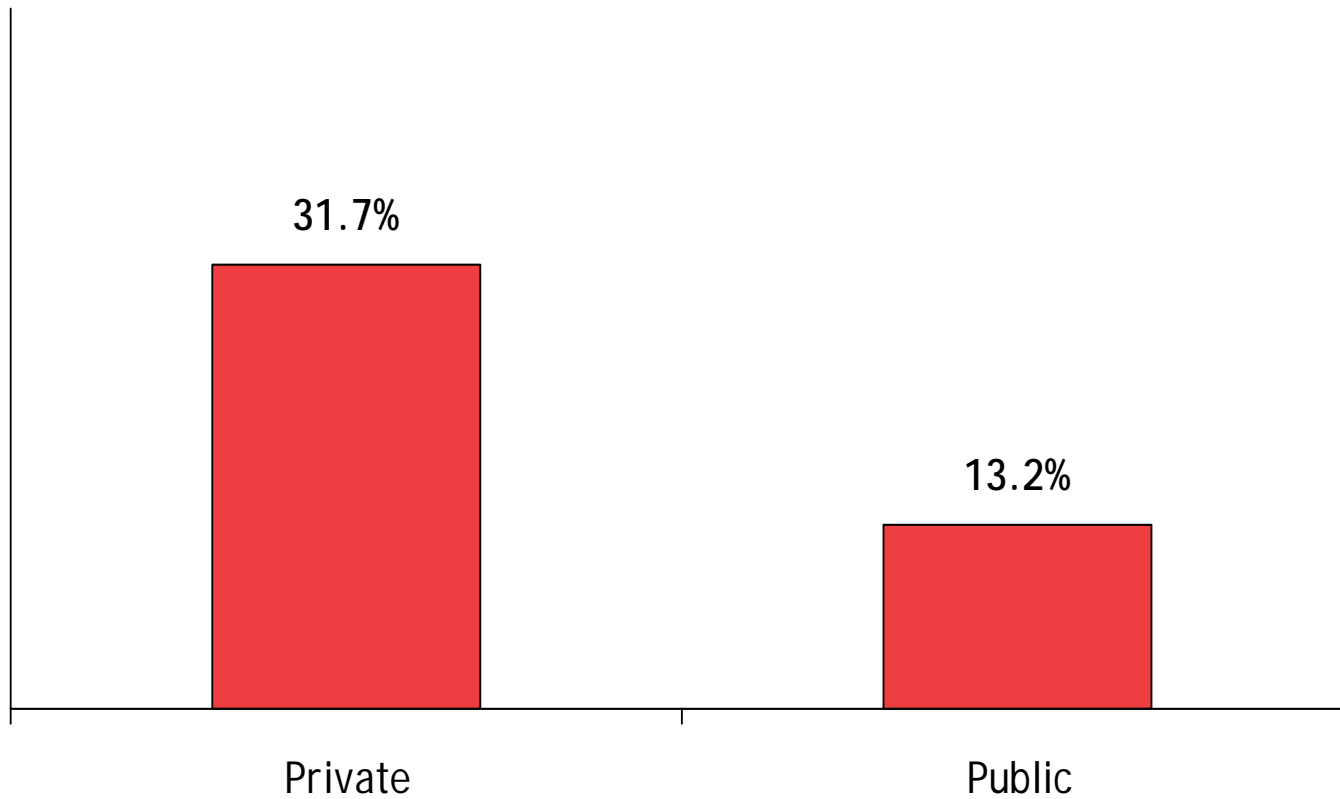


Source: Al Dobson, Joan DaVanzo and Namrata Sen, "The Cost-Shift Payment 'Hydraulic': Foundation, History, and Implications," Health Affairs, January/February 2006, volume 25, number 1.

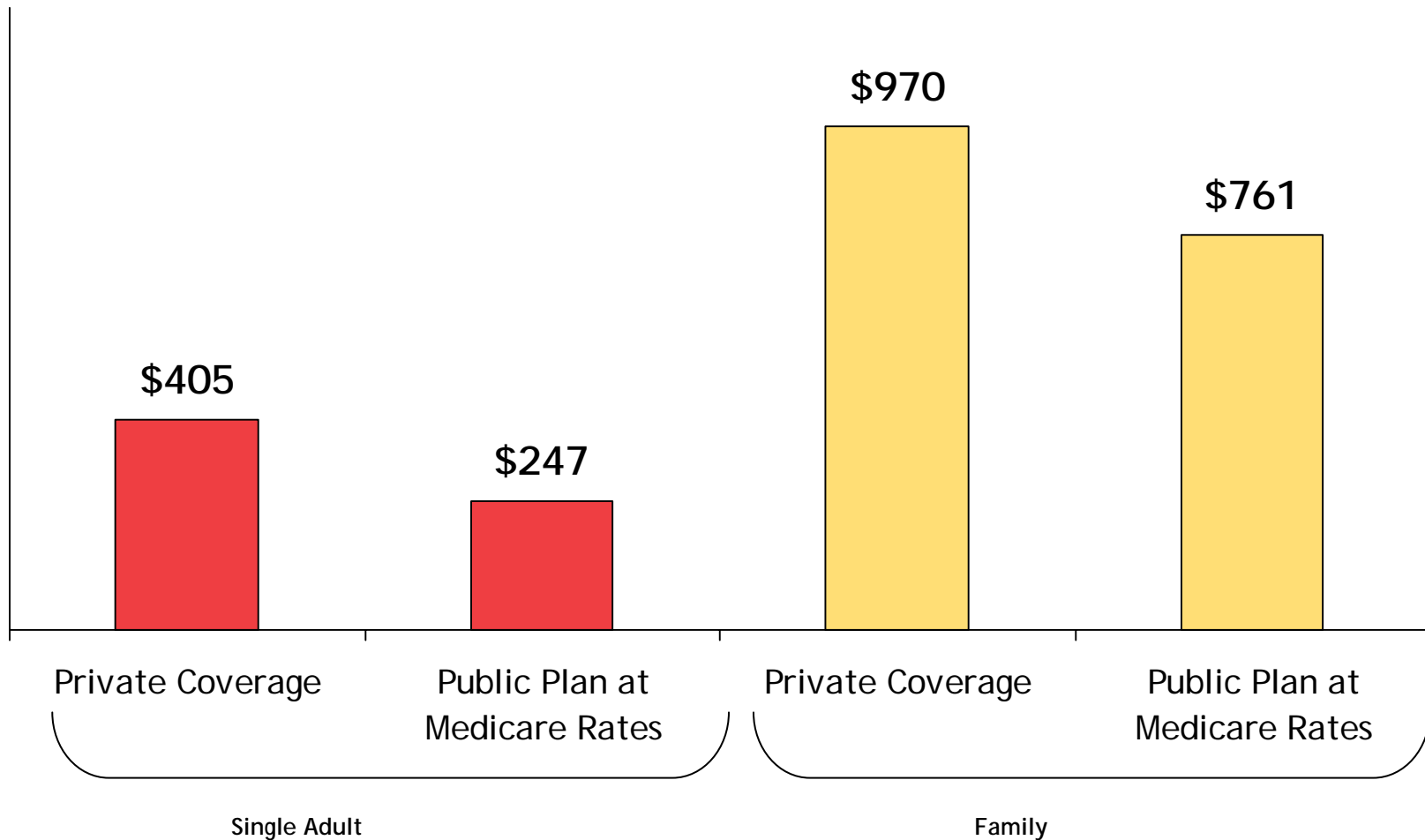
The Public Plan: Medicare Provider Payments as a Percent of Private Payer Rates



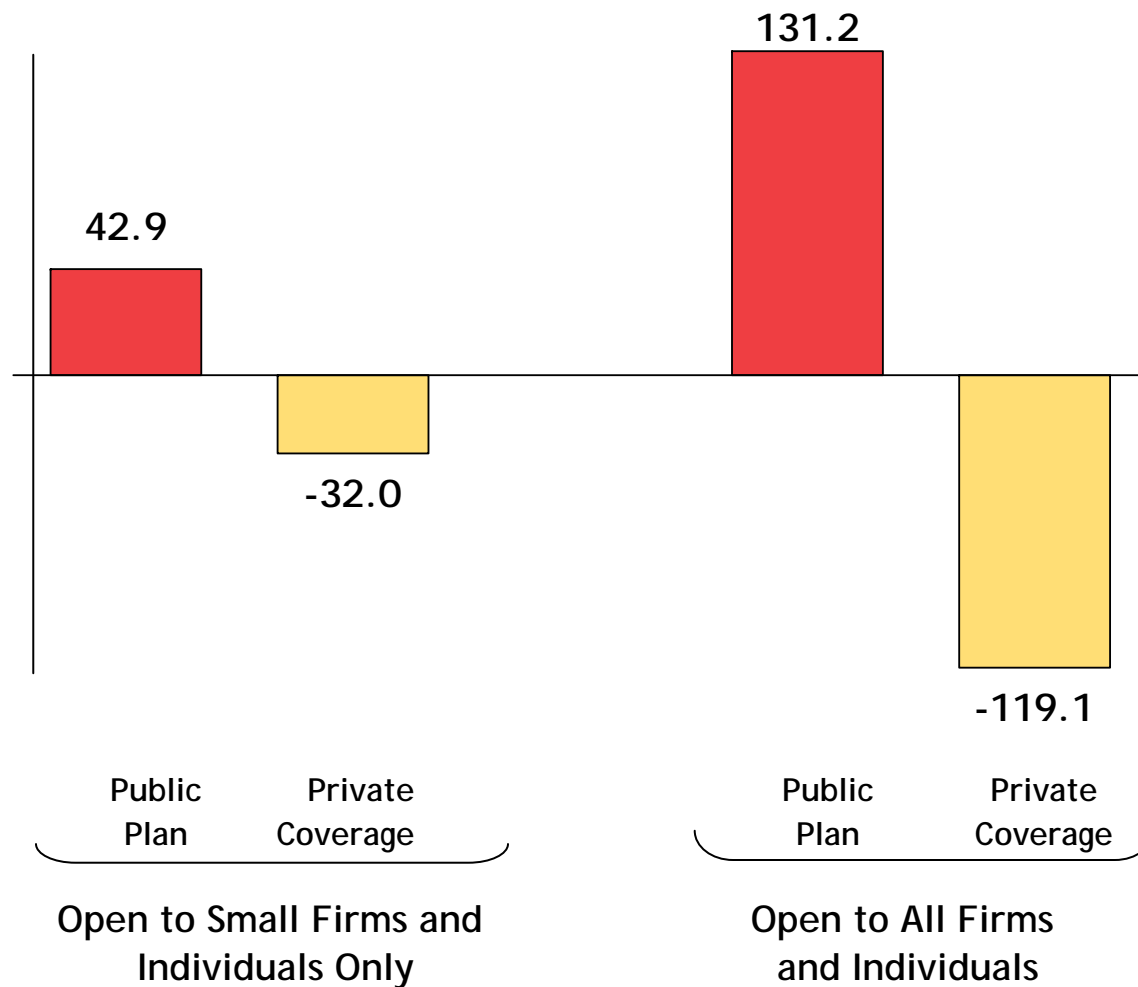
Public and Private Plan Administrative Costs as a Percent of Claims Costs: Small Firms



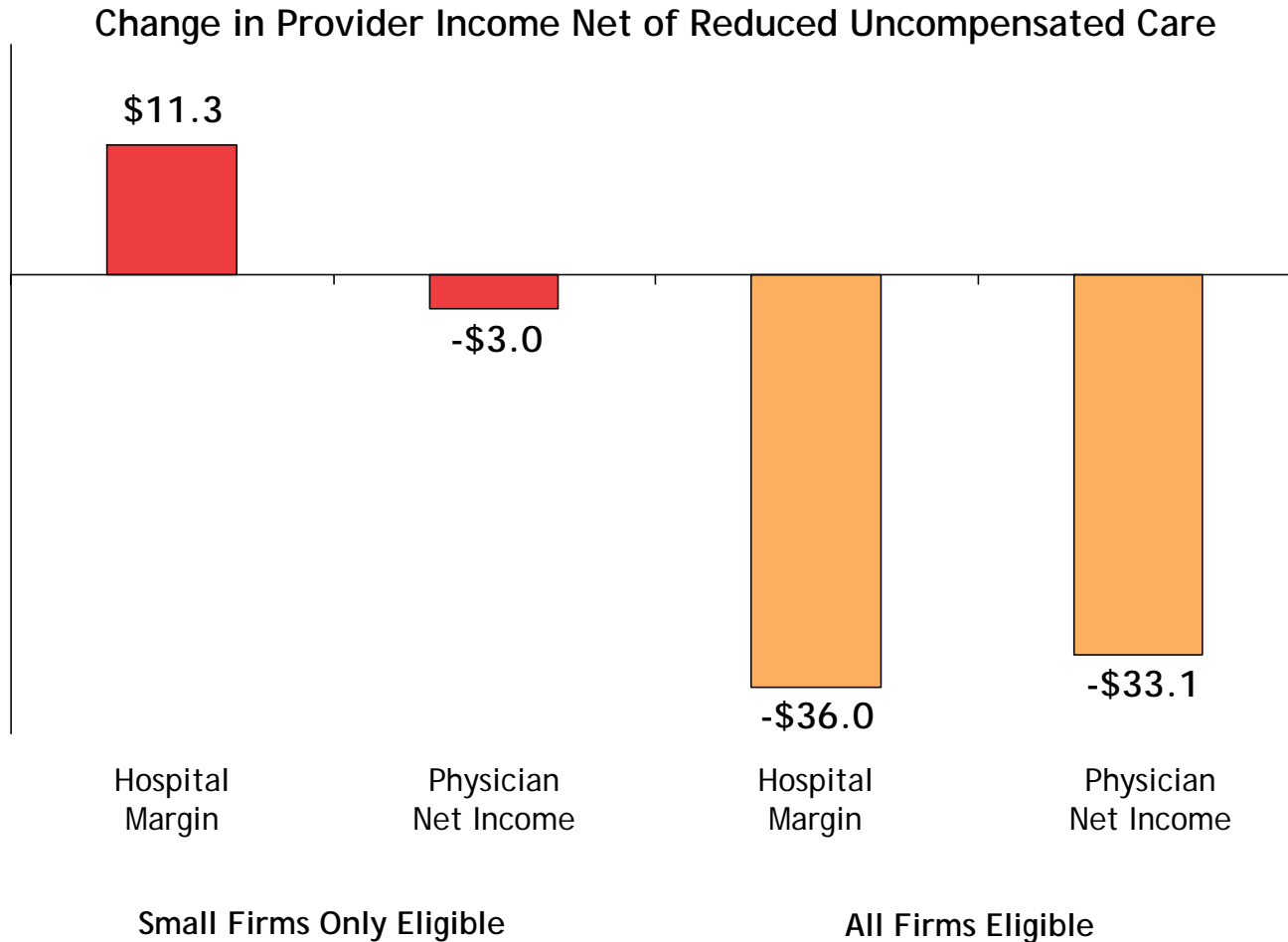
The Public Plan: Impact of Using Medicare Provider Payment Rates on Premiums in the National Plan



Public Plan Enrollment and Reduction in Private Coverage with Medicare Payment Levels 2010 (millions)

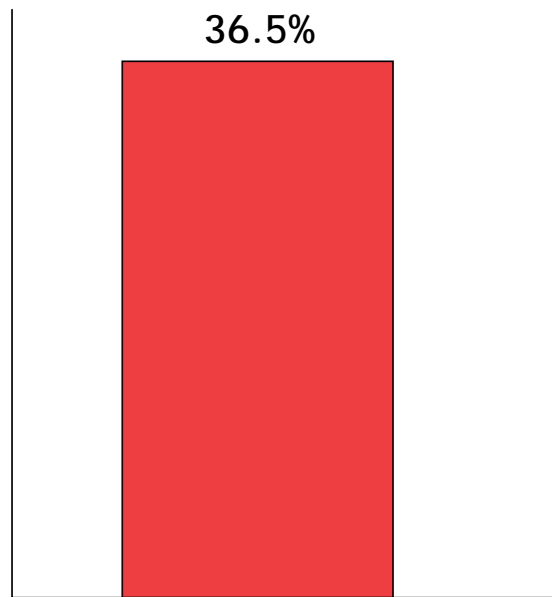


Impact of Public Plan on Provider Income if Medicare Provider Payment Rates are Used



Medicare Model Could Reduce Physician Costs Attributed to Administration

Physician Administration



Percent of Physician Practice Expense Attributed to Administration

Physician Time Devoted to Utilization Review

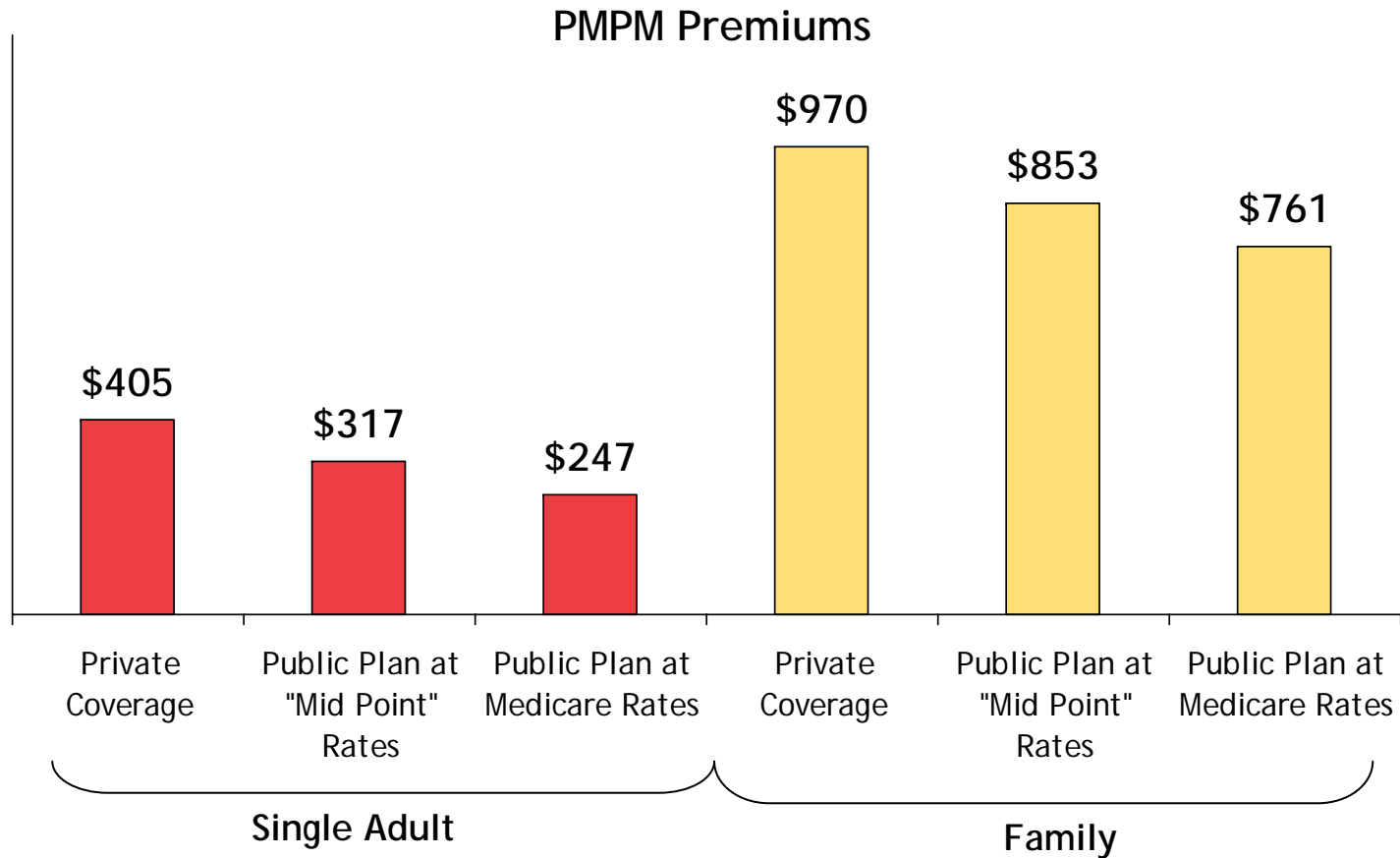
	Change in Physician Administrative Time
Utilization Review	0.7 hours/week
Restricted Panel	-1.2 hours/week
Gate Keeper	1.0 hours/week
Salaried physician	-1.0 hours/week

Supplemental Data

Attachment A

Public Plan Enrollment under Alternative Provider Payment Levels

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%