



NEWS RELEASE

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**NEW PLAN WOULD PROVIDE HEALTH INSURANCE FOR
ALMOST ALL AMERICANS; COULD REDUCE HEALTH
SPENDING \$1.6 TRILLION OVER 10 YEARS**

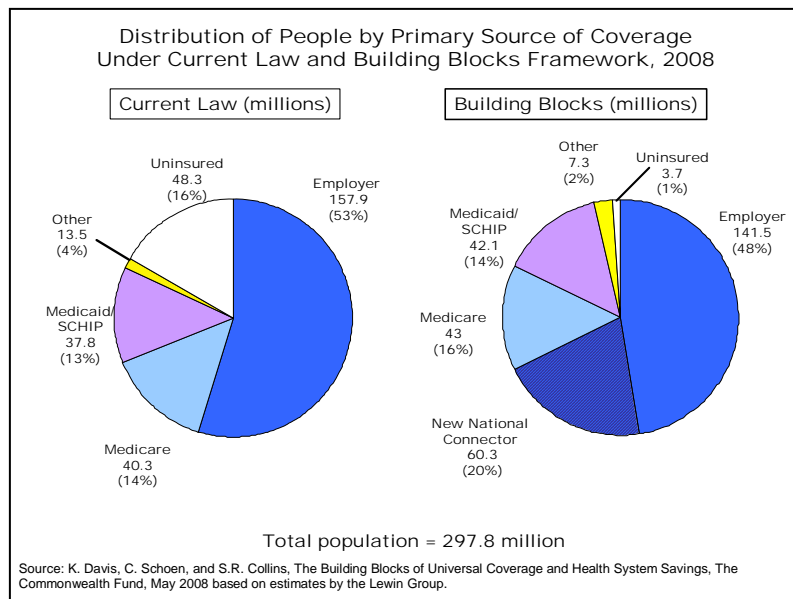
“Building Blocks” Proposal Would Cause Minimal Disruption and Offer Health Insurance to Individuals and Small Employers For 30% Less Than Current Employer Premiums

May 13, 2008, New York—In an article in today’s *Health Affairs* and an accompanying issue brief, Commonwealth Fund researchers lay out a plan that would insure 44 million of the estimated 48 million uninsured Americans in 2008. It would offer new health insurance choices to individuals and small businesses for 30 percent less than what employers currently pay, leading to improved coverage or reduced premiums for 49 million individuals. The plan to expand health insurance coverage would cause minimal disruption for people satisfied with their current coverage, and any decisions to switch to the new coverage would be voluntary.

The proposed approach could save \$1.6 trillion over 10 years if it is coupled with efforts to reform how the United States pays for health care, invest in better information systems, and adopt initiatives to improve public health.

The “Building Blocks” plan would preserve employer-sponsored health insurance, Medicaid, and the State Children’s Health

Insurance Program (SCHIP), and build on the existing success of the Medicare program by offering a Medicare-like option along with a choice of private health plans through a



new national, health insurance “connector.” The insurance connector would be open to small businesses, the self-employed, and everyone without large employer insurance or Medicare. The premiums for the new Medicare option, called “Medicare Extra,” would be an estimated \$259 per month for individuals and \$702 a month for families, 30 percent less than the average premiums currently charged to employers.

“This approach builds on group insurance coverage and the national reach of Medicare and at the same time addresses the high administrative and premium costs for individuals and small groups,” said Commonwealth Fund President and article co-author Karen Davis. “It also demonstrates that it is possible to buy more for our health care dollars, cover all Americans with high quality insurance, and institute real reforms to stem rising health care costs, saving \$1.6 trillion over 10 years.”

Building Blocks Approach Details

The approach is laid out in the article “Building Blocks for Reform: Achieving Universal Coverage With Private and Public Group Insurance” and is further described in combination with other reforms in the accompanying issue brief, *The Building Blocks of Universal Coverage and Health System Savings*, both by Commonwealth Fund researchers Cathy Schoen, Karen Davis, and Sara Collins. The approach calls for:

- A national entity known as a “connector” that would offer individuals and small businesses a choice of private plans or a Medicare Extra plan.
- Requiring that all applicants be given health insurance at standardized rates regardless of their health status.
- Tax credits to make sure premiums are affordable. Premium assistance would be available to all to ensure that premiums do not exceed 5 percent of income and 10 percent of income for higher-income tax filers.
- Expanding Medicaid and SCHIP to cover all low-income adults and children below 150 percent of the federal poverty level with modest copayments for health care services and no premiums.
- Requiring that everyone enroll in a health insurance plan—uninsured individuals who file taxes would be automatically enrolled.
- Requiring employers to either provide health insurance or pay 7 percent of payroll up to \$1.25 an hour into a pool to help to finance coverage.
- Medicare reforms that would extend Medicare Extra benefits to current Medicare beneficiaries, eliminate the two-year waiting period for Medicare for the disabled, and allow adults age 60 or older to buy in to Medicare.

Analysts at The Lewin Group estimate that if this plan were adopted, 44 million people would gain coverage, and the number of uninsured in the U.S. would drop from an estimated 48.3 million in 2008 to less than 4 million in the first year that the plan is implemented.

An estimated 60 million people would get their health insurance through the new national connector—a majority of these would do so as a result of small businesses deciding to

buy into the connector and its plan choices. About 14 million would be previously uninsured people and an additional 1.2 million would be individually insured people who switch to the connector.

“Health insurance in the United States is complex and unique. It is highly valued, and most workers and retirees with coverage do not want it ‘messed with’—they just want to be assured that they will have it,” said Dallas Salisbury, president and CEO of the Employee Benefit Research Institute. “Thus, moving to universal coverage is most likely to be politically acceptable if it builds on current programs. That is what Schoen, Davis, and Collins, have done in this excellent paper.”

The Lewin model estimates that the expansion would have a negligible effect on total national health spending, because savings on administrative and other costs would offset the expansion’s costs. The plan’s impact on total health spending costs would be a net increase of \$15 billion, or less than 1 percent of estimated total health spending for 2008. And, if the plan were adopted in conjunction with health care reforms like health information technology; evidence-based medicine; reform of Medicare’s payment methods for hospitals and physicians; negotiated prescription drug prices; and public health efforts to reduce smoking and obesity, national health spending would decline \$1.6 trillion over 10 years.

“This approach will eliminate wasteful administrative costs, enable people to keep their coverage if jobs or circumstances change, and provide affordable health insurance with good access to health care and financial protection to all,” said lead author and Commonwealth Fund Senior Vice President Cathy Schoen. “And, just as importantly, it will provide an efficient and effective health insurance system that will put us on the road to a high performance health system. The sooner we start, the greater the gains for families and the nation.”

Comparison to Presidential Candidates’ Health Care Plans

The issue brief also highlights how presidential candidates’ proposals compare with the Building Blocks approach and the proposed possible system reforms. There are elements of the Building Blocks plan in all three candidates’ proposals. However, none of the Presidential candidates have released details sufficiently specific to estimate how their approaches would affect health care costs or insurance coverage.

The Commonwealth Fund is an independent foundation working toward health policy reform and a high performance health system.