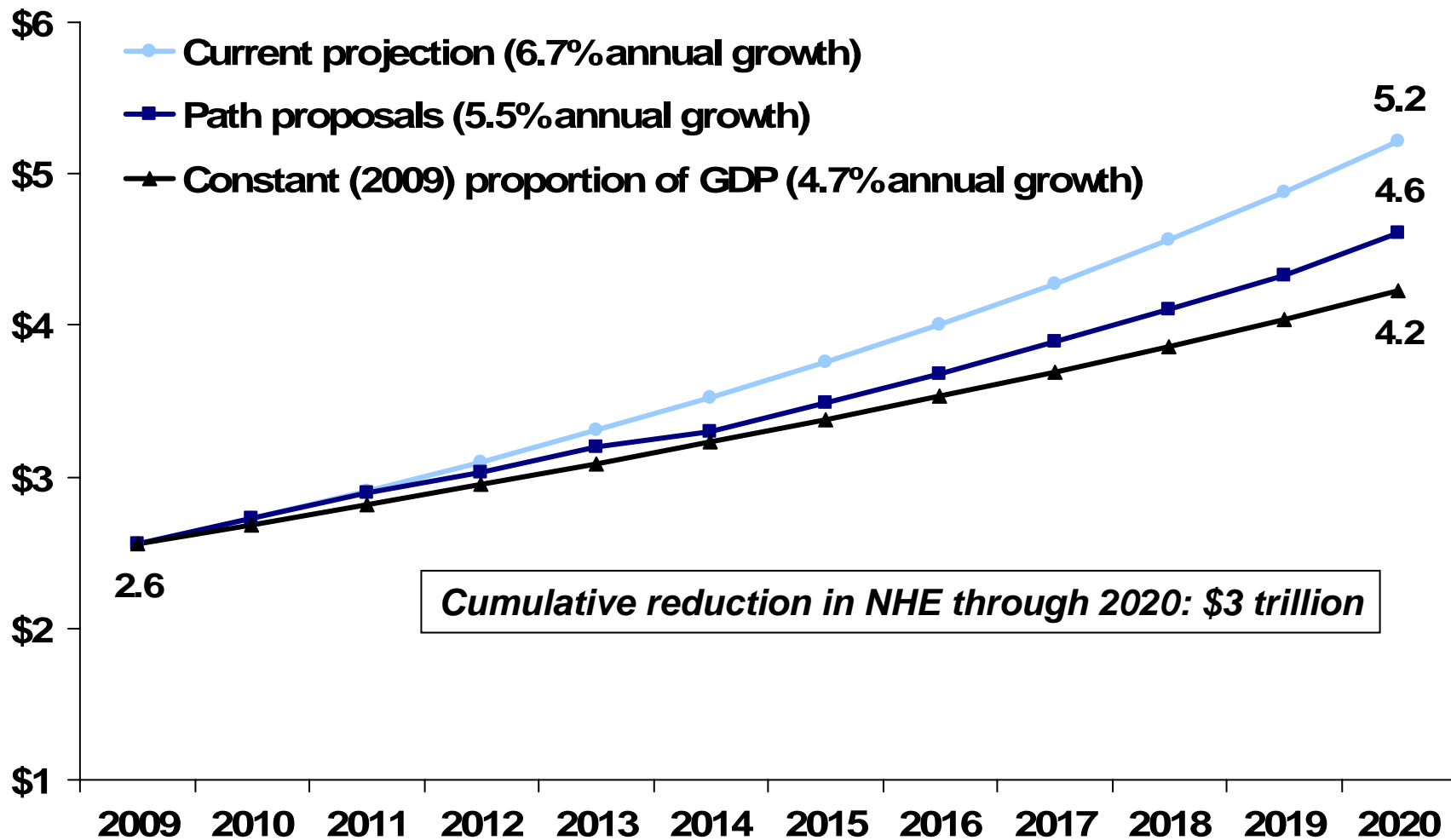


# Exhibit ES-1. Total National Health Expenditures (NHE), 2009–2020

## Current Projection and Alternative Scenarios

NHE in trillions

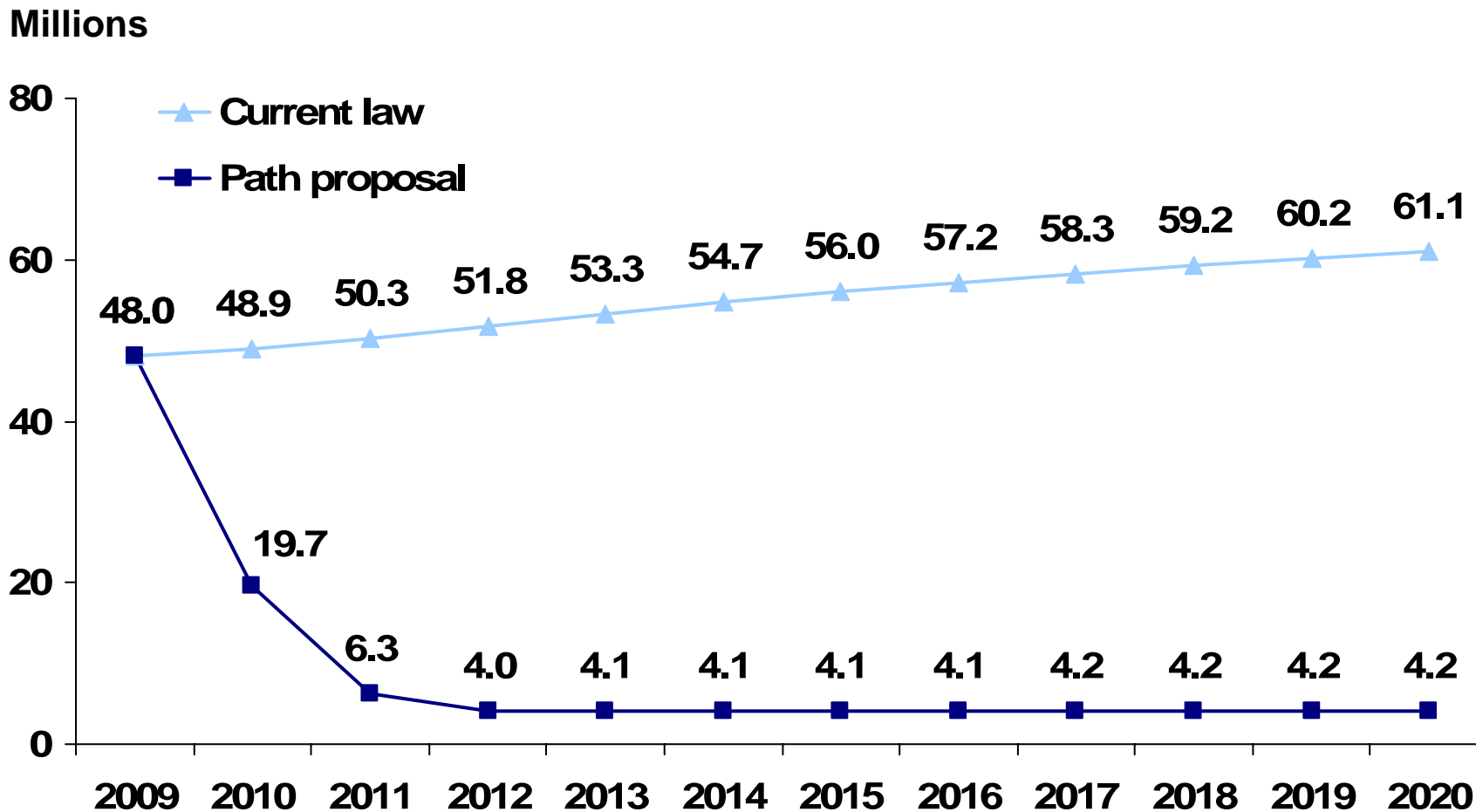


Note: GDP = Gross Domestic Product.

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Exhibit ES-2. Trend in the Number of Uninsured, 2009–2020 Under Current Law and Path Proposal



Note: Assumes insurance exchange opens in 2010 and take up by uninsured occurs over two years.

Remaining uninsured are mainly non-tax-filers.

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Exhibit ES-3. Major Sources of Savings Compared with Projected Spending, Net Cumulative Reduction of National Health Expenditures, 2010–2020

## Affordable Coverage for All: Ensuring Access and Providing a Foundation for System Reform

- Net costs of insurance expansion –\$94 billion
- Reduced administrative costs –\$337 billion

## Payment Reform: Aligning Incentives to Enhance Value

- Enhancing payment for primary care –\$71 billion
- Encouraging adoption of the medical home model –\$175 billion
- Bundled payment for acute care episodes –\$301 billion
- Correcting price signals –\$464 billion

## Improving Quality and Health Outcomes: Investing in Infrastructure and Public Health Policies to Aim Higher

- Accelerating the spread and use of HIT –\$261 billion
- Center for Comparative Effectiveness –\$634 billion
- Reducing tobacco use –\$255 billion
- Reducing obesity –\$406 billion

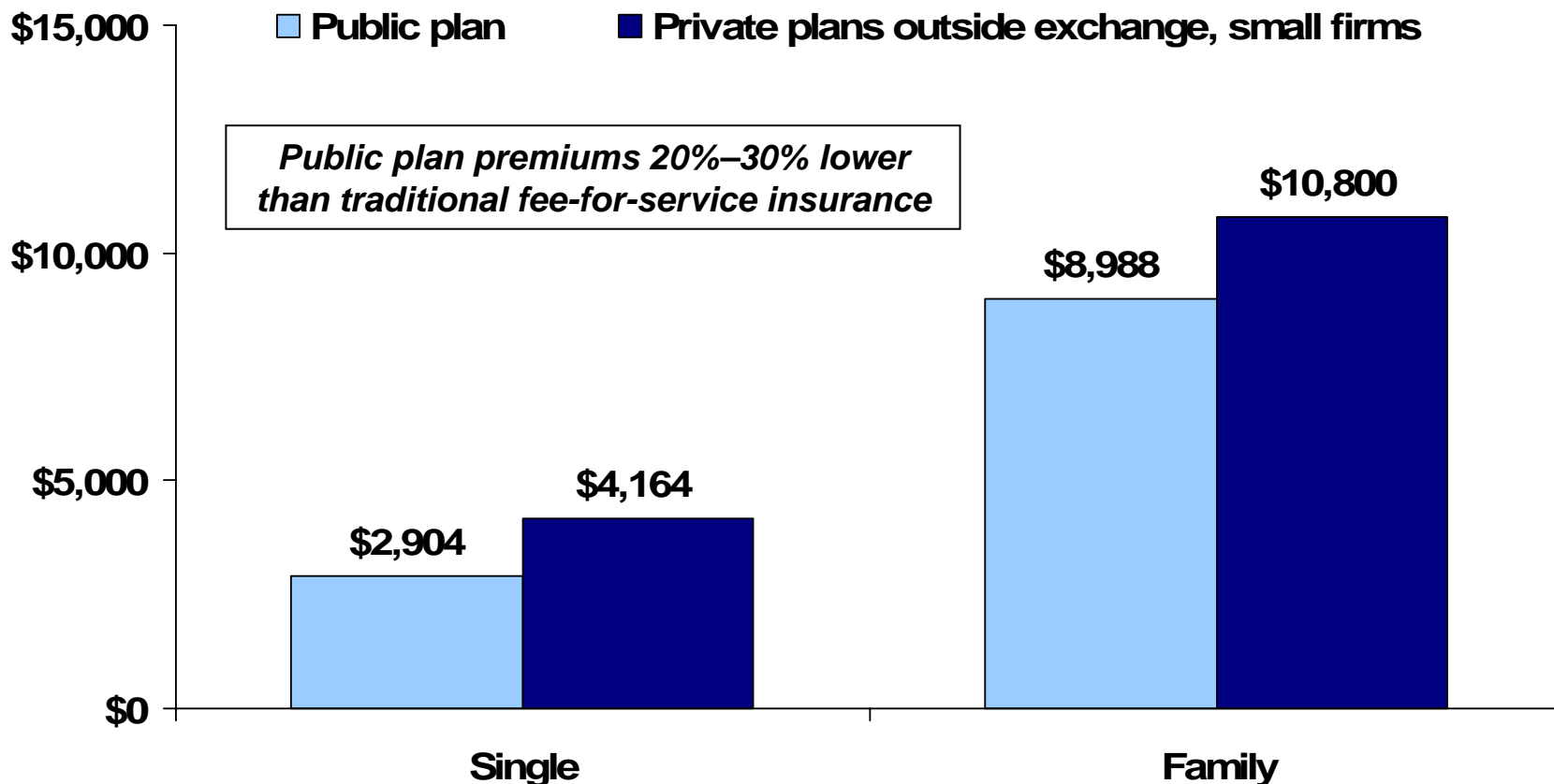
**Total Net Impact on National Health Expenditures, 2010–2020 –\$2,998 billion**

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Data: Estimates by The Lewin Group for The Commonwealth Fund.  
Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Exhibit ES-4. Estimated Premiums for New Public Plan Compared with Average Individual/Small Employer Private Market, 2010

Average annual premium for equivalent benefits at community rate\*



\* Benefits used for modeling include full scope of acute care medical benefits; \$250 individual/\$500 family deductible; 10% coinsurance for physician service; 25% coinsurance and no deductible for prescription drugs; reduced for high-value medications; full coverage checkups/preventive care. \$5,000 individual/\$7,000 family out-of-pocket limit.

Note: Premiums include administrative load.

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

## Exhibit ES-5. Achieving Benchmarks: Potential People Impact if the United States Improved National Performance to the Level of the Benchmark

|  | Current national average | 2020 target* | Impact on number of people |
|--|--------------------------|--------------|----------------------------|
| Percent of adults (ages 19–64) insured, not underinsured   | 58%                      | 99%          | 73 million increase        |
| Percent of adults (age 18 and older) receiving all recommended preventive care   | 50%                      | 80%          | 68 million increase        |
| Percent of adults (ages 19–64) with an accessible primary care provider  | 65%                      | 85%          | 37 million increase        |
| Percent of children (ages 0–17) with a medical home  | 46%                      | 60%          | 10 million increase        |
| Percent of adult hospital stays (age 18 and older) in which hospital staff always explained medicines and side effects | 58%                      | 70%          | 5 million increase         |
| Percent of Medicare beneficiaries (age 65 and older) readmitted to hospital within 30 days                             | 18%                      | 14%          | 180,000 decrease           |
| Admissions to hospital for diabetes complications, per 100,000 adults (age 18 and older)                               | 240                      | 126          | 250,000 decrease           |
| Pediatric admissions to hospital for asthma, per 100,000 children (ages 2–17)  | 156                      | 49           | 70,000 decrease            |
| Medicare admissions to hospital for ambulatory care-sensitive conditions, per 100,000 beneficiaries (age 65 and older) | 700                      | 465          | 640,000 decrease           |
| Deaths before age 75 from conditions amenable to health care, per 100,000 population                                   | 110                      | 69           | 100,000 decrease           |
| Percent of primary care doctors with electronic medical records  | 28%                      | 98%          | 180,000 increase           |

\* Targets are benchmarks of top 10% performance within the U.S. or top countries (mortality amenable and electronic medical records). All preventive care is a target.

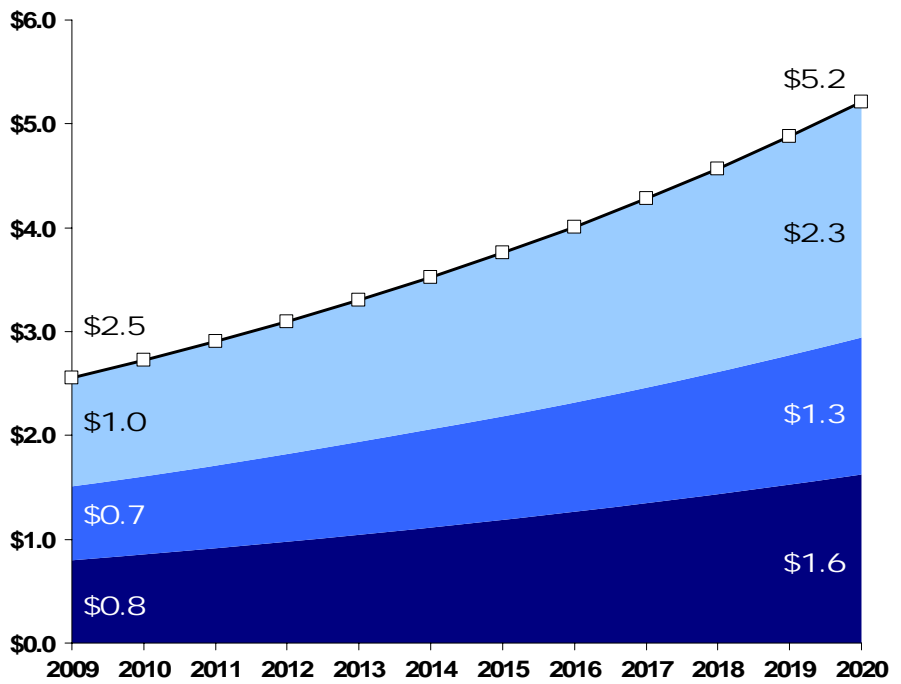
Source: Commonwealth Fund Commission on a High Performance Health System, *Why Not the Best? Results from the National Scorecard on U.S. Health System Performance, 2008* (New York: The Commonwealth Fund, July 2008), with benchmarks from top performance.

# Exhibit ES-6. Total National Health Expenditure (NHE) Growth by Provider Sector, Current Projections and with Policy Changes, 2009–2020

- Total NHE
- All other
- Physician & other professional
- Hospital

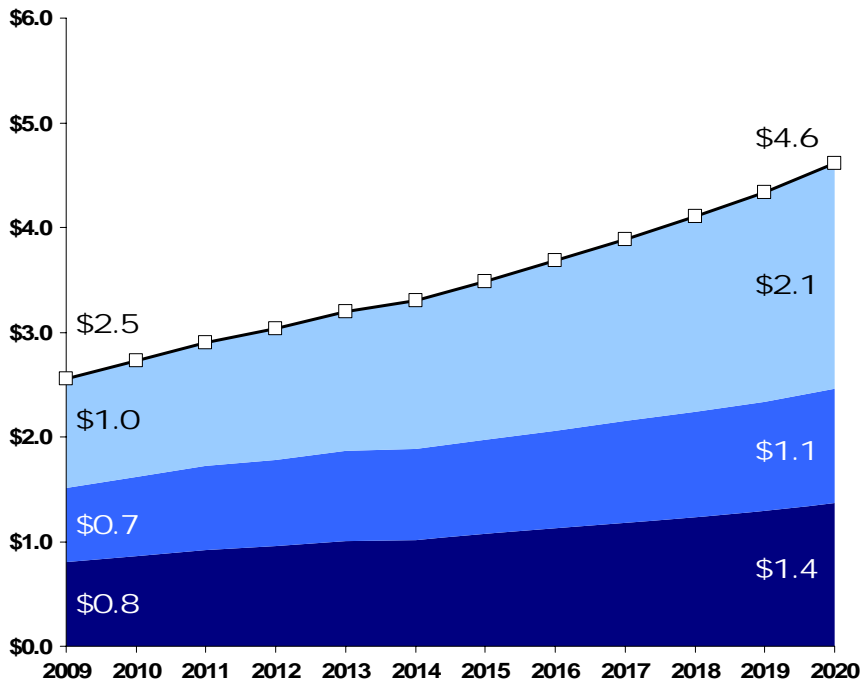
### Projected Growth, Current Policy

Expenditure (trillions)



### Revenue Growth with Path Policies

Expenditure (trillions)



Data: Estimates by The Lewin Group for The Commonwealth Fund.  
 Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Exhibit ES-7. Path Net Cumulative Impact on National Health Expenditures (NHE) 2010–2020 Compared with Baseline, by Major Payer Groups

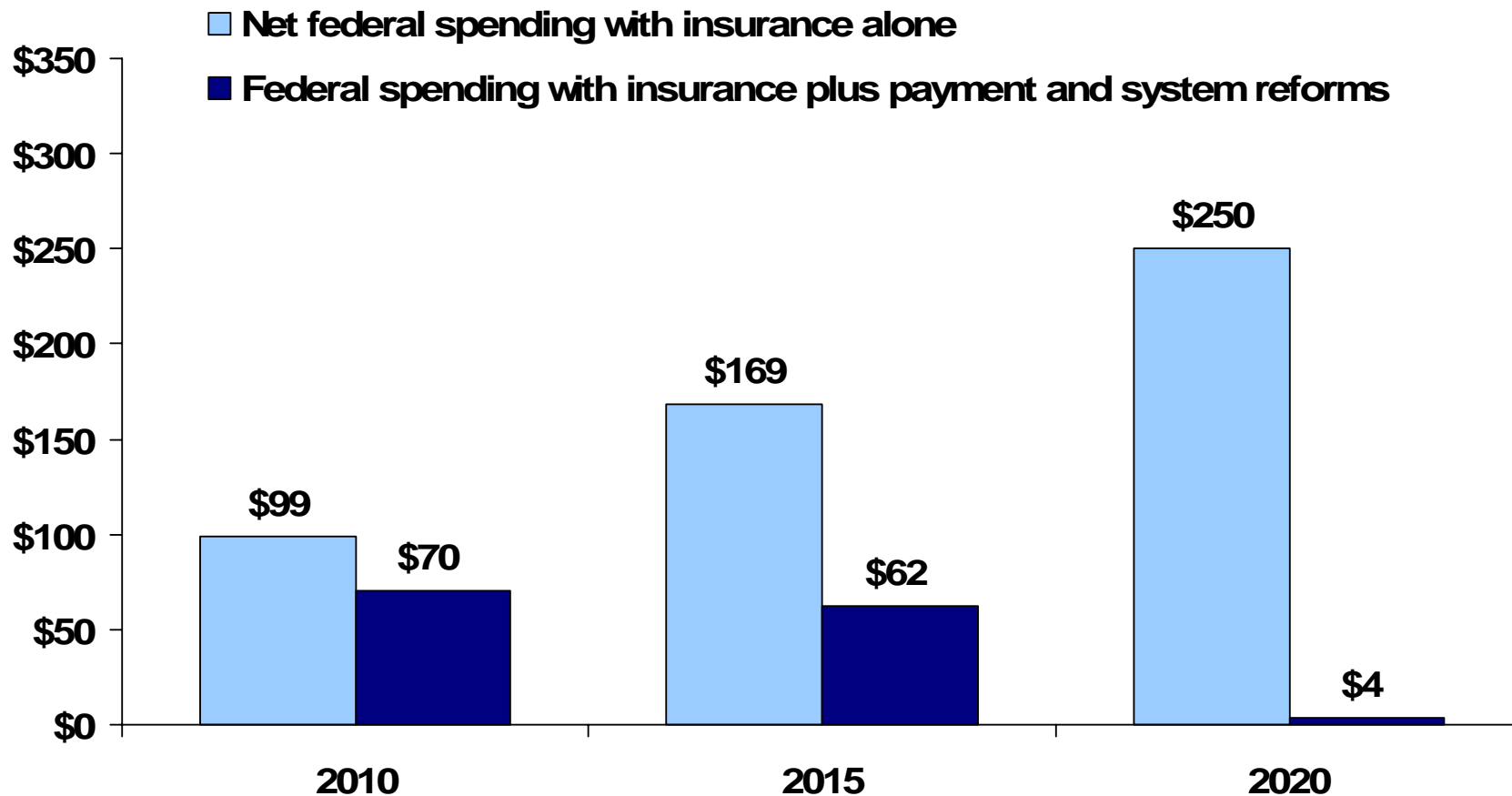
Dollars in billions

|                  | Total NHE       | Net federal government | Net state/local government | Private employers | Households      |
|------------------|-----------------|------------------------|----------------------------|-------------------|-----------------|
| <b>2010–2015</b> | <b>–\$677</b>   | <b>\$448</b>           | <b>–\$344</b>              | <b>\$111</b>      | <b>–\$891</b>   |
| <b>2010–2020</b> | <b>–\$2,998</b> | <b>\$593</b>           | <b>–\$1,034</b>            | <b>–\$231</b>     | <b>–\$2,325</b> |

Note: A negative number indicates spending decreases compared with projected expenditures (i.e., savings); a positive indicates spending increases.  
 Data: Estimates by The Lewin Group for The Commonwealth Fund.  
 Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Exhibit ES-8. Savings Can Offset Federal Costs of Insurance: Federal Spending Under Two Scenarios

Dollars in billions



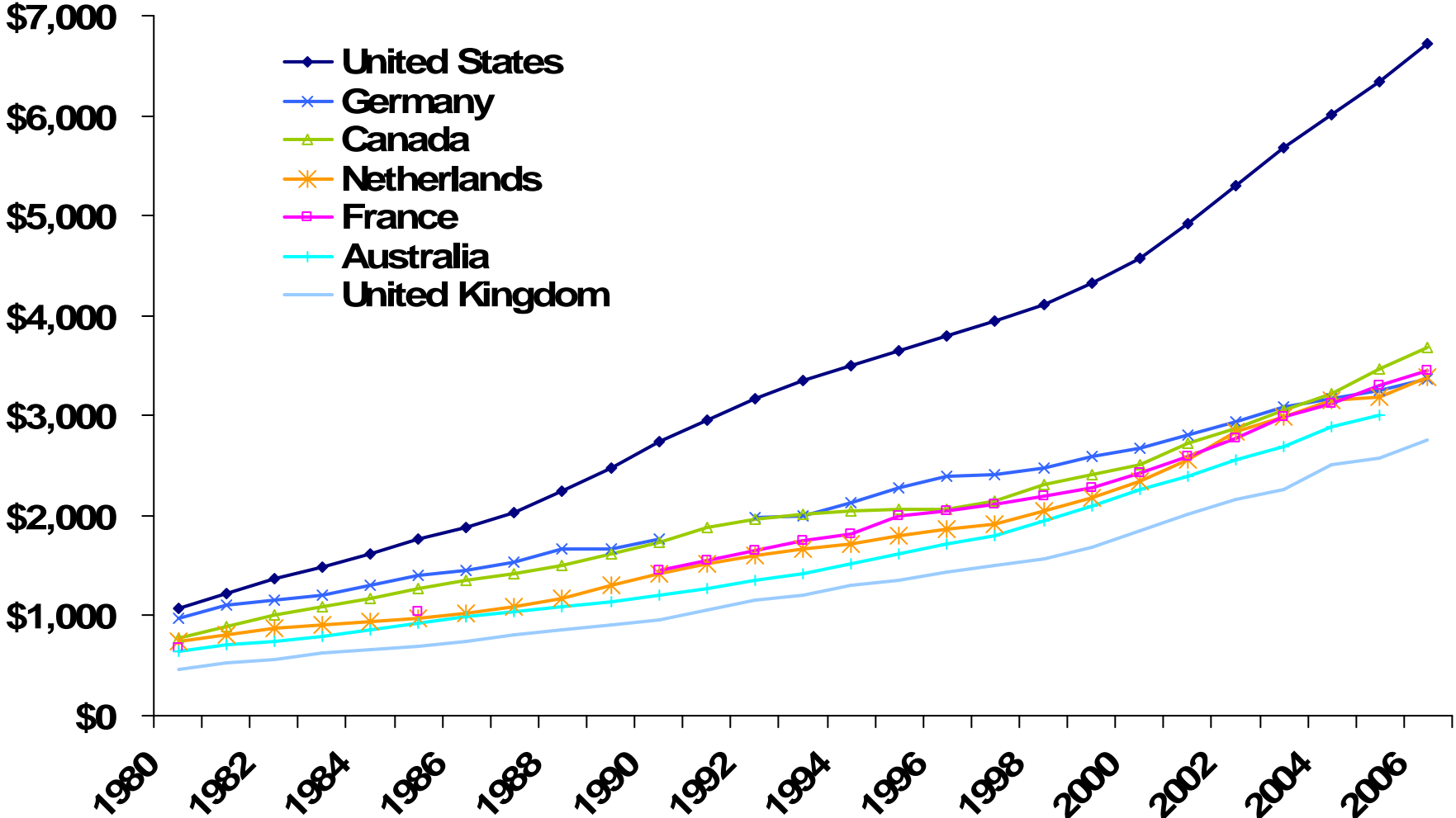
Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.



# International Comparison of Spending on Health, 1980–2006

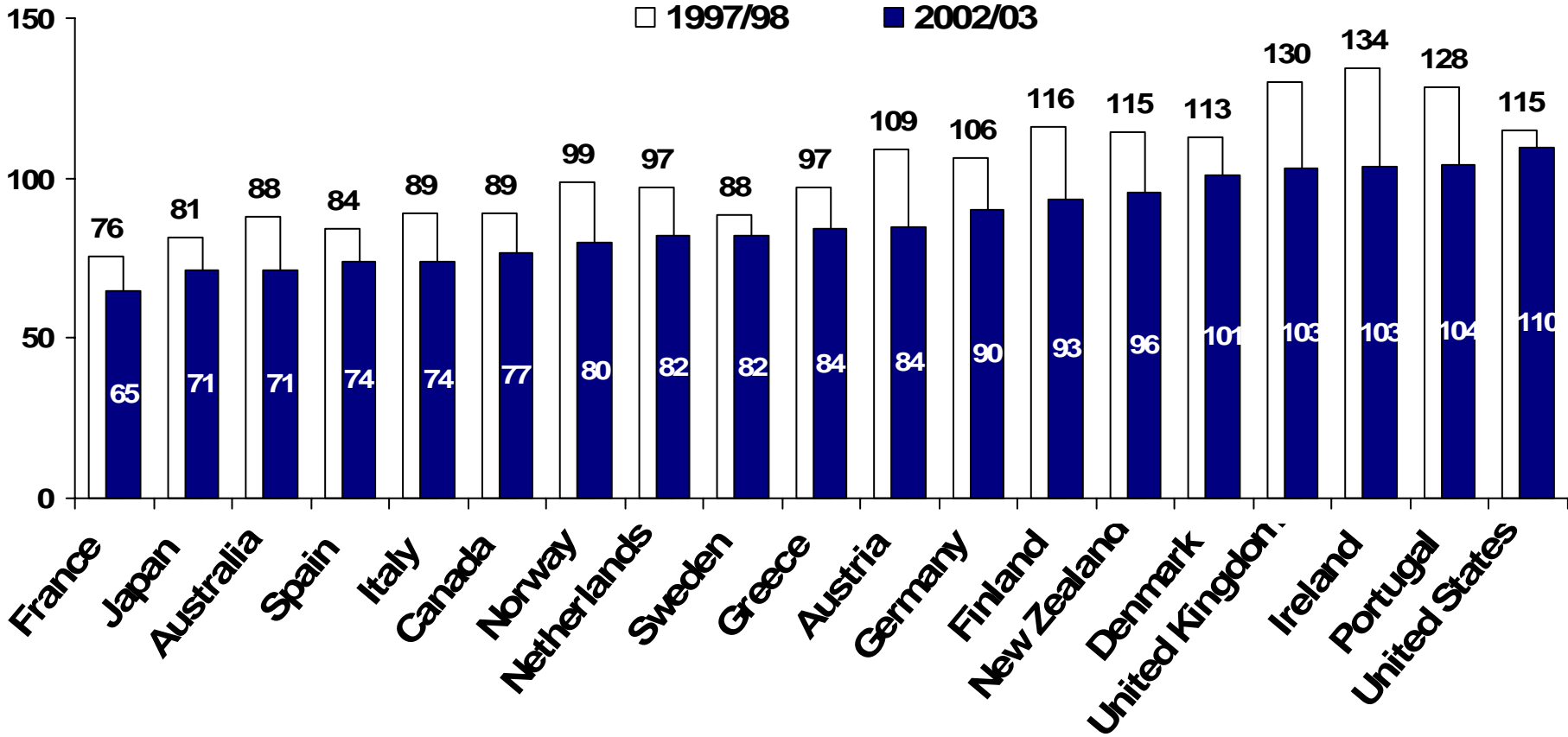
Average spending on health per capita (\$US PPP\*)



\* PPP = Purchasing Power Parity.  
Data: OECD Health Data 2008, June 2008 version.

# Mortality Amenable to Health Care: U.S. Failing to Keep Pace with Other Countries

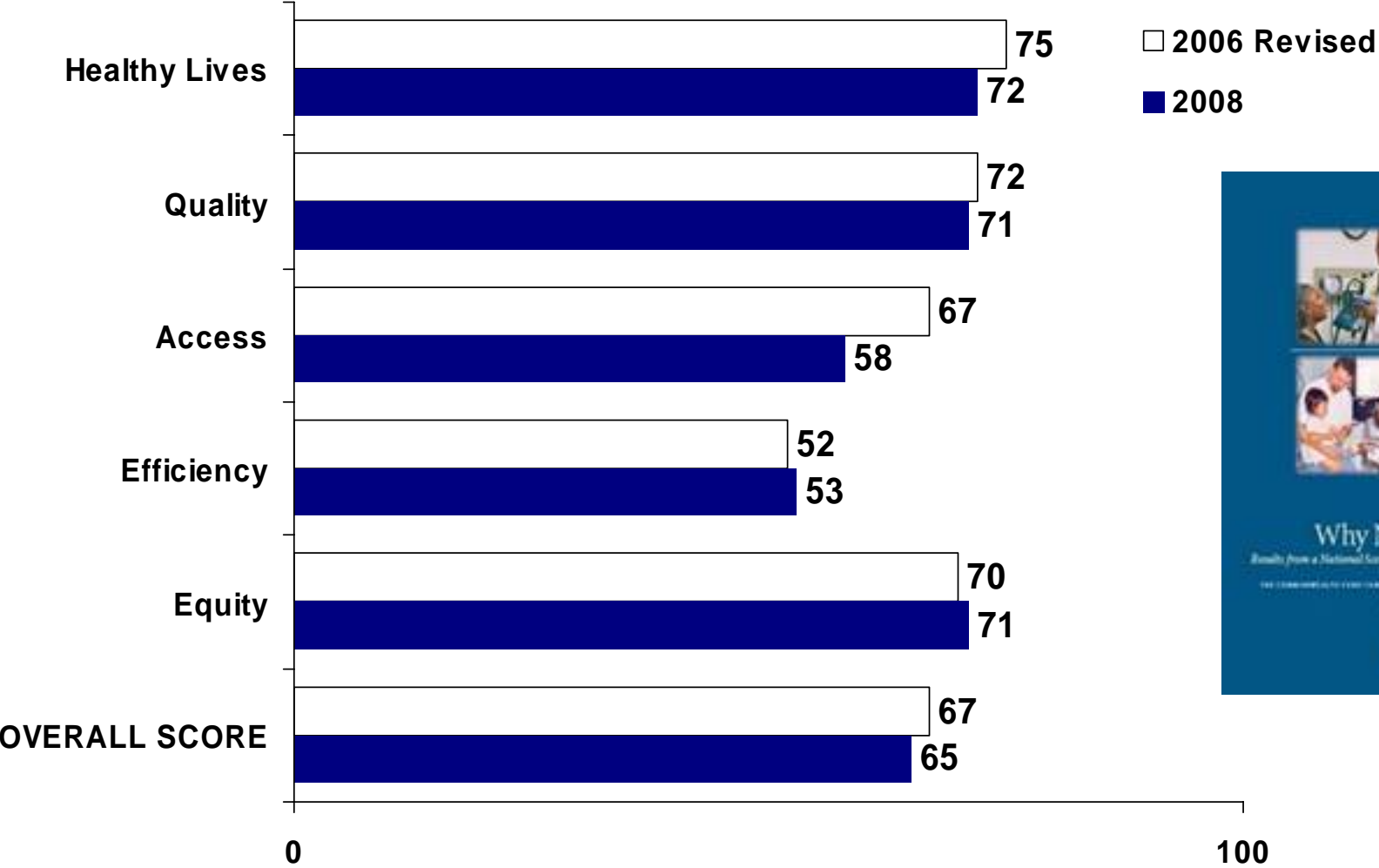
Deaths per 100,000 population\*



\* Countries' age-standardized death rates before age 75; including ischemic heart disease, diabetes, stroke, and bacterial infections. Data: E. Nolte and C. M. McKee, London School of Hygiene and Tropical Medicine analysis of World Health Organization mortality files (Nolte and McKee, *Health Affairs* 2008).

Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2008.

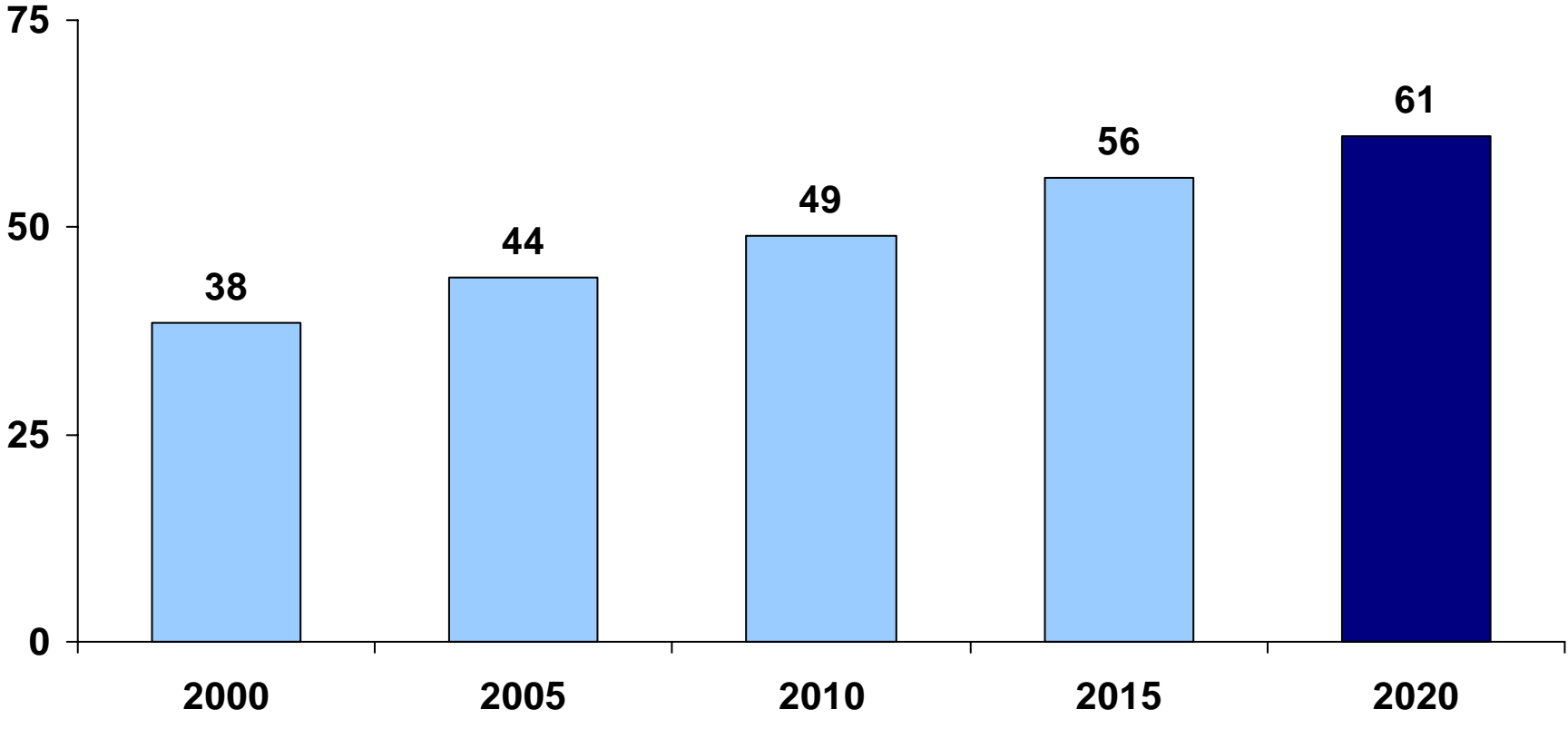
# Failure to Improve: National Scorecard on U.S. Health System Performance



Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2008.

# Uninsured Projected to Rise to 61 Million by 2020 Not Counting Underinsured or Part-Year Uninsured

Number of uninsured, in millions

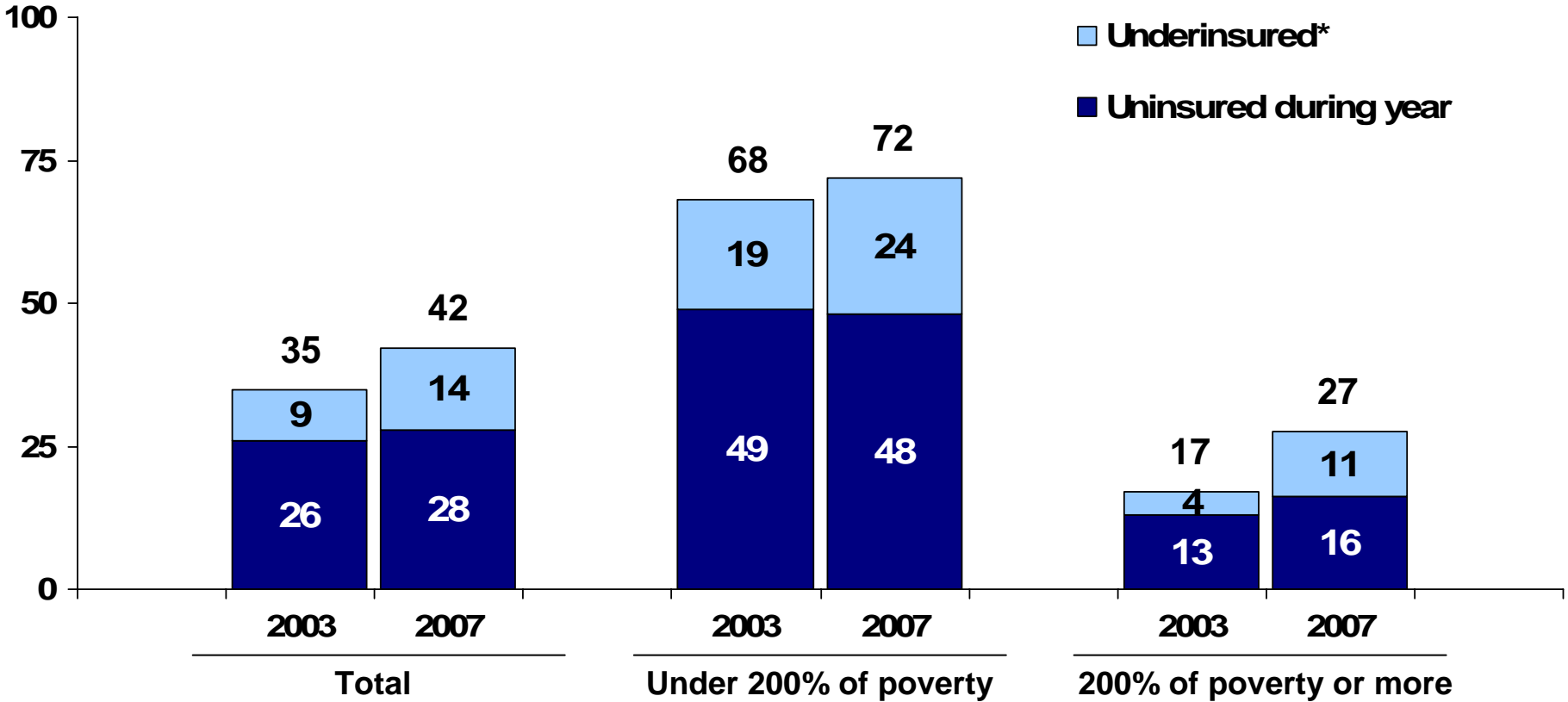


Projected Lewin estimates

Data: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2001 and 2006; Projections to 2020 based on estimates by The Lewin Group.

# Two of Five Adults Uninsured or Underinsured 25 Million Underinsured 60 Percent Increase in Underinsured from 2003 to 2007

Percent of adults (ages 19–64) who are uninsured or underinsured



\* Underinsured defined as insured all year but experienced one of the following: medical expenses equaled 10% or more of income, or 5% or more of income if low-income (<200% of poverty); or deductibles equaled 5% or more of income.

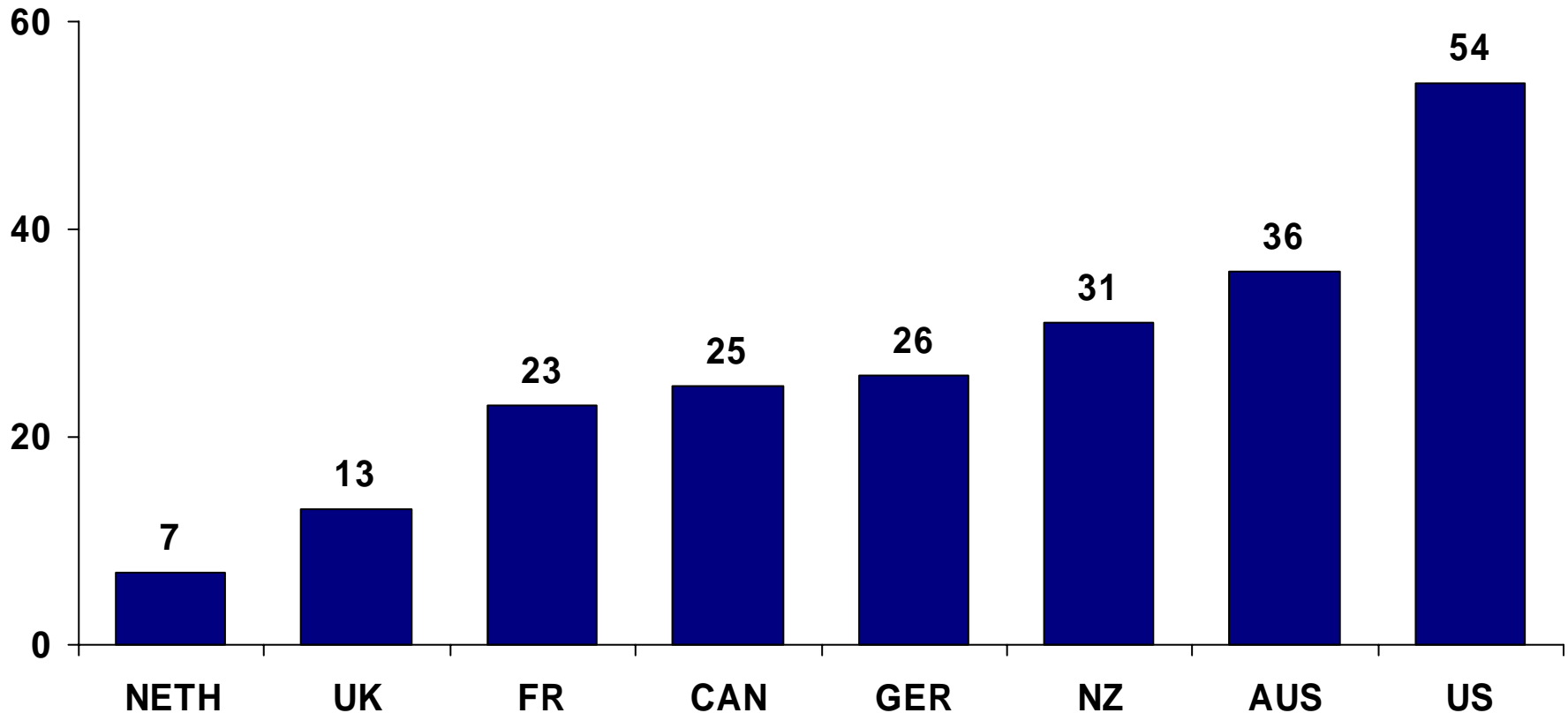
Data: 2003 and 2007 Commonwealth Fund Biennial Health Insurance Survey.

Source: Commonwealth Fund National Scorecard on U.S. Health System Performance, 2008.

# Cost-Related Access Problems Among the Chronically Ill, in Eight Countries, 2008

Base: Adults with any chronic condition

Percent reported access problem because of cost in past two years\*



\* Because of cost, respondent did NOT: fill Rx or skipped doses, visit a doctor when had a medical problem, and/or get recommended test, treatment, or follow-up.

Data: 2008 Commonwealth Fund International Health Policy Survey of Sicker Adults.

Source: C. Schoen, R. Osborn, S. K. H. How et al., "In Chronic Condition: Experiences of Patients with Complex Health Care Needs, in Eight Countries, 2008," *Health Affairs* Web Exclusive (Nov. 13, 2008):w1-w16.

## Medical Bill Problems and Accrued Medical Debt, 2005–2007

Percent of adults ages 19–64

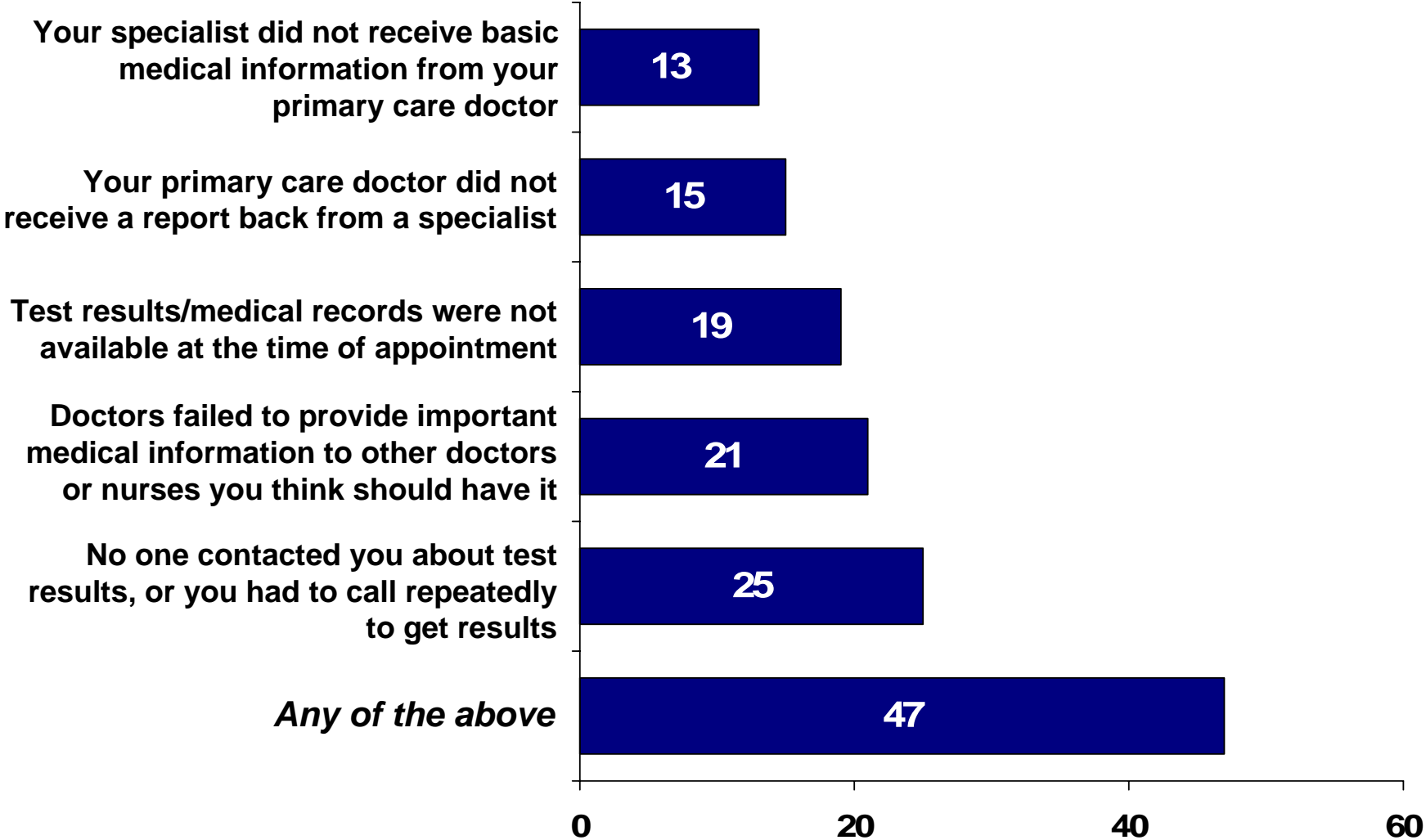
|   | 2005                            | 2007                            |
|---|---------------------------------|---------------------------------|
| <b>In the past 12 months:</b>                           |                                 |                                 |
| Had problems paying or unable to pay medical bills      | <b>23%</b><br><b>39 million</b> | <b>27%</b><br><b>48 million</b> |
| Contacted by collection agency for unpaid medical bills | <b>13%</b><br><b>22 million</b> | <b>16%</b><br><b>28 million</b> |
| Had to change way of life to pay bills                  | <b>14%</b><br><b>24 million</b> | <b>18%</b><br><b>32 million</b> |
| <b><i>Any of the above bill problems</i></b>            | <b>28%</b><br><b>48 million</b> | <b>33%</b><br><b>59 million</b> |
| <b>Medical bills being paid off over time</b>           | <b>21%</b><br><b>37 million</b> | <b>28%</b><br><b>49 million</b> |
| <b><i>Any bill problems or medical debt</i></b>         | <b>34%</b><br><b>58 million</b> | <b>41%</b><br><b>72 million</b> |

Data: 2005 and 2007 Commonwealth Fund Biennial Health Insurance Surveys

Source: S. R. Collins et al., *Losing Ground: How the Loss of Adequate Health Insurance Is Burdening Working Families—Findings from the Commonwealth Fund Biennial Surveys, 2001–2007*, The Commonwealth Fund, August 2008.

# Poor Coordination: Nearly Half Report Failures to Coordinate Care

Percent U.S. adults reported in past two years:

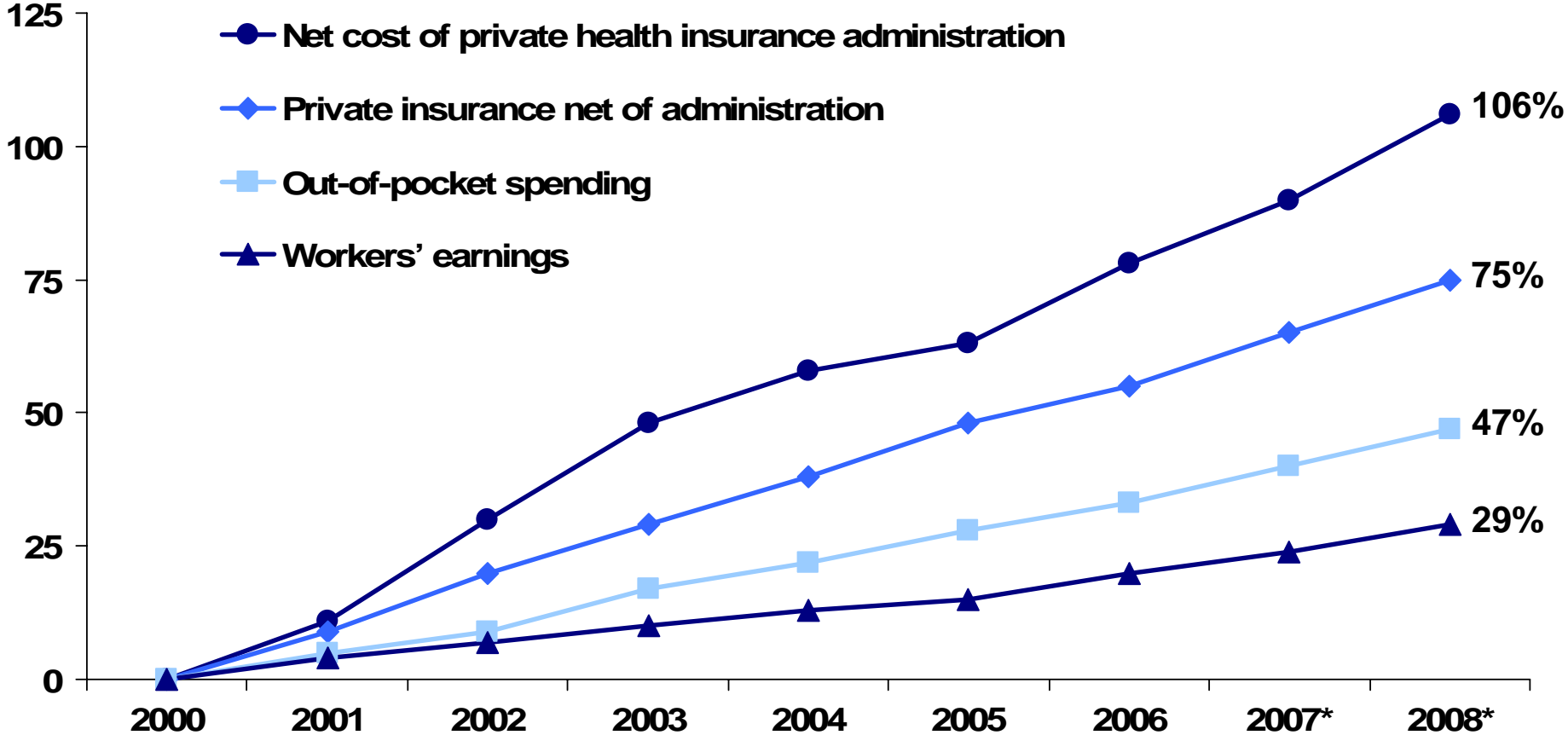


Source: Commonwealth Fund Survey of Public Views of the U.S. Health Care System, 2008.



# Cumulative Changes in Components of U.S. National Health Expenditures and Workers' Earnings, 2000–2008

Percent



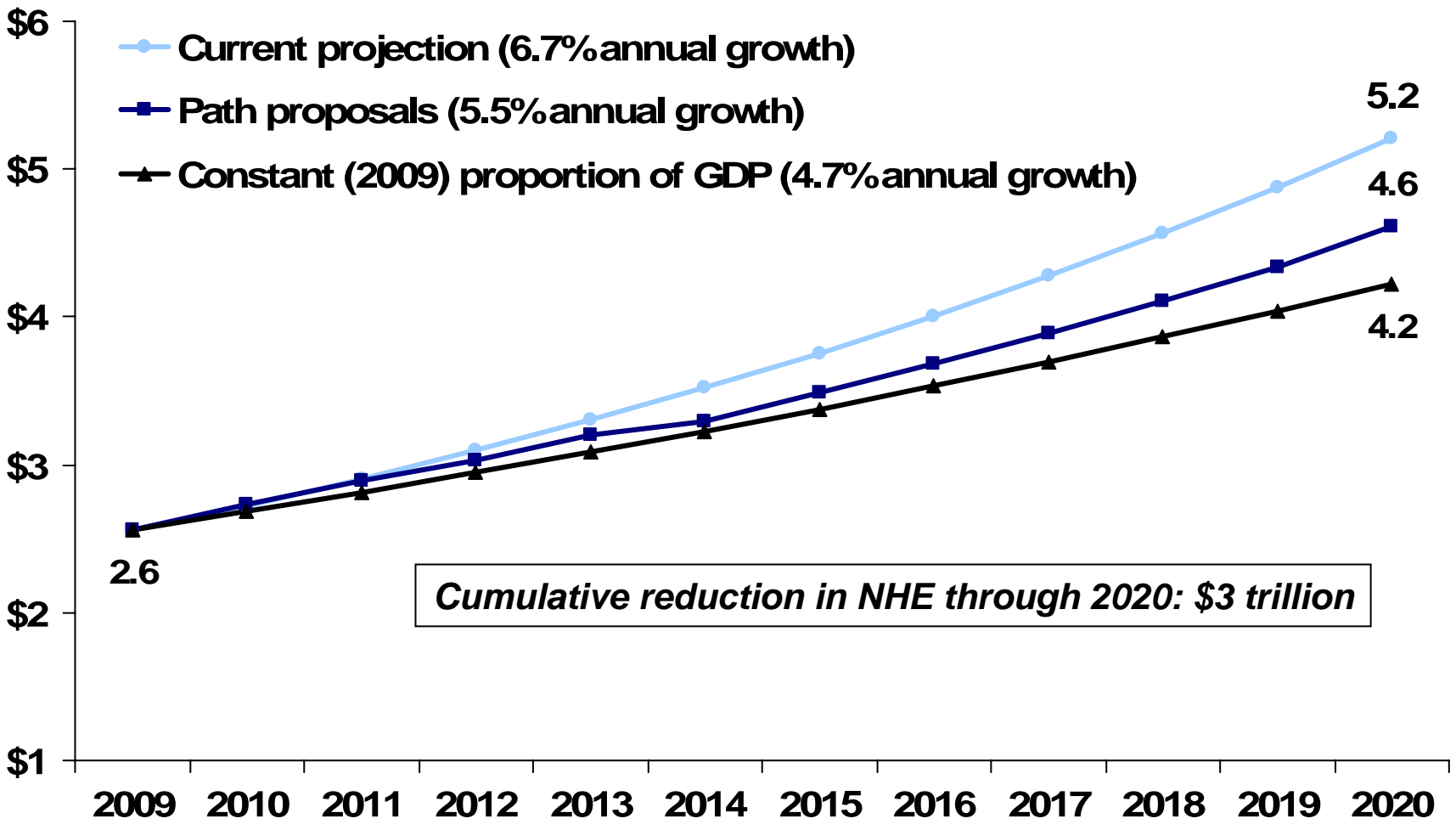
\* 2007 and 2008 NHE projections.

Data: Authors' calculations based on A. Catlin et al., "National Health Spending in 2006," *Health Affairs*, Jan./Feb. 2008; and S. Keehan et al., "Health Spending Projections Through 2017," *Health Affairs* Web Exclusive (Feb. 26, 2008). Workers' earnings from Henry J. Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits Annual Surveys, 2000–2008*.

# Total National Health Expenditures (NHE), 2009–2020

## Current Projection and Alternative Scenarios

NHE in trillions

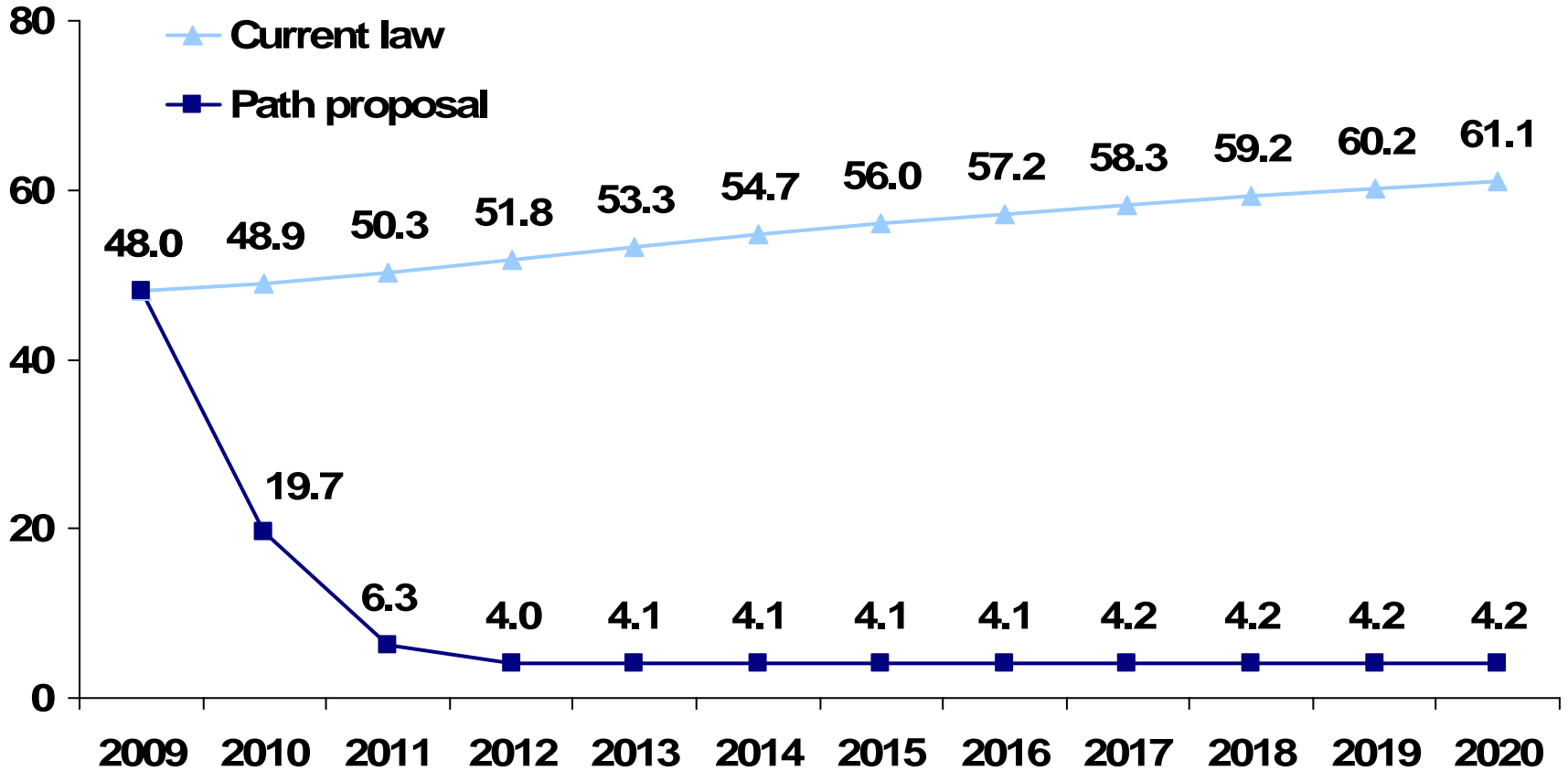


*Cumulative reduction in NHE through 2020: \$3 trillion*

Note: GDP = Gross Domestic Product.  
Data: Estimates by The Lewin Group for The Commonwealth Fund.  
Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

## Trend in the Number of Uninsured, 2009–2020 Under Current Law and Path Proposal

Millions



Note: Assumes insurance exchange opens in 2010 and take-up by uninsured occurs over two years.

Remaining uninsured are mainly non-tax-filers.

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Major Sources of Savings Compared with Projected Spending, Net Cumulative Reduction of National Health Expenditures, 2010–2020

## Affordable Coverage for All: Ensuring Access and Providing a Foundation for System Reform

- Net costs of insurance expansion –\$94 billion
- Reduced administrative costs –\$337 billion

## Payment Reform: Aligning Incentives to Enhance Value

- Enhancing payment for primary care –\$71 billion
- Encouraging adoption of the medical home model –\$175 billion
- Bundled payment for acute care episodes –\$301 billion
- Correcting price signals –\$464 billion

## Improving Quality and Health Outcomes: Investing in Infrastructure and Public Health Policies to Aim Higher

- Accelerating the spread and use of HIT –\$261 billion
- Center for Comparative Effectiveness –\$634 billion
- Reducing tobacco use –\$255 billion
- Reducing obesity –\$406 billion

**Total Net Impact on National Health Expenditures, 2010–2020 –\$2,998 billion**

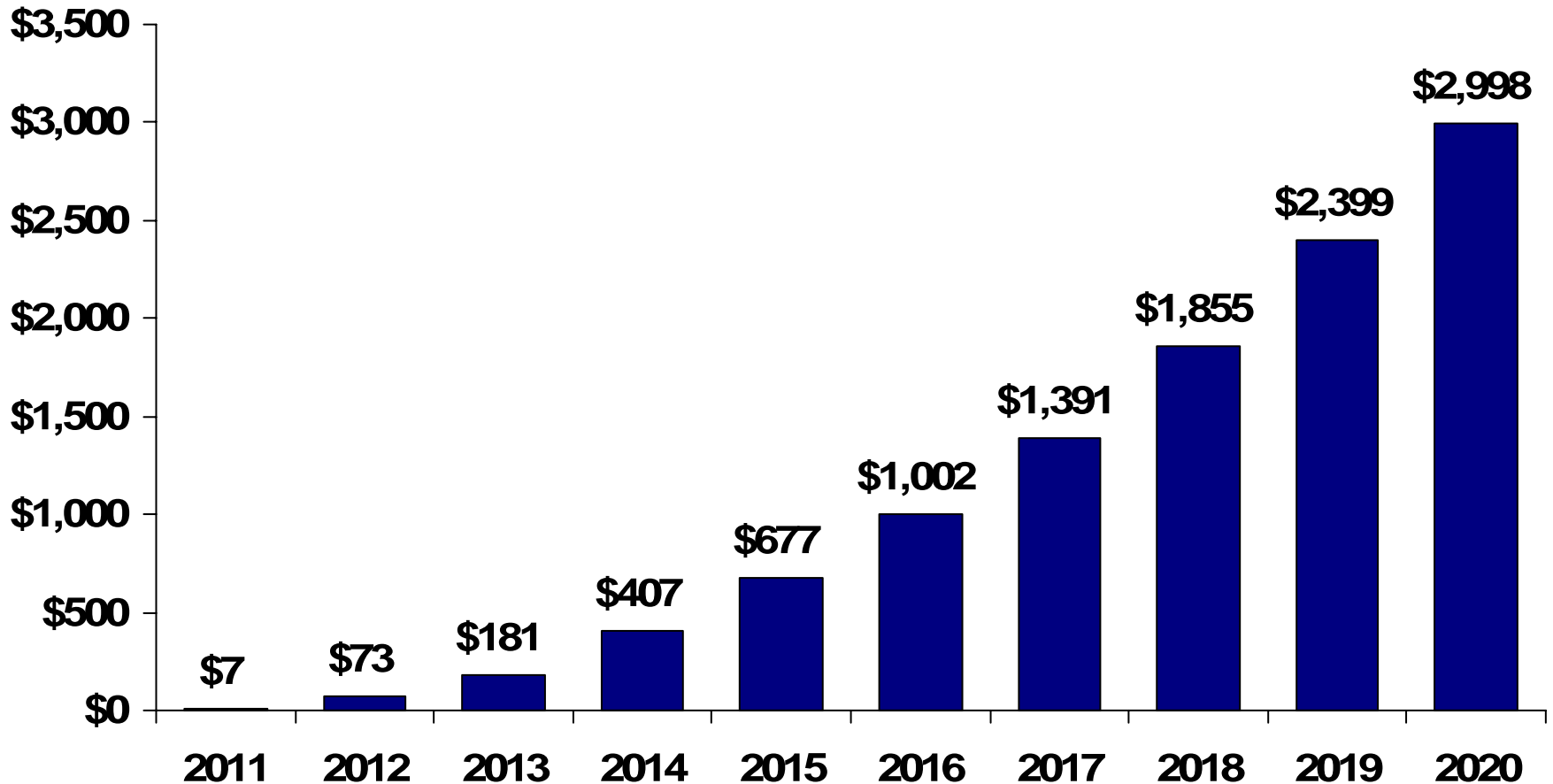
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Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Cumulative Savings of Coverage, Payment, and System Reform Policies on National Health Expenditures Compared with Baseline, 2010–2020

Dollars in billions



Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

## Benefit Design for Medicare-Sponsored Public Plan Offered in Insurance Exchange

|  | <b>Current Medicare benefits*</b>   | <b>New Public Plan in Exchange</b>  |
|--|---|---|
| <b>Deductible</b>                          | Hospital: \$1,024/benefit period<br>Physician: \$135/year<br>Rx: \$275/year** | Hospital/Physician: \$250/year for individuals; \$500 for families<br>Rx: \$0                                     |
| <b>Coinsurance</b>                         | Physician: 20%<br>Rx: Depends on Part D plan                                  | Physician: 10%<br>Rx: 25%<br>Reduce for high-value & chronic disease care/medical home<br>Preventive services: 0% |
| <b>Ceiling on out-of-pocket</b>            | No ceiling  | \$5,000 for individuals<br>\$7,000 for families   |
| <b>Insurance-related premium subsidies</b> | Medicare Savings Programs<br>Low-Income Subsidy                               | Premium cap ceiling of 5% of income for low-income beneficiary premiums or 10% if higher income                   |

\* Basic benefits before Medigap.

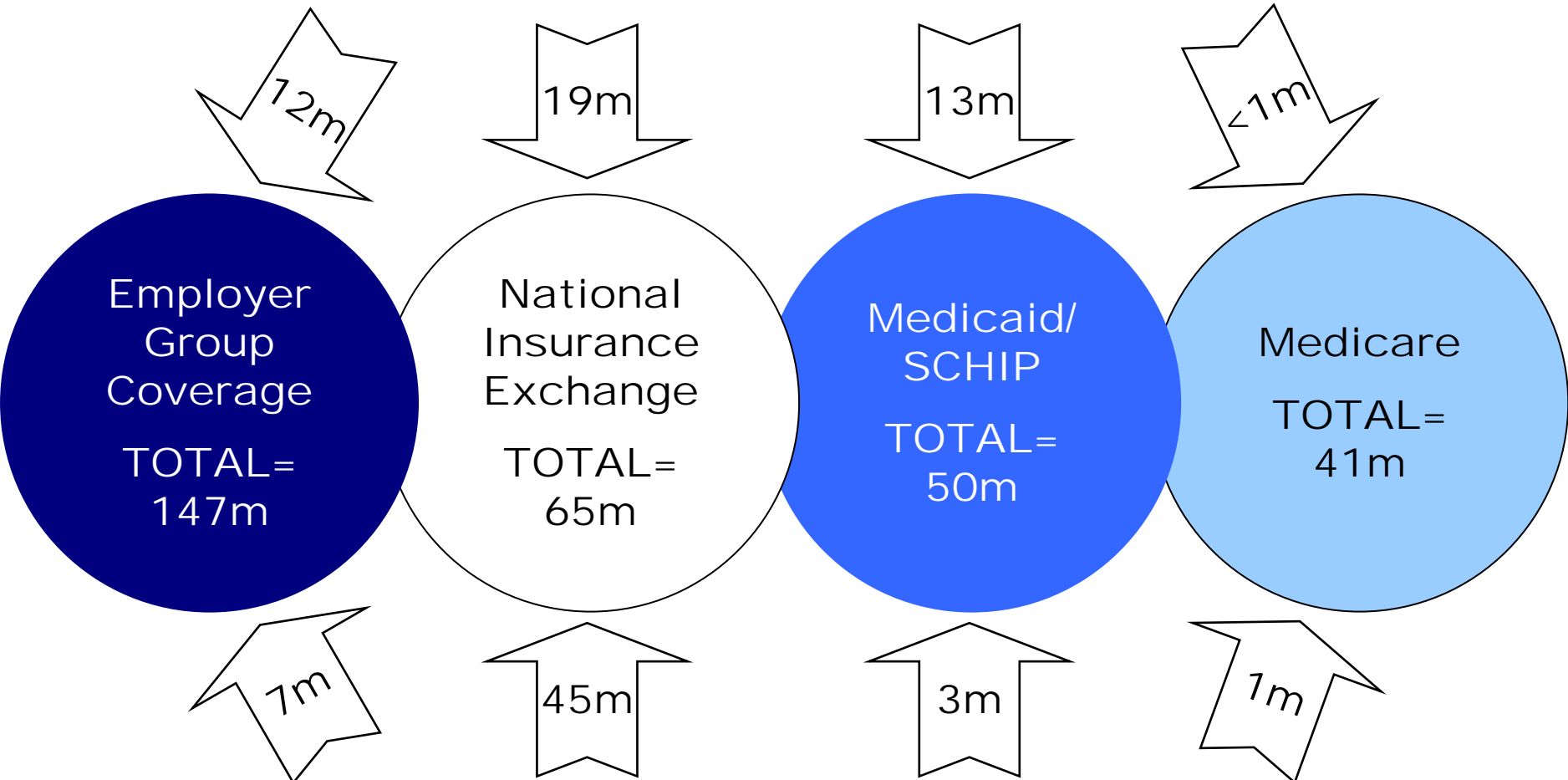
\*\* Part D coverage varies, often deductible. Most have “doughnut” hole and use tiered, flat-dollar copayments.

Note: Benefit design also would apply to Medicare Extra supplement option available to Medicare beneficiaries.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Path to High Performance Foundation: Automatic and Affordable Health Insurance for All in 2010

## New Coverage for 45 Million Uninsured

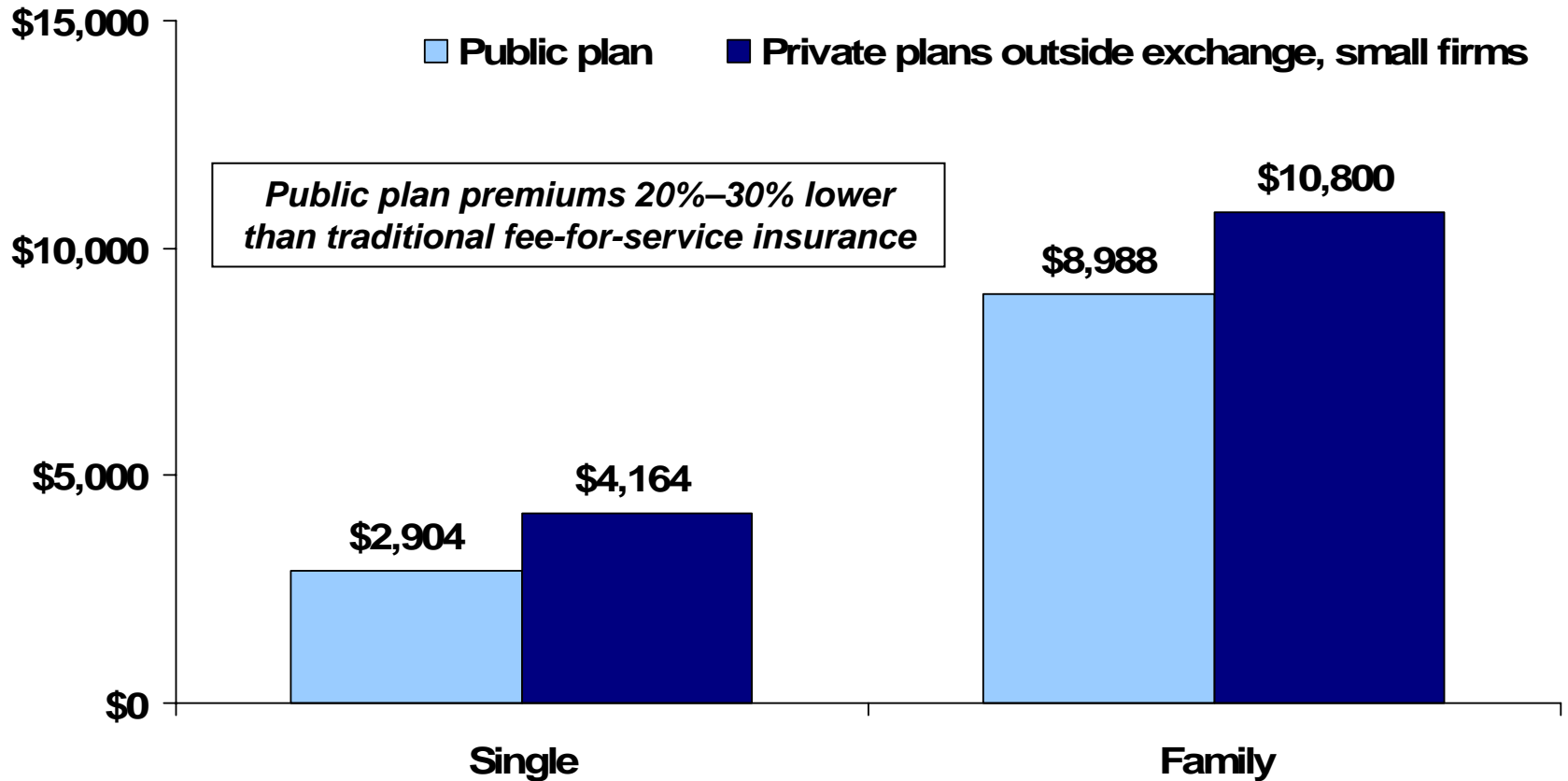


## Improved or More Affordable Coverage for 57 Million Insured

Data: Estimates by The Lewin Group for The Commonwealth Fund.  
Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Estimated Premiums for New Public Plan Compared with Average Individual/Small Employer Private Market, 2010

Average annual premium for equivalent benefits at community rate\*



\* Benefits used for modeling include full scope of acute care medical benefits; \$250 individual/\$500 family deductible; 10% coinsurance for physician service; 25% coinsurance and no deductible for prescription drugs; reduced for high-value medications; full coverage checkups/preventive care. \$5,000 individual/\$7,000 family out-of-pocket limit.

Note: Premiums include administrative load.

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.



## Current Coverage and Estimated Distribution with Insurance Exchange, New Public Plan, Market Reforms, and Individual Mandate, 2010

| Source of Coverage      | Population Distribution in 2010 |   |  |                               |
|-------------------------|---------------------------------|---|--|-------------------------------|
|                         | Under Current Law               | Under Reforms and Insurance Exchange, if Exchange Open to |  |                               |
|                         |                                 | Individuals and firms with less than 100 employees        | Individuals and firms with less than 500 employees | All individuals and employers |
| Total (millions)        | 307.1                           | 307.1   | 307.1  | 307.1                         |
| Insurance Exchange*     | 0.0                             | 64.6  | 81.2   | 157.5                         |
| Employer                | 0.0                             | 45.9  | 62.8   | 140.5                         |
| Individual              | 0.0                             | 18.7  | 18.4   | 17.0                          |
| Private Direct Purchase |                                 |   |  |                               |
| Employer**              | 163.5                           | 147.2   | 130.9  | 55.1                          |
| Individual              | 14.3                            | 1.1   | 1.1  | 1.1                           |
| Medicare***             | 38.9                            | 40.5  | 40.5   | 40.5                          |
| Medicaid/SCHIP          | 41.5                            | 49.5  | 49.4   | 48.8                          |
| Uninsured               | 48.9                            | 4.0   | 4.0  | 3.9                           |

\* Modeling estimates about one-third would enroll in private plans and two-thirds in the public plan, if private plans are unable to reduce the premium differential.

\*\* Employer includes active employees, retirees, and TRICARE.

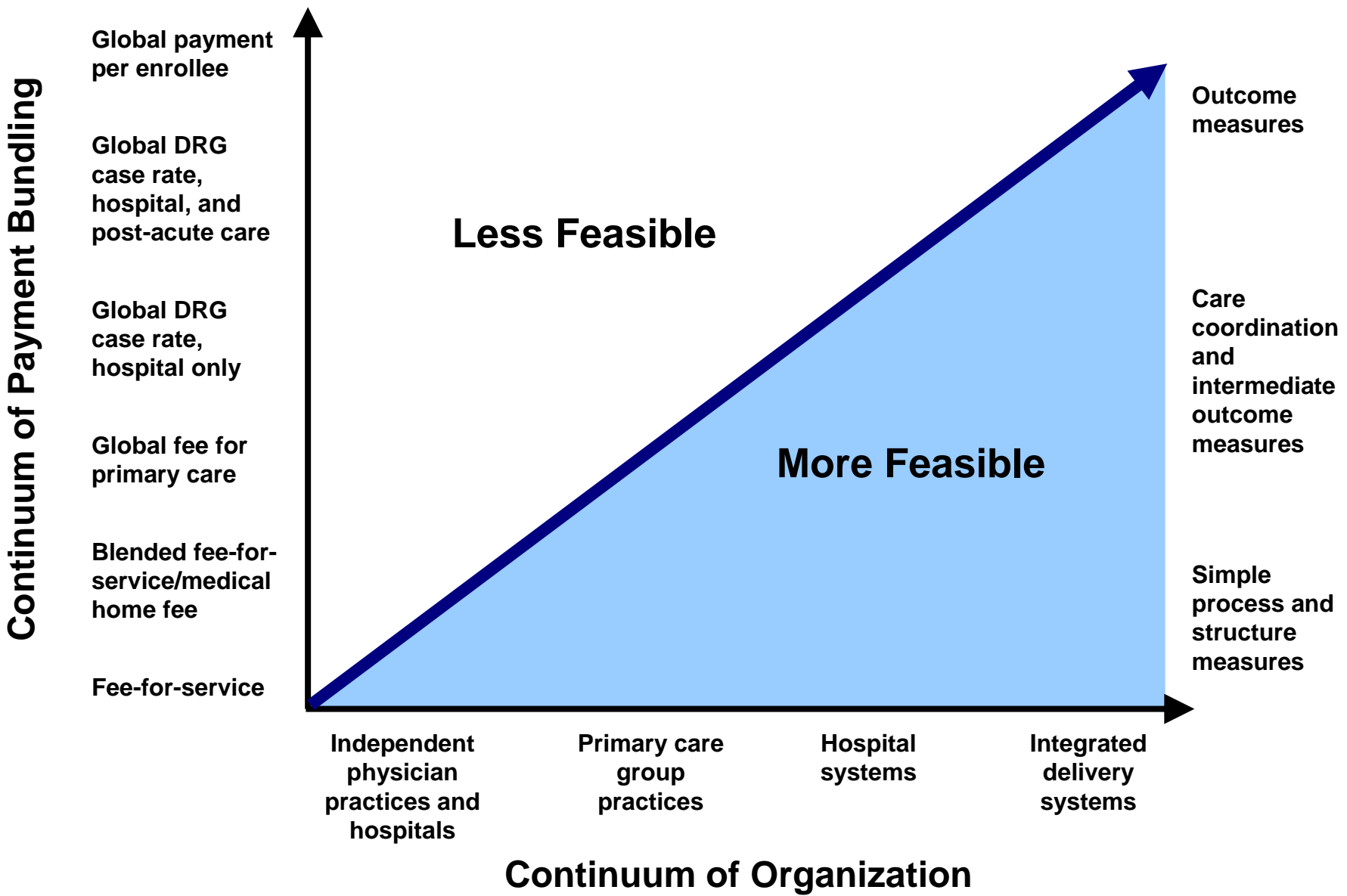
\*\*\* Medicare includes those dually eligible for Medicaid and Medicare.

Note: The exchange would initially be open to small firms in 2010, to firms with less than 500 employees in 2012, and to all employers in 2014. For purposes of comparison, above estimates are based on population distribution in 2010.

Data: Estimates by The Lewin Group for The Commonwealth Fund.

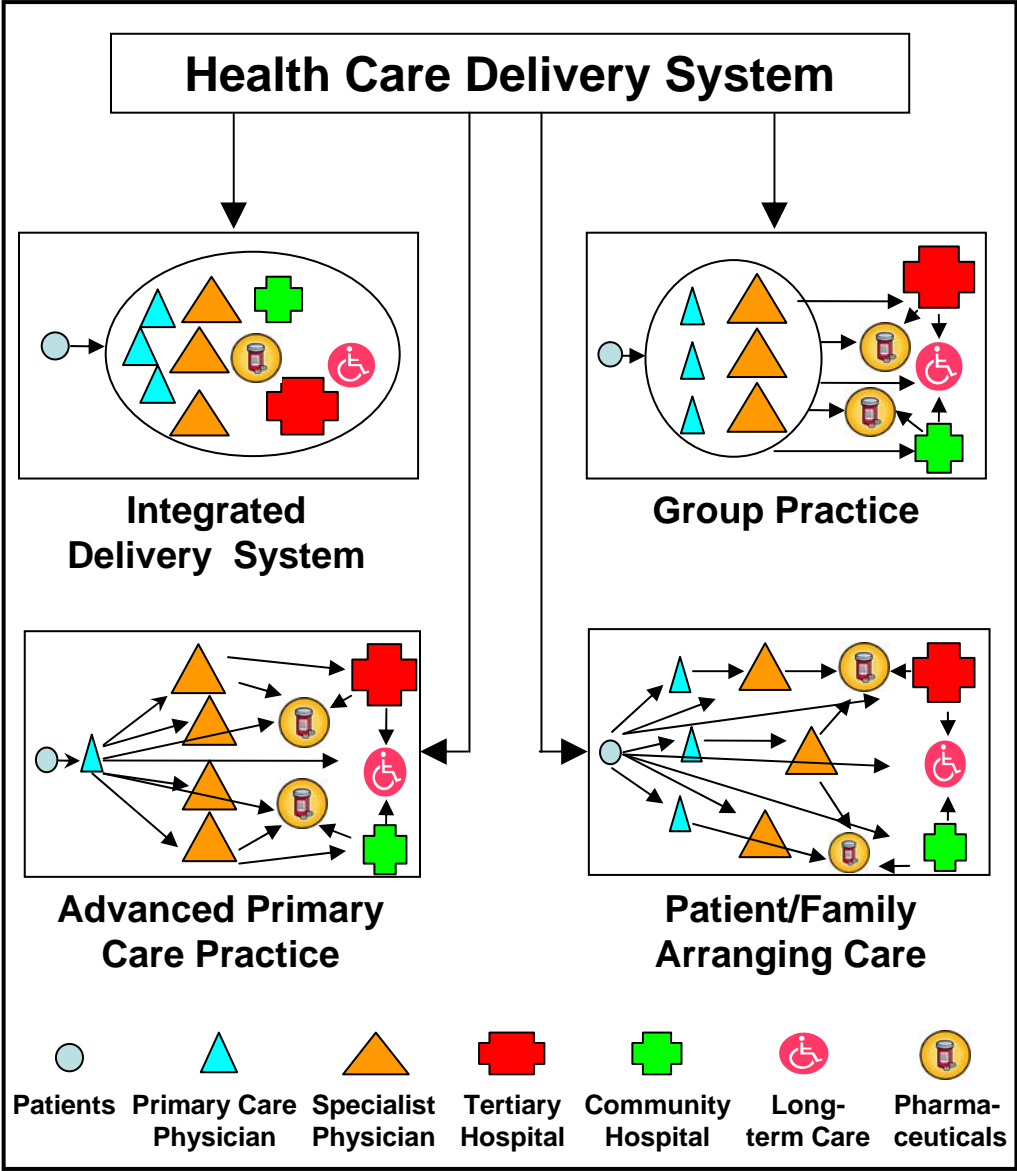
Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Organization and Payment Methods



Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Delivery System Models for Care Coordination



- Incentives for public and private insurance enrollees to designate medical home with:
  - an advanced primary care practice;
  - a group practice; or
  - an integrated delivery system
- New payment methods for delivery systems assuming accountability for total patient care, patient outcomes, and resource use
- Performance standards for each of these delivery systems
- Funding for regional or state efforts to provide primary care practices with:
  - IT network portal and IT support;
  - case management support;
  - after-hours access;
  - QI and care redesign; and
  - data reporting and profiling feedback

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Health Information Technology

- **Goal: Accelerate the adoption and use of effective health information technology with capacity for decision support and information exchange across care sites.**
- **Why? To improve care outcomes, safety, and value**
  - Information flow with patients—patient-centered care
  - Connect care: reduce duplication and enhance coordination
  - Decision support
  - Facilitate standards, recommended care, reporting and transparency
- **Accelerate Adoption and Use**
  - Require electronic reporting of clinical information—use payment incentives
  - Initial funding to support spread to safety net and set up exchange
  - Establish national entity for standards and electronic exchange
    - Standards of information—type of information; minimum elements
    - Standards of privacy
    - Technical standards for transferable, interoperable information

## Center for Comparative Effectiveness

- **Goal: Establish a Center for Comparative Effectiveness to provide better information about what works well for which patients**
  - Would operate with national priorities for evidence
  - Priorities set national policy
- **Responsibility**
  - Review/synthesize existing evidence plus contract for scientific research (outcomes and costs)
  - Analysis of existing clinical processes of care as well as new technology
  - Makes recommendations to insurers (public and private) regarding benefit design and pricing/payment policy
- **Independent and trusted source**
  - First-rate science, technical expertise
  - Efficient process to diffuse to clinicians and publish
  - Independent: operates in public interest
  - Budget for staff and research

## All-Population Data with Benchmarks

- **All-population, all-patient, all-payer data**
  - Ideally would include care process, clinical outcomes, patient experiences, and costs and enable benchmarking and monitoring changes
  - Minimum uniform set, including all-payers
  - Health outcomes (e.g., percent diabetes under control; cancer survival rates)
    - Data flow from HIT capacity to report outcomes
  - Web comparison of insurance choices, costs and benefits, experiences; include share of premium for administrative/overhead/profit
  
- **National with capacity for state or geographic analysis and benchmarks**
  - Designed so states could add, build with more detailed data where available
  - Could build up or incorporate from existing state database efforts
  - Build on existing national and state efforts
  
- **Transparent with capacity to benchmark and compare, monitoring changes over time**

# Path Net Cumulative Impact on National Health Expenditures (NHE) 2010–2020 Compared with Baseline, by Major Payer Groups

Dollars in billions

|                  | <b>Total NHE</b> | <b>Net federal government</b> | <b>Net state/local government</b> | <b>Private employers</b> | <b>Households</b> |
|------------------|------------------|-------------------------------|-----------------------------------|--------------------------|-------------------|
| <b>2010–2015</b> | <b>–\$677</b>    | <b>\$448</b>                  | <b>–\$344</b>                     | <b>\$111</b>             | <b>–\$891</b>     |
| <b>2010–2020</b> | <b>–\$2,998</b>  | <b>\$593</b>                  | <b>–\$1,034</b>                   | <b>–\$231</b>            | <b>–\$2,325</b>   |

Note: A negative number indicates spending decreases compared with projected expenditures (i.e., savings); a positive indicates spending increases.

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

## Change in Average Annual Family Health Spending Under Path Proposal Compared with Projected Without Reforms: Average Savings per Family

|                             | Average Savings per Family 2010,<br>if Fully Phased     |                                    | Average Savings<br>per Family 2020* |
|-----------------------------|---|------------------------------------|-------------------------------------|
|                             | Individuals and<br>Small Firms<br>Eligible for Exchange | All Firms Eligible<br>for Exchange | All Firms Eligible<br>for Exchange  |
| <b>All Families</b>         | -\$855  | -\$1,140                           | -\$2,314                            |
| <b>Under \$10,000</b>       | -\$751  | -\$762                             | -\$1,547                            |
| <b>\$10,000–\$19,999</b>    | -\$860  | -\$915                             | -\$1,857                            |
| <b>\$20,000–\$29,999</b>    | -\$926  | -\$1,036                           | -\$2,103                            |
| <b>\$30,000–\$39,999</b>    | -\$904  | -\$1,085                           | -\$2,202                            |
| <b>\$40,000–\$49,999</b>    | -\$1,014  | -\$1,261                           | -\$2,559                            |
| <b>\$50,000–\$74,999</b>    | -\$858  | -\$1,195                           | -\$2,426                            |
| <b>\$75,000–\$99,999</b>    | -\$802  | -\$1,287                           | -\$2,612                            |
| <b>\$100,000–\$149,999</b>  | -\$739  | -\$1,293                           | -\$2,624                            |
| <b>\$150,000 and higher</b> | -\$869  | -\$1,459                           | -\$2,961                            |

Note: Family income in 2010 dollars. By 2020, total household savings would reach an estimated \$342 billion. The estimated savings per family in 2020 use the same family distribution as in 2010 and adjust for population growth.

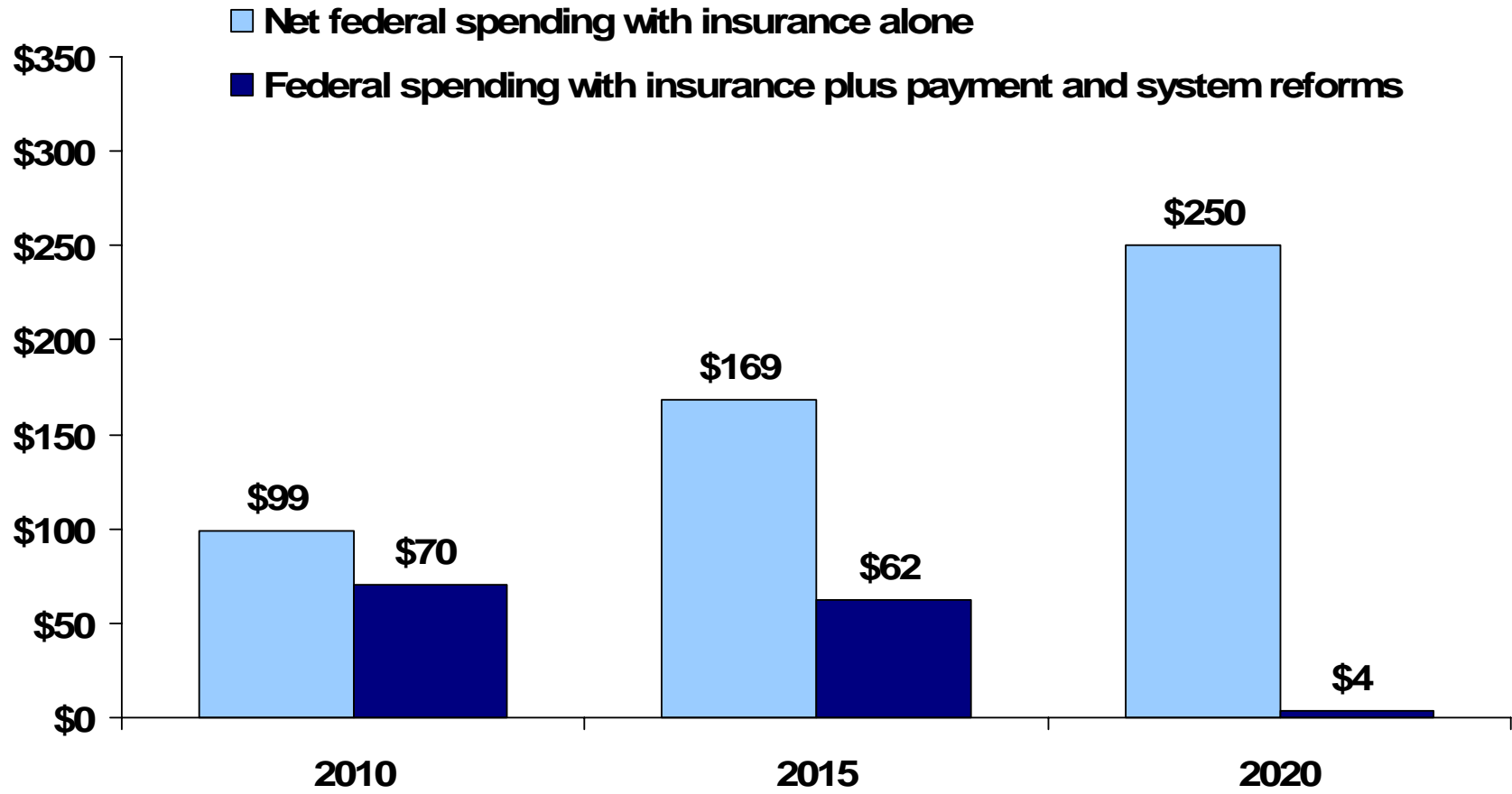
Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.



# Savings Can Offset Federal Costs of Insurance: Federal Spending Under Two Scenarios

Dollars in billions



Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

## Potential Federal Revenues Options to Fund Insurance Expansion: 2010–2020, Cumulative Revenue in \$ Billions

|  | 2010 to 2014   | 2010 to 2020   |
|--|----------------|----------------|
| <b>Institute a 1 percent national sales tax that exempts necessities</b>   | <b>\$139.5</b> | <b>\$349.2</b> |
| <b>Cap employer tax exclusions for premiums at public plan premium level</b>   | <b>\$225.8</b> | <b>\$372.5</b> |
| <b>Early expiration of the top marginal tax bracket*</b>   | <b>\$38.0</b>  | <b>\$38.0</b>  |
| <b>Increase top two marginal tax brackets by 1 percent</b>   | <b>\$155.2</b> | <b>\$176.1</b> |
| <b>Raise tobacco tax by \$2 per pack</b>   | <b>\$150.5</b> | <b>\$322.5</b> |
| <b>New sugar tax on soft drinks of \$0.01 per 12 ounces**</b>  | <b>\$5.5</b>   | <b>\$12.1</b>  |
| <b>Increase federal excise tax on alcohol by \$0.05 on 12-ounce beer with proportionate increase on other alcoholic drinks**</b> | <b>\$27.0</b>  | <b>\$62.2</b>  |

\* The top bracket reduced rate is due to expire at the end of 2010. This would let it expire one year early.

\*\* These financing sources were already included in the modeling estimates.

Data: Estimates by The Lewin Group for The Commonwealth Fund.

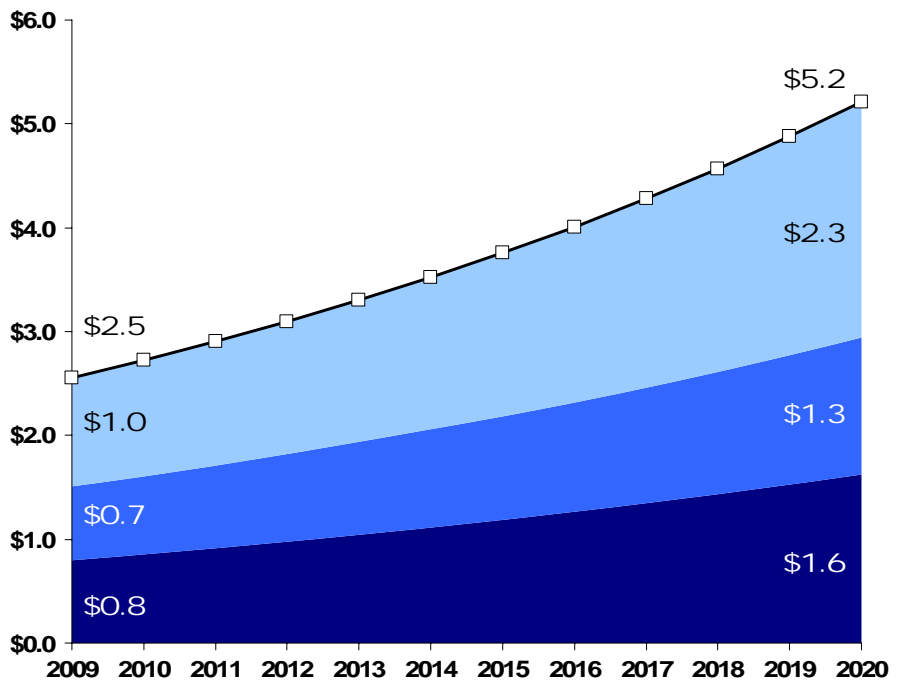
Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Total National Health Expenditure (NHE) Growth by Provider Sector, Current Projections and with Policy Changes, 2009–2020

- Total NHE
- All other
- Physician & other professional
- Hospital

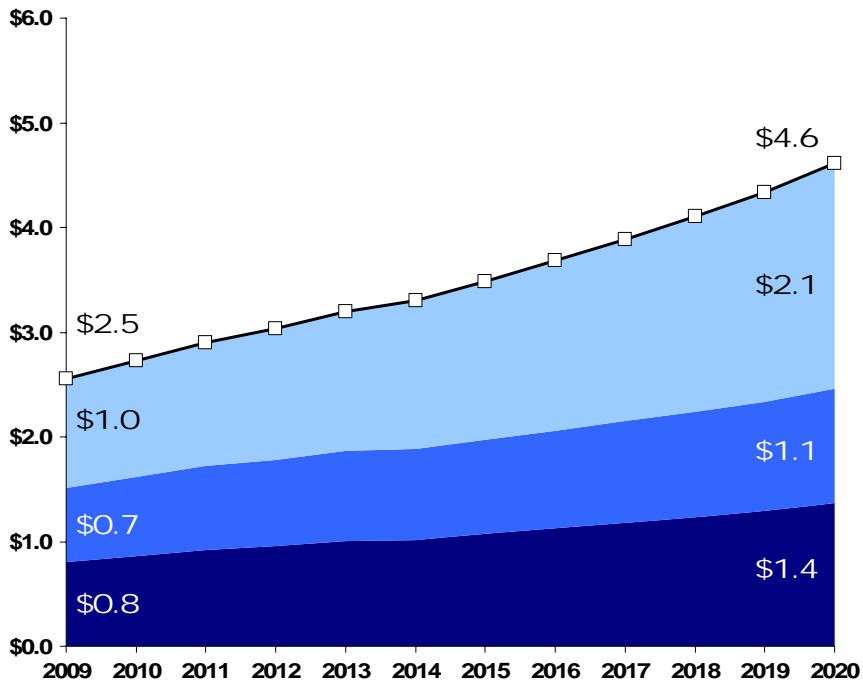
### Projected Growth, Current Policy

Expenditure (trillions)



### Revenue Growth with Path Policies

Expenditure (trillions)

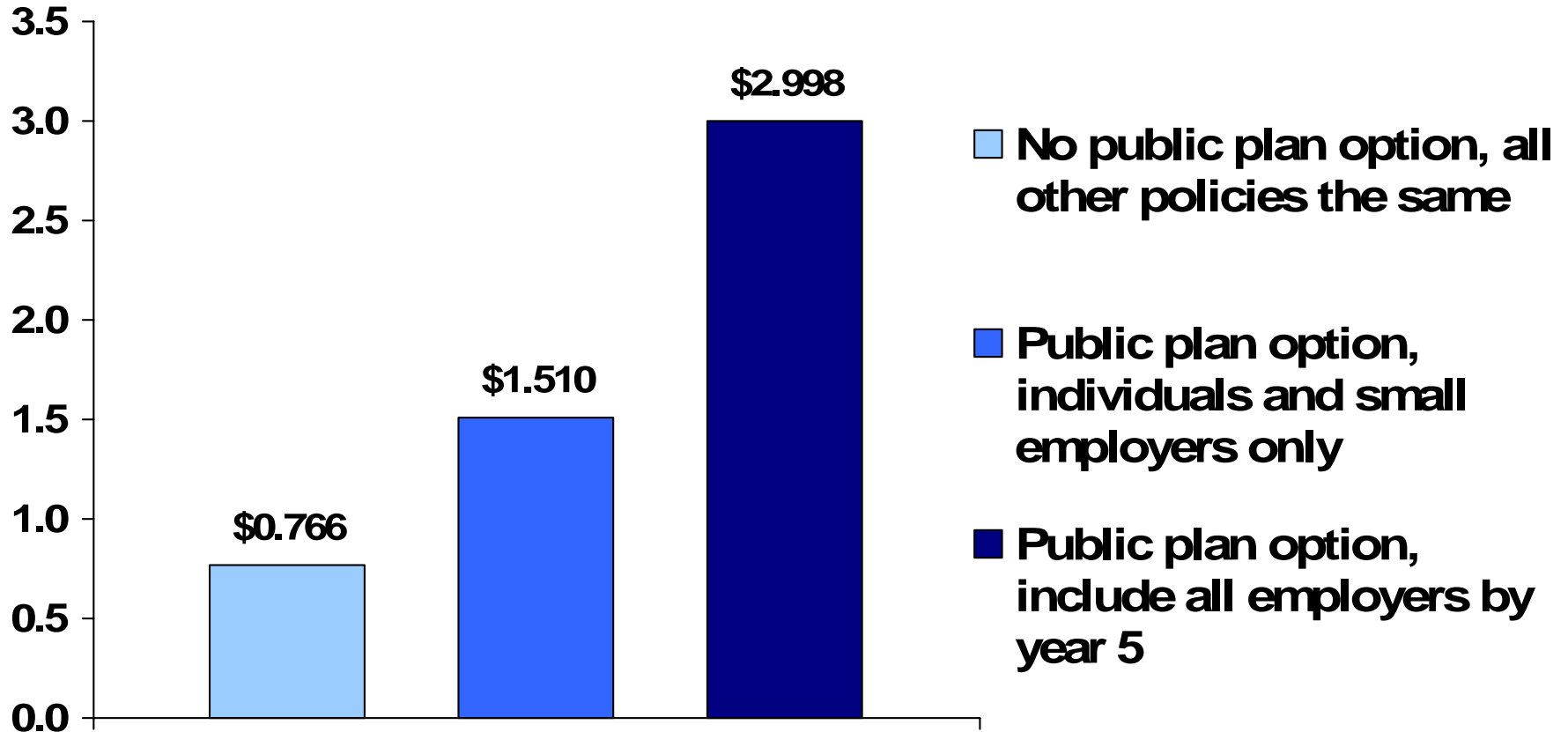


Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Three Insurance Exchange Scenarios: Cumulative 11-Year Savings in National Health Expenditures, 2010–2020

Cumulative National Health Expenditures  
Savings compared with baseline (trillions)



Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

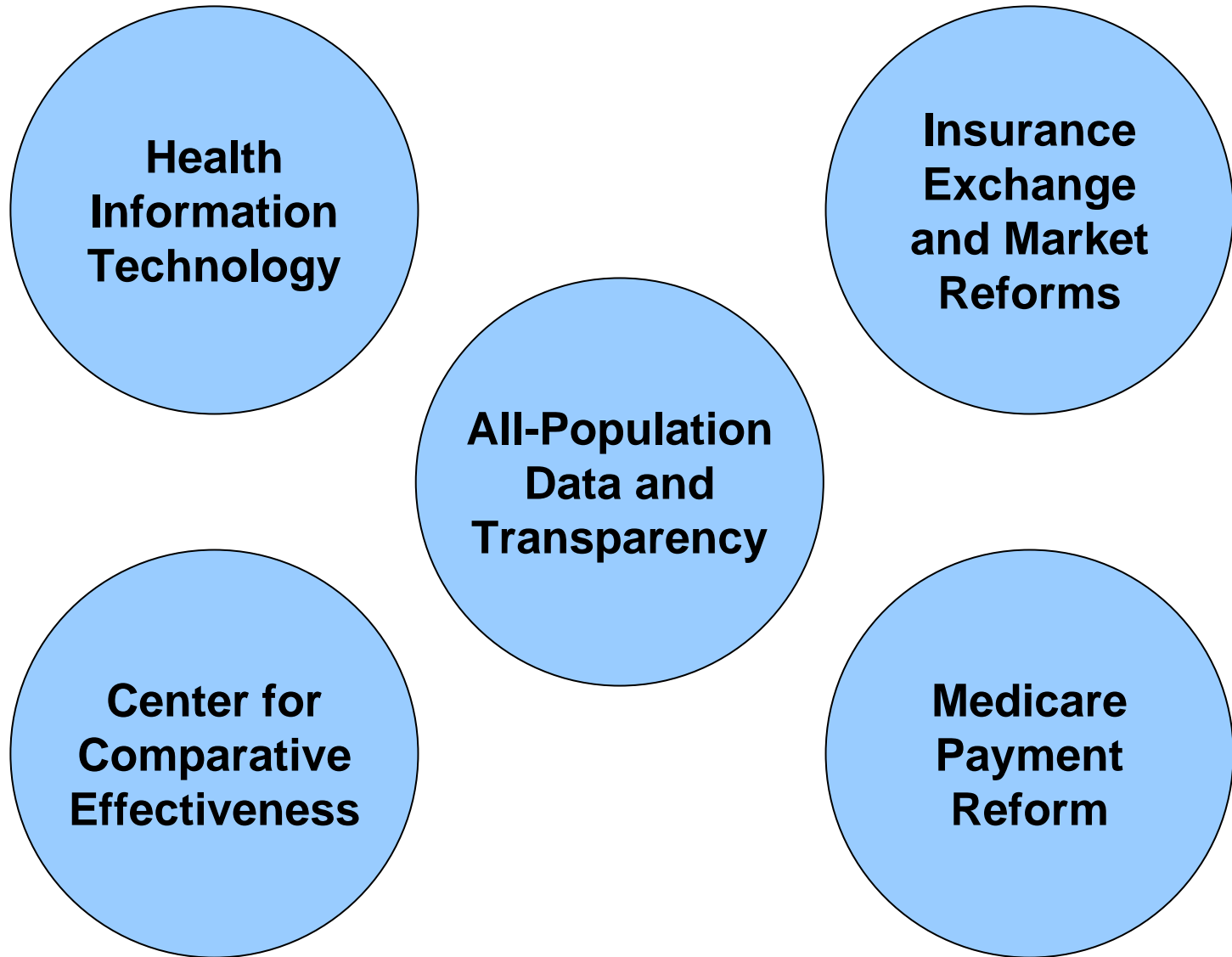
## Achieving Benchmarks: Potential People Impact if the United States Improved National Performance to the Level of the Benchmark

|  | Current national average | 2020 target* | Impact on number of people |
|--|--------------------------|--------------|----------------------------|
| Percent of adults (ages 19–64) insured, not underinsured   | 58%                      | 99%          | 73 million increase        |
| Percent of adults (age 18 and older) receiving all recommended preventive care   | 50%                      | 80%          | 68 million increase        |
| Percent of adults (ages 19–64) with an accessible primary care provider  | 65%                      | 85%          | 37 million increase        |
| Percent of children (ages 0–17) with a medical home  | 46%                      | 60%          | 10 million increase        |
| Percent of adult hospital stays (age 18 and older) in which hospital staff always explained medicines and side effects | 58%                      | 70%          | 5 million increase         |
| Percent of Medicare beneficiaries (age 65 and older) readmitted to hospital within 30 days                             | 18%                      | 14%          | 180,000 decrease           |
| Admissions to hospital for diabetes complications, per 100,000 adults (age 18 and older)                               | 240                      | 126          | 250,000 decrease           |
| Pediatric admissions to hospital for asthma, per 100,000 children (ages 2–17)  | 156                      | 49           | 70,000 decrease            |
| Medicare admissions to hospital for ambulatory care-sensitive conditions, per 100,000 beneficiaries (age 65 and older) | 700                      | 465          | 640,000 decrease           |
| Deaths before age 75 from conditions amenable to health care, per 100,000 population                                   | 110                      | 69           | 100,000 decrease           |
| Percent of primary care doctors with electronic medical records  | 28%                      | 98%          | 180,000 increase           |

\* Targets are benchmarks of top 10% performance within the U.S. or top countries (mortality amenable and electronic medical records). All preventive care is a target.

Source: Commonwealth Fund Commission on a High Performance Health System, *Why Not the Best? Results from the National Scorecard on U.S. Health System Performance, 2008* (New York: The Commonwealth Fund, July 2008), with benchmarks from top performance.

# New National Policy Leadership



**Health  
Information  
Technology**

**Insurance  
Exchange  
and Market  
Reforms**

**All-Population  
Data and  
Transparency**

**Center for  
Comparative  
Effectiveness**

**Medicare  
Payment  
Reform**

# Exhibit A-1. Cost of Administering Health Insurance as a Percentage of Claims Under Current Law and the Proposed Exchange, by Group Size

| Claims Administration |             | General Administration |             | Interest Credit |              | Risk / Profit |             | Commissions |             | Total Administrative |             |
|-----------------------|-------------|------------------------|-------------|-----------------|--------------|---------------|-------------|-------------|-------------|----------------------|-------------|
| Current               | Exchange    | Current                | Exchange    | Current         | Exchange     | Current       | Exchange    | Current     | Exchange    | Current              | Exchange    |
| 10.9%                 | 5.4%        | 19.0%                  | 6.5%        | -1.1%           | -1.1%        | 8.7%          | 2.7%        | 3.4%        | 1.0%        | 40.9%                | 14.5%       |
| 9.5                   | 4.7         | 14.7                   | 5.7         | -1.1            | -1.1         | 6.4           | 2.3         | 3.1         | 1.0         | 35.8                 | 13.3        |
| 8.8                   | 4.7         | 13.2                   | 5.7         | -1.1            | -1.1         | 6.0           | 2.3         | 2.2         | 1.0         | 31.1                 | 13.3        |
| 7.4                   | 4.7         | 10.8                   | 5.2         | -1.1            | -1.1         | 5.6           | 2.3         | 1.9         | 1.0         | 26.5                 | 12.8        |
| 6.5                   | 4.3         | 8.9                    | 4.7         | -1.1            | -1.1         | 5.1           | 2.3         | 1.2         | 1.0         | 21.8                 | 11.9        |
| 4.4                   | 3.8         | 5.6                    | 3.2         | -1.1            | -1.1         | 4.5           | 2.3         | 0.7         | 1.0         | 15.3                 | 9.9         |
| 4.2                   | 3.8         | 4.7                    | 2.8         | -1.1            | -1.1         | 4.1           | 2.3         | 0.6         | 1.0         | 13.5                 | 9.5         |
| 4.0                   | 3.6         | 4.6                    | 3.0         | -1.1            | -1.1         | 2.6           | 2.3         | 0.3         | 1.0         | 10.4                 | 9.5         |
| 3.9                   | 3.5         | 2.0                    | 1.4         | -1.1            | -1.1         | 1.4           | 1.4         | \$6*        | 1.0         | 6.7                  | 6.6         |
| 3.1                   | 2.8         | 0.9                    | 0.7         | -1.1            | -1.1         | 0.8           | 0.8         | \$6*        | 1.0         | 4.5                  | 4.5         |
| <b>4.8%</b>           | <b>3.9%</b> | <b>5.0%</b>            | <b>3.4%</b> | <b>-1.1%</b>    | <b>-1.1%</b> | <b>3.0%</b>   | <b>2.0%</b> | <b>1.1%</b> | <b>1.0%</b> | <b>12.7%</b>         | <b>9.4%</b> |

Note: Only small firms are permitted to enter the exchange, which we assume includes firms with fewer than 25 workers.

\* Self-funded plans pay a fee of about \$6 per worker per month. Assumes that all firms with 2,500 or more workers are self-funded.

Data: Estimates by The Lewin Group for The Commonwealth Fund. Analysis of the Effect of Creating a Mandatory Insurance Pool developed by the Hay Group, "Cost and Effects of Extending Health Insurance Coverage," Congressional Research Service 1990.

Source: The Lewin Group, *The Path to a High Performance U.S. Health System: Technical Documentation*, February 2009, 13–14.

## Exhibit A-2. Net Impact of Insurance Reform Policies Alone, Including Exchange and Public Plan, By Major Payer Groups

| \$ billions                        | Annual Net Impact |      |      |      |      |      |      |      |      |      |      | Cumulative<br>Net Impact |
|------------------------------------|-------------------|------|------|------|------|------|------|------|------|------|------|--------------------------|
|                                    | 2010              | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2010–2020                |
| <b>National Health Expenditure</b> | 28                | 43   | 21   | 23   | -64  | -68  | -72  | -77  | -83  | -88  | -94  | -432                     |
| <b>Federal Government</b>          | 99                | 121  | 138  | 153  | 156  | 169  | 185  | 203  | 217  | 232  | 250  | 1,924                    |
| <b>State and Local Government</b>  | -18               | -30  | -42  | -47  | -65  | -70  | -76  | -83  | -88  | -94  | -101 | -713                     |
| <b>Private Employers</b>           | 47                | 71   | 44   | 46   | 14   | 15   | 16   | 17   | 17   | 18   | 19   | 324                      |
| <b>Households</b>                  | -100              | -119 | -118 | -130 | -169 | -182 | -197 | -215 | -229 | -244 | -263 | -1,966                   |

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.



## Exhibit A-3. Net Impact of Insurance, Payment, and System Reform Policies, by Major Payer Groups

| \$ billions                        | Annual Net Impact |      |      |      |      |      |      |      |      |      |      | Cumulative<br>Net Impact |
|------------------------------------|-------------------|------|------|------|------|------|------|------|------|------|------|--------------------------|
|                                    | 2010              | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2010–2020                |
| <b>National Health Expenditure</b> | 1                 | -8   | -66  | -108 | -226 | -270 | -325 | -389 | -464 | -544 | -599 | -2,998                   |
| <b>Federal Government</b>          | 70                | 83   | 85   | 79   | 68   | 62   | 56   | 47   | 29   | 10   | 4    | 593                      |
| <b>State and Local Government</b>  | -18               | -35  | -52  | -62  | -84  | -94  | -107 | -123 | -139 | -155 | -166 | -1,034                   |
| <b>Private Employers</b>           | 51                | 70   | 27   | 13   | -21  | -30  | -41  | -53  | -69  | -85  | -94  | -231                     |
| <b>Households</b>                  | -102              | -126 | -126 | -139 | -190 | -208 | -232 | -260 | -286 | -315 | -342 | -2,325                   |

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

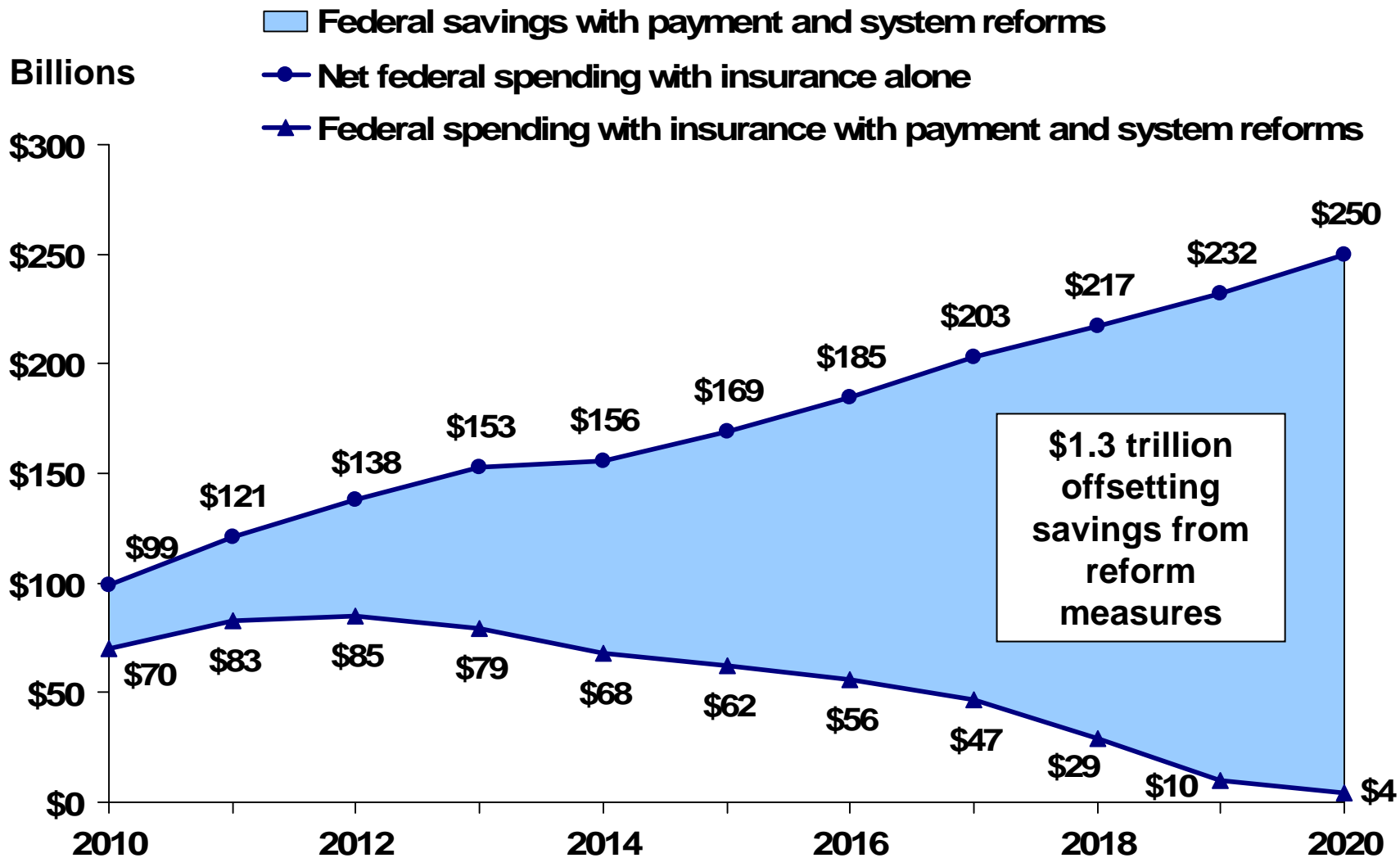
# Exhibit A-4. Sources of Path Savings, Net Impact by Payer and National Health Expenditures: Insurance Alone and All Reforms, 2010–2020

| \$ billions   | Total NHE       | Federal Government | State and Local Government | Private Employers | Households      |
|---|-----------------|--------------------|----------------------------|-------------------|-----------------|
| <b>Net Cost of Insurance Expansion and Reduced Administrative Costs</b>                                     | -\$432          | \$1,924            | -\$714                     | \$323             | -\$1,964        |
| <b>Payment Reform: Aligning Incentives to Enhance Value</b>   |                 |                    |                            |                   |                 |
| Enhanced payment for primary care   | -\$71           | -\$30              | -\$2                       | -\$28             | -\$11           |
| Encouraged adoption of the medical home model   | -\$175          | -\$101             | -\$13                      | -\$25             | -\$36           |
| Bundled payment for acute care episodes   | -\$301          | -\$211             | -\$4                       | -\$75             | -\$11           |
| Correcting price signals  | -\$464          | -\$407             | \$9                        | -\$42             | -\$24           |
| <b>Improving Quality and Health Outcomes: Investing in Infrastructure and Public Policies to Aim Higher</b> |                 |                    |                            |                   |                 |
| Accelerating the spread and use of HIT  | -\$261          | -\$101             | -\$71                      | -\$26             | -\$63           |
| Center for Comparative Effectiveness  | -\$634          | -\$232             | -\$120                     | -\$172            | -\$110          |
| Reduced tobacco use   | -\$255          | -\$95              | -\$46                      | -\$75             | -\$39           |
| Reduced obesity   | -\$406          | -\$154             | -\$73                      | -\$112            | -\$67           |
| <b>TOTAL NET IMPACT, 2010–2020</b>  | <b>-\$2,998</b> | <b>\$593</b>       | <b>-\$1,034</b>            | <b>-\$232</b>     | <b>-\$2,325</b> |

Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.

# Exhibit A-5. Savings Can Offset Federal Costs of Insurance: Federal Spending Under Two Scenarios



Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way*, February 2009.