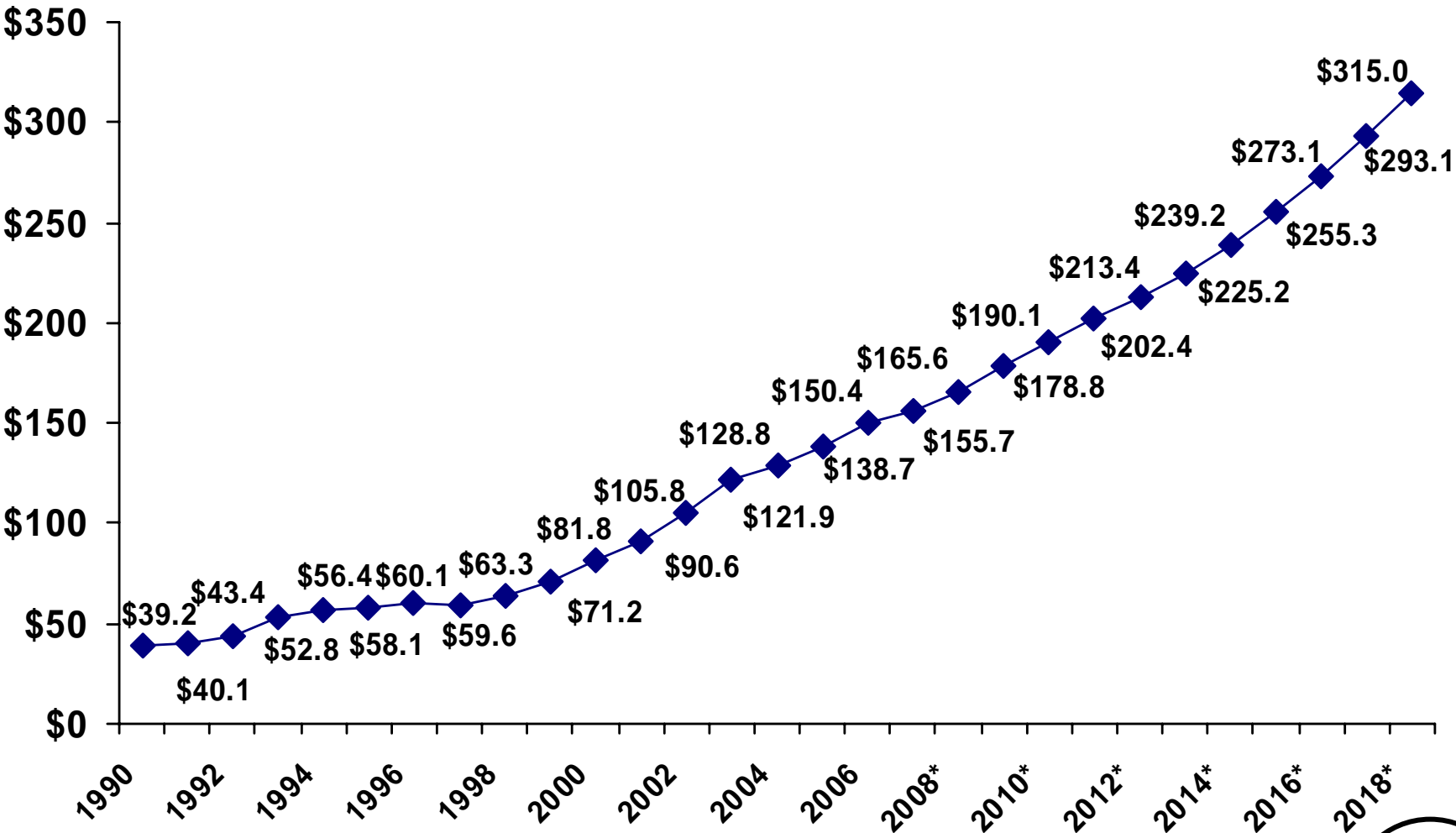


Exhibit 1. U.S. National Health Expenditures on Private Health Insurance Administration and Public Program Administration, 1990–2018

Billions of dollars



* Denotes projected expenditures, as calculated by the Centers for Medicare and Medicaid Services.
 Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/e> (see Projected; NHE Historical and projections, 1965–2018, file nhe65-18.zip, Administration and Net Cost of Private Health Insurance).

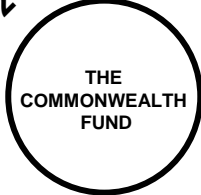
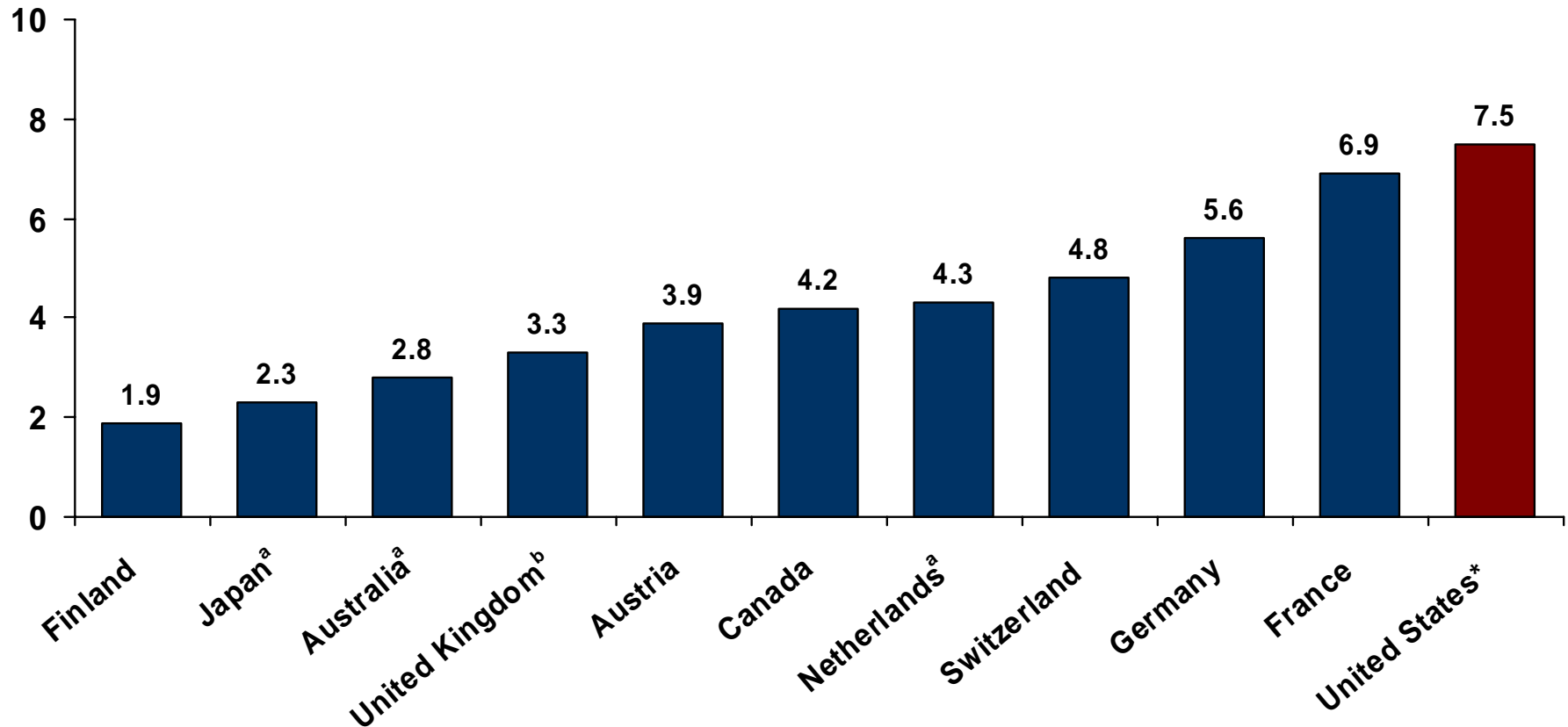


Exhibit 2. Percentage of National Health Expenditures Spent on Insurance Administration, 2005

Net costs of health insurance administration as percent of national health expenditures



^a 2004 ^b 1999

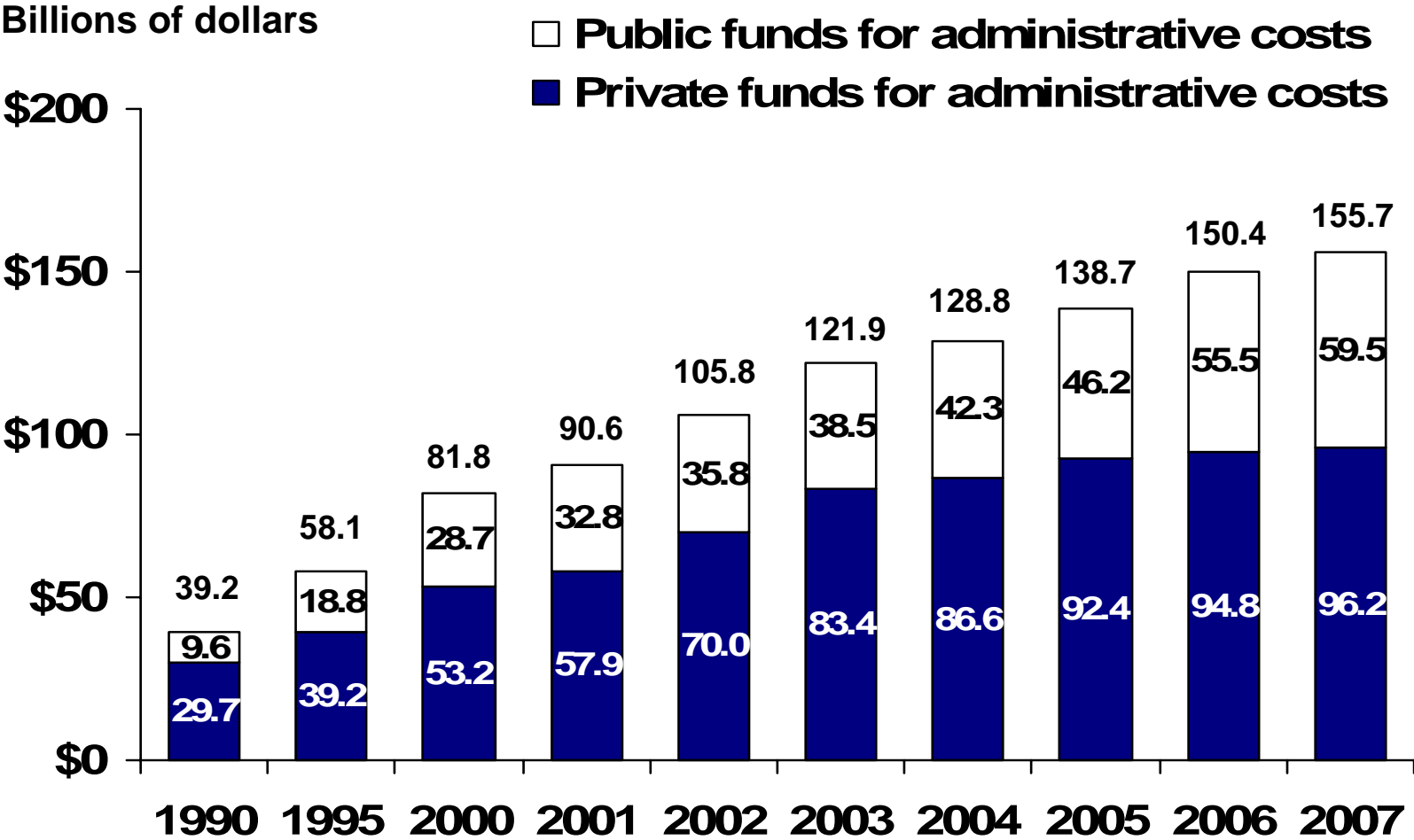
* Includes claims administration, underwriting, marketing, profits, and other administrative costs; based on premiums minus claims expenses for private insurance.

Data: OECD Health Data 2007, Version 10/2007.

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).



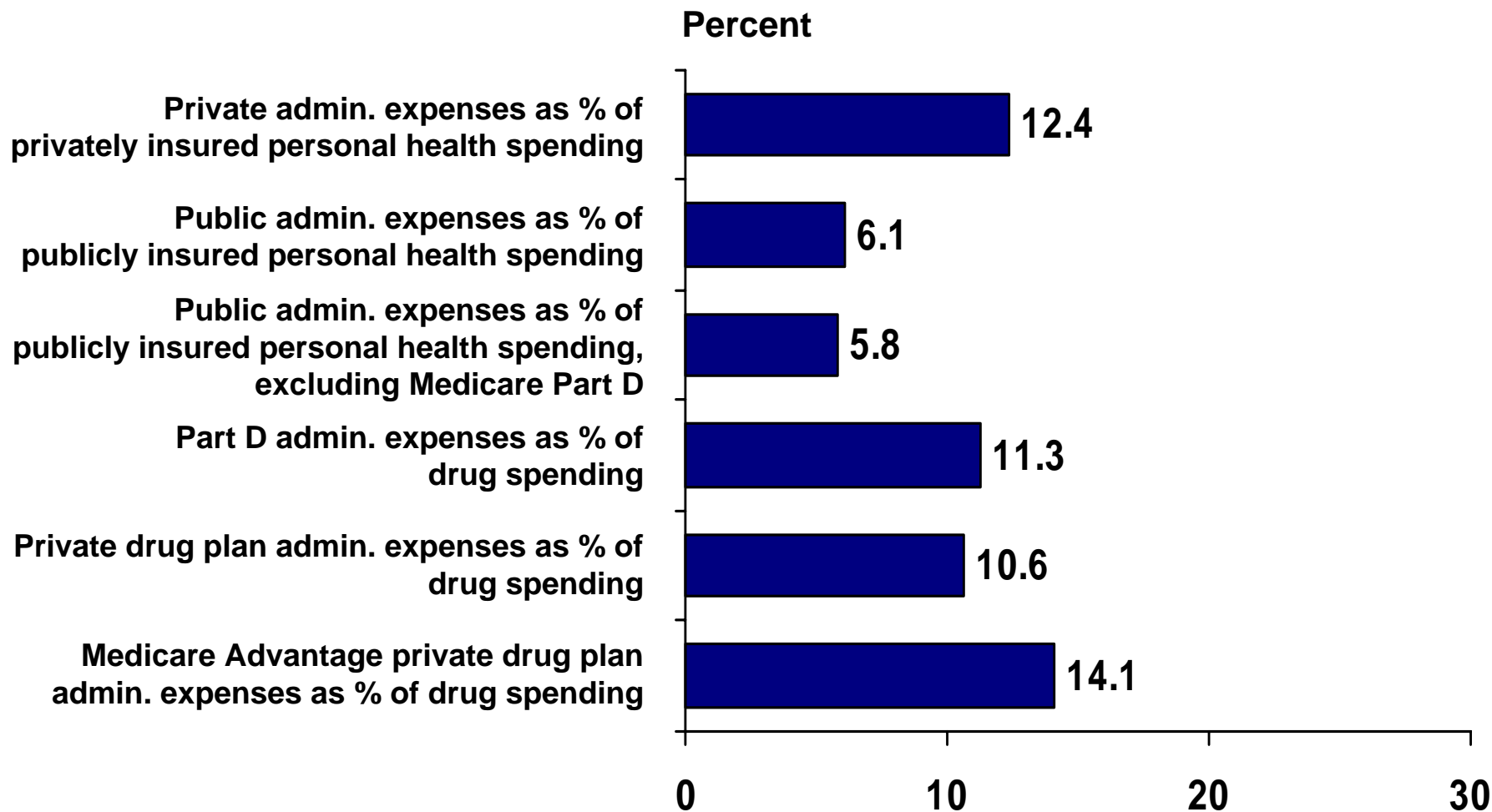
Exhibit 3. U.S. National Health Expenditures on Private Health Insurance Administration and Public Program Administration, by Source of Funds



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/e> (see Historical; NHE by type of service and source of funds, CY 1960–2007, file nhe2007.zip, Administration and Net Cost of Private Health Insurance).



Exhibit 4. Insurance Administrative Costs as a Percent of Total Private and Public Insured Spending on Health Services and Supplies, 2007



Source: Authors' calculations from M. Hartman, A. Martin, P. McDonnell et al., "National Health Spending in 2007: Slower Drug Spending Contributes to Lowest Rate of Overall Growth Since 1998," *Health Affairs*, Jan./Feb. 2009 28(1):246-61.

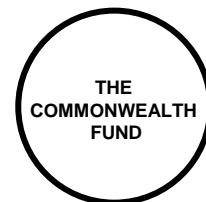
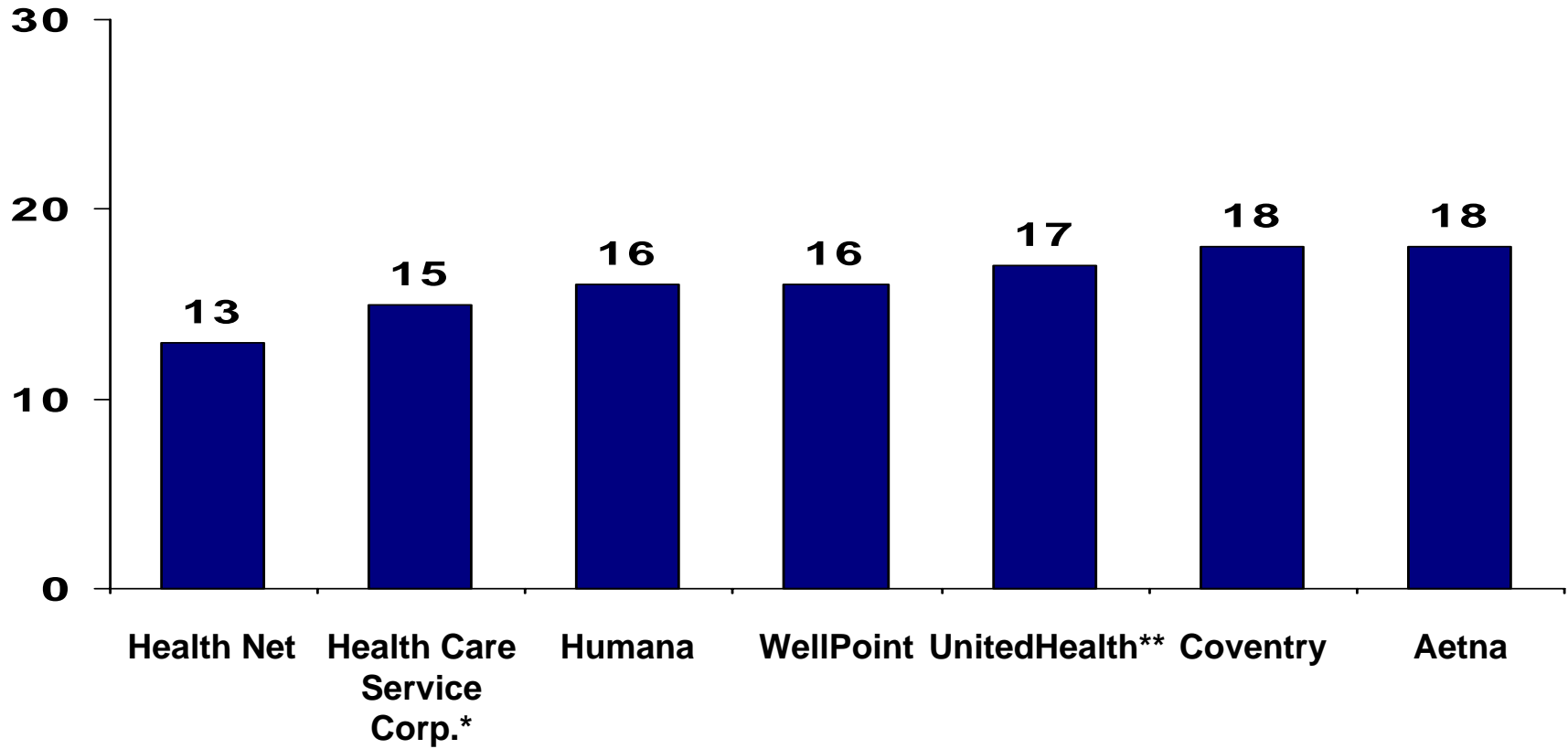


Exhibit 5. Selling, General, and Administrative Expenses and Profits as Share of Premium Revenue for Selected Large Insurance Companies, 2008

Selling, general, and administrative expenses and profits as share of total premium revenue



All companies listed are among largest eleven insurance companies as measured by medical enrollment in all models of fully insured and self-insured health plans; does not include specialty benefit enrollment.

* 2007 information.

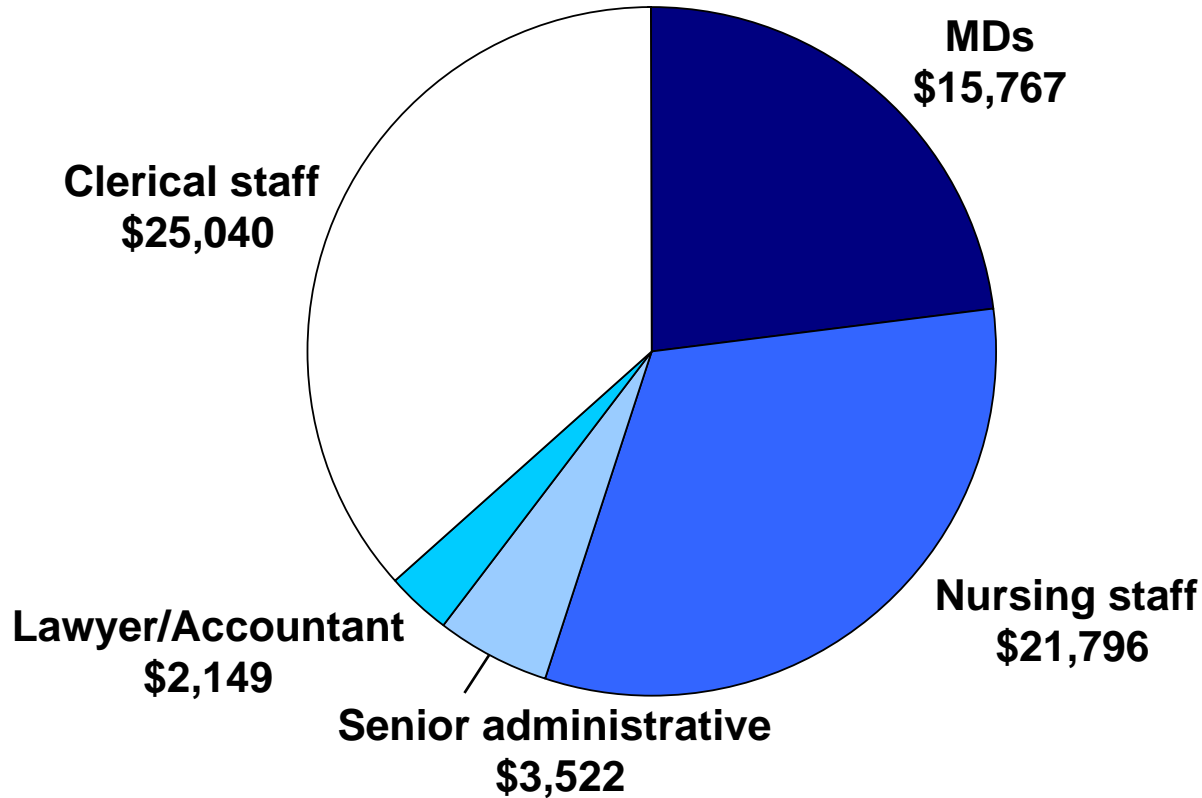
** Operating cost as share of total premium revenue.

Source: Financial data for UnitedHealth, Wellpoint, Aetna, CIGNA, Humana, HealthNet, and Coventry is from company SEC Form 10-K filings.



Exhibit 6. Total Annual Cost to U.S. Physician Practices for Interacting with Health Plans Is Estimated at \$31 Billion¹

Mean Dollar Value of Hours Spent per Physician per Year on All Interactions with Health Plans



Total Annual per Practice Cost per Physician: \$68,274



¹ Based on an estimated 453,696 office-based physicians.

Source: L. P. Casalino, S. Nicholson, D. N. Gans et al., "What Does It Cost Physician Practices to Interact with Health Insurance Plans?" *Health Affairs* Web Exclusive, May 14, 2009, w533-w543.

Exhibit 7. Options for a National Insurance Exchange Proposed in Leading Health Reform Proposals

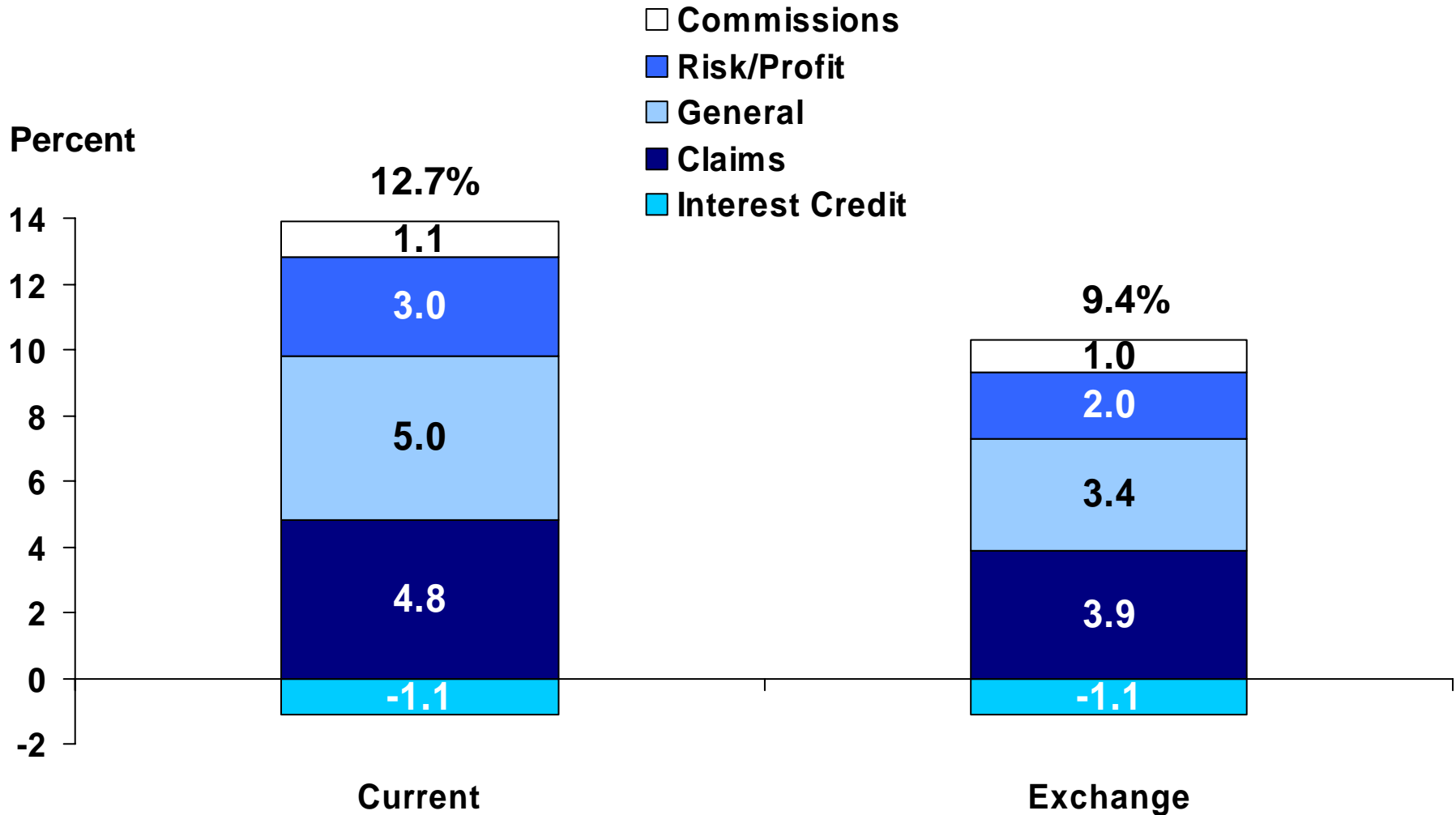
Features of Exchange	Path/ Fork in the Road with Public Option	Obama presidential campaign proposal	Senate HELP proposal, as of 7/15/09	Senate Finance Committee policy options	House of Representatives Tri-Committee 7/14/09	Coburn-Burr
National/state/regional establishment and operation	National	Unspecified	State	National, regional, or multiple competing	National or state	State or regional
Guaranteed issue	✓	✓	✓	✓	✓	✓
Community rating	Adjusted	✓	Adjusted	Adjusted	Adjusted	
Plans offered	Private and public	Private and public	Private and public	Private and co-op*	Private and public	Private
Standard billing forms and standard procedures				✓	✓	
Risk adjustment for plans	✓		✓	✓		✓
Individual mandate	✓	✓	✓	✓	✓	
Shared responsibility/ employer play-or-pay	✓	✓	✓	Options under discussion	✓	
Premium subsidies to individuals	✓	✓	Up to 400% FPL	Up to 300% FPL	Up to 400% FPL	✓
Minimum benefit standards	FEHBP standard	FEHBP standard	Essential health benefits package	Four tiers	Four tiers	FEHBP standard
Who is eligible for the exchange?	Individuals and employers		Individuals and small employers	Individuals and small employers	Individuals and employers	✓

* In the Finance Committee policy options, all state-licensed insurers in the individual and small-group markets must offer plans through the exchange.

Exhibit 8. Policy Provisions Under Three Reform Scenarios

	Public Plan with Medicare Rates	Public Plan with Intermediate Rates	Private Plans
Requirements for Coverage			
Individual mandate	X	X	X
Employer shared responsibility	Insure workers or pay 7% of earnings	Insure workers or pay 7% of earnings	Insure workers or pay 7% of earnings
Insurance Exchange			
Plans offered	Public and private	Public and private	Private
Replaces individual insurance market	X	X	X
Income-related premium assistance in exchange	X	X	X
Community rating	X	X	X
Guaranteed access and renewal	X	X	X
Minimum benefit standard	X	X	X
Provider Payment Reform			
Payment on value, not volume	Required for public plan; voluntary for private plans	Required for public plan; voluntary for private plans	Voluntary for private plans
Cost restraints on provider prices	Medicare level for public plan; commercial level for private plans	Midpoint between Medicare and commercial level for public plan; commercial levels in private plans	Unchanged
Medicaid at Medicare rates	X	X	X
Coverage of the uninsured	Bought in at Medicare level	Most bought in at midpoint level	Bought in at commercial level
Changes to Current Public Programs			
Retain current Medicare benefit structure	X	X	X
End Medicare disability waiting period	X	X	X
Expand Medicaid/CHIP	X	X	X
System Reform			
Comparative effectiveness	X	X	X
Health information technology	X	X	X
Public Health	X	X	X

Exhibit 9. Cost of Administering Health Insurance as a Percentage of Claims Under Current Law and the Proposed Exchange



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

Source: Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, Feb. 2009).

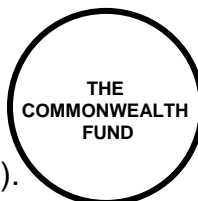
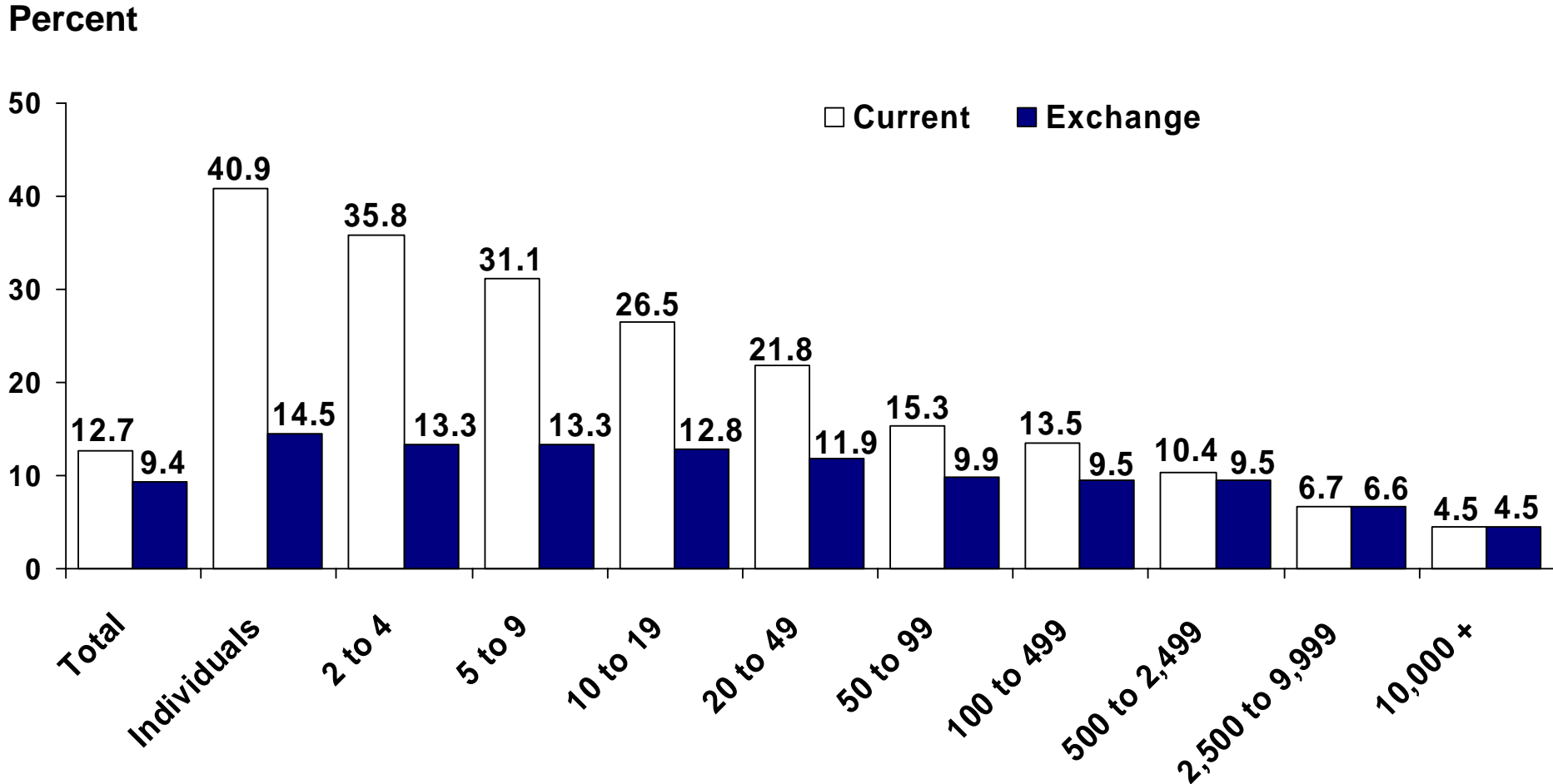


Exhibit 10. Cost of Administering Health Insurance as a Percentage of Claims Under Current Law and the Proposed Exchange, by Group Size



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

Source: Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, Feb. 2009).

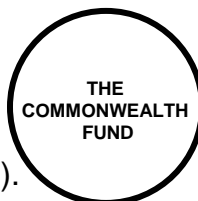


Exhibit 11. Major Sources of Savings Compared with Projected Spending, Net Cumulative Reduction of National Health Expenditures, 2010–2020

Dollars in billions

	Public Plan with Medicare Rates	Public Plan with Intermediate Rates	Private Plans
Affordable Coverage for All: Coverage Expansion and National Health Insurance Exchange			
• Net costs of coverage expansion	–\$160	+\$770	+\$1,135
• Reduced administrative costs	<u>–\$265</u>	<u>–\$223</u>	<u>+\$32</u>
Total System Cost of Coverage Expansion and Improvement	–\$425	+\$547	+\$1,167
Payment and System Reforms			
• Payment Reforms	–\$1,011	–\$986	–\$907
• Information Infrastructure and Public Health	<u>–\$1,557</u>	<u>–\$1,530</u>	<u>–\$1,446</u>
Total Savings from Payment and System Reforms	–\$2,568	–\$2,516	–\$2,353
Total Net Impact on National Health Expenditures, 2010–2020	<u>–\$2,993</u>	<u>–\$1,969</u>	<u>–\$1,186</u>

Data: Estimates by The Lewin Group for The Commonwealth Fund, April–May, 2009.

Source: C. Schoen, K. Davis, S. Guterman, and K. Stremikis, *Fork in the Road: Alternative Paths to a High Performance U.S. Health System* (New York: The Commonwealth Fund, June 2009).

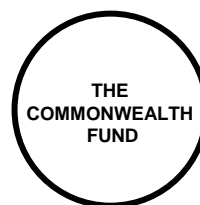
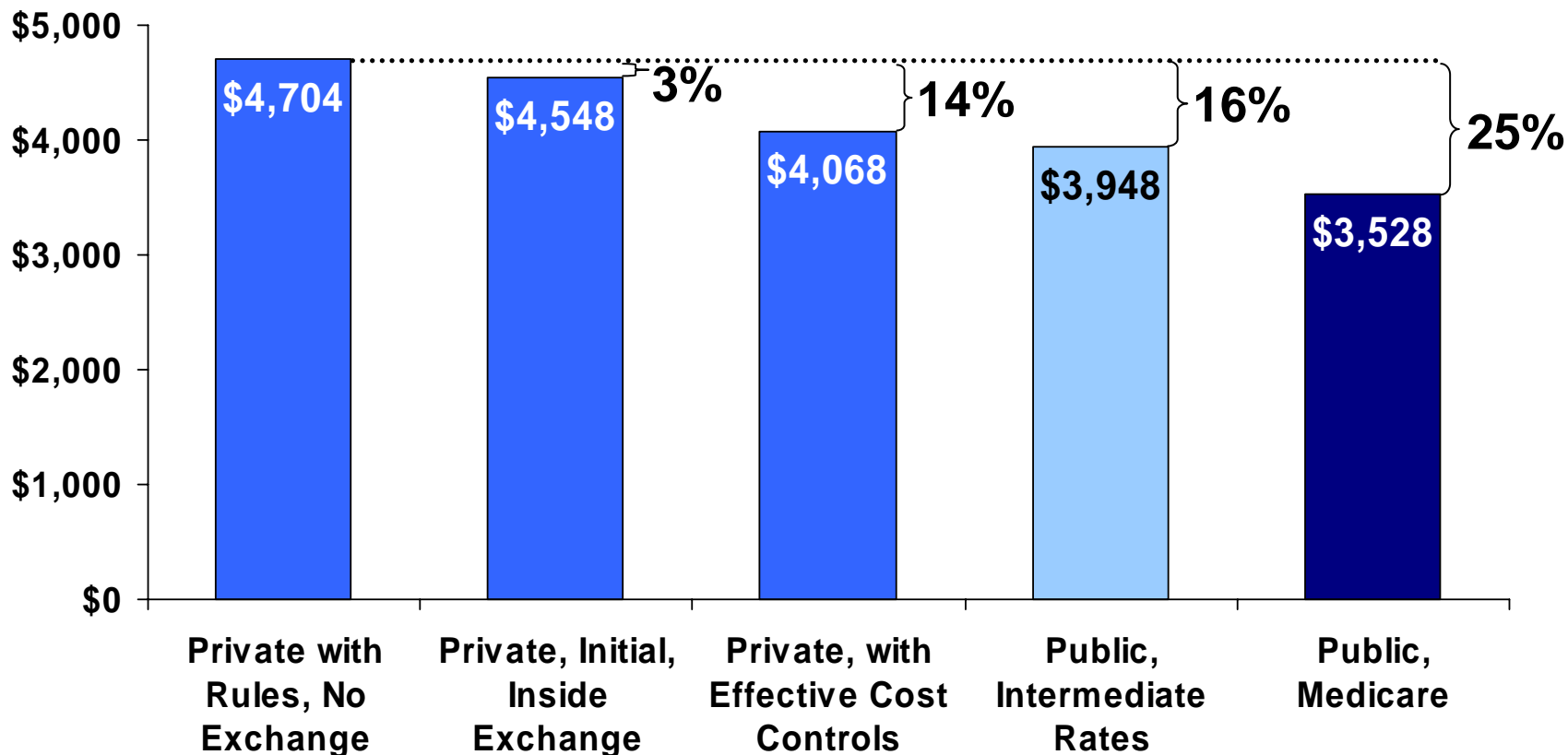


Exhibit 12. Estimated Annual Premiums Under Different Scenarios, 2010

Average annual premium per household for same benefits at community rate*



* Premiums for same benefits and population. Benefits used to model: full scope of acute care medical benefits; \$250 individual/\$500 family deductible; 10% coinsurance physicians services; 25% coinsurance, no deductible prescription drugs; full coverage preventive care. \$5,000 individual/\$7,000 family out-of-pocket cost limit.

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

Source: C. Schoen, K. Davis, S. Guterman, and K. Stremikis, *Fork in the Road: Alternative Paths to a High Performance U.S. Health System* (New York: The Commonwealth Fund, June 2009).

