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New Analysis: Congressional Health Care Proposals Would Cover All Uninsured, and Reduce Total U.S. Health Spending by Up to \$61 Billion

More Modest Proposals Would Cost the Federal Government Less Up Front, but Would Insure Fewer, Save Less Money for Taxpayers over Time

New York, NY, March 19, 2007—A new analysis of health reform bills in Congress prepared for the Commonwealth Fund Commission on a High Performance Health System shows that many current Congressional health care proposals could significantly reduce the number of uninsured Americans and also decrease overall health care expenditures including those for insurance administration and prescription drugs. The analysis finds that while the plans put forth in Congress vary greatly in their scope, many of them would do more to cover uninsured Americans than the current Administration proposal.

This first-ever review of leading Congressional bills and the administration’s proposal concludes that elements of many of the plans proposed in Congress are feasible and would reduce health care costs over time. Representative Stark’s AmeriCare proposal, which would open the Medicare program to everyone, would cover nearly all of the uninsured as would Senator Wyden’s Healthy Americans Act, which would help people purchase coverage through large regional insurance exchanges. President Bush’s plan would cover one in five uninsured Americans.

Health Insurance Expansion Bills
 Change in Health Spending by Stakeholder Group,
 Billions of Dollars, 2007

	President Bush's Tax Reform Plan	Healthy Americans Act ²	Federal/State Partnership 15 States	AmeriCare
Total Uninsured Covered, Millions	9.0	45.3	20.3	47.8
Federal Government	\$70.4	\$24.3	\$22.0	\$154.5
State and Local Government	(\$0.3)	(\$10.2)	\$13.4	(\$57.4)
Private Employers	(\$50.8)	\$60.2	\$5.7	(\$15.2)
Households	(\$31.0)	(\$78.8)	(\$18.4)	(\$142.6)
Net Health System Cost in 2007 (in billions)	(\$11.7)	(\$4.5)	\$22.7	(\$60.7)
Total Uninsured Not Covered ¹ , Millions	38.8	2.5	27.5	0

¹Out of an estimated total uninsured in 2007 of 47.8 million.
²Estimates reflect a mandatory cash-out of benefits on the part of employers that currently offer coverage.
 Source: The Lewin Group for The Commonwealth Fund.

The Stark proposal would cost the federal government \$154.5 billion in 2007 but reduce overall health spending by \$60.7 billion because of savings in insurance administration and prescription drugs. The Wyden proposal would increase federal spending by less, \$24.3 billion in 2007, because of offsetting tax revenue effects of requiring employers to “cash-out” their health benefits as wages to employees. It would reduce overall health spending by \$4.5 billion, partly through insurance administration savings. President Bush’s plan would cost the federal government \$70.4 billion in 2007 and reduce health system spending by

\$11.7 billion, as people would reduce their use of health services. Insurance administration costs would increase under his plan.

Building on the current momentum at the state level to expand health insurance, two currently introduced bills propose state demonstrations to expand health insurance. These bills do not provide enough details to estimate their cost. However, the analysis assumed a model where 15 states (Arizona, California, Georgia, Illinois, Iowa, Kansas, Louisiana, Massachusetts, Montana, New Mexico, New York, North Carolina, Ohio, Texas, and Wisconsin) would implement a blended version of Massachusetts's Commonwealth Care and Governor Schwarzenegger's health proposal for California, with federal matching funds provided for Medicaid and State Children's Health Insurance Program (SCHIP) expansions. Based on this model, about 20 million people are estimated to gain coverage out of 23.6 million currently uninsured in those 15 states.

"The Institute of Medicine estimates that the poor health and shorter life spans of the uninsured cost between \$65 billion and \$130 billion a year," said Sara Collins, assistant vice president for the Future of Health Insurance at The Commonwealth Fund and lead author of the report. "That provides a stark benchmark against which we can compare the cost of inaction versus the costs and savings of investing in a more rational and equitable system of health care in the United States."

The analysis looked at 10 health care plans introduced in the 109th and 110th Congresses (*see attached list of plans reviewed*). In addition to reviewing President Bush's and other sweeping proposals, researchers looked at more modest ideas such as expanding existing public health insurance programs like Medicare and the State Children's Health Insurance Program, and strengthening employer-based health insurance. The researchers found that these proposals also hold promise for reducing the number of uninsured, projected to reach nearly 48 million in 2007, and could serve as a first step toward universal coverage.

According to the report, premium subsidies and new tax provisions in the bills greatly affect family health spending. Under Representative Stark's AmeriCare proposal, families would see a drop in out-of-pocket health care expenditures of \$142.6 billion, with the largest savings for families with low and moderate incomes; however these savings might be offset if taxes are increased to finance the increased federal government spending. Under Senator Wyden's bill, family health spending would decline by \$78.8 billion—spending would decline the most for lower and moderate income households and rise for the highest income earners. Under President Bush's proposal, family spending on health care is estimated to fall by a net \$31 billion in 2007 due to income tax savings. But tax savings disproportionately accrue to people in higher income brackets. For example, families with annual incomes of less than \$10,000 would save an average of \$23 in 2007 and families earning \$150,000 or more per year would save an average of \$1,263.

Proposals that pool health risk by covering people in large groups are the most efficient, saving anywhere between \$57 and \$74 billion in insurance administrative costs. The Stark AmeriCare proposal and the Wyden Healthy Americans Act would do this and, additionally, the AmeriCare proposal would require the federal government to negotiate prescription drug prices, adding an additional \$33.9 billion to health system savings. President Bush's proposal will achieve savings by reducing the comprehensiveness of coverage and inducing lower health service use rather than reducing insurance administrative costs. In fact, because more people are expected to buy coverage through the individual insurance market under

President Bush's proposal, the costs of insurance administration nationally would increase by \$5.5 billion.

"If we don't move to make changes to our failing health care system, the number of uninsured in this country is projected to rise to 56 million by 2013," said Commonwealth Fund President Karen Davis. "Many of these proposals demonstrate that it is possible to move toward the high performance health care system Americans want and deserve while assuring access to health care for everyone."

Researchers found that quality improvement provisions were embedded in many of the proposals. However, the proposals that will organize health care coverage through centralized mechanisms and allow health care quality improvement tools like standardized data collection, electronic claims and medical records, and rewarding providers for providing high quality care to be implemented systematically will go the furthest to improve quality, according to the analysis.

To create the analysis, researchers, assessed the economic and human impact different proposals would have in 2007 in three broad categories: fundamental reforms to the nation's health insurance system, expansions of existing public health insurance, and strengthening employer-based health insurance. Specifically, researchers looked at each proposal's potential to improve America's health care system by providing universal access to health care, equality of care and health care spending, efficiency in financing and delivery of care, higher quality care and ultimately, longer, healthier and more productive lives.

Proposals selected for inclusion in the report either had the potential to significantly impact the problem, reflected ideas proposed in the Administration's budget, had bipartisan support, or were unique or innovative. The 10-page executive summary and full report are available on The Commonwealth Fund's Web site, www.cmwf.org. This report, the first of a two-part series, analyzes and compares leading congressional bills to expand health insurance coverage. Part II of the series will analyze and compare Congressional bills that seek to improve health care quality and efficiency.

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Methodology

Selected bills meet at least one of the following criteria: a) potential to significantly affect the problem addressed; b) reflective of ideas proposed in the Administration's budget; c) bipartisan support; d) unique or innovative. Where Congress has not introduced a bill reflective of the Administration's budget, the report analyzes the president's health care reform proposal. The Commonwealth Fund commissioned The Lewin Group to estimate the effect of the bills on stakeholder and health system costs and the projected number of people who would become newly insured through them. The Fund also commissioned Health Policy R&D to create detailed "side-by-side" comparative analyses of the bills, which appear in Tables 1 through 6.

The Lewin Group used its Health Benefits Simulation Model to estimate the number of people who would gain coverage under the bills and what the bills' effects would be on national health care expenditures overall and on principal stakeholders, including federal and state governments, employers, and households. All estimates are for 2007 and are based on the assumption of full implementation in 2007. Lewin projects that, under current law, the number of uninsured in the United States will rise to 47.8 million people in 2007 out of a total estimated population of 295.1 million, so that 16.2 percent of the total population will be uninsured. This represents an increase from 46.6 million uninsured people in 2005, or 15.9 percent of the total population, the latest estimate from the Current Population Survey.

The Commonwealth Fund is a private foundation working toward a high performance health system.