

Benefit Design for Public Health Insurance Plan Offered in Insurance Exchange

	Current Medicare benefits*	New Public Health Insurance Plan in Exchange
Deductible	Hospital: \$1,024/benefit period Physician: \$135/year Rx: \$275/year**	Hospital/Physician: \$250/year for individuals; \$500 for families Rx: \$0
Coinsurance	Physician: 20% Rx: Depends on Part D plan	Physician: 10% Rx: 25% Reduce for high-value & chronic disease care/medical home Preventive services: 0%
Ceiling on out-of-pocket	No ceiling	\$5,000 for individuals \$7,000 for families
Insurance-related premium subsidies	Medicare Savings Programs 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 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, February 2009).

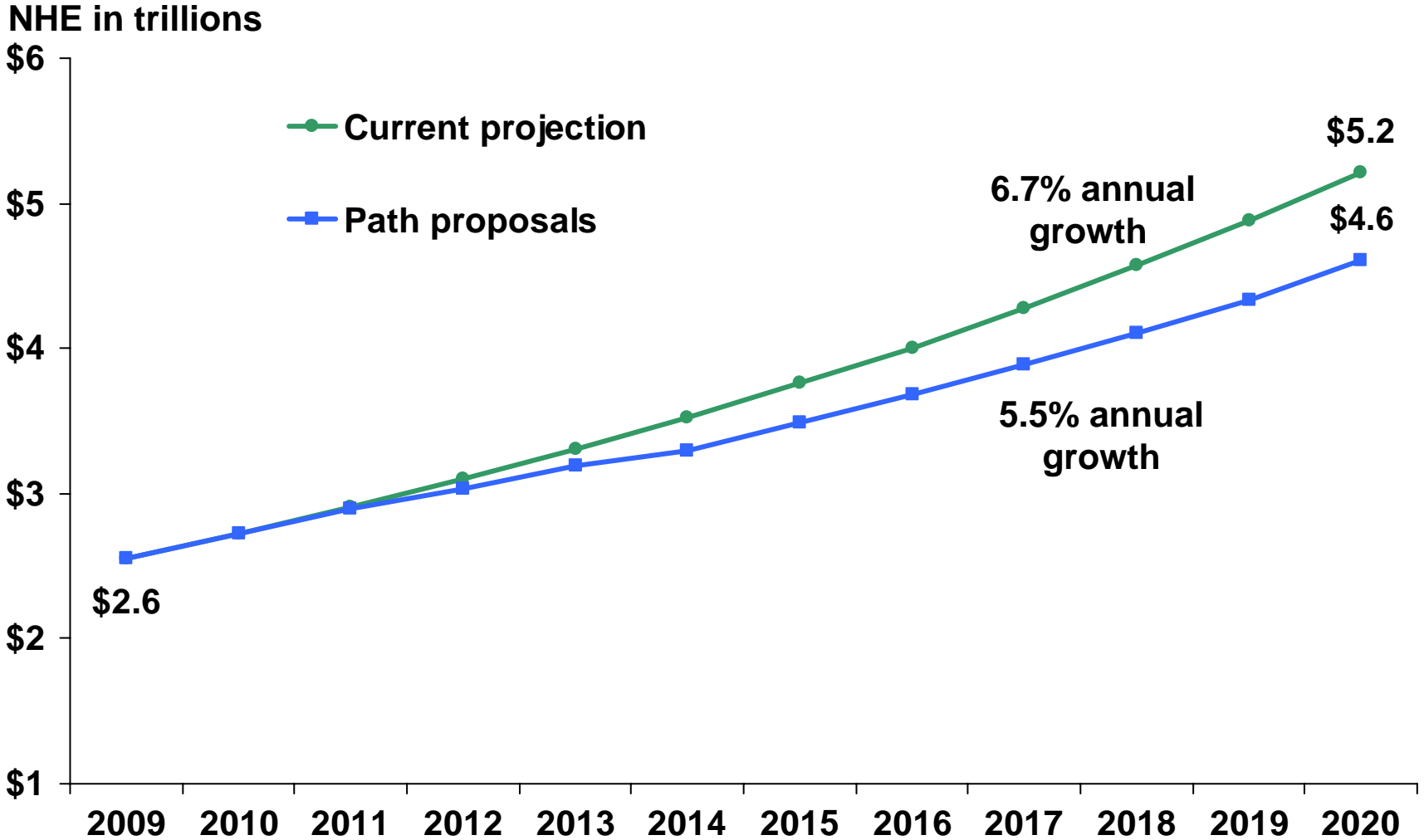


Overall Findings

- **Possible to extend affordable insurance to all and improve health outcomes and cost performance**
 - Nearly all, 99 percent, insured within 2 years
 - Insurance reforms would enhance access, choice, continuity and lower premiums
- **Insurance, payment, and system reforms could slow spending growth by cumulative \$3 trillion through 2020**
 - Decreases annual growth from 6.7 to 5.5 percent
- **Families, businesses, and the public sector all would spend less compared to current projections**
 - Savings accrue across all income groups
 - Savings could partially offset federal costs of investing in insurance and system reforms
- **Critical to start now: policies interact over time**
- **A comprehensive approach is essential**

Total National Health Expenditures (NHE), 2009–2020

Current Projection and Alternative Scenarios



Note: GDP = Gross Domestic Product.

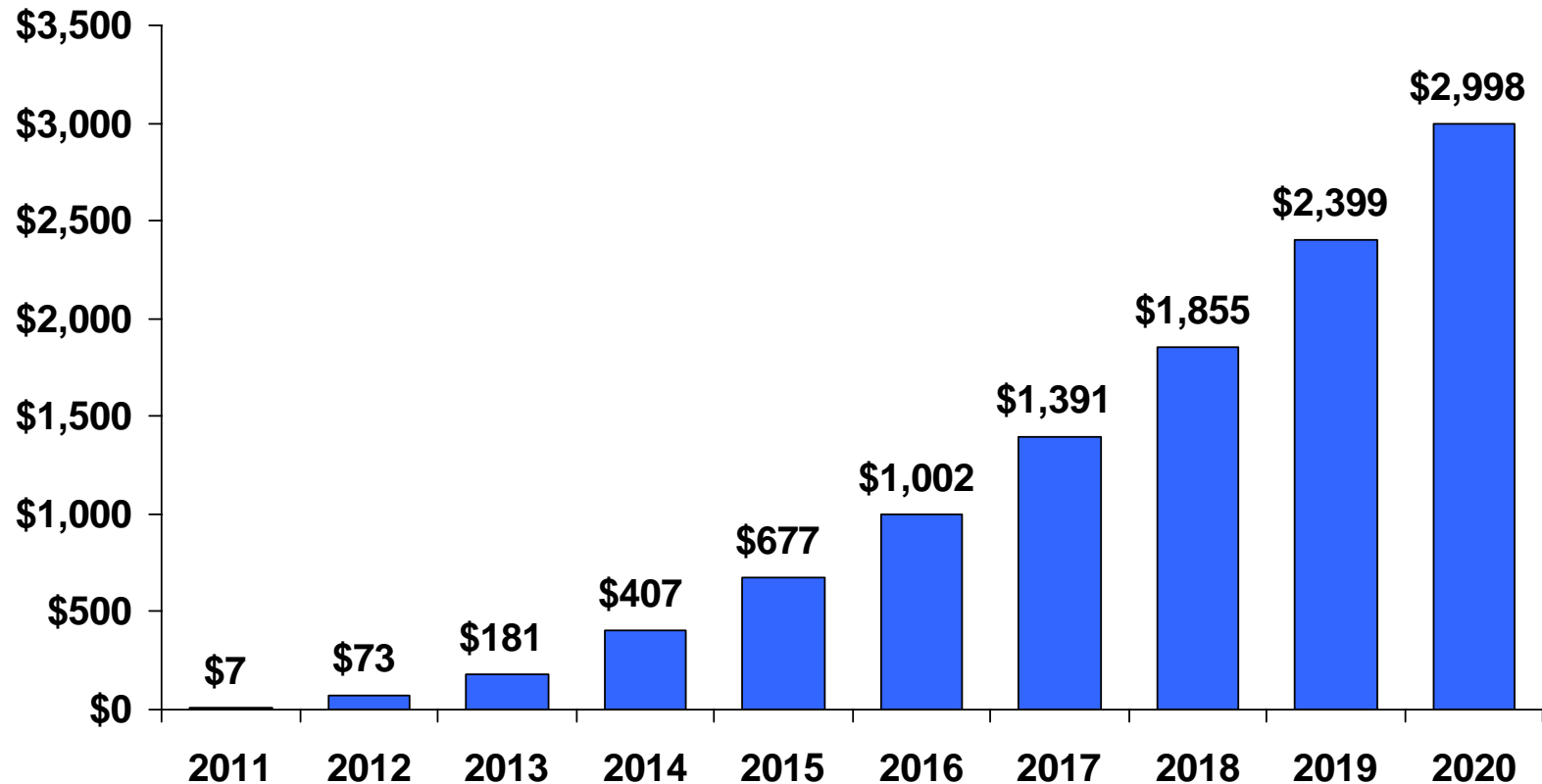
Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: The 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, February 2009).



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

Dollars in billions



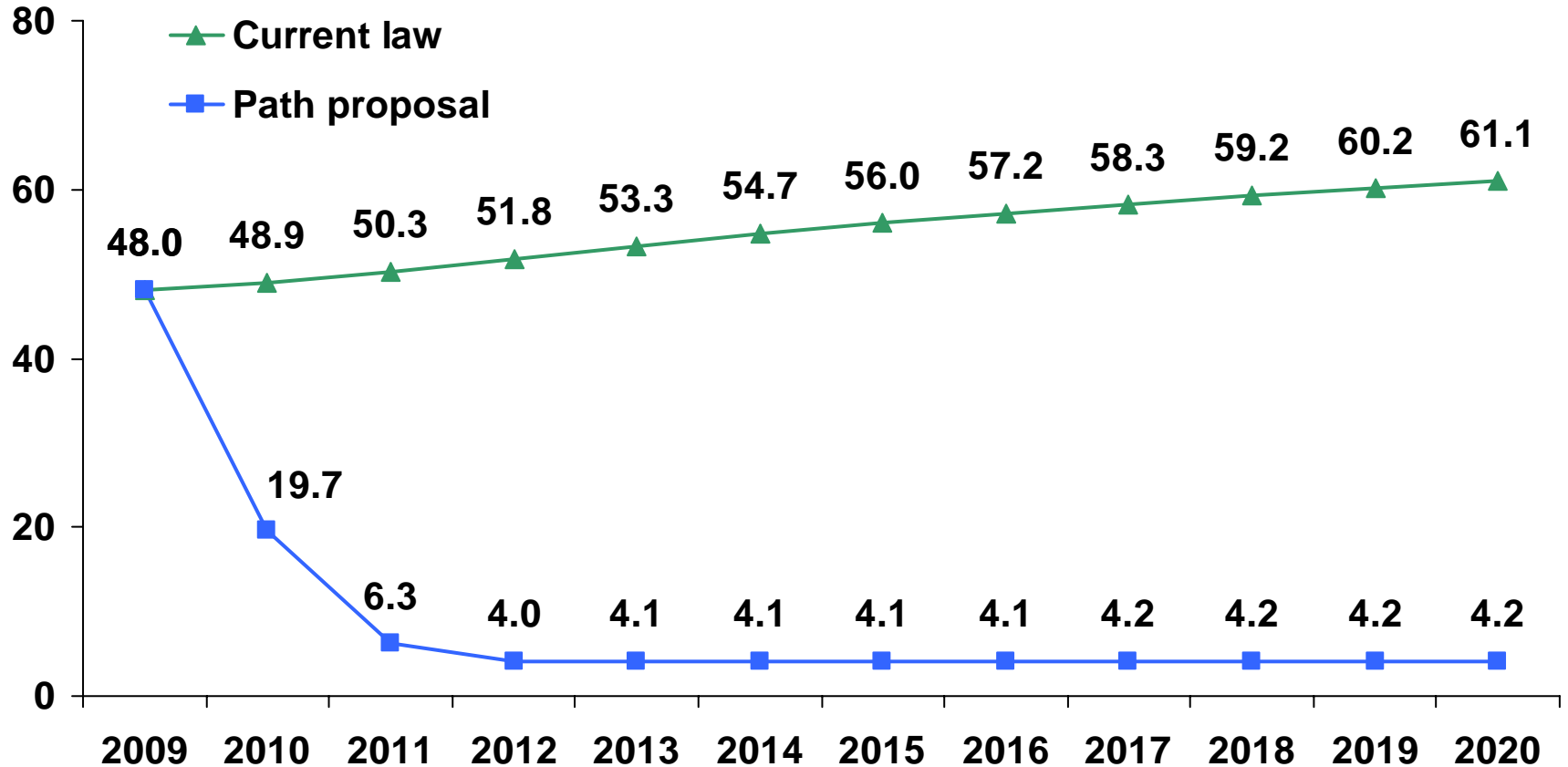
Data: Estimates by The Lewin Group for The Commonwealth Fund.

Source: The 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, 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 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, 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.



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

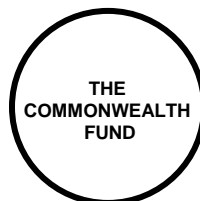
Dollars in billions

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

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

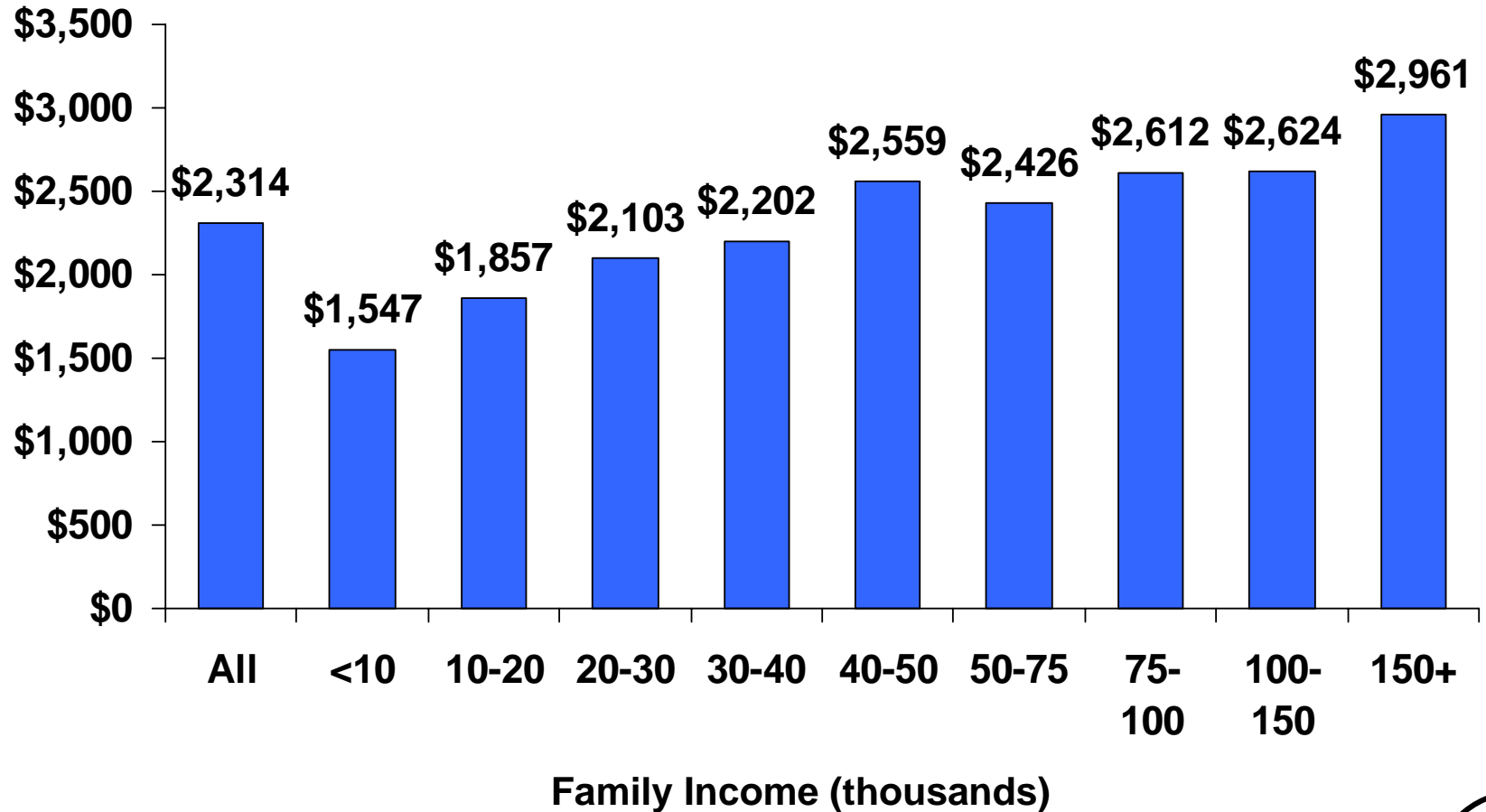
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Source: The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, February 2009).



Average Annual Savings per Family Under Path Proposal, 2020

Savings in healthcare spending compared to projected trends



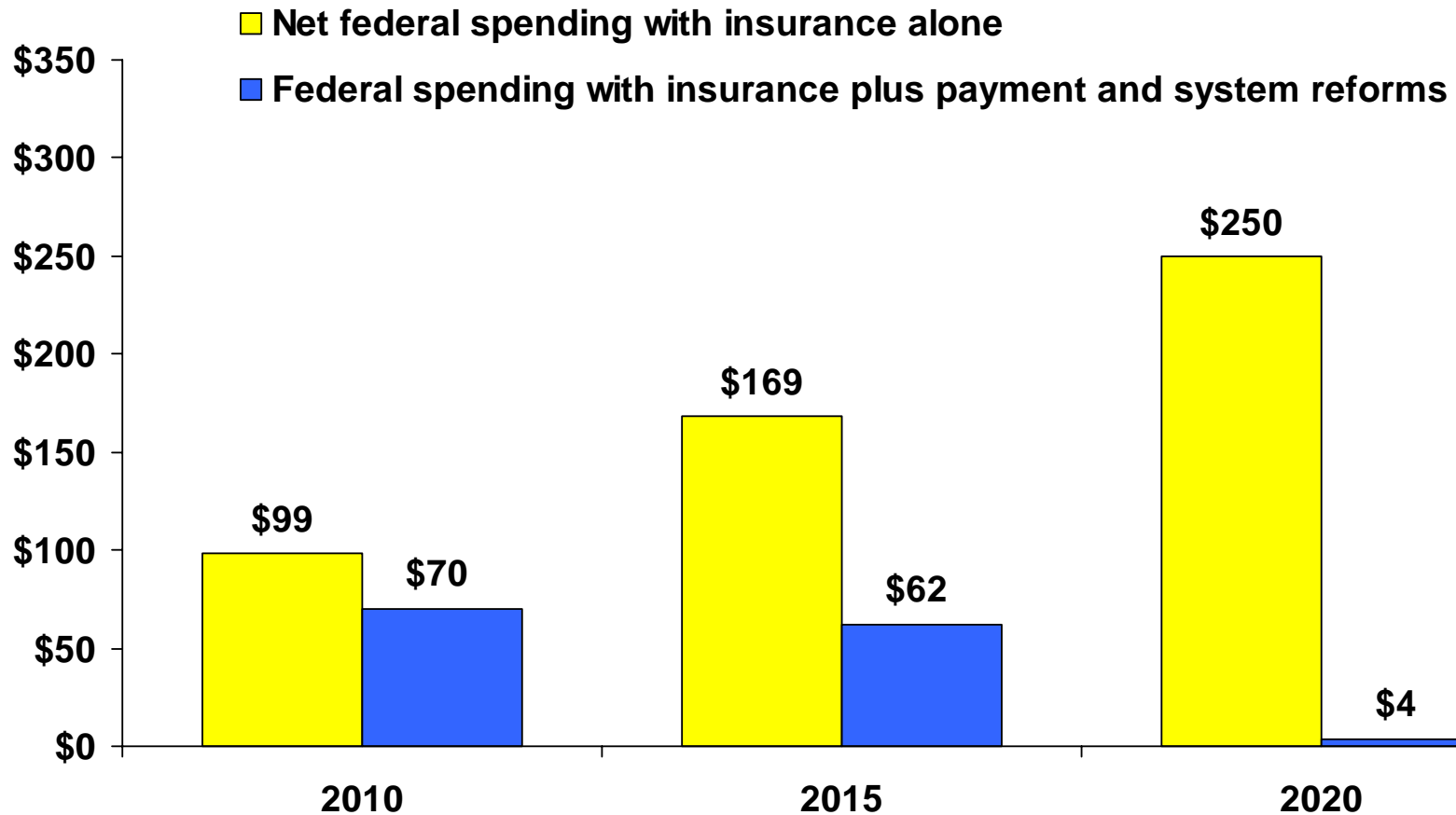
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Source: The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, February 2009).



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

Dollars in billions

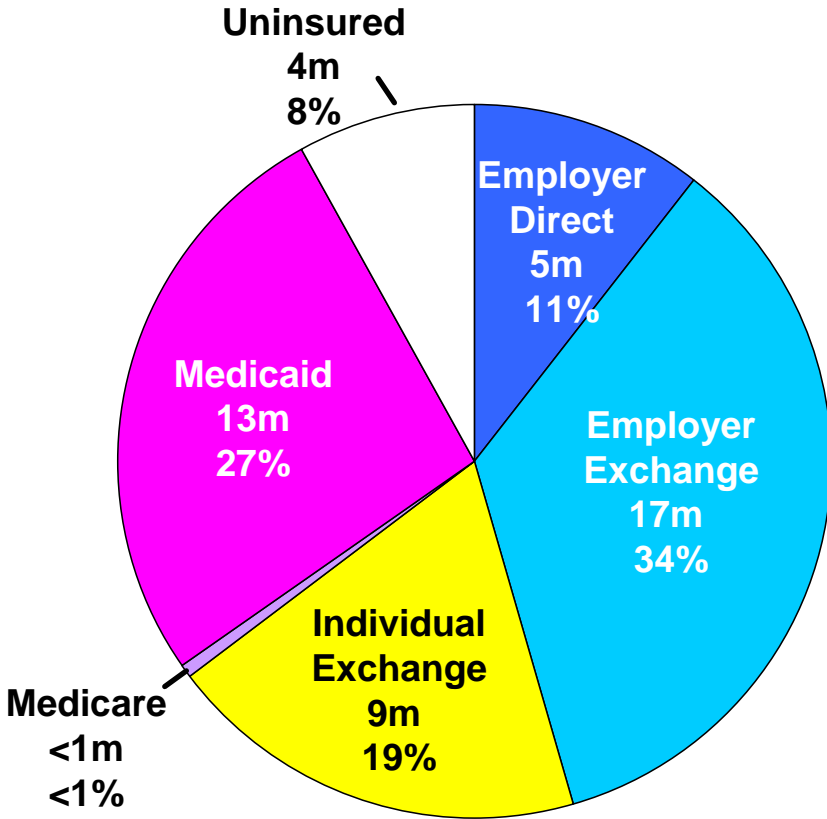


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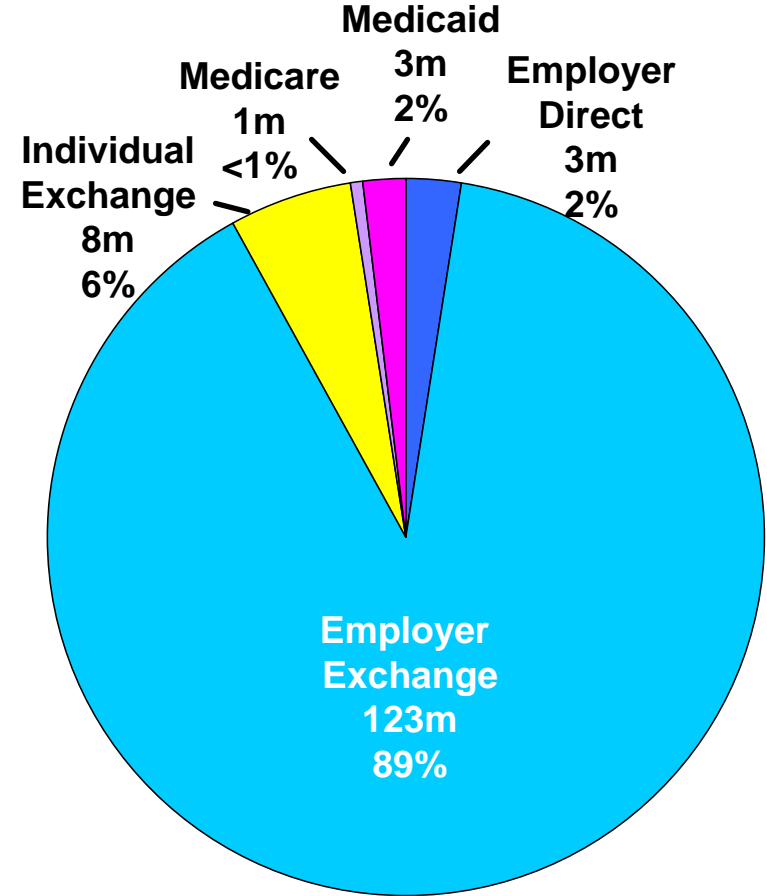
Source: The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, February 2009).



National Health Insurance Exchange Major Source of New or Improved/More Affordable Coverage



Source of New Coverage for 45m Uninsured



Source of Improved or More Affordable Coverage for 138m

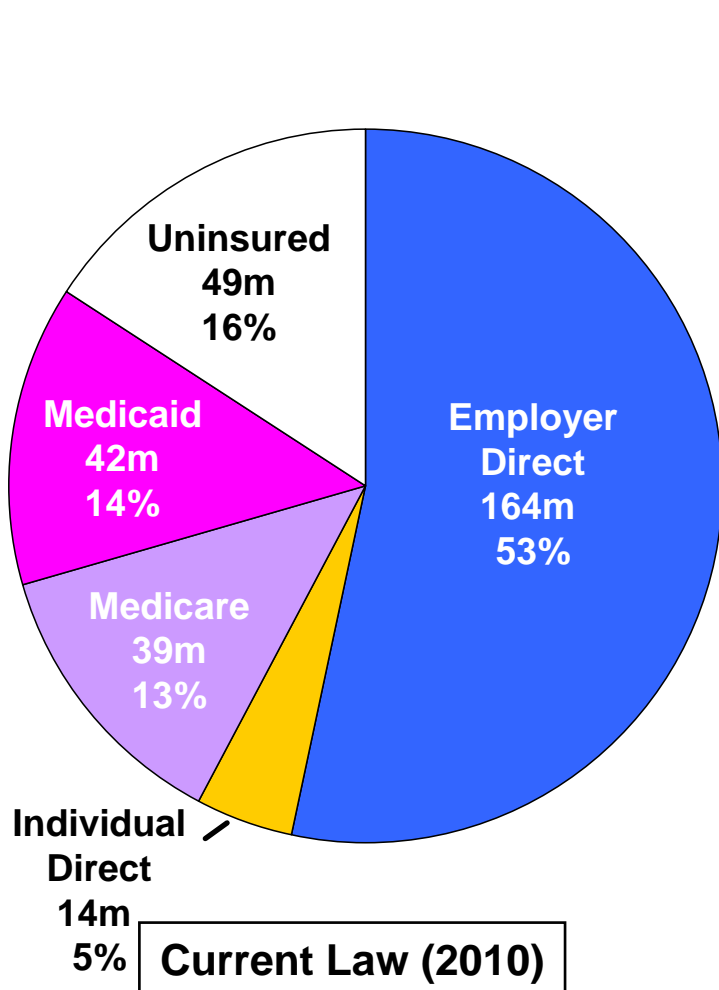
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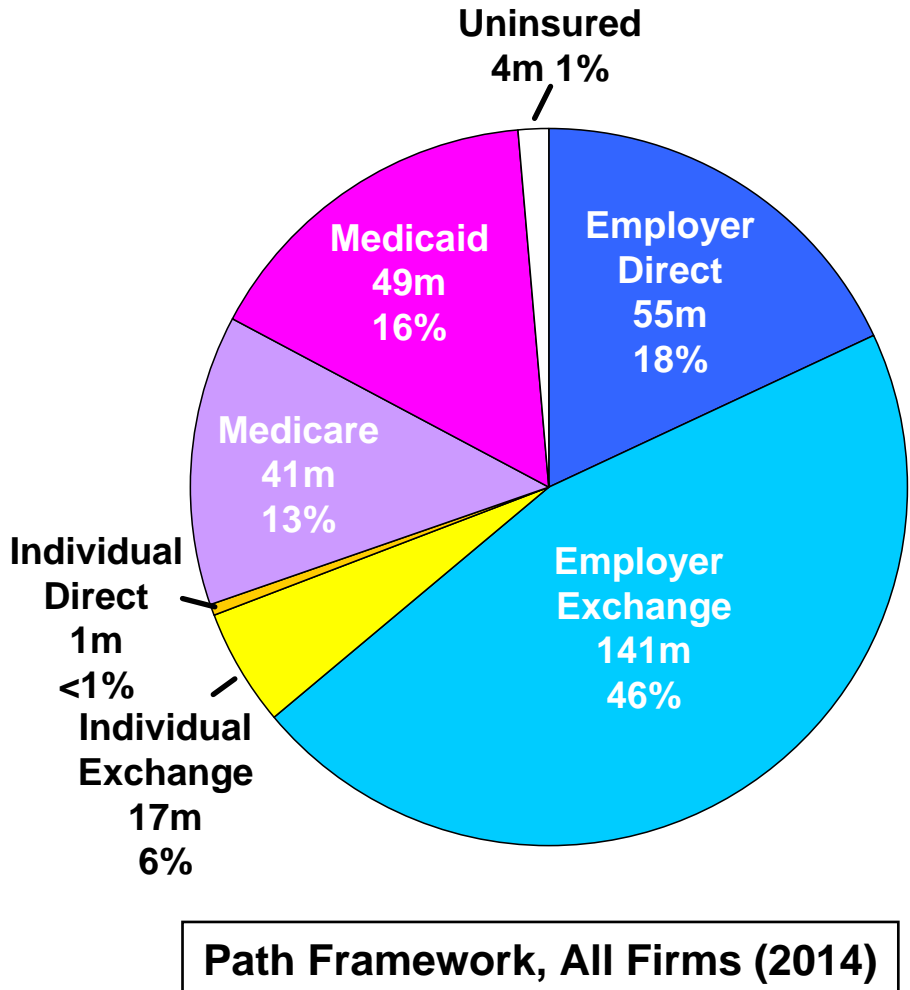
Employers Remain Primary Sponsor of Coverage under Path Framework

Distribution of 307 Million People by Primary Source of Coverage Under Current Law (2010) and Path Framework (2014)



Current Law (2010)

Total Employer 164m (53%)
Total Individual 14m (5%)



Path Framework, All Firms (2014)

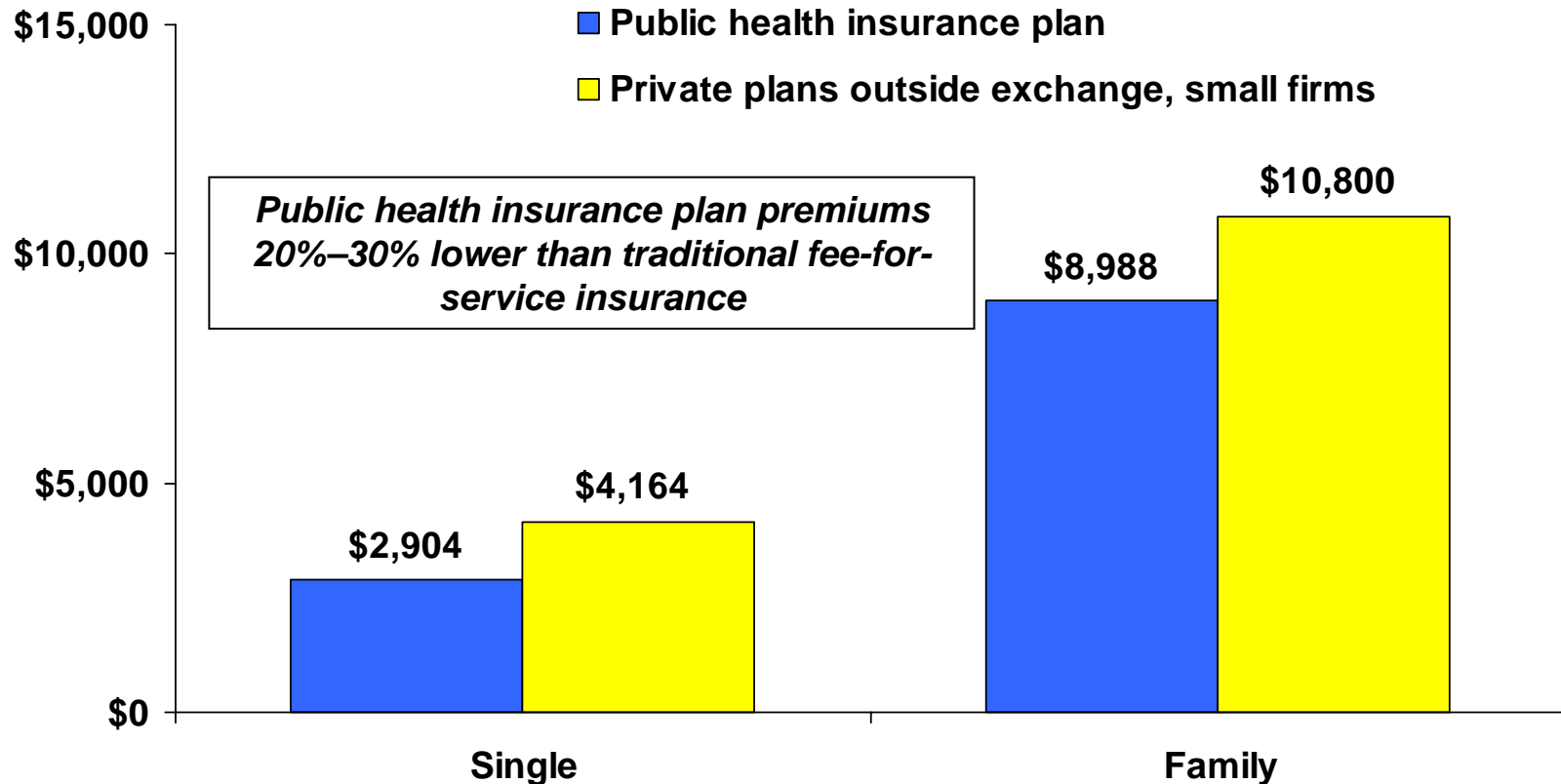
Total Employer 196m (64%)
Total Individual 18m (6%)

Source: The Lewin Group, *The Path to a High Performance U.S. Health System: Technical Documentation* (Washington, D.C.: The Lewin Group, February 2009).



Estimated Premiums for New Public Health Insurance 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.

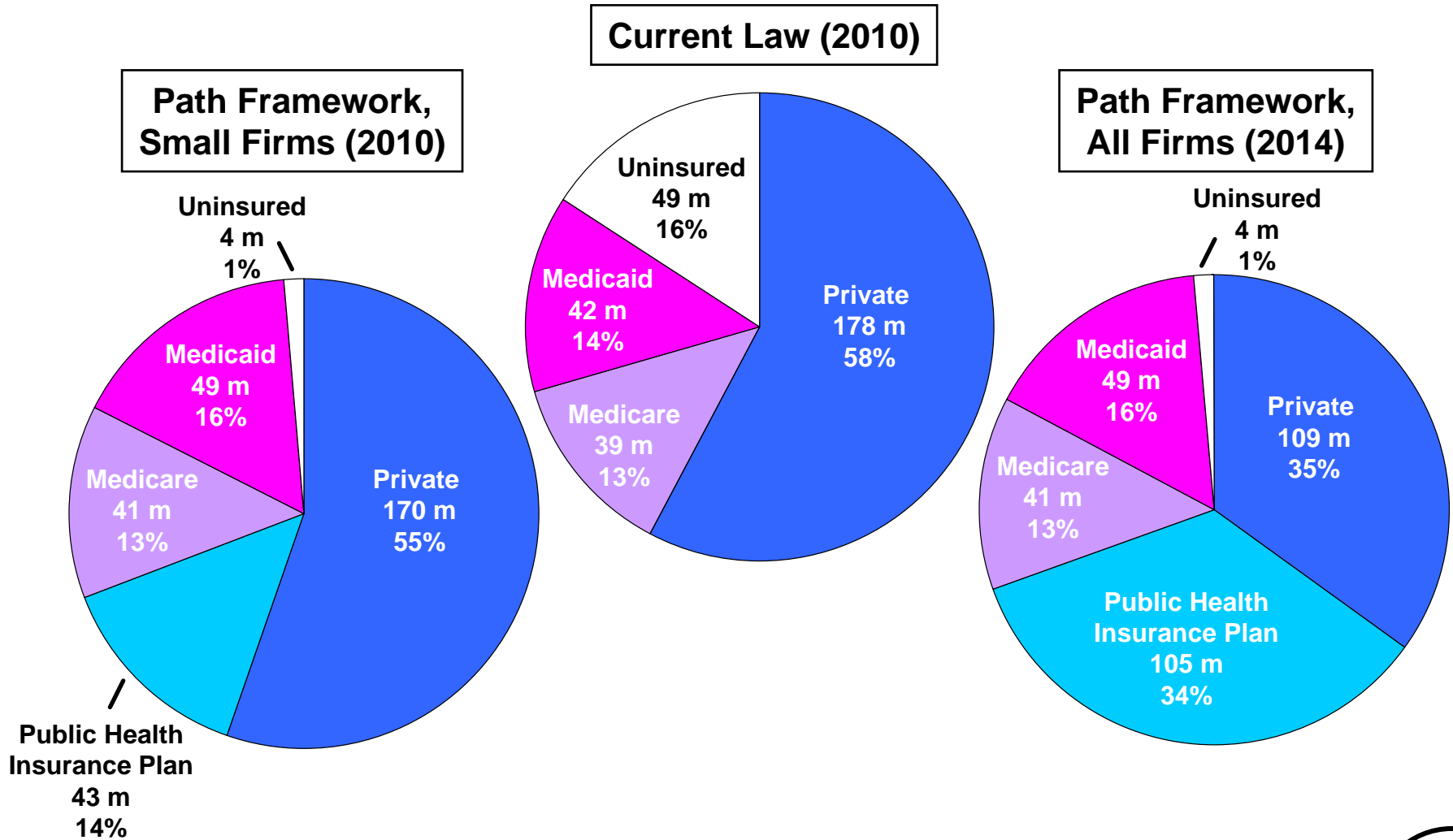
Source: The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, February 2009).



If Insurer Premium Trend Continues, Public Health Insurance Plan Enrollment Will Grow

Distribution by Primary Source of Coverage

Under Current Law (2010) and Path Framework (Small Firms in 2010, All Firms in 2014)

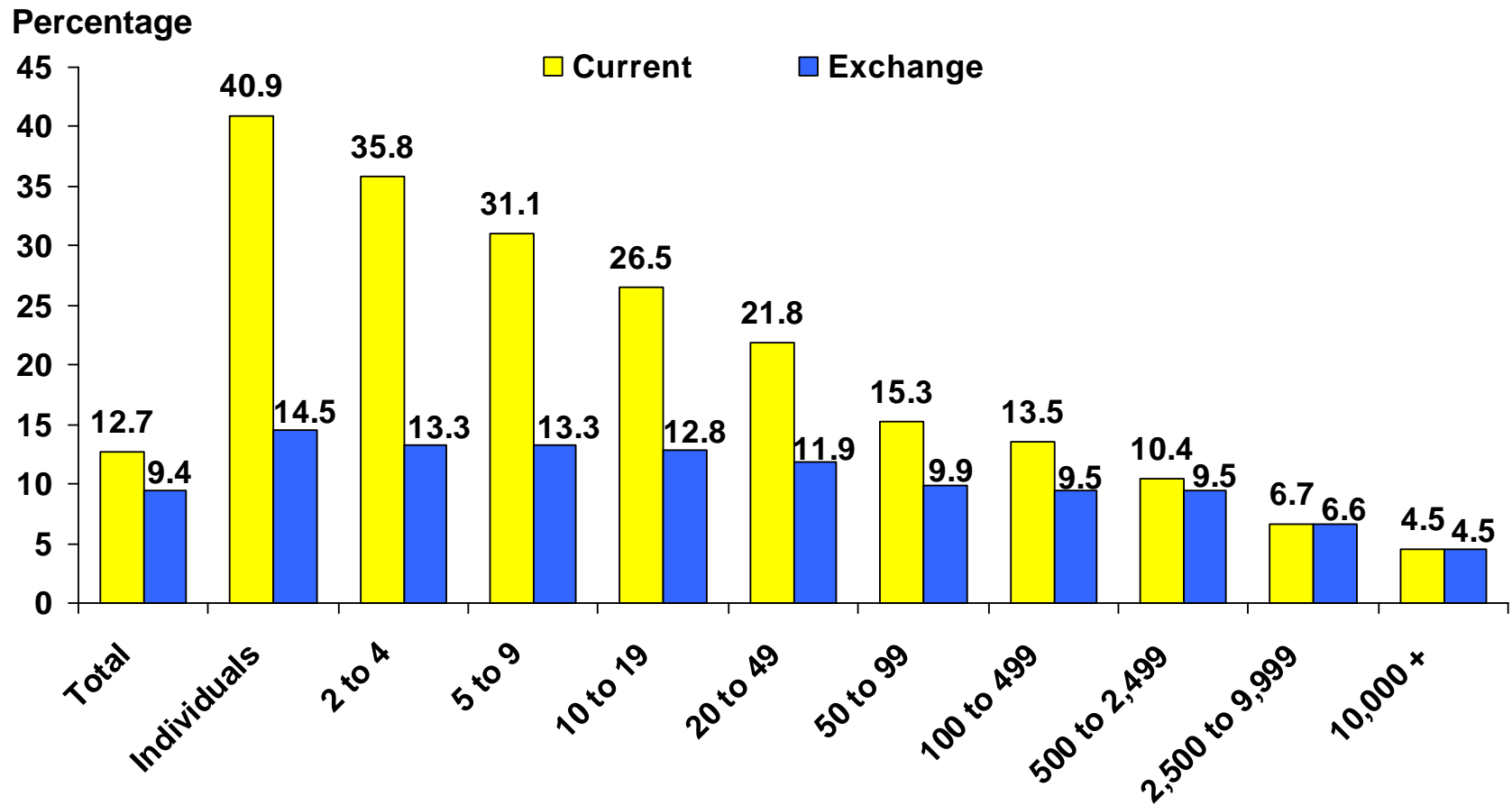


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Source: The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, February 2009).



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

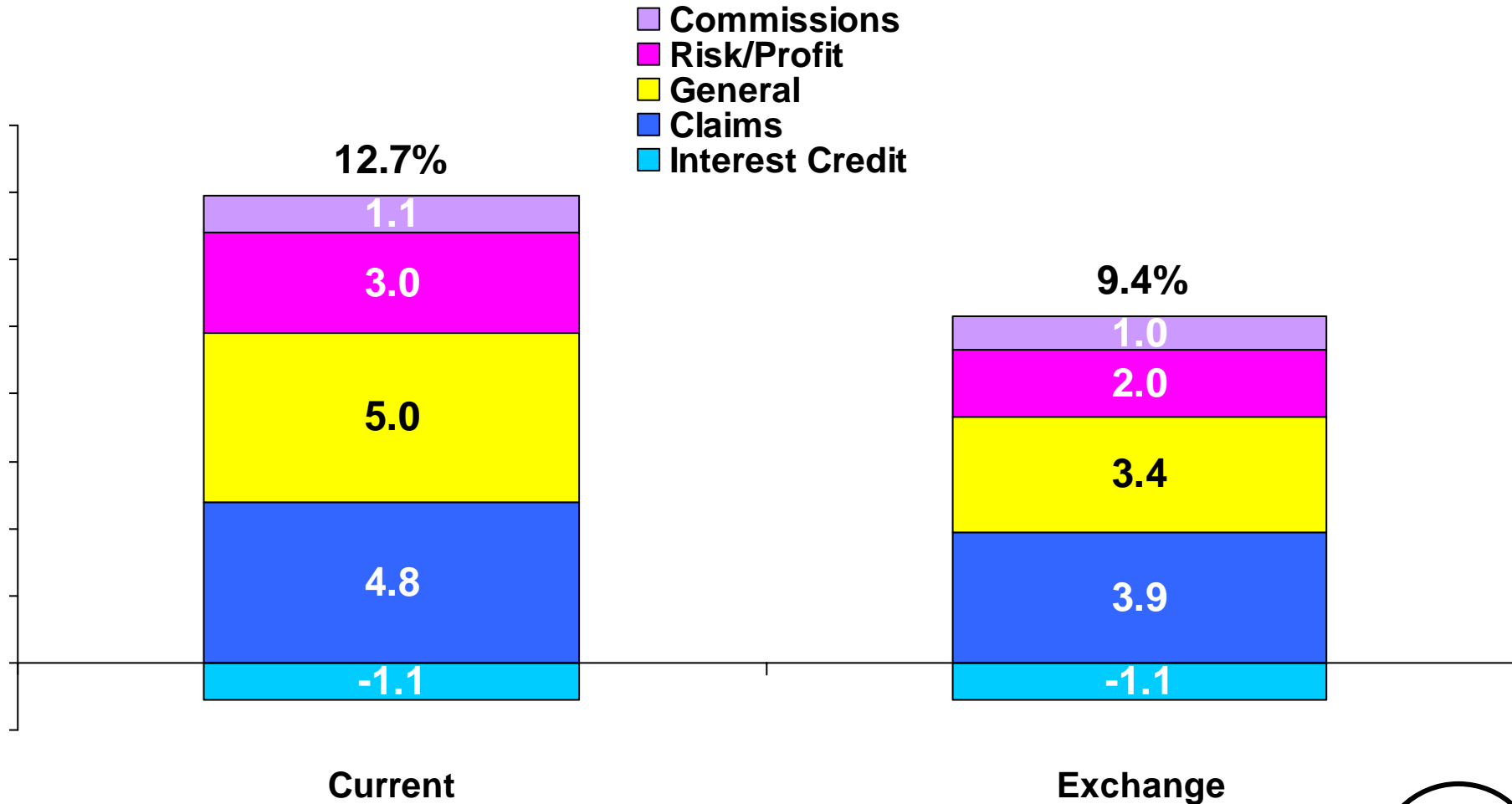


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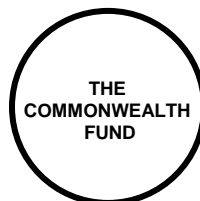


Cost of Administering Health Insurance as a Percentage of Claims Under Current Law and the Proposed Exchange, by Group Size

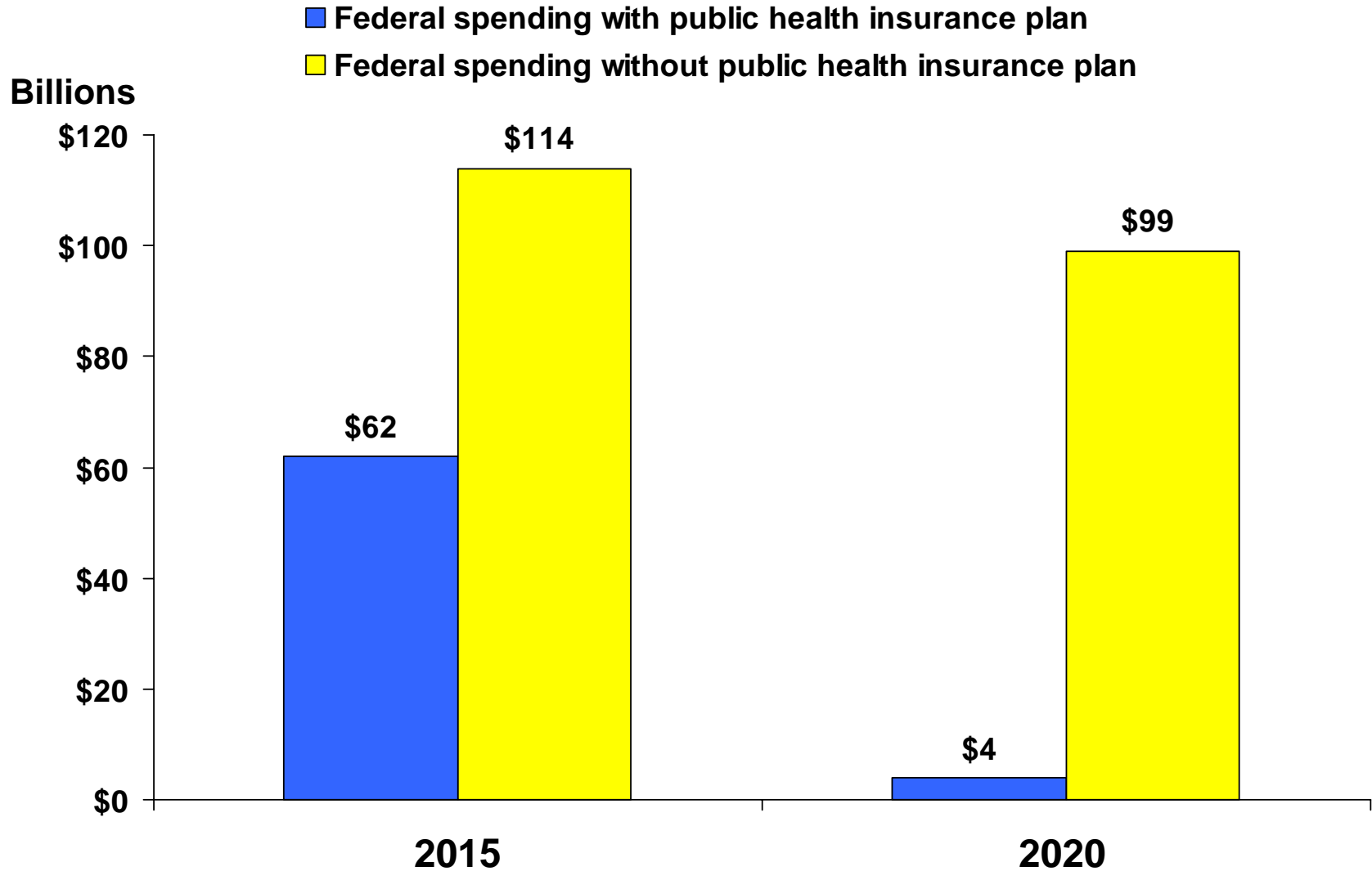


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Public Health Insurance Plan Can Offset Federal Costs of Insurance: Federal Spending Under Two Scenarios



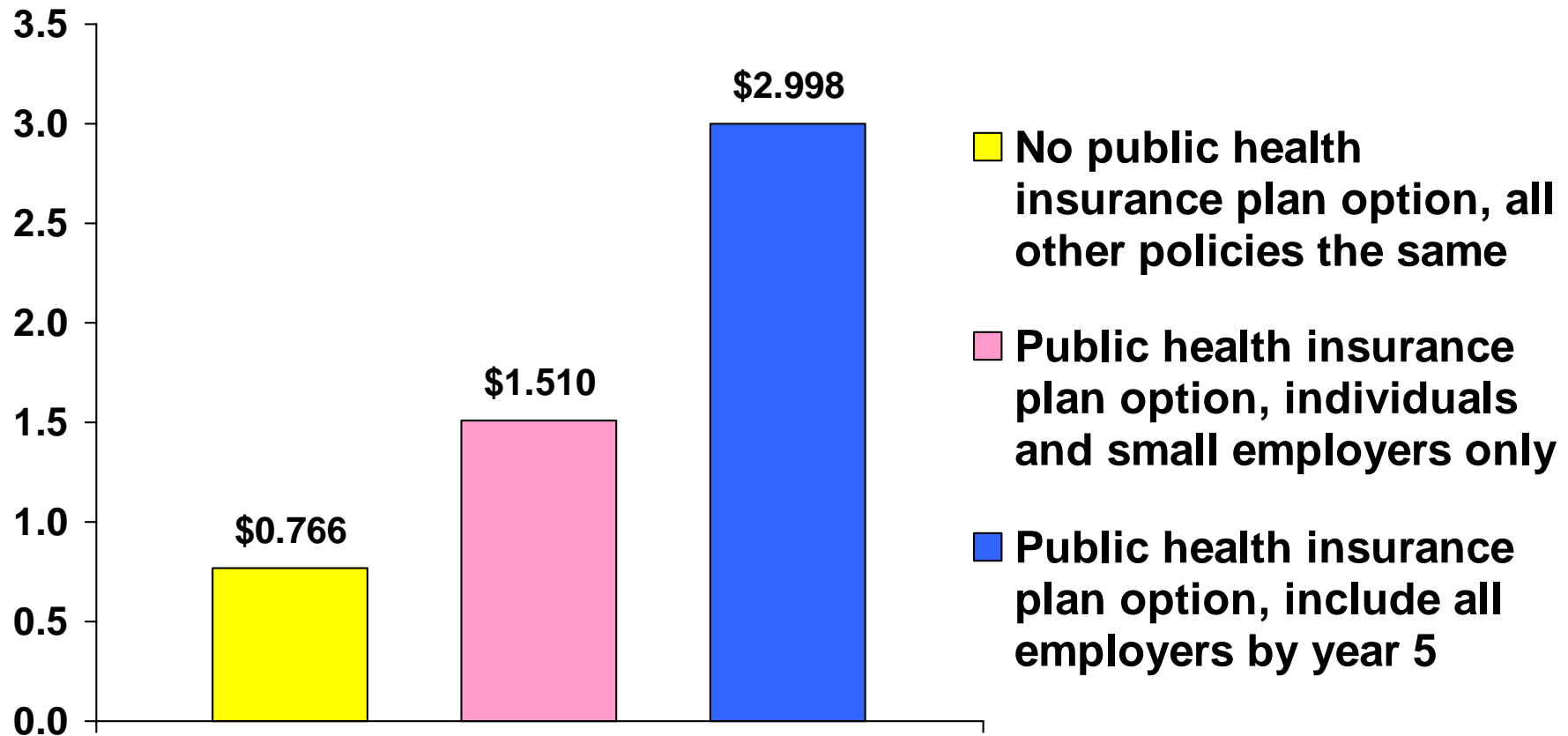
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Source: The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, February 2009).



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.

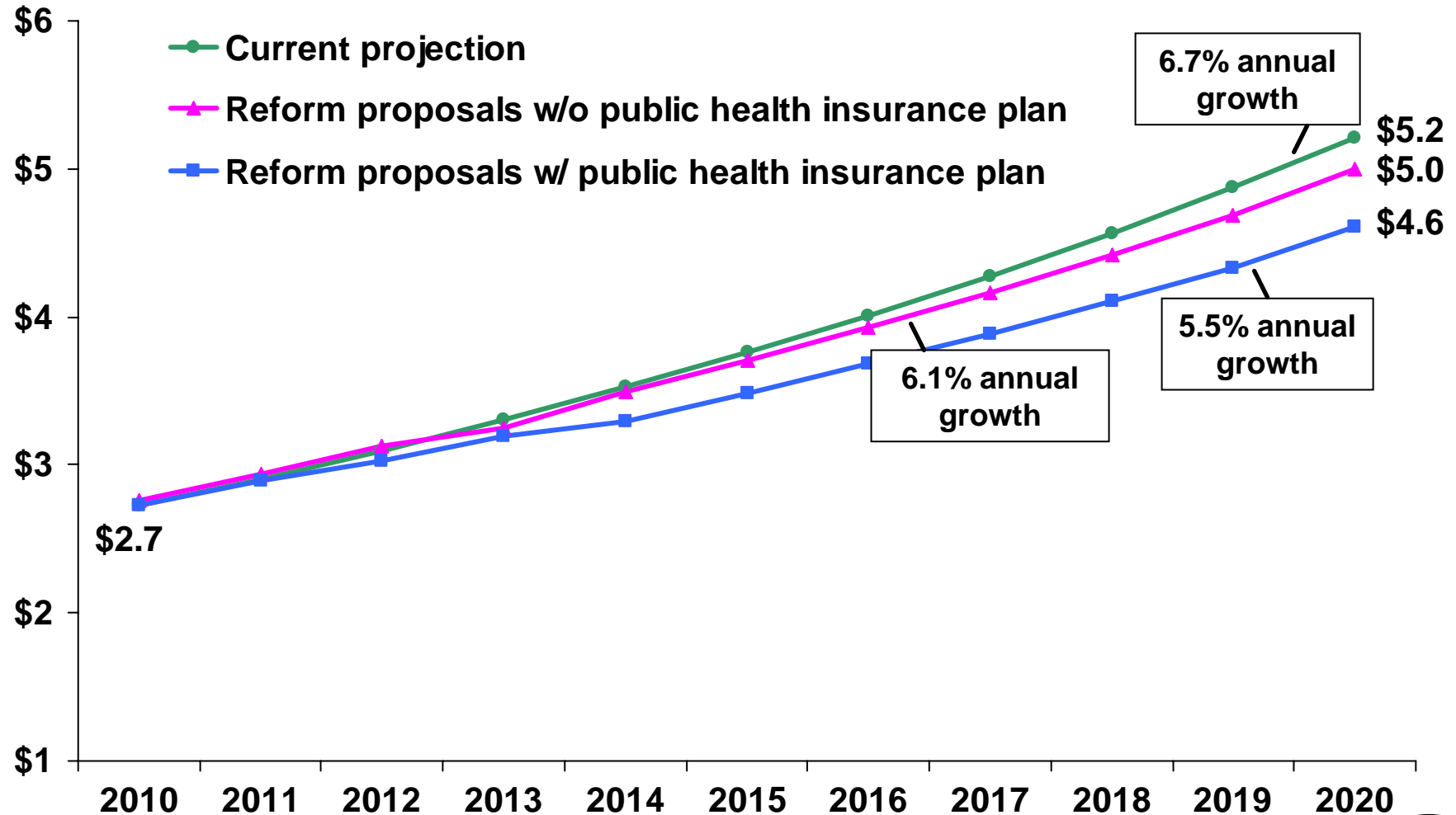
Source: The Commonwealth Fund Commission on a High Performance Health System, *The Path to a High Performance U.S. Health System: A 2020 Vision and the Policies to Pave the Way* (New York: The Commonwealth Fund, February 2009).



Total National Health Expenditures (NHE), 2010–2020

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 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, February 2009).



Path Net Cumulative Impact on National Health Expenditures (NHE) 2010–2020 Compared with Baseline, With and Without Public Health Insurance Plan, by Major Payer Groups

Dollars in billions

	Total NHE	Net federal government	Net state/local government	Private employers	Households
With Public Health Insurance Plan	-\$2,998	\$593	-\$1,034	-\$231	-\$2,325
Without Public Health Insurance Plan	-\$766	\$1,112	-\$655	\$905	-\$2,128

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 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, February 2009).



Major Sources of Savings Compared with Projected Spending, Net Cumulative Reduction of National Health Expenditures, 2010–2020 Exchange With and Without Public Health Insurance Plan as in Path Report

	With Public Health Insurance Plan	Without Public Health Insurance Plan
<i>Affordable Coverage for All: Ensuring Access and Providing a Foundation for System Reform</i>		
•Net costs of insurance expansion	–\$94 billion	\$1,385 billion
•Reduced administrative costs	–\$337 billion	–\$70 billion
<i>Payment Reform: Aligning Incentives to Enhance Value</i>		
•Enhancing payment for primary care	–\$71 billion	–\$63 billion
•Encouraging adoption of the medical home model	–\$175 billion	–\$155 billion
•Bundled payment for acute care episodes	–\$301 billion	–\$266 billion
•Correcting price signals	–\$464 billion	–\$407 billion

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

Source: The 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, February 2009).



Net Impact of Path Payment Reform Recommendations on National Health Expenditures Compared to Current Projection, 2010–2020 (in billions)

	Total NHE	Private Employers	State & Local Governments	Households	Federal Budget
Total Payment Reforms	-\$1,010	-\$170	-\$10	-\$82	-\$749
Enhanced payment for primary care	-\$71	-\$28	-\$2	-\$11	-\$30
Encouraged adoption of Medical Home model	-\$175	-\$25	-\$13	-\$36	-\$101
Bundled payment for acute care episodes	-\$301	-\$75	-\$4	-\$11	-\$211
Correcting price signals					
• High cost area updates	-\$223	-\$64	-\$3	-\$29	-\$127
• Prescription drugs	-\$76	+\$22	+\$12	+\$5	-\$115
• Medicare Advantage	-\$165	\$0	\$0	\$0	-\$165

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

Source: S. Guterman et al., *Reforming Provider Payment: Essential Building Block for Health Reform* (New York: The Commonwealth Fund, forthcoming).

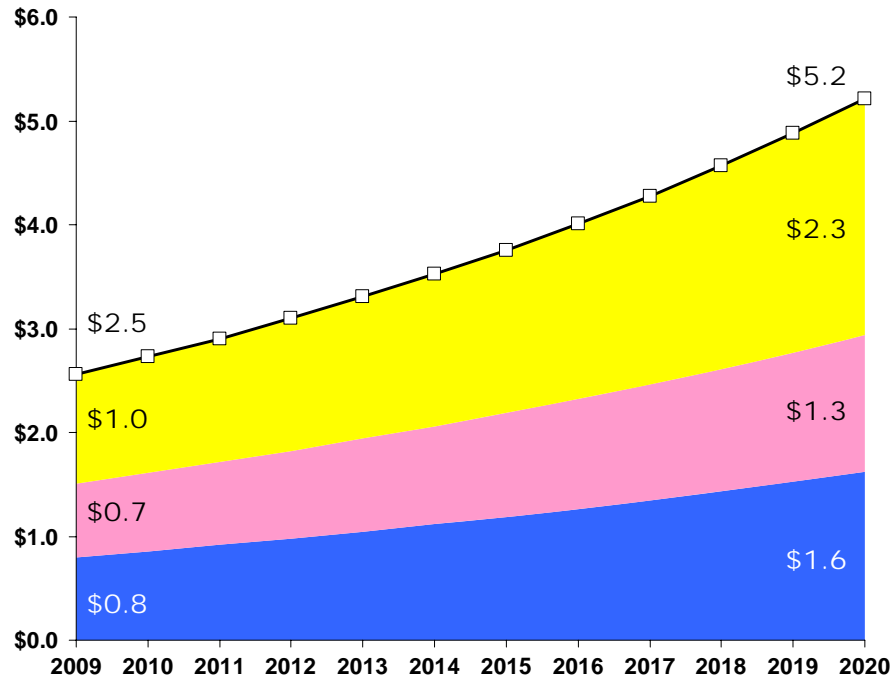


Total National Health Expenditure (NHE) Growth by Provider Sector, Current Projections and with Policy Changes, 2009–2020

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

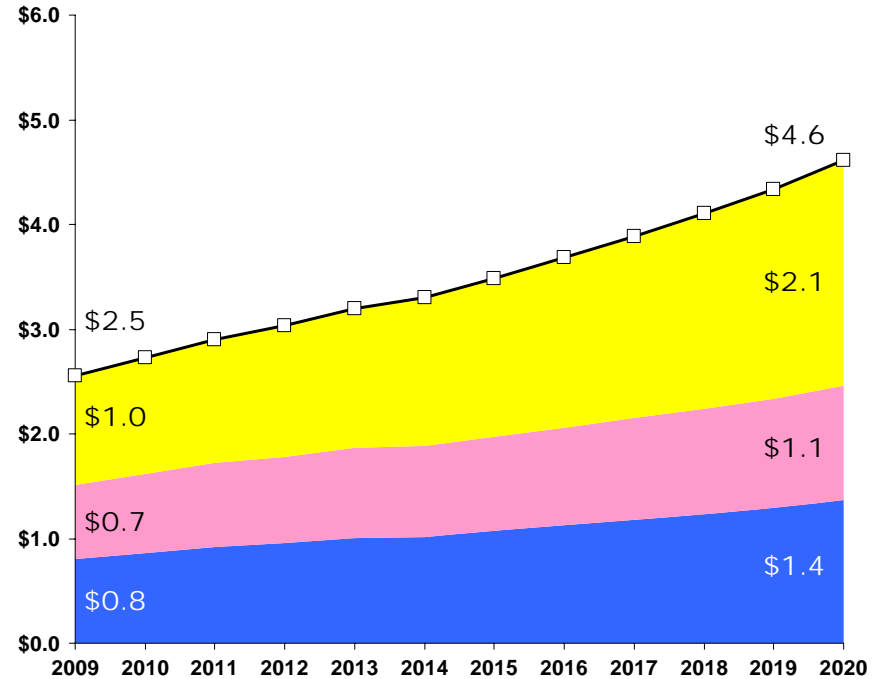
Projected Growth, Current Policy

Expenditure (trillions)



Revenue Growth with Path Policies

Expenditure (trillions)



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

Source: The 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, February 2009).



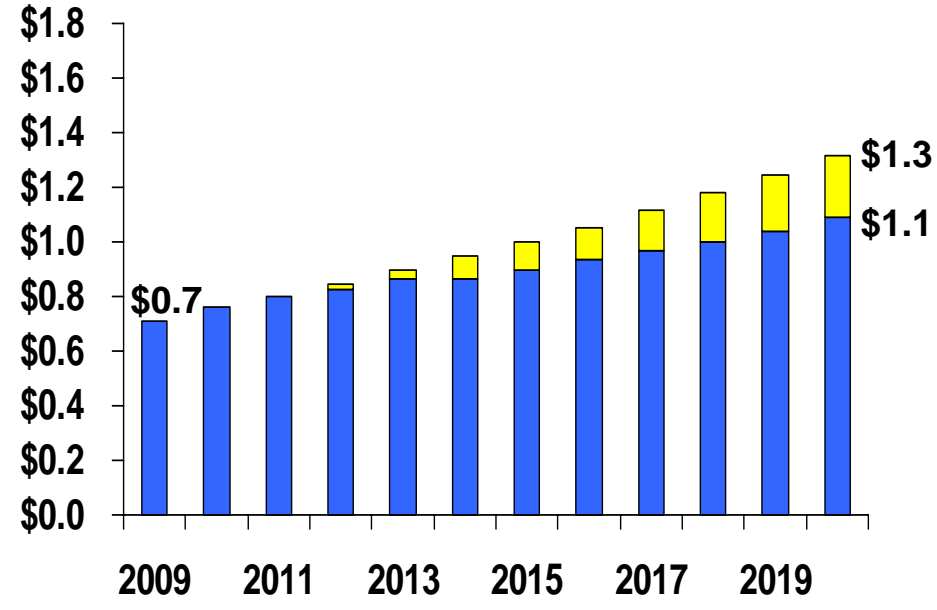
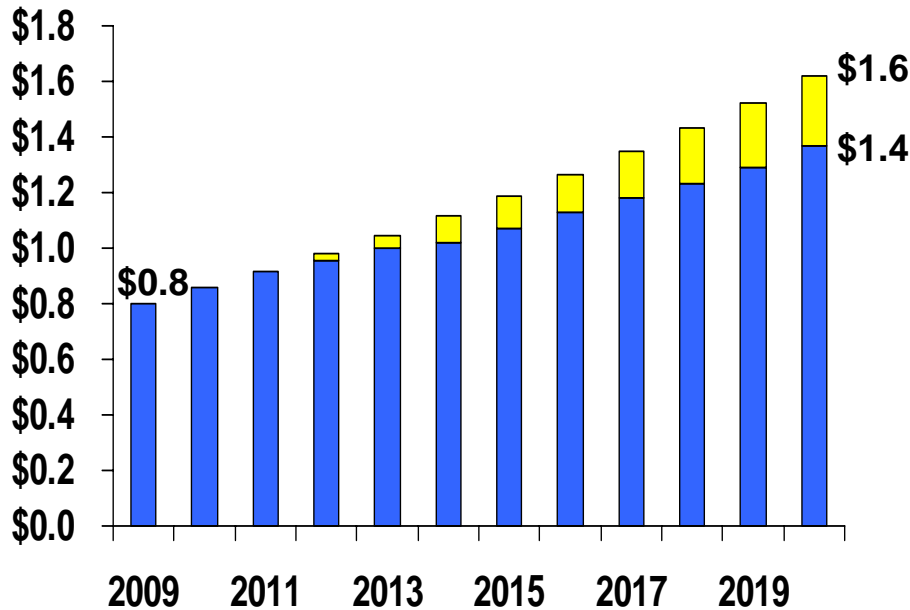
Total National Health Expenditure Growth for Hospitals and Physicians, Current Projections and with Policy Changes 2009–2020

Hospital Expenditures (trillions)

Physician Expenditures (trillions)

■ Path Policy ■ Current Projection

■ Path Policy ■ Current Projection



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

Source: S. Guterman et al., *Reforming Provider Payment: Essential Building Block for Health Reform* (New York: The Commonwealth Fund, forthcoming).



Implications for Stakeholders of Path

- **System Savings**
 - **\$3.0 trillion system savings 2010-2020 with a public health insurance plan option; \$0.8 trillion system savings 2010-2020 without public health insurance plan option**
- **Employers**
 - **Public health insurance plan option more affordable than premiums in small business market: 20-30% lower premiums**
 - **Savings to employers including payment and system reforms of \$231 billion over 2010-2020**
- **Families**
 - **Secure and affordable coverage for all**
 - **Households save \$2.3 trillion over 2010-2020, average savings of \$2314 per family in 2020**
- **Providers**
 - **Provider revenues enhanced by increasing Medicaid payment to Medicare levels and buying in uninsured at Medicare rates**
 - **Payment reforms reward primary care and high performers**
 - **But slower revenue growth over time than current law**
- **Insurers**
 - **Rewards integrated delivery system and private insurers that enhance value**
 - **Administrative savings of \$337 billion over 2010-2020**

Agenda for Change

- **The U.S. has a historic opportunity to adopt reforms that will achieve a high performance health system**
- **The key ingredient is instituting a reform proposal that will ensure quality, affordable health insurance for all**
 - The U.S. has a path towards expansion of health insurance to all
- **Coverage for all must be pursued *simultaneously* with comprehensive reforms in cost, quality and access**
 - Payment reform to encourage integrated health care organizations and other providers to be accountable for results and resources
 - Rewarding primary care and patient-centered medical homes
 - Instituting a global fee covering hospital, physician, and other services including 30-day follow-up for acute episodes of care
 - Incentives for adoption of information technology
 - Information on comparative effectiveness and evidence-based medicine