## Benefit Design for Public Health Insurance Plan Offered in Insurance Exchange

<table>
<thead>
<tr>
<th></th>
<th>Current Medicare benefits*</th>
<th>New Public Health Insurance Plan in Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deductible</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital</td>
<td>$1,024/benefit period</td>
<td>Hospital/Physician: $250/year for individuals; $500 for families</td>
</tr>
<tr>
<td>Physician</td>
<td>$135/year</td>
<td></td>
</tr>
<tr>
<td>Rx</td>
<td>$275/year**</td>
<td>Rx: $0</td>
</tr>
<tr>
<td><strong>Coinsurance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physician</td>
<td>20%</td>
<td>Physician: 10%</td>
</tr>
<tr>
<td>Rx</td>
<td>Depends on Part D plan</td>
<td>Rx: 25%</td>
</tr>
<tr>
<td><strong>Ceiling on out-of-pocket</strong></td>
<td>No ceiling</td>
<td>$5,000 for individuals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$7,000 for families</td>
</tr>
<tr>
<td><strong>Insurance-related premium subsidies</strong></td>
<td>Medicare Savings Programs Low-Income Subsidy</td>
<td>Premium cap ceiling of 5% of income for low-income beneficiary premiums or 10% if higher income</td>
</tr>
</tbody>
</table>

* 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.

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

NHE in trillions

- **Current projection**
- **Path proposals**

Note: GDP = Gross Domestic Product.
Data: Estimates by The Lewin Group for The Commonwealth Fund.
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.
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.
### Achieving Benchmarks:
Potential People Impact if the United States Improved National Performance to the Level of the Benchmark

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

* 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

<table>
<thead>
<tr>
<th></th>
<th>Total NHE</th>
<th>Net federal government</th>
<th>Net state/local government</th>
<th>Private employers</th>
<th>Households</th>
</tr>
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<tbody>
<tr>
<td>2010–2015</td>
<td>−$677</td>
<td>$448</td>
<td>−$344</td>
<td>$111</td>
<td>−$891</td>
</tr>
<tr>
<td>2010–2020</td>
<td>−$2,998</td>
<td>$593</td>
<td>−$1,034</td>
<td>−$231</td>
<td>−$2,325</td>
</tr>
</tbody>
</table>

Dollars in billions

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.
Average Annual Savings per Family Under Path Proposal, 2020

Savings in healthcare spending compared to projected trends

Data: Estimates by The Lewin Group for The Commonwealth Fund.
Savings Can Offset Federal Costs of Insurance: Federal Spending Under Two Scenarios

Dollars in billions

- Net federal spending with insurance alone
- Federal spending with insurance plus payment and system reforms

Data: Estimates by The Lewin Group for The Commonwealth Fund.
National Health Insurance Exchange Major Source of New or Improved/More Affordable Coverage

Source of New Coverage for 45m Uninsured

- Medicaid: 13m (27%)
- Employer Direct: 5m (11%)
- Employer Exchange: 17m (34%)
- Individual Exchange: 9m (19%)
- Medicare: <1m (<1%)
- Uninsured: 4m (8%)

Source of Improved or More Affordable Coverage for 138m

- Employer Exchange: 123m (89%)
- Individual Exchange: 8m (6%)
- Medicaid: 3m (2%)
- Employer Direct: 3m (2%)
- Medicare: <1m (<1%)

Data: Estimates by The Lewin Group for The Commonwealth Fund.
Employers Remain Primary Sponsor of Coverage under Path Framework

Distribution of 307 Million People by Primary Source of Coverage

**Current Law (2010)**
- Employer Direct: 164m (53%)
- Individual Direct: 14m (5%)
- Medicare: 39m (13%)
- Medicaid: 42m (14%)

**Path Framework, All Firms (2014)**
- Employer Direct: 55m (18%)
- Employer Exchange: 141m (46%)
- Individual Direct: 1m (<1%)
- Individual Exchange: 17m (6%)
- Medicare: 41m (13%)
- Medicaid: 49m (16%)

Uninsured: 4m (1%)

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

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

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.

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)

Current Law (2010)

Path Framework, Small Firms (2010)

Path Framework, All Firms (2014)

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

Federal spending with public health insurance plan
Federal spending without public health insurance plan

Billions

<table>
<thead>
<tr>
<th>Year</th>
<th>Federal Spending with Plan</th>
<th>Federal Spending without Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$62</td>
<td>$114</td>
</tr>
<tr>
<td>2020</td>
<td>$4</td>
<td>$99</td>
</tr>
</tbody>
</table>

Data: Estimates by The Lewin Group for The Commonwealth Fund.
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.
Total National Health Expenditures (NHE), 2010–2020
Current Projection and Alternative Scenarios

NHE in trillions

- Current projection
- Reform proposals w/o public health insurance plan
- Reform proposals w/ public health insurance plan

Note: GDP = Gross Domestic Product.
Data: Estimates by The Lewin Group for The Commonwealth Fund.

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<tr>
<td>With Public Health Insurance Plan</td>
<td>$-2,998</td>
<td>$593</td>
<td>$-1,034</td>
<td>$-231</td>
<td>$-2,325</td>
</tr>
<tr>
<td>Without Public Health Insurance Plan</td>
<td>$-766</td>
<td>$1,112</td>
<td>$-655</td>
<td>$905</td>
<td>$-2,128</td>
</tr>
</tbody>
</table>

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.

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

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

Data: Estimates by The Lewin Group for The Commonwealth Fund.
### Net Impact of Path Payment Reform Recommendations on National Health Expenditures Compared to Current Projection, 2010–2020 (in billions)

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

Data: Estimates by The Lewin Group for The Commonwealth Fund.
Total National Health Expenditure (NHE) Growth by Provider Sector, Current Projections and with Policy Changes, 2009–2020

Projected Growth, Current Policy

Revenue Growth with Path Policies

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

Hospital Expenditures (trillions)  Physician Expenditures (trillions)

Path Policy  Current Projection

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