HEALTH CARE SYSTEMS: THE NATIONAL DEBATE AND YOU

(3-2-2020)

KEY QUESTIONS IN THE NATIONAL DEBATE:

1. What are some of the problems facing patients/consumers in the existing system?
2. What would an effective system look like?
3. What factors make reform difficult to achieve?

OUR TEAM IDENTIFIED FIVE APPROACHES TO HEALTH CARE SYSTEMS AT PLAY IN THE NATIONAL DEBATE AND THEIR LEAD PROPONENTS:

1. Current system
2. Private insurance with expanded government-sponsored programs (aka Public Option)
3. Government-sponsored plan (Medicare for all; Single payer)
4. Republican proposal—House Republican Study Committee 2019

WE IDENTIFIED SEVEN FACTORS TO DESCRIBE EACH APPROACH:

1. From the **Consumer** perspective: Eligibility, How/When to Enroll, Cost, and Coverage
2. From the **Policy** perspective: Providers (e.g., use of in or out of network doctors), Cost containment, Funding (we've identified the main sources of funding, not the numbers)
3. We concluded with Pros and Cons

CURRENT SYSTEM OF HEALTH CARE INSURANCE BY SEGMENT (SOME OVERLAP)

Total U.S. population is c. 330 M. people; numbers here are approximations:

1. About 160 M. people have job-based (employer or union) plans: they include retirement health plans and some participants in the ACA (Affordable Care Act) Exchanges. Here is the greatest growth in the "under-insured": a recent survey has shown that over half of New Yorkers experienced problems in affording the policies offered and struggled to pay their medical bills

2. 75 M. people are enrolled in Medicaid or are in the private market with **individual** plans, including through the ACA Exchanges

3. 65 M. people are in Medicare (c. 22 M. in Advantage plans); can include employer plans and other private plans.

4. 30 M. people are uninsured

WHAT THIS REPORT IS NOT:

1. A description of health insurance policies currently available on the East End.

2. An argument in favor of a specific approach or health care plan

Some Sources:
--A series of articles from the New York Times:
(abbreviated titles)
"…America's Health Care System…," NYT, 9-22-19
"Employers Battered…," NYT, 9-26-19
"Medicare Shopping Season…," NYT 10-6-19
--articles from the Campaign for New York Health (CNYH, lobbies for Medicare for all)
--Kaiser Family Foundation (see internet)
--Commonwealth Fun, "Health System Performance and Cost" (see internet)
--Robert Laszewski, "The Trump & Republican 2020 Health Care Plan," *Forbes*, Jan. 5, 2020

1A

Current System: People Under 65

Overview

- Job-based private insurance paid by an individual or sponsored by an employer or union; job-based public coverage, e.g., veterans
- An exception to the above is Medicaid, the federal-state program
- ACA Exchanges offer qualified plans with tax credits for those eligible by income

Consumer

- Eligibility
  - Anyone may purchase private insurance
  - Pre-existing conditions allowed
  - ACA exchanges available for citizens and legal immigrants
  - Undocumented immigrants and the uninsured may try to get care at health centers etc.
- Enrollment
  - ACA marketplace has specified annual enrollment period.
  - Employers and unions cooperate with insurers to determine their own policies.
- Cost
  - Varies with insurance plan
  - Tax credits by income eligibility for plans on the ACA Exchanges
- Coverage
  - Must include **ACA 10 essential benefits**: ambulatory services & care, emergency service, hospitalization, maternity and newborn, mental health & substance abuse, prescription drugs, rehabilitation or habilitation services & devices, laboratory services, preventive or wellness services & chronic disease support; pediatric services, including dental & vision

Policy

- Providers
  - Vary by insurer.
- Cost Containment measures by insurers
  - Negotiated rates with providers
- Funding
  - Premiums, deductibles, and copays may apply

PROS

- Choice
- Quality (often perceived as the most expensive care)

CONS

- Outreach efforts to consumers have been cut back (2018)
- Unaffordable for many people.
- Many uninsured forego services because of high costs

1B

Current System: People Over 65

Overview

- Medicare is a comprehensive government-sponsored program.
- Generally, it pays 80% of covered expenses after a deductible
- Medicare Advantage plans are available through private insurers

Consumer

- Eligibility
  - US citizens or permanent residents who have a work history (of 10 years)

- Enrollment
  - Automatic if already getting benefits from Social Security or Railroad Retirement Board
  - Otherwise, must enroll either 3 months before age 65 or within 8 months after the end of employment coverage

- Cost
  - Payroll tax while working.
  - Original Medicare has income-based premiums, annual deductibles, and 20% copays. Private Medigap plans are available to cover the 20%.
  - Medicare Advantage plans vary by insurer

Policy

- Providers
  - Most providers and nearly all hospitals accept Medicare
  - Medicare Advantage plans vary by insurer with in-network and out-of-network providers; there is higher cost-sharing to see out-of-network providers

- Cost Containment
  - Negotiated rates with providers (e.g., hospitals)
  - Low administrative costs for original Medicare (c. 3%)

- Funding
  - Premiums are income-related
  - Payroll taxes while employed

PROS

- Near comprehensive coverage
- Medicare sets caps
- Can use any doctor who accepts Medicare
- Consistent in administration across 50 states

CONS

- Drug prices are not negotiated
- Doesn't cover certain benefits (e.g., dental, long term care)

2

Private Insurance with Expanded Government-sponsored Programs (aka Public Option)

Overview:

- Retains private insurance through employers, unions, the ACA exchanges, and the private market while broadening the public options: Medicare, Medicaid, other.

Consumer

- Eligibility:
  - Proposals include lowering the age for Medicare to 50, increasing income levels for Medicaid, and allowing employers and unions to eliminate their plans and/or allow employees to choose a government-sponsored plan.

- Enrollment:
  - Offered through the employer or union, and the private market; ACA Exchanges.

- Cost:
  - Private plans could offer different levels, varying premiums, deductibles, and copays.
  - Government-sponsored plan premiums will be progressive, based on income scale.
  - Tax credits and subsidies could be enhanced for ACA marketplace plans.

- Coverage:
  - 10 essential health benefits through the ACA marketplace
  - Drug coverage with premium payments

Policy

- Providers:
  - Vary under private plans
  - For Medicare, all Medicare providers and facilities for government-sponsored plans.
  - Use the Medicare payment schedule for government-sponsored plans.

- Cost containment measures:
  - Insurance companies can negotiate premiums, coverage, and drug costs
  - Federal Government to adjust payment rates and its processes in order to improve quality and reduce cost.
- Funding:
  - Corporate taxes on employers to provide for employees who choose the government-sponsored option
  - Premiums, deductibles, and copays for both government-sponsored and private plans.
  - Individual tax.

PROS:

- Will force competition between government-sponsored and private insurance plans.
- Provides cost effective options for people who cannot afford private insurance, have low-quality insurance options, and/or are currently ineligible for government-sponsored plans.
- Lower premiums for federally funded plan
- More choice

CONS:

- Hybrid system is more complex than having all insurance be government-sponsored
- No reduction in administrative expenses systemwide.
- Resistance from hospital, doctor, drug, and insurance lobbies have prevented successful cost negotiations in the past
- No individual mandate to ensure that healthy young people buy insurance and improve the overall risk pool

3

Government-Sponsored
(Medicare for all, Single payer)

Overview

- Universal, government-sponsored health care coverage.
- Eliminates private insurance

Consumer

- Eligibility
  - All US residents including undocumented immigrants.
- Enrollment
  - Automatic at birth
  - Possible 3-10-year transition
- Cost
  - Paid through taxes
  - No premiums, deductibles, or copays
  - Some prescription drug cost, e.g., experimental drugs
- Coverage
  - All medically necessary services including in-patient/out-patient medical care, rehab, mental health, long-term care, dental, vision, hearing, prescription drugs

Policy

- Providers
  - All state-licensed and certified providers meeting applicable standards.
- Cost Containment
  - Large scale enables cost reductions
  - Cost increases are contained by the ability to set and enforce overall spending limits, negotiate prices, and improve health planning.
- Funding
  - Progressive tax across income groups
  - Reduced expenses as a result of uniform administration practices and prices negotiated directly with the private sector (not through an insurance bureaucracy)

PROS

- Universal coverage; no work requirement like Medicare (10 years)
- More choice of doctors because there are no provider networks
- Less costly to many families balancing health cost and increased taxes
- Reduced administrative expenses, no profit
- Economies of scale through negotiated prices
- Will reduce overall spending

CONS

- Increases taxes
- May lead to increased doctor visits and treatments that can stress current capacity
- No supplemental insurance available (to provide choice)
- Definition of “medically necessary” at play

4

Republican Proposal (House Republican Study Committee 2019)

- Overview:
    - Repeal the ACA. Shrink the Medicaid expansion and end the individual market subsidies. Repackage as a program that sends some money to the 50 states in the form of block grants. States will craft their own health insurance plans
    - Proponents: the co-chairs of the Study Committee, Congressmen Mike Johnson, Louisiana, and Roger Marshall, M.D., Kansas

Consumer

- Eligibility:
    - Most U.S. residents not in a federal program (such as Medicare). Block grants would specify the portion of funds to be targeted for low-income individuals
- Enrollment:
    - Offered through employer or the individual market with no mandate to buy
- Cost:
    - Would spend less on Medicaid and ACA tax credits.
    - Limits the extent that insurers can role an individual's health risks into premiums
    - State-run Guaranteed Coverage Pools would be subsidized with federal grants for people with high risk conditions. States allowed to set premium limits
- Coverage:
    - Pre-existing medical conditions are covered only if people remain continuously on health insurance. Specifics would vary by state
    - Would undo ACA regulations, including essential health benefits, preventive care cost-sharing, dependent coverage: the states are expected to do this in order to fit individualized needs
    - States can't increase rates or refuse coverage if an enrollee develops a condition after enrollment
    - Some people may have less costly coverage, but the 10 essential benefits of the ACA would not exist

Policy

- Providers and Cost containment measures:
    - Not addressed
- Funding:
    - Federal block grants to states. Revenue projections are not addressed

Pros

- Repeal of ACA would save the federal government $1.3 trillion over 10 years.
- By 2026, 14 M. employees would have the choice to select a private market option or employer coverage
- Returns regulatory authority to the states, offering efficiency and innovation

Cons

- Risks more people without insurance with estimates as high as 20 M. (perhaps 23 M.)
- People dropped from Medicaid probably can't afford the private market without subsidies. Employee coverage depends upon the employer and being employed
- Disruption to the current system. Will create 50 different health care systems