

# More Facts & Fables: Private Health Insurance Markets

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# Medicare's True Admin. Costs

## Appendix Figure 7. Administrative Expenses of Health Plans

Administrative Expense of Traditional Medicare Including Capital Costs  
(\$ in Millions)

|                          |                                                          |              |
|--------------------------|----------------------------------------------------------|--------------|
| 1                        | Total 2008 Federal Budget                                | \$ 2,978,500 |
| 2                        | Net Interest on National Debt                            | 240,600      |
| 1 - 2 = 3                | 2008 Budget Excluding Net Interest                       | \$ 2,737,900 |
| 4                        | Medicare Administration                                  | \$ 5,022     |
| 5                        | Medicare Benefits                                        | 459,144      |
| 4 + 5 = 6                | Total Medicare Premiums Before Interest                  | \$ 464,166   |
| 6 / 3 = 7                | Medicare Percent of Budget, Excluding Net Interest       | 17.0%        |
| 2 * 7 = 8                | Medicare Share of Interest Expense                       | \$ 40,790    |
| 8 * 78% = 9              | Proportion of Interest Attributable to Trad. Medicare    | \$ 31,816    |
| 10                       | Base Administration (MedPAC)                             | 4,401        |
| 9 + 10 = 11              | Total Administration and Capital Costs of Trad. Medicare | \$ 36,217    |
| See Appendix Figure 6 12 | Traditional Medicare Revenue Before Interest             | \$ 362,533   |
| 13                       | Traditional Medicare Share of Interest                   | 31,816       |
| 12 + 13 = 14             | Traditional Medicare Revenues, Incl. Interest            | \$ 394,349   |
| 11 / 14 = 15             | Administration to "Premium" After Capital Costs          | 9.2%         |

Source: CMS' FY 2009 CJ Final; Congressional Budget Office & MedPAC

## Scale of excess costs...

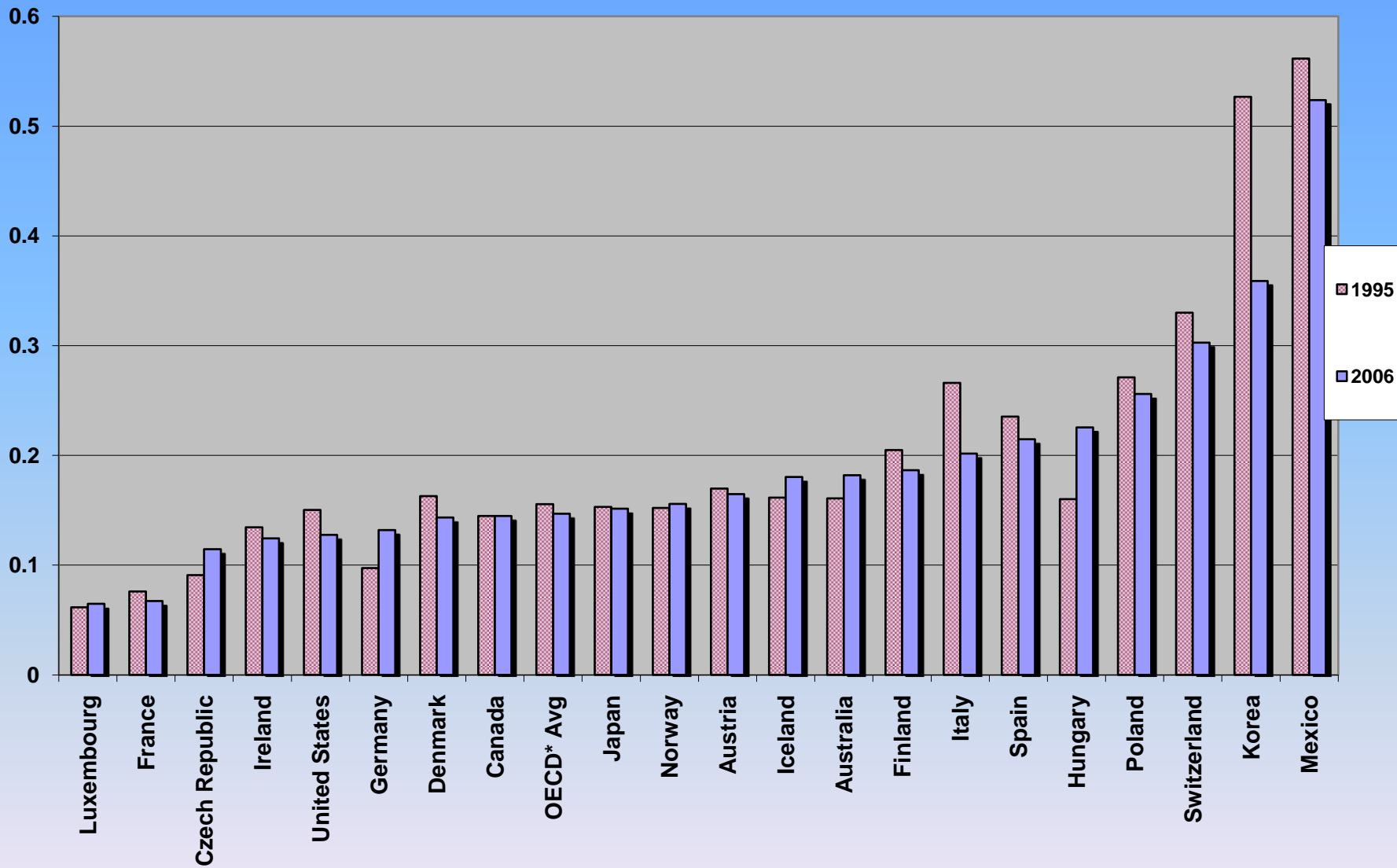
- IF take Canada as the gold standard, then "excess" U.S. costs of physician practice interactions with health plans

= 50%-60% of \$25-\$33 billion

**= \$12.5 to \$19.8 billion annually**

This is  $\geq$  estimated cost of preventable Medicare readmissions.

Out of Pocket Expenditure (OOP) as a Percent of Total Health Expenditure (THE), Select OECD Countries, 1995 and 2006



# Diversions & Delusions

You Pay for Someone Else:

- Emergency Care
- Cost Shifting & Hidden Taxes

# Emergency Visit Frequency by Source of Payment 2006

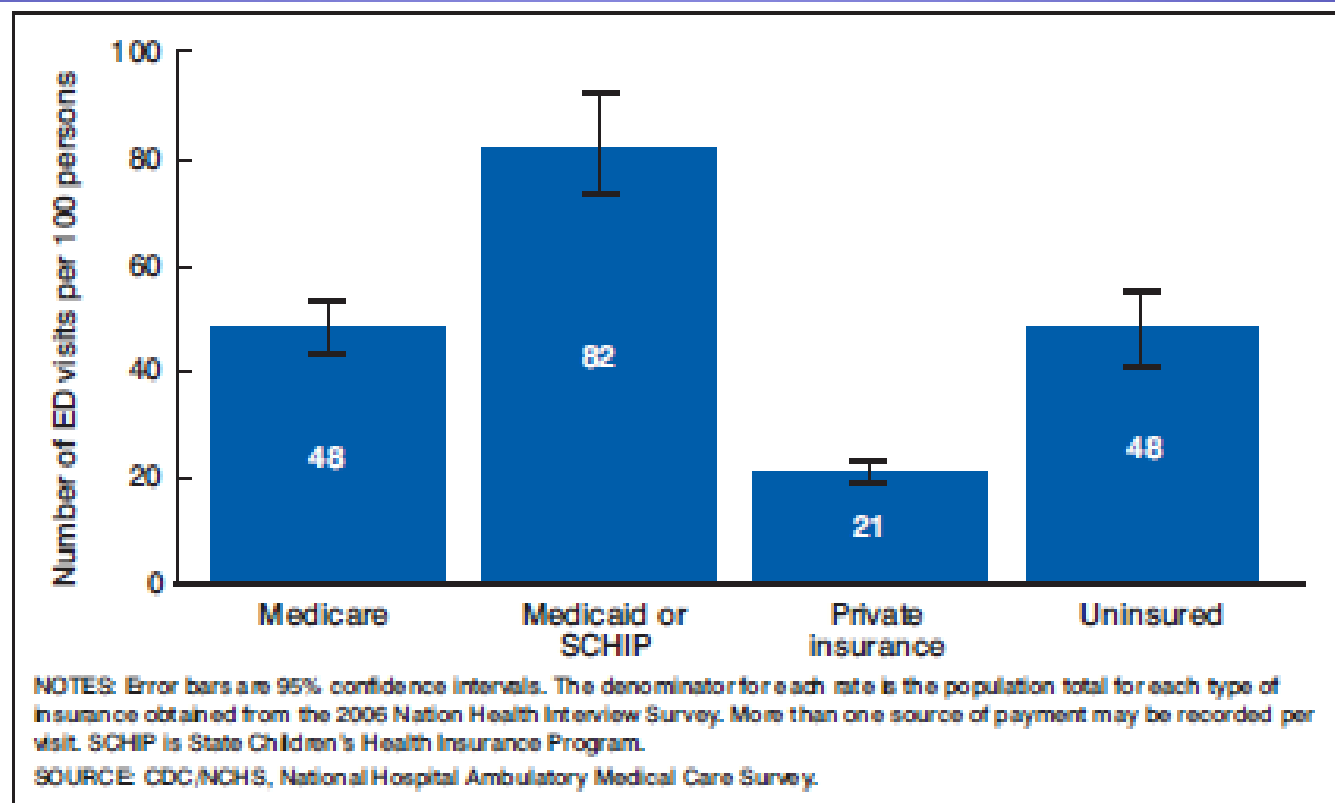
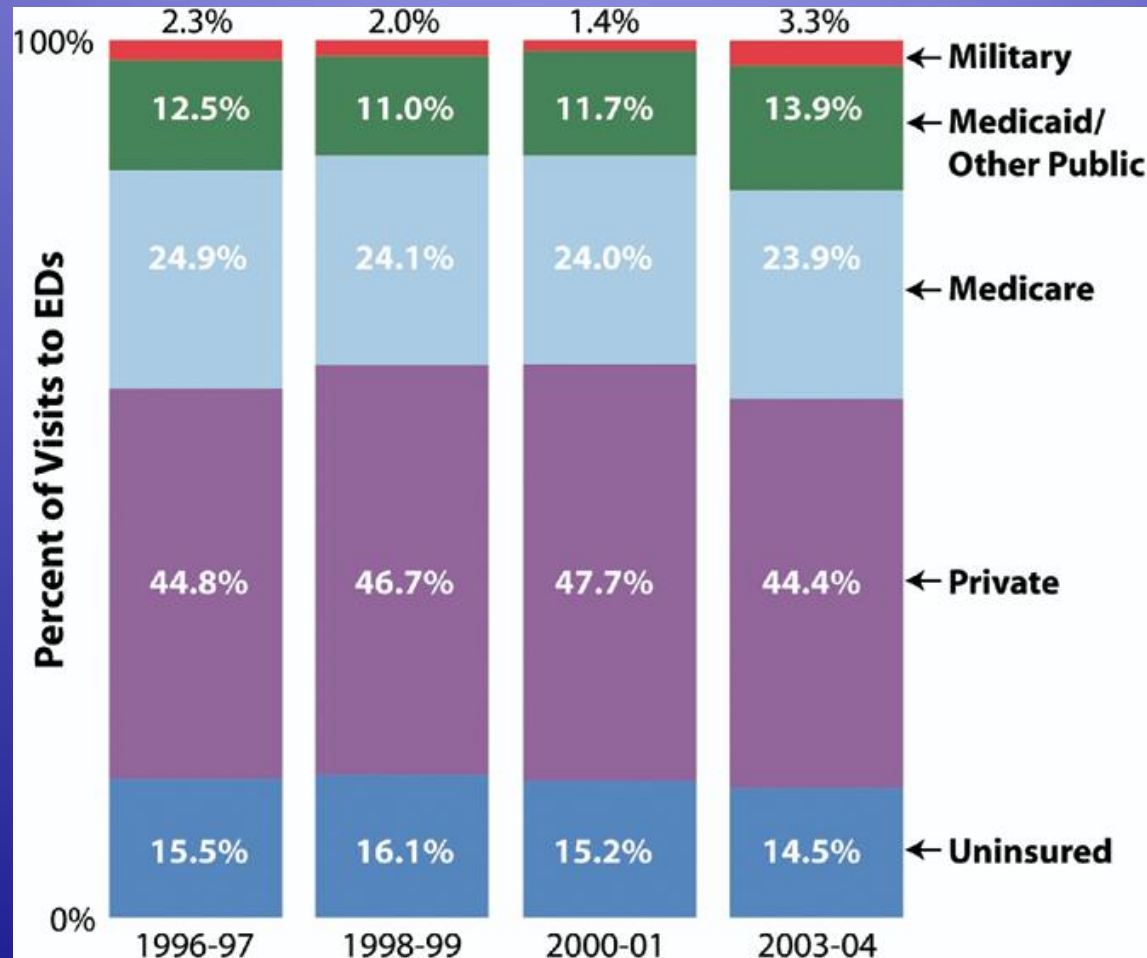


Figure 3. Number of emergency department (ED) visits per 100 persons, by expected source of payment: United States, 2006

# Emergency Visit Share By Source of Payment



# Uncompensated Care & Cost Shifting

- Total uncomp care - \$56 B (2008)
- Potentially shifted to priv. ins. - \$8B
- < 1% priv. health ins. costs
- Full yr. uninsured spend 43% of what full-year privately insured do
- Part yr. uninsured spend 76% of full-year privately insured