

# **Private Health Insurance Reform**

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## **I Can Believe In**

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# Agenda

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- ❑ Let insurance be purchased across state lines
  - ❑ Target vulnerable population for help
  - ❑ Make ehealthinsurance (and friends) the ‘exchange’
  - ❑ Draw a ‘en liten linje i sanden ’ (*Norwegian for little line in the sand*) to address Employer Sponsored Insurance \$300 billion tax distortion
  - ❑ Blocking & tackling Health Insurance 2.0
  - ❑ Meaningful Market Based Reform
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Steve Parente,  
I am so proud  
of the  
work  
that  
you have  
done  
with  
me.

Don Ruff

# Let People Purchase Insurance Across State Lines

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- ❑ Since 1945, McCarran Ferguson Act prohibits the sale of any insurance across state lines.
  - ❑ Since 1974, ERISA has enabled an opt-out for employers to self insure across state lines.
  - ❑ Currently 57%+ of non-Medicaid and non-Medicare insured receive insurance enabled by ERISA.
  - ❑ Parente, Feldman, Abraham & Xu (2009) find between 6 to 8 million uninsured would be helped
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# What Would be the Impact of Interstate Market Competition in New York State?

## New York Health Insurance Reform Options 2009 Estimates

Individual Market	Status Quo Population	PA & CT Entry - 100% participation	% Change	PA & CT Entry - 25% participation	% Change
Direct Pay - HSA	0	49,662	N/A	65,036	N/A
Direct Pay - PPO High	16,939	464,498	2642%	208,108	1129%
Direct Pay - PPO Low	9,658	9,108	-6%	15,828	64%
Direct Pay - PPO Medium	7,649	54,511	613%	106,874	1297%
Uninsured	2,107,530	1,563,997	-26%	1,745,930	-17%
Total Direct Pay	34,246	577,778		395,846	
Total Population	2,141,776	2,141,776		2,141,776	

If everyone took advantage of lower premiums, there would be a 26% reduction. A 17% reduction if 1/4 buy CT,PA

# Target Vulnerable People for Help

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- ❑ **Low Touch:** Bolster state high risk pools to allow people to get insurance if they have been turned down with limited demonstration grants.
  - ❑ **Medium Touch:** States administer high risk pools in exchange for federal government taking over long term care Medicaid costs (aka D. Holtz-Eakin).
  - ❑ **High Touch:** Federal auction model for federal high risk pools tranches (with three year contracts) with 5% built in margin for administration.
  - ❑ Vulnerable Attributes (any one will do):
    - Older, major chronic condition, pre-existing condition
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# Make ehealth.com (and friends) 'The Exchange'

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- Great answer to Congresswomen who ask: 'Professor, what other than a public option would provide more than two insurance choices in Santa Fe, New Mexico?'
  - Appeal to target buyers: Millennials, Gen-X, 'cuspers'. Let majority of people buy insurance COMPLETELY online based on the risk profiles already available from existing data on an 'OPT-IN' basis only.
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Health Insurance Quote Page - Individual & Family - Mozilla Firefox

File Edit View History Bookmarks Tools Help

http://www.ehealthinsurance.com/ehi/Quote.fs

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**eHealthInsurance**  
Over 1 Million Customers Insured

Health Insurance Short-term Health Insurance Student Health Insurance HSAs Dental Discount Cards

**We found 54 plans starting as low as \$299.31 a month**

Results based on 4 applicants located in SANTA FE County, effective 11/1/2009 (Edit)

Quote Compare Apply

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**HSA Saver - 5000** [24 Hour Approval](#)

	<b>Plan Type</b> Network	<b>Deductible</b> \$10,000	<b>Coinsurance</b> 0%	<b>Office Visit</b> Not Covered	<b>\$299.31</b> Monthly Cost <a href="#">APPLY</a>
AM Best Rating: A	<a href="#">HSA Options</a> <a href="#">Find Doctor</a> <a href="#">Plan Details</a> <a href="#">Not Yet Rated</a>				

Compare (up to 4 plans)

**BlueDirect Plan C**

	<b>Plan Type</b> PPO	<b>Deductible</b> \$5,000	<b>Coinsurance</b> 30%	<b>Office Visit</b> \$40	<b>\$304.00</b> Monthly Cost <a href="#">APPLY</a>
AM Best Rating: A+	<a href="#">Find Doctor</a> <a href="#">Plan Details</a> <a href="#">Not Yet Rated</a>				

Compare (up to 4 plans)

**Did you know?**  
Prices are fixed by law - you cannot find a better price anywhere for the same product.

**Common Questions**

[View Tutorial on Insurance](#)

What's the best health insurance plan for me?  
How does a PPO plan work?  
How can I get an HSA?  
[More>>](#)

*For 61 year old Santa Fe couple with two teens:*

**54 Plans - Premiums from \$3,600/yr. to >15,000/yr.**

# How to Re-Gift the \$300 Billion / Year Employer Based Insurance Tax Subsidy?

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- The Obama Campaign spends \$5 million a day for ONE MONTH (October) in TV add time.
  - Baucus Re-Gift:
    - PART I: Very few ESI plans remaining above the tax threshold, and the old extra benefits money over time being shifted back into TAXABLE wages, which is where CBO/JCT got most (87 percent) of the federal revenue gain over 10 years
    - PART II: Excise tax to insurers
      - which for self-insured (57% <65), will really be employers
        - which will be employee wages
          - Which will mean higher consumer out of pocket insurance \$
  - Moderate GOP ESI Tax Exclusion Cap:
    - \$6,500/year tax exclusion for singles
    - \$13,000/year tax exclusion for family
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# Blocking & tackling Health Insurance 2.0

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- 1) Get actuarially certified risk profiles for all insured based on existing data.
    - Let people get them like a they would a credit report.
    - Equifax and Experia are standing by and waiting for the go-switch.
  - 2) Government and private federal exchanges portals.
    - Take risk profiles from (1) and provide a 'lock in' by Internet click.
    - Target the younger population not buying coverage today through the web. Have brokers handle the rest. Gives brokers time to get a Plan B.
  - 3) Where the market fails from (2), auction off the high risk
    - Given (1) and (2), you who are the vulnerable and why
    - Target resources to fill the insurance gaps using federal and state resources.
  - 4) Let the Employer-sponsored market evolve; it not broken.
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# Meaningful Market Based Reform

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## Given:

- Health Reform in 2009 is inevitable
- Democrats have votes
- Democrats also need to be willing to gamble 2010

## Wouldn't you like to:

- Focus on the most vulnerable populations
  - Keep the ten year (and beyond) cost impact low
  - Proceed in way where:
    - Revenues/cost offsets are not fables
    - Uses the current system's infrastructure and does not abuse the phrase 'The DHHS Secretary will direct.....'
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# Meaningful Market Based Reform

## *Feature Set*

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- ❑ Guaranteed issue insurance coverage/no pre-existing conditions exclusion
  - ❑ Insurance exchanges
  - ❑ A tax on those who choose health insurance benefits greater than \$6.5K for single coverage and \$13K for family coverage equal to the employee's marginal income tax rate times the amount over those thresholds
  - ❑ Full subsidy up to 200% of the federal poverty line (~\$66,000 for a family of four) and subsidy phased down to zero at 300% of FPL.
  - ❑ All insurance plans must offer preventive care benefits.
  - ❑ All plans must use modified community rating: premiums can vary only by geographic region (to be defined), family structure, actuarial value of benefits, and age.
  - ❑ Start date is January 1, 2013.
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# Meaningful Market Based Reform

## *Feature Set*

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An age-adjusted health insurance voucher with the following 2010 amounts:

Age	Individual	Family
18-34	\$1,364	\$3,058
35-49	\$2,237	\$4,615
50-64	\$3,725	\$6,812

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# Meaningful Market-Based Health Reform Proposal, as of 10/21/2009

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- Uninsurance is reduced by **35%** (46% if base is US citizens only) to newly cover approximately **17.6 million people**
  - Subsidy - Tax Recovery = Net cost:
    - \$49 billion subsidy for voucher, annual 2013
    - \$50.6 billion tax capture , annual 2013
    - Total cost over ten years: \$435 billion
    - Total revenue over ten years: \$450 billion
    - Net cost (surplus): **-\$15 billion over ten years**
  - Private market crowd out: Not an issue .
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# Summary

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- Private insurance market could be much improved with minor but significant changes.
    - Interstate purchase
    - High risk pools
    - Using existing exchanges
    - Re-direct SOME of \$300 billion ESI
  - Policy to try it: Meaningful Market Based Reform
    - MMBR: Cost per newly insured: \$3,531 / yr.
    - Baucus (10/13/2009) newly insured cost: \$4,083 / yr.
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# **EPILOGUE**

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# If Jay Rockefeller and John McCain are in the same room, we might they agree?

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- Reduce Medicare ‘Waste, Fraud & Abuse’
    - Waste: Defensive medicine
    - Fraud: Dead doctors billing for services
    - Abuse: Overutilization – legal use of services, but wasterful.
  - All 5 Bills have WFA in them
  - Questions:
    - Can it go from \$5-10 billion a year recovery to \$50 billion?
    - Will DHHS/CMS allow a more aggressive strategy?
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# *National CMS Level New Ideas*

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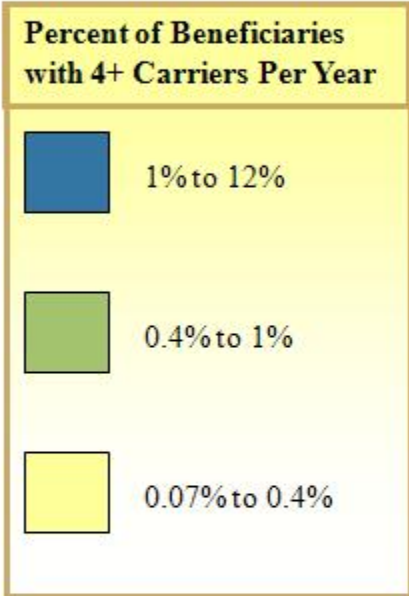
Three example 'opportunities' to be scored:

- Suspicious claims submitted on behalf of a patient to 4 non-contiguous carriers
- Specialty specific patient illness burden to provider billed RVU ratio to systematically identify upcoding
- Combined with financial services external information

**– Goal –**

***Score Transactions for Fraud Probability at Enterprise Level***

# Nation-wide Opportunities – Physician



**Percent of beneficiaries by state of residence with 4 or more carriers processing their claims – Top 5 states: WV, DE, OH, AR, AK**