The Effects of Health Reform on Cost, Coverage and Employment

November 18, 2009
William S. Custer, Ph. D.
Total National Health Expenditures and As a Percentage of GDP

National Health Expenditures

National Health Expenditures | $1,000,000 | $1,500,000 | $2,000,000 | $2,500,000
Percent of GDP | 2.00% | 4.00% | 8.00% | 12.00% | 16.00% | 20.00% | 24.00% | 28.00% | 32.00% | 36.00% | 40.00% | 44.00% | 48.00% | 52.00% | 56.00% | 60.00% | 64.00% | 68.00% | 72.00% | 76.00%

Total Expenditures
Percent of GDP
### Total National Health Expenditures and As a Percentage of GDP

#### National Health Expenditures

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<td>2,500,000</td>
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#### Percent of GDP

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<tr>
<td>%</td>
<td>18.00%</td>
<td>14.00%</td>
<td>12.00%</td>
<td>10.00%</td>
<td>8.00%</td>
<td>6.00%</td>
<td>5.00%</td>
<td>4.00%</td>
<td>3.00%</td>
<td>2.00%</td>
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## Health Insurance Coverage in Georgia (2007)

<table>
<thead>
<tr>
<th>Category</th>
<th>Individuals</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Total</td>
<td>8,571,268</td>
<td>100%</td>
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<tr>
<td>Total Private</td>
<td>5,787,803</td>
<td>68%</td>
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<tr>
<td>Employer</td>
<td>5,402,215</td>
<td>63%</td>
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<tr>
<td>Direct</td>
<td>2,825,496</td>
<td>33%</td>
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<tr>
<td>Indirect</td>
<td>2,576,719</td>
<td>30%</td>
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<tr>
<td>Other Private</td>
<td>464,672</td>
<td>5%</td>
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<tr>
<td>Total Public</td>
<td>1,638,567</td>
<td>19%</td>
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<tr>
<td>Medicare</td>
<td>327,181</td>
<td>4%</td>
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<tr>
<td>Medicaid</td>
<td>1,104,694</td>
<td>13%</td>
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<tr>
<td>SCHIP</td>
<td>456,152</td>
<td>5%</td>
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<tr>
<td>Uninsured</td>
<td>1,643,759</td>
<td>19%</td>
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</table>
The Employment-Based Coverage System is Eroding

![Graph showing changes in employment-based coverage from 2000 to 2008. The graph indicates a decline in coverage over the years, with particular emphasis on uninsured and total private coverage.](image-url)
Georgia Health Care Costs for the Uninsured

Total Payments in Georgia:

<table>
<thead>
<tr>
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<th>Amount</th>
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<tr>
<td>Uninsured:</td>
<td>$366 million</td>
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<tr>
<td>Taxpayers:</td>
<td>$722 million</td>
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<tr>
<td>Other Health Care Consumers:</td>
<td>$741 million</td>
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<tr>
<td>Total Costs of Uninsured:</td>
<td>$1,829 million</td>
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Examples of contributions Georgia families make for care for the uninsured

Family of Three with no health expenditures and:

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<th>Private insurance and income of $50,000 pay annually:</th>
<th>Private insurance and income of $35,000 pay annually:</th>
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<tbody>
<tr>
<td>Taxes</td>
<td>$438</td>
<td>$201</td>
</tr>
<tr>
<td>Premiums</td>
<td>$590</td>
<td>$648</td>
</tr>
<tr>
<td>Total</td>
<td>$1,028</td>
<td>$849</td>
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Angels and Demons: Common Health Reform Elements

- Individual Mandate
- National Health Insurance Exchange (NHIE)
  - Guaranteed Issue
  - Standard Benefits
  - pooling of risk
  - Risk Adjustment
- Income related subsidies
- Medicaid expansion
Angels and Demons:
Other likely elements

- Employer mandate for medium and large firms through play or pay approach;

- Subsidies for small firms

- Public Option

- Health Information Technology Expansions

- Financing
  - Medicare cuts
    - Reductions in payments under Medicare and Medicaid for uncompensated care
    - Reductions in reimbursement increases related to inflation
  - Tax on high cost health plans
  - Income tax
CBO Projections of Coverage in 2019 Current law and Senate Finance Bill

Current Law

- Uninsured: 19%
- Medicaid/CHIP: 12%
- Other: 5%
- Exchanges: 4%
- NonGroup: 4%
- Employer: 58%

Senate Finance Bill

- Uninsured: 9%
- Medicaid/CHIP: 18%
- Other: 9%
- Exchanges: 8%
- NonGroup: 4%
- Employer: 57%
What it means for Employers

- Average Employer over 100 employees could see little change
  - Either end of spectrum could see costs increases
  - Average Employer under 25 employees generally exempt from mandate but eligible for subsidies
  - Employers 25 to 100 --Depends!

- Health Care Capacity constraints
What it means for Employers

- High tech, manufacturing, professional offices likely winners
  - Lower compensation costs
  - Less variable compensation costs
- Medium sized retailers, service industry employers likely pay more.
- Young and healthy will pay more
- Health care providers: A decade of change
  - Increase in vertical and horizontal mergers
  - Boom times for Health Information Technologies
Angels and Demons yet to be revealed

- Administrative rules at least as important as law
- Echo’s of legislation over next 5 years.
- State of Georgia’s options and reactions