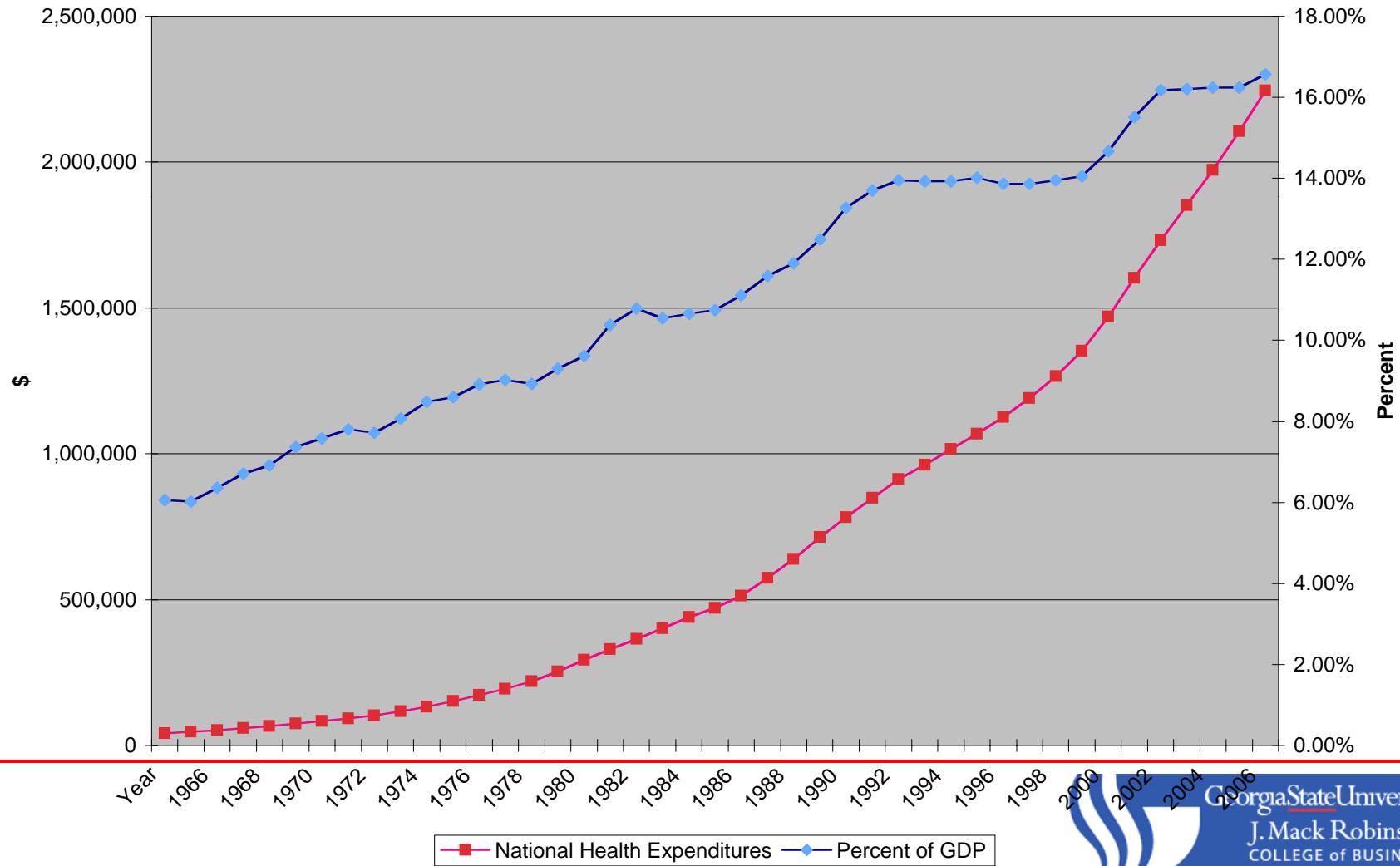

The Effects of Health Reform on Cost, Coverage and Employment

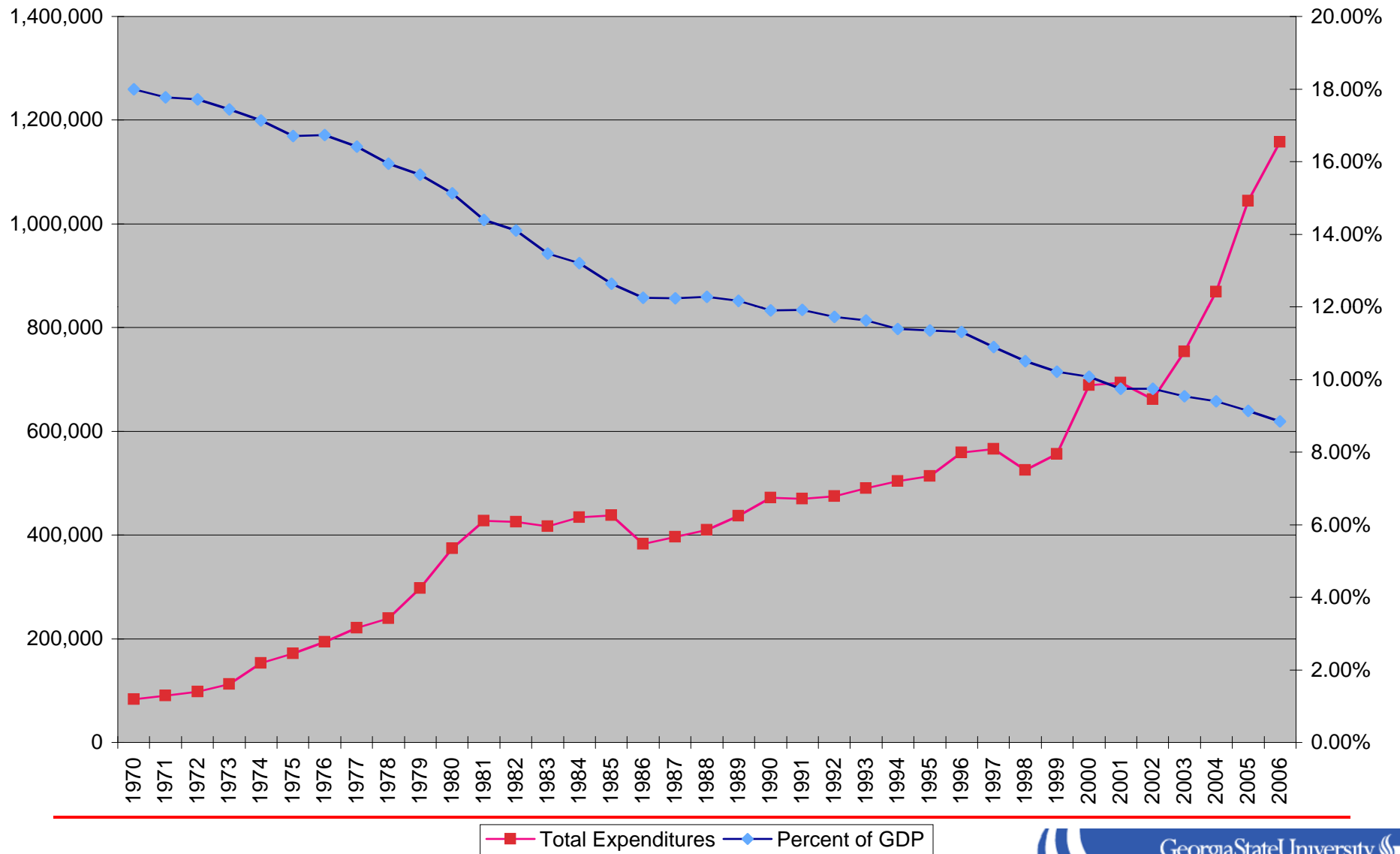
November 18, 2009
William S. Custer, Ph. D.

Total National Health Expenditures and As a Percentage of GDP

National Health Expenditures

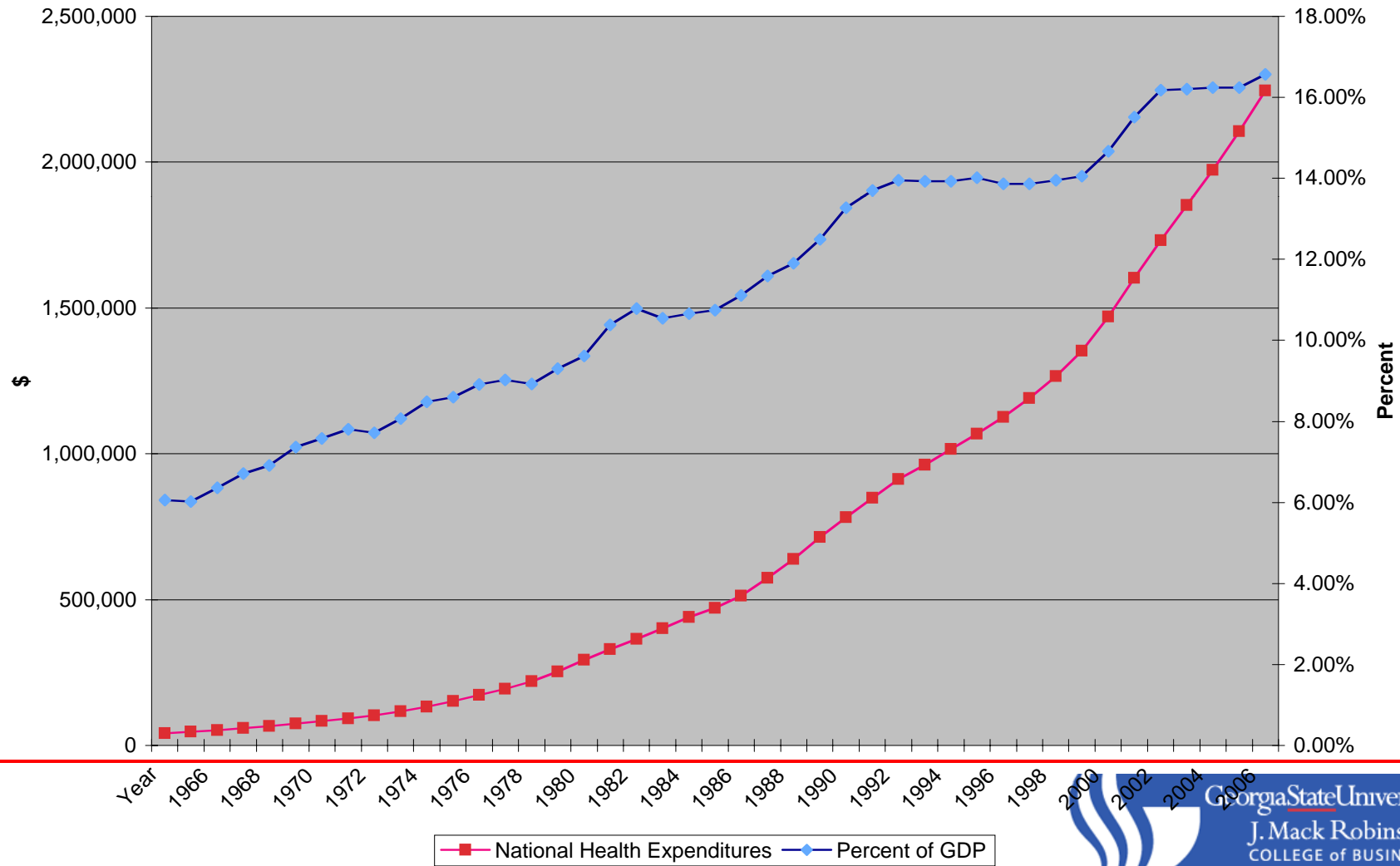


US Energy Expenditures as a percentage of GDP: 1970-2006



Total National Health Expenditures and As a Percentage of GDP

National Health Expenditures

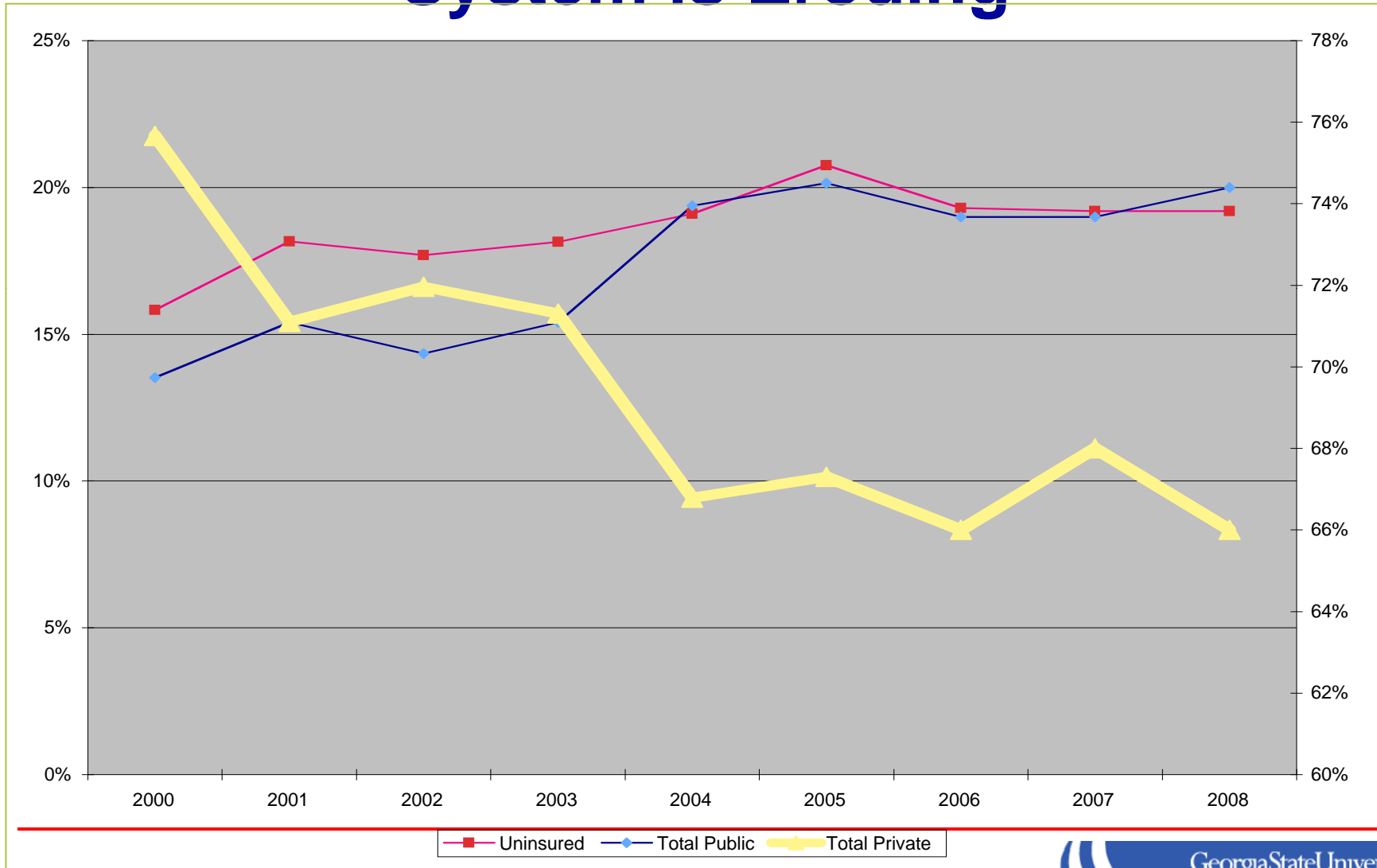


Health Insurance Coverage in Georgia (2007)

Non-elderly

| | Individuals | Percent |
|----------------------|-------------|---------|
| Total | 8,571,268 | 100% |
| Total Private | 5,787,803 | 68% |
| Employer | 5,402,215 | 63% |
| Direct | 2,825,496 | 33% |
| Indirect | 2,576,719 | 30% |
| Other Private | 464,672 | 5% |
| Total Public | 1,638,567 | 19% |
| Medicare | 327,181 | 4% |
| Medicaid | 1,104,694 | 13% |
| SCHIP | 456,152 | 5% |
| Uninsured | 1,643,759 | 19% |

The Employment-Based Coverage System is Eroding



Georgia Health Care Costs for the Uninsured

Total Payments in Georgia:

| | |
|-------------------------------------|------------------------|
| Uninsured: | \$366 million |
| Taxpayers: | \$722 million |
| <u>Other Health Care Consumers:</u> | <u>\$741 million</u> |
| Total Costs of Uninsured: | \$1,829 million |

Examples of contributions Georgia families make for care for the uninsured

Family of Three with no health expenditures and:

Private insurance and income of \$50,000 pay annually:

| | |
|-------------------------|---------------------|
| Taxes: | \$438 |
| <u>Premiums:</u> | <u>\$590</u> |
| Total: | \$1,028 |

Private insurance and income of \$35,000 pay annually:

| | |
|-------------------------|---------------------|
| Taxes: | \$201 |
| <u>Premiums:</u> | <u>\$648</u> |
| Total: | \$849 |

Angels and Demons: Common Health Reform Elements

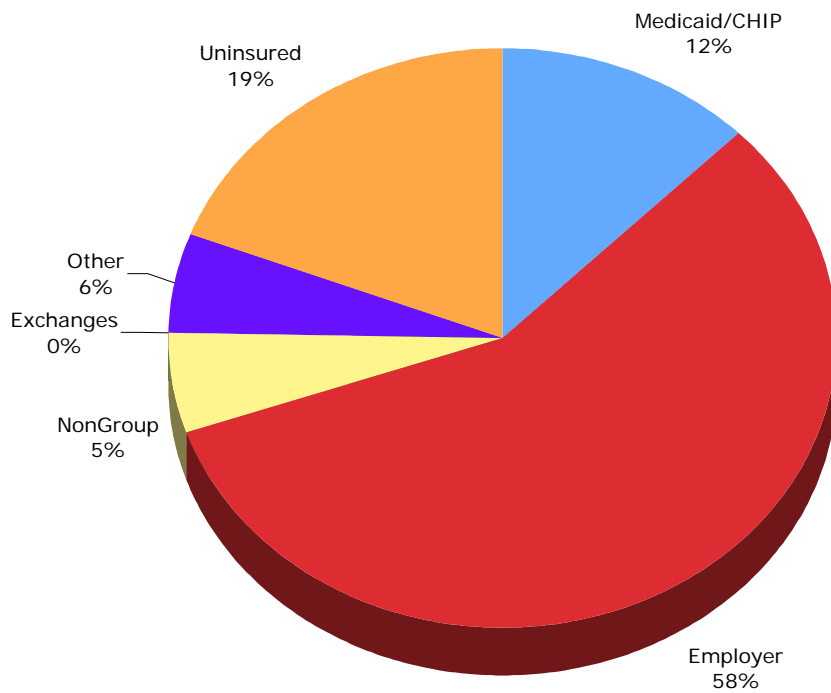
- Individual Mandate
- National Health Insurance Exchange (NHIE)
 - Guaranteed Issue
 - Standard Benefits
 - pooling of risk
 - Risk Adjustment
- Income related subsidies
- Medicaid expansion

Angels and Demons: Other likely elements

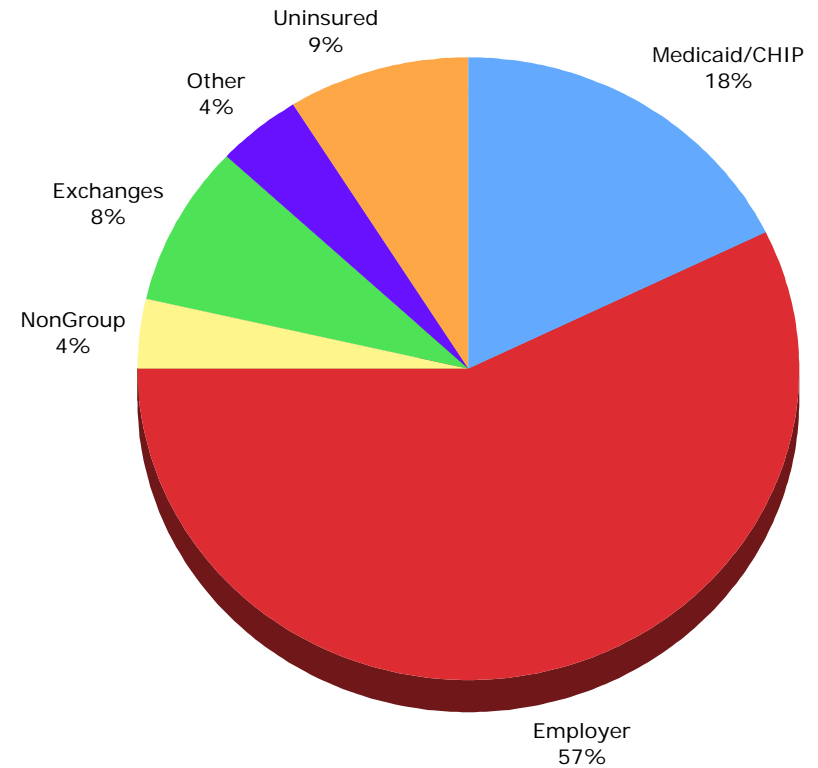
- Employer mandate for medium and large firms through play or pay approach;
- Subsidies for small firms
- Public Option
- Health Information Technology Expansions
- Financing
 - Medicare cuts
 - Reductions in payments under Medicare and Medicaid for uncompensated care
 - Reductions in reimbursement increases 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



Senate Finance Bill



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