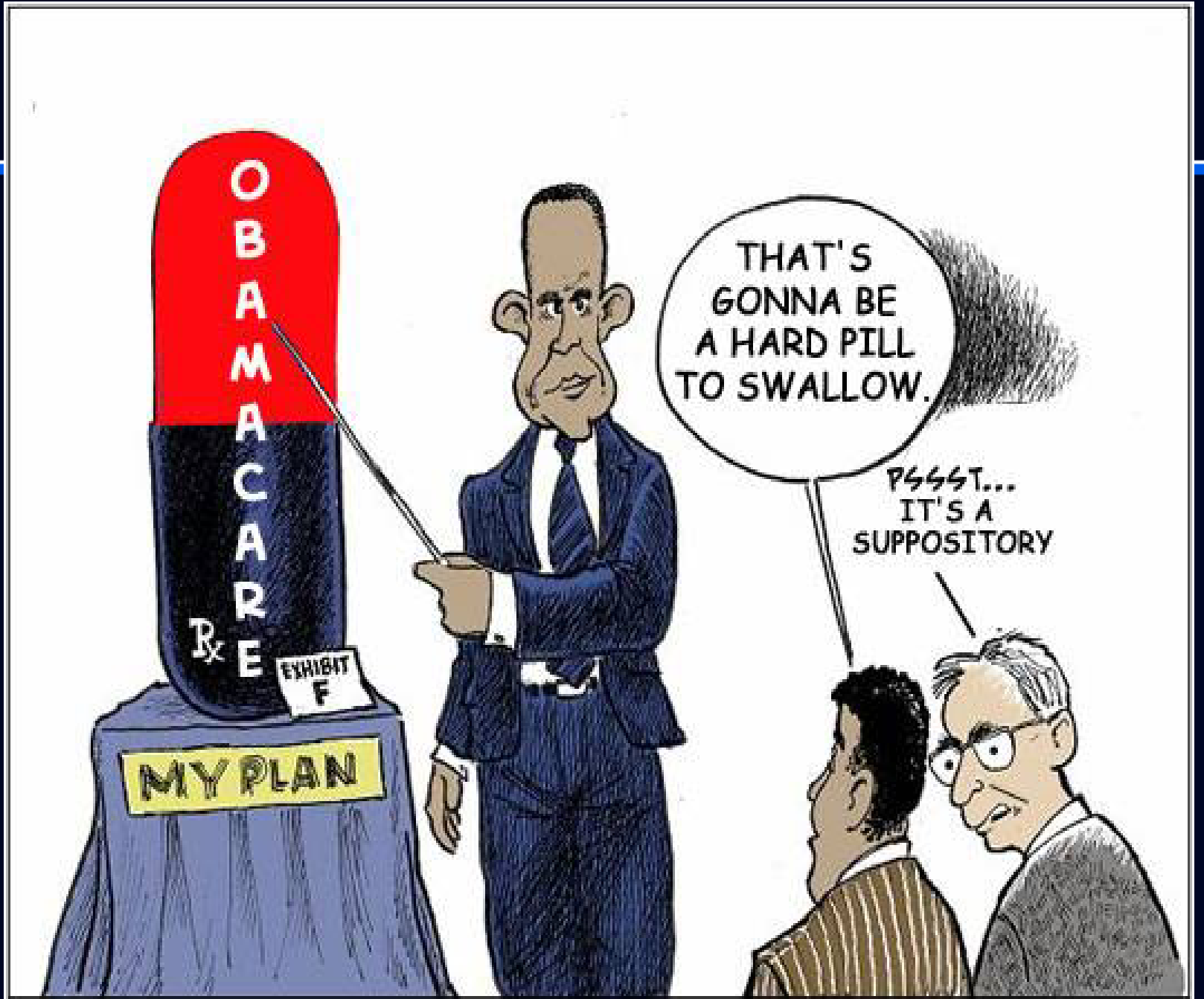


Healthcare in an November Congress

Jesse A Patton LUTCF, HIA, MHP, FAHM, HIPAAA, EBHA
President Associations Marketing Group, Inc

Grand Island & Ashland, NE
November 12, 2009



THAT'S
GONNA BE
A HARD PILL
TO SWALLOW.

PSSST...
IT'S A
SUPPOSITORY

MY PLAN

EXHIBIT
F

O
B
A
M
A
C
A
R
E

R&E

Winston Churchill

- Some see private enterprise as a predatory target to be shot, others as a cow to be milked, but few are those who see it as a sturdy horse pulling the wagon.
- We contend that for a nation to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.



Government Projections

- **Prior to 1965-** Government officials also made unsound assurances. In fact, the federal government's lead actuary in 1965 projected that the hospital program (Medicare Part A) would grow to only \$9 billion by 1990. The program ended up costing more than \$66 billion that year.

Doc's in America

- Number of Doctors in America is now estimated to be only 760,000
- Ten Years to train a Physician
- Pew Institute found that 45 percent of all practicing doctors would consider retiring or closing their practices if the Obama healthcare bill passes



President Obama



“If you like your health plan, you can keep it, the only thing that will change is that you’ll pay less.”

President Barack
Obama

- Key promises:

- Undocumented immigrants will not be covered
- No public financing of abortions
- If you like your plan you can keep it
- Existing coverage will not change, just become better and less expensive
- Public option, if there is one, will be limited to small employers and uninsured individuals
- Bill will not increase federal deficit by one penny
- Bill will cost about \$900 billion and be financed most through administrative savings and cuts to waste, fraud and abuse in the current system



HEALTH INSURANCE REFORM NOW

HEALTHCARE.BARACKOBAMA.COM

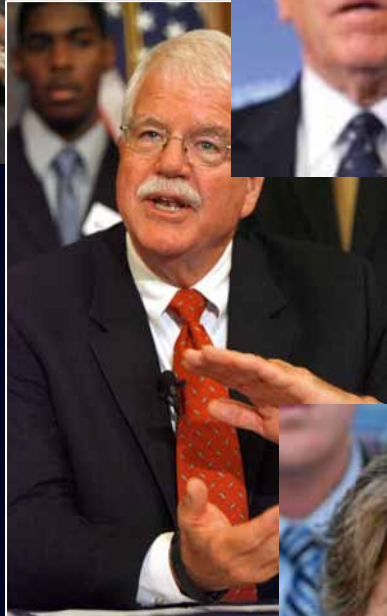


Senator Ben Nelson (D) Nebraska

- “We just finished the first quarter,” “There are three quarters to play. The bench is worn out. The quarterback keeps getting sacked. And the crowd has about had it, too.”



Key House Players



Overview of House Action



- House of Representatives passed HR 3962 220-215 on November 7
- House passage is just one step in a lengthy political process
- The Senate still has yet to formalize a merged bill, go through what is expected to be a protracted and intense Senate floor debate and amendment process lasting well into 2010
- Whatever passes the Senate must be combined with the House bill
- Differences between the two bills must be resolved in such a way that the legislation will pass both chambers
- The health reform effort is still a long way from over!

Highlights from the bill include



- By a vote of 240 to 194, the House approved an amendment by Reps. Bart Stupak (D-MI) and Joseph Pitts (R-PA) addressing coverage of abortion services. This amendment would prohibit federal funds from being used to pay for abortion services under the government-run plan, and it would prohibit the affordability credits from being used to pay for plans that cover abortion services.

Highlights from the bill include

- By a vote of 258 to 176, the House defeated the Republican substitute amendment, which included provisions addressing the following topics:
- **Federal funding for state high risk pools and reinsurance programs to cover persons with pre-existing conditions; a nationwide marketplace for individual health insurance; improvements to HSAs; association health plans; independent review and new restrictions on health plan rescissions; administrative simplifications; medical liability reforms; FDA approval of generic biologics; and repeal of the Federal Coordinating Council for Comparative Effectiveness Research.**

Highlights from the bill include

- By a vote of 247 to 187, the House defeated a motion to recommit the bill to the committees of jurisdiction with instructions to amend the bill to include medical liability reforms and to protect seniors from Medicare Advantage funding cuts. This motion was offered by House Republican Whip Eric Cantor (R-VA).

I. Coverage and Choice

- **A Health Insurance Exchange** - Individuals and Small employer-States may opt to operate the Exchange in lieu of National Exchange provided they follow Federal Rule
- **A Public Health Insurance Option** - Self Sustaining-Financed only by Premiums-Start up Administrative Funding by Government
- **Guarantee Coverage & Insurance Reforms**
 - Rates can vary only based on age 2:1, geography and family size

Benefits

- Creates a Health Benefits Advisory Commission-Assist Secretary of HHS to define essential benefit package
- Cost-Sharing by Four Tiers-Actuarial value from 70% to 95%
- “Basic” “Standard” “Premium” Premium Plus”
- Premium Plus would include Adult Dental, Vision, Gym Membership, private hospital rooms.
- All plans limit Out of Pocket \$5,000 Individual and \$10,000 for Family

II. Affordability

- **Credits Sliding Scale** – Most Generous for those just above Medicaid and phased out at 400% of poverty \$43,000 Individual-\$88,000 family.
- **Expands Medicaid** – Increase to 150% of poverty
- **Improves Medicare** – Fill the donut hole over time, no costing for preventive, fix physician payments.

III. Shared Responsibility

- **Individual Responsibility** – Except for hardship those who chose not to have coverage 2.5% penalty of income or Average premium of Exchange
- **Employer Responsibility** – Provide Coverage or pay penalty of 8% of payroll. Coverage must meet minimum benefit and contribution requirement. **Full-time 72.5% of single, 65% of Family – Part-time pro-rated to be defined by new commission.**
- **Assistance for Small Employers** -- \$500,000 or less of payroll exempt, phase starting at 2% rising to 8% for \$750,000 of payroll or above
- **Government Responsibility** – Ensuring every American can afford quality health insurance

“Sleeper” provisions with significant impact

- **A provision prohibiting employers from reducing health benefits for current retirees unless the reductions are also imposed on coverage for active employees**
- **A provision expanding COBRA coverage**
- **A provision making expenses for non-prescription over-the-counter medicines ineligible for reimbursement through FSAs, HRAs and HSAs**
- **A provision waiving ERISA preemption so that States wishing to do so may establish a single-payer health care system.**

Funding House Bill

- \$544,000,000,000.00 in Cuts to Medicare
- \$544,000,000,000.00 in Progressive Income Tax Surcharge 5.4% income tax surcharge on Americans with adjusted gross incomes in excess of \$500,000 single/\$1 million filing jointly
- A limitation that over-the-counter prescription drugs may not be reimbursed through FSAs, an increase on the tax on distributions from a Health Savings Account that are not used for qualified medical expenses to 20% (from 10%), the elimination of the deduction for employer-sponsored retiree prescription drug plans, a tax on medical devices

Promises Made or NOT

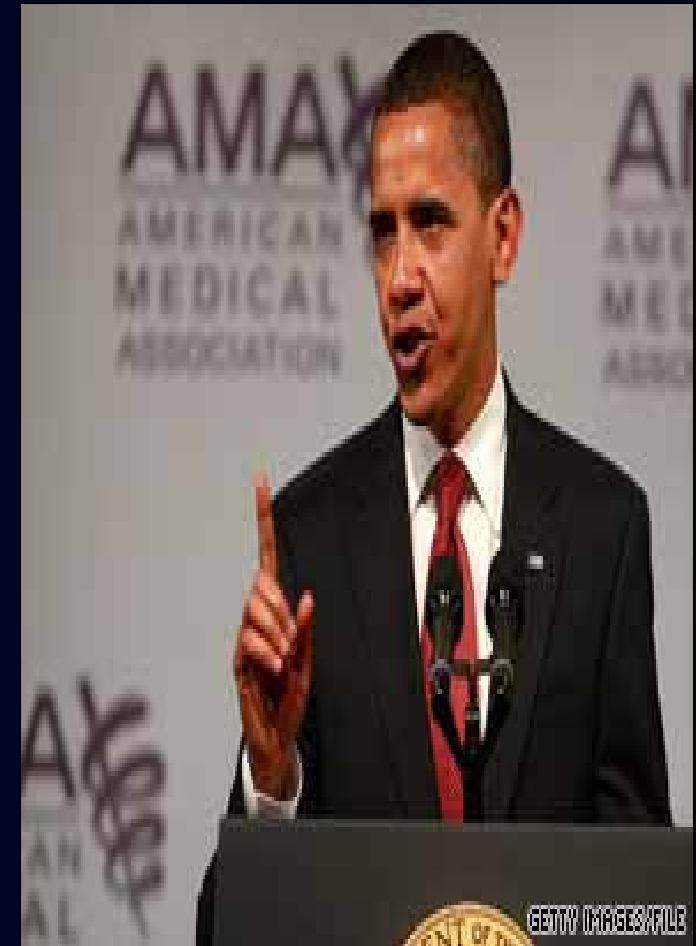
- PricewaterhouseCoopers released a [study](#), commissioned by America's Health Insurance Plans, which showed the cost of a family plan in 2019 would be \$4,000 a year *higher* if reform passes.
- A second comprehensive [analysis](#) was released on and showed basically the same thing. This one, commissioned by Blue Cross Blue Shield, was by Oliver Wyman, Inc. It said that a weakly-enforced individual mandate, coupled with requirements that insurers sell to all applicants, would lead to premium increases of \$3,300 for family coverage.*
- Further, small businesses will see their health costs rise 19% higher than if reform weren't passed, forcing many to drop coverage for their workers.

Is An Individual Mandate Enforceable?

- Bills require all Americans to obtain specific levels of health insurance coverage
- Intent is good—many uninsured are young and healthy, and inclusion in the insured risk pool would stabilize costs
- Insurance carriers could underwrite policies without taking into account preexisting conditions and basing rates on health conditions if EVERYONE is in the system
- Questions:
 - *Costs of subsidies needed to make sure everyone can afford coverage*
 - *What counts as qualified health benefits plan?*
 - *Is tax system effective enforcement?*
 - *If enforcement doesn't work, what is the impact on costs?*
 - *Impact on Employer-Sponsored plans?*

Public Plan? Co-Op? Trigger? State Option?

- Concerns about effects on private insurance markets
- Crowd-out, unlevel playing field
- Cost controls likely grounded in Medicare price fixing, which already shifts \$1,800 in annual premium surcharges to private insurance (family coverage)
- “Trigger” mechanism possible
- Non-profit “Cooperatives” considered as alternative



Total U.S. Health Care Costs



2008

\$2.4 Trillion

2016*

\$4.3 Trillion

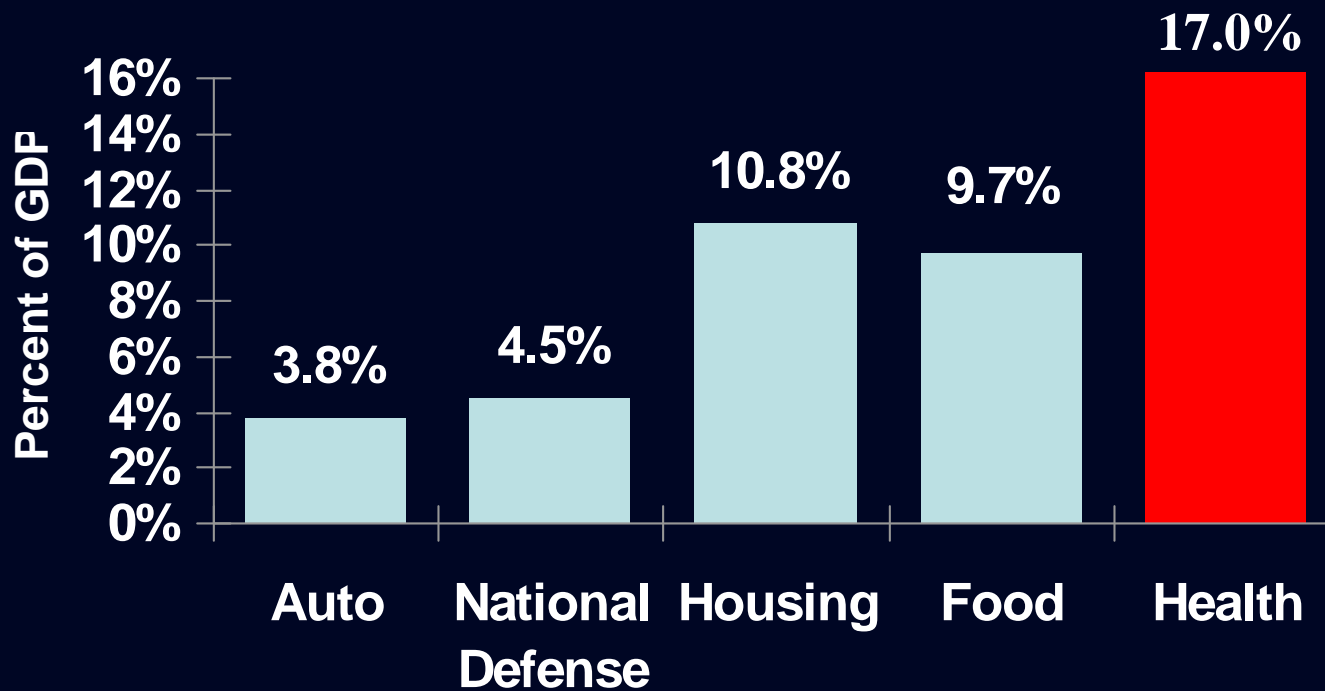
\$35.2 Trillion
Over 10 years

Source: Centers for Medicare & Medicaid; 2008

Health Costs Represent Largest Sector

Components of Gross Domestic Product (GDP)

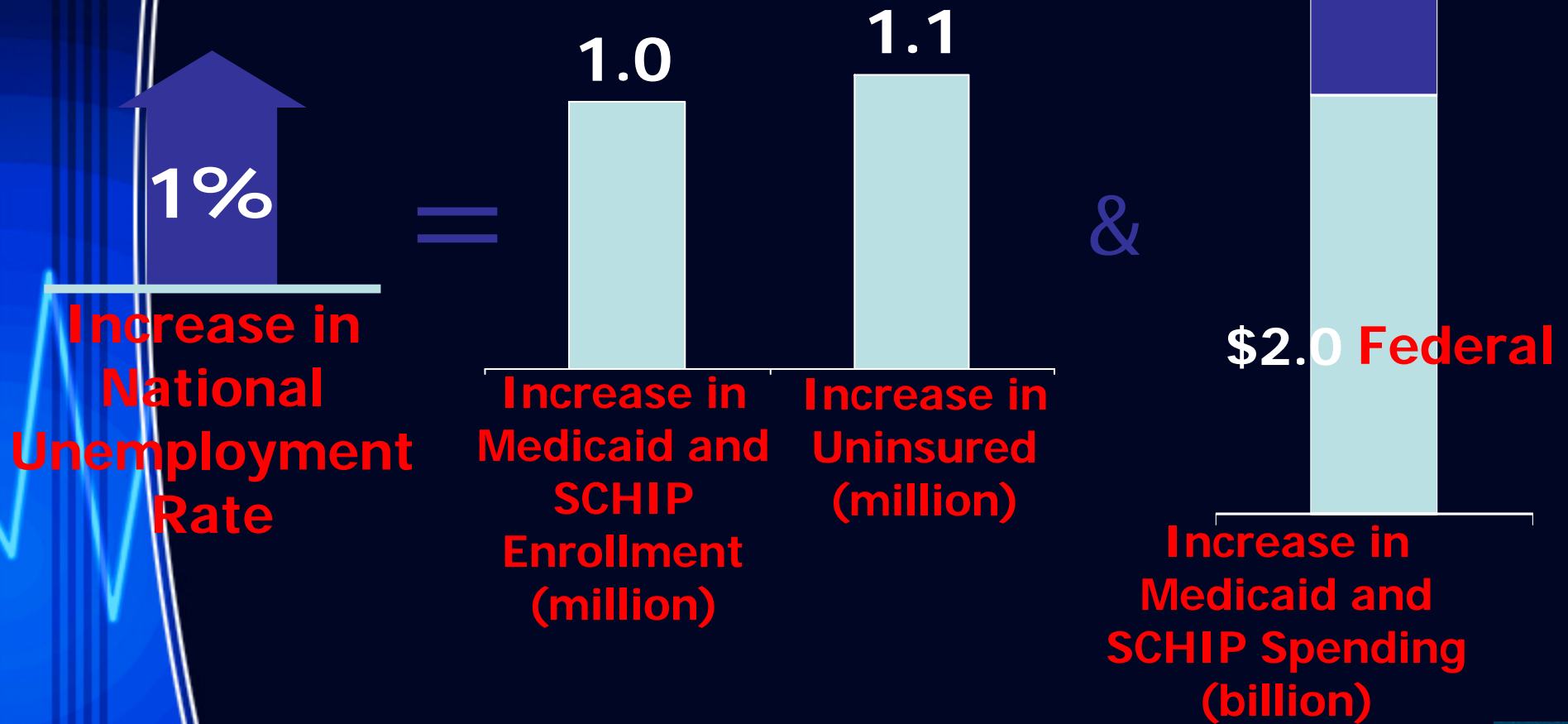
17.0% = \$2.4 Trillion



Source: Auto, National Defense, Housing, Food; Bureau of Economic Analysis Q1 2009; Health, Centers for Medicare & Medicaid; 2008

Impact of Unemployment Growth on Medicaid and SCHIP and the Number Uninsured

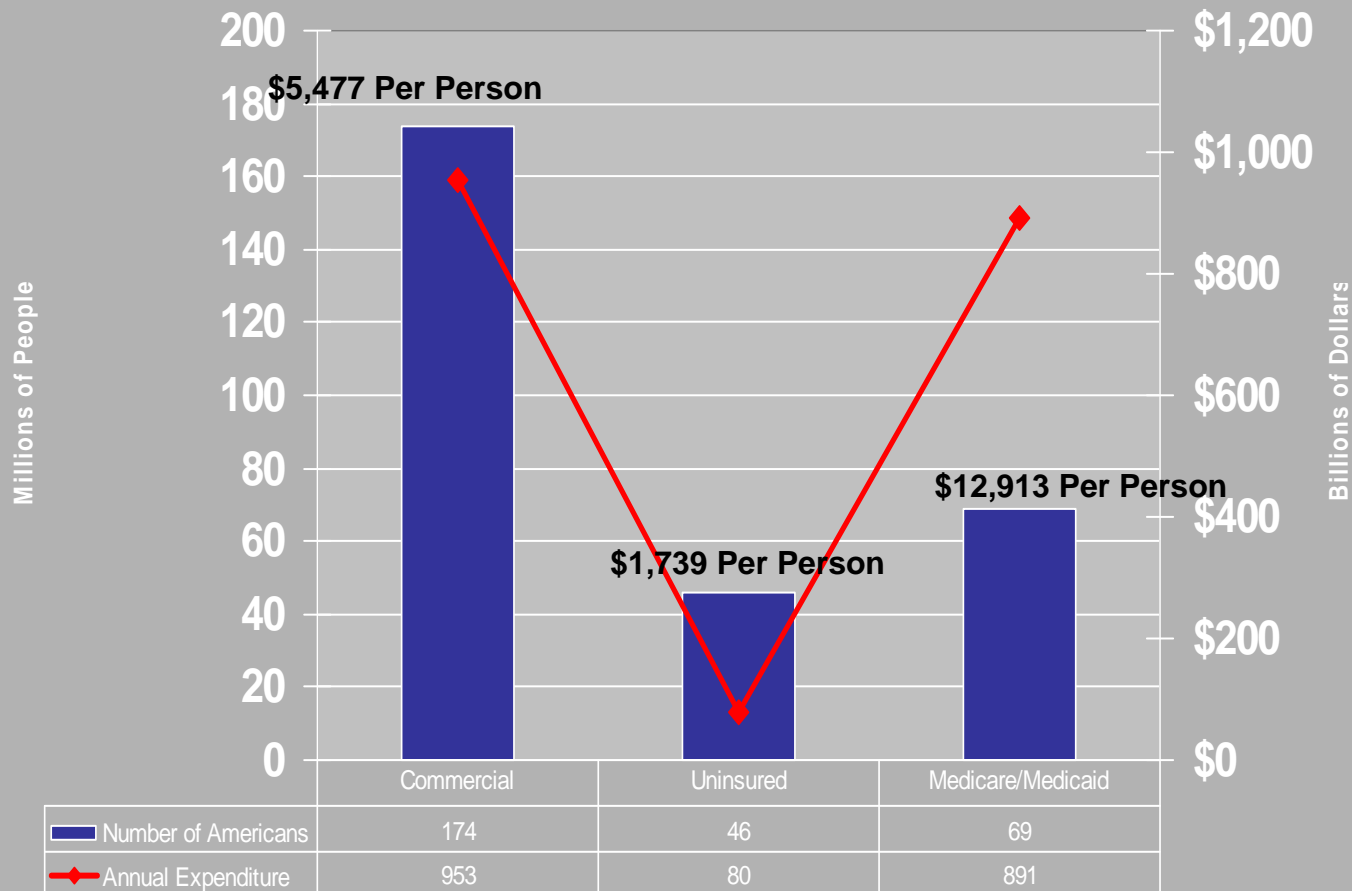
1% increase in unemployment also = a 3-4% decline in state revenues



Source: Stan Dorn, Bowen Garrett, John Holahan, and Aimee Williams, *Medicaid, SCHIP and Economic Downturn: Policy Challenges and Policy Responses*, prepared for the Kaiser Commission on Medicaid and the Uninsured, April 2008

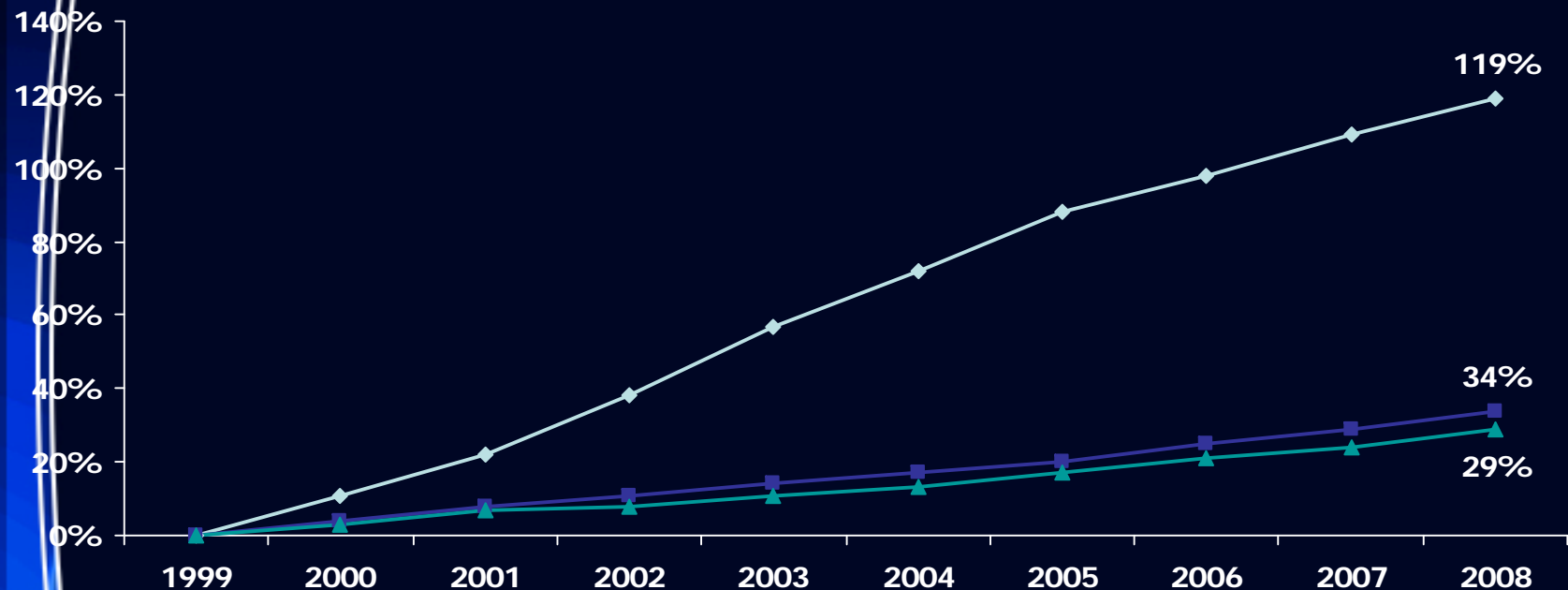
Constraining Medical Costs

Who Is Supporting The Health Care System



2006 Chapterhouse, LLC: *Census Bureau, "Current Population Survey", CMS, Kaiser Family Foundation, EBRI, U.S. GAO, CBO*

Cumulative Changes in Health Insurance Premiums, Inflation, and Workers' Earnings, 1999-2008

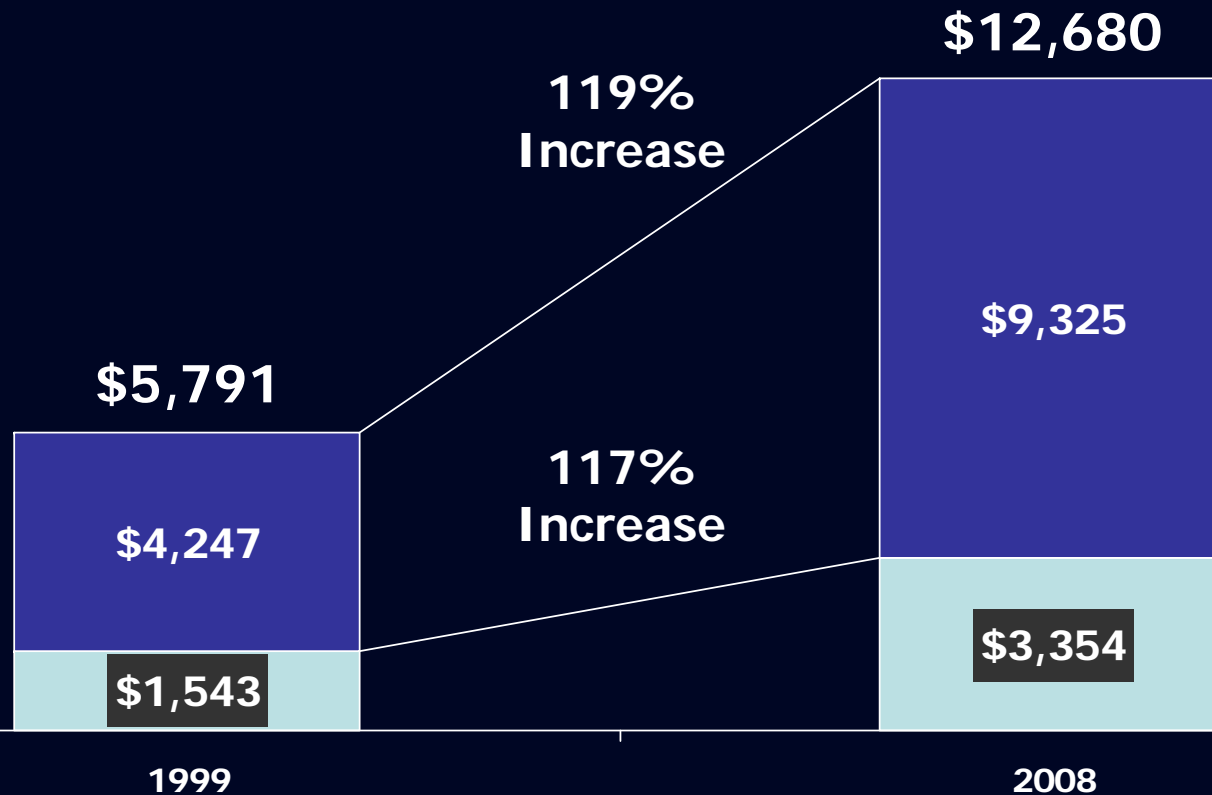


Note: Due to a change in methods, the cumulative changes in the average family premium are somewhat different from those reported in previous versions of the Kaiser/HRET Survey of Employer-Sponsored Health Benefits. See the Survey Design and Methods Section for more information, available at <http://www.kff.org/insurance/7790/index.cfm>.

◆ Health Insurance Premiums
■ Workers' Earnings
▲ Overall Inflation

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2008. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2000-2008; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2000-2008 (April to April).

Average Health Insurance Premiums and Worker Contributions for Family Coverage, 1999-2008



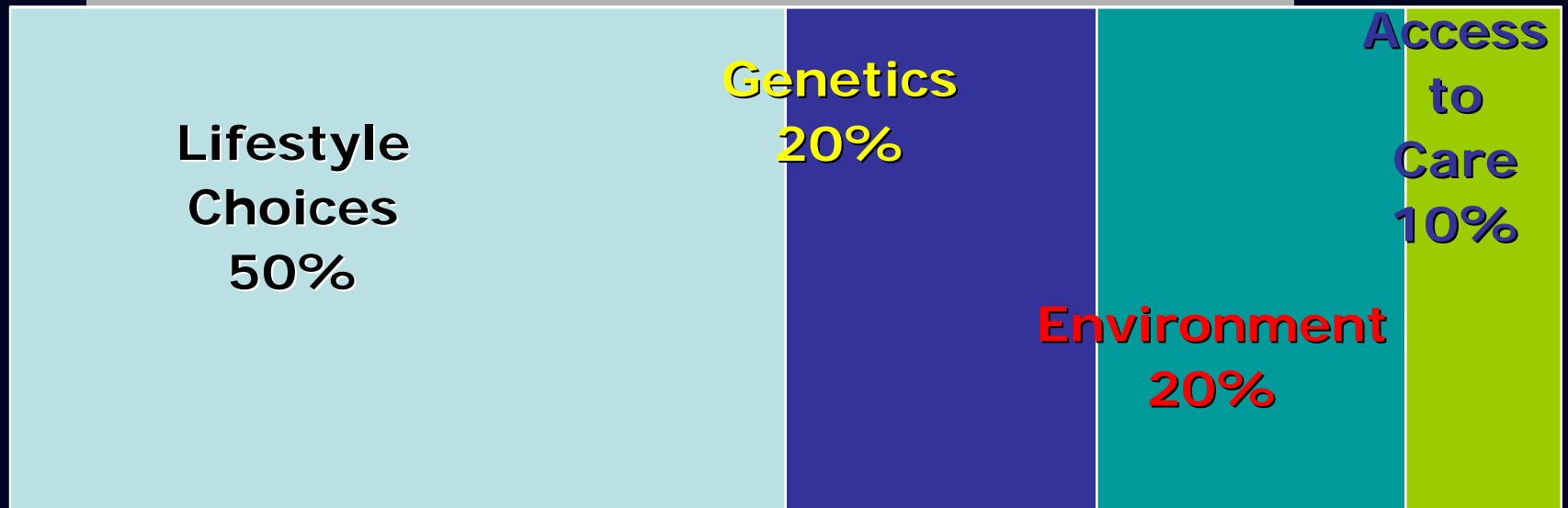
■ Employer Contribution
■ Worker Contribution

Note: The average worker contribution and the average employer contribution do not add to the average total premium due to rounding.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2008.

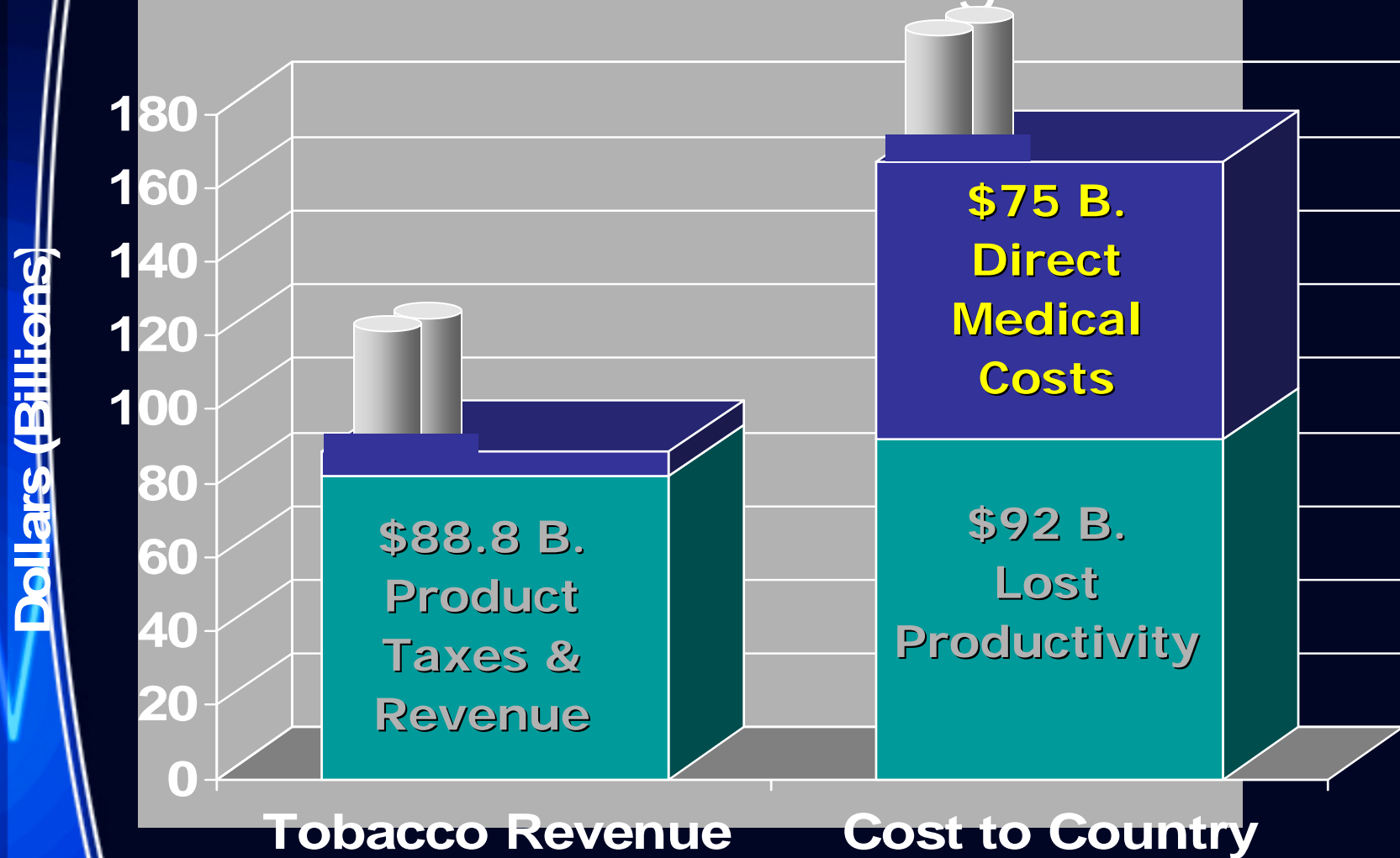
Constraining Medical Costs

Determinants of Health Status



Constraining Medical Costs

Behavior & Lifestyle: The Cost of Smoking



Health Care Spending in United States

- **Chronic Conditions Represent 75% of our Nations Healthcare Spending**
- **96% of the spending in the Medicare Program**
- **83% of the spending in the Medicaid Program**
- **What are Chronic conditions-Obesity, Hypertension, Diabetes, High Cholesterol**
- **Evidence Based Care is only preformed 50% of the time on Chronic Conditions**

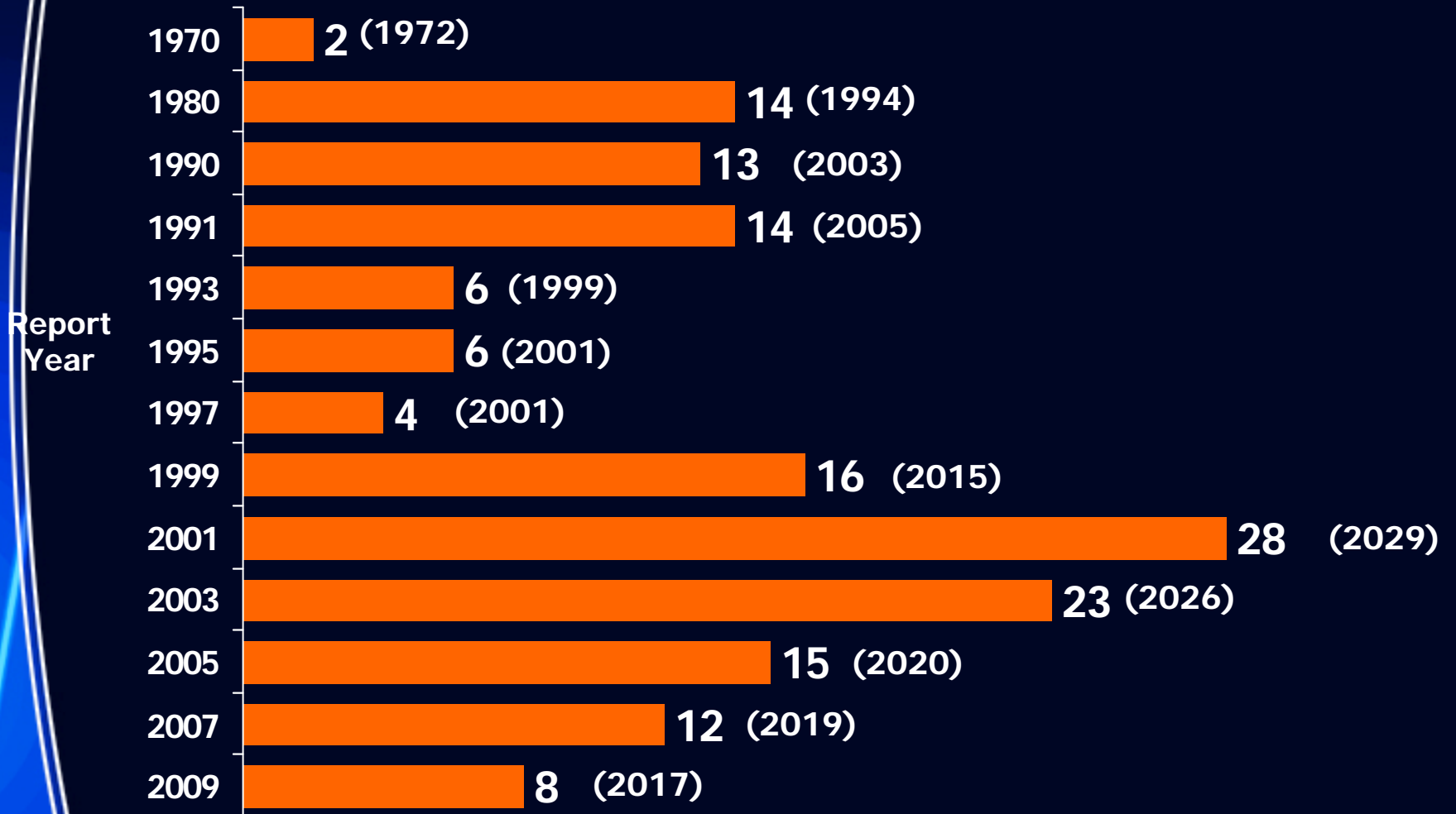
U.S. Rx Spending

- **United States represents 4% of the world's population**
- **United States population consumes 52% of the prescription drugs in the world**



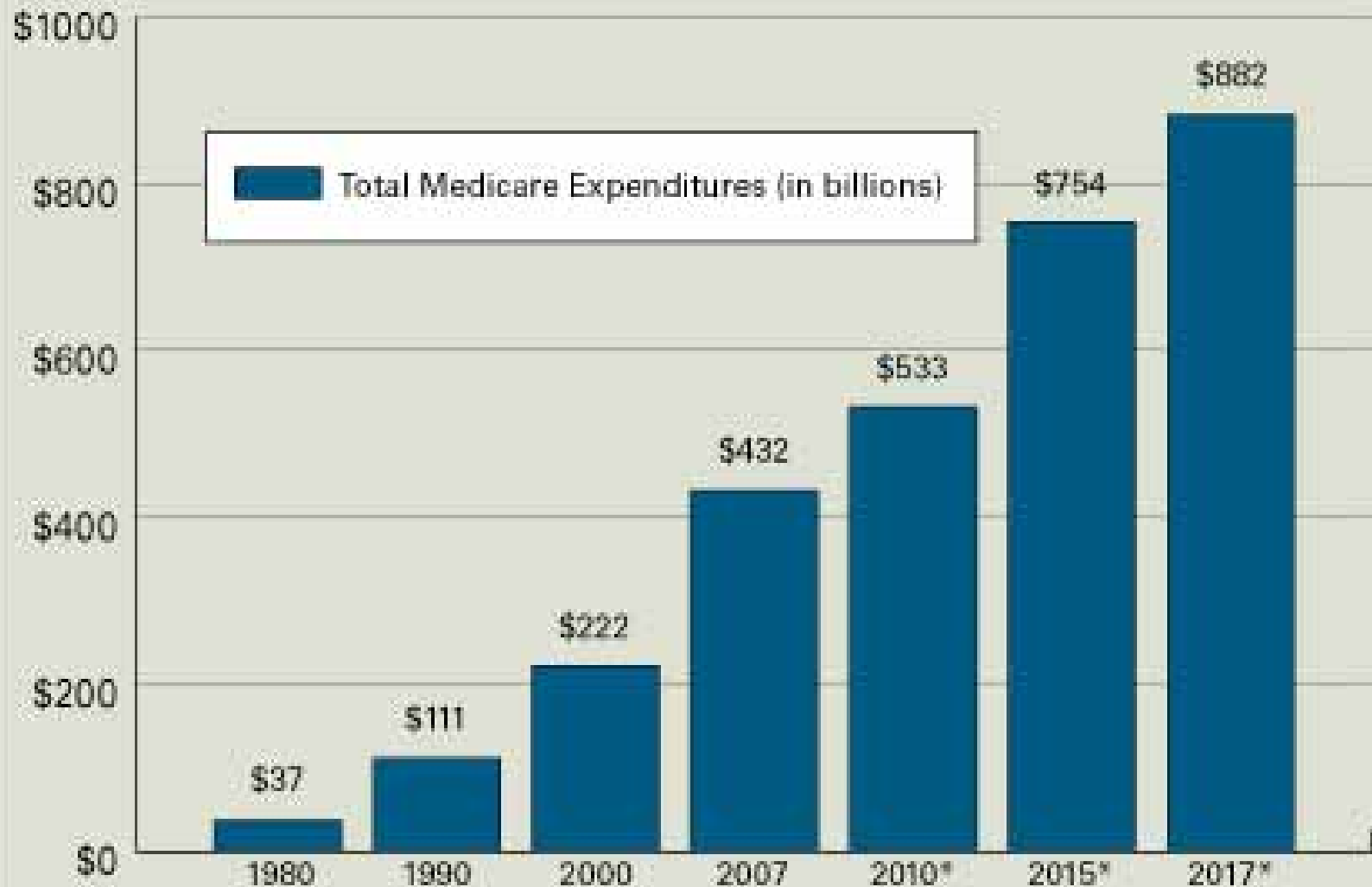
Solvency Projections of the Part A Hospital Insurance Trust Fund, 1970-2009

Projected Number of Years to Insolvency and Projected Year of Insolvency:



Source: Intermediate projections from 1970-2009 Annual Reports of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.

MEDICARE EXPENDITURES HAVE INCREASED AND ARE PROJECTED TO REACH \$882 BILLION BY 2017



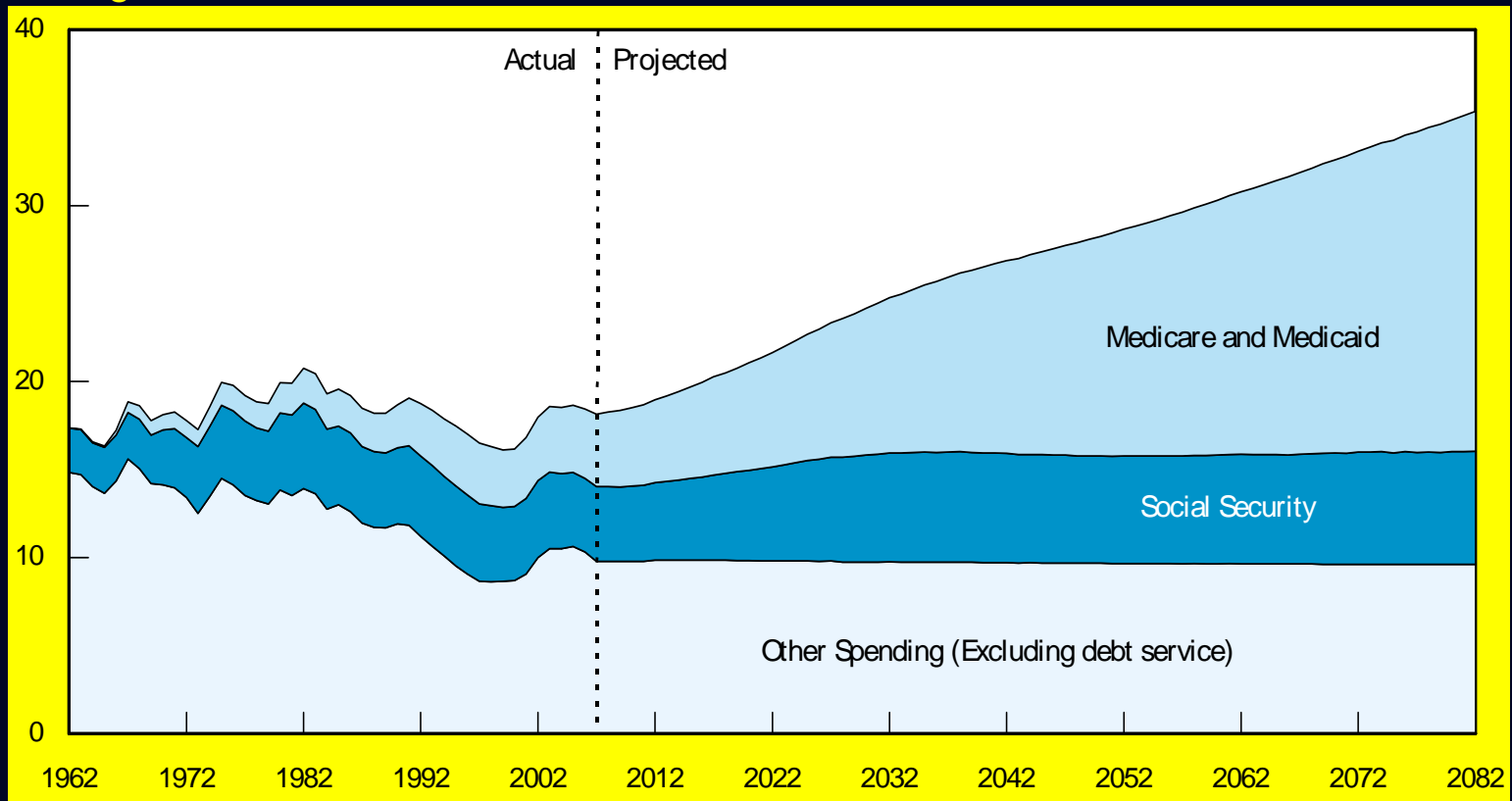
*Projected expenditures

Source: Centers for Medicare and Medicaid Services, 2008 Annual Report of the Board of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds.



Long-Term Fiscal Gap and Health Care Costs

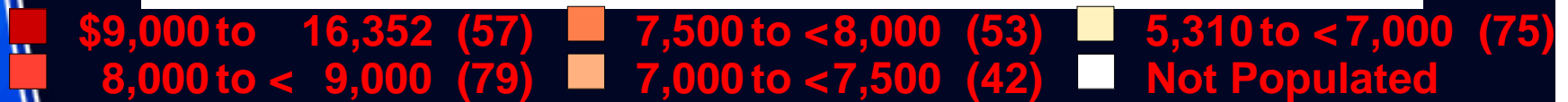
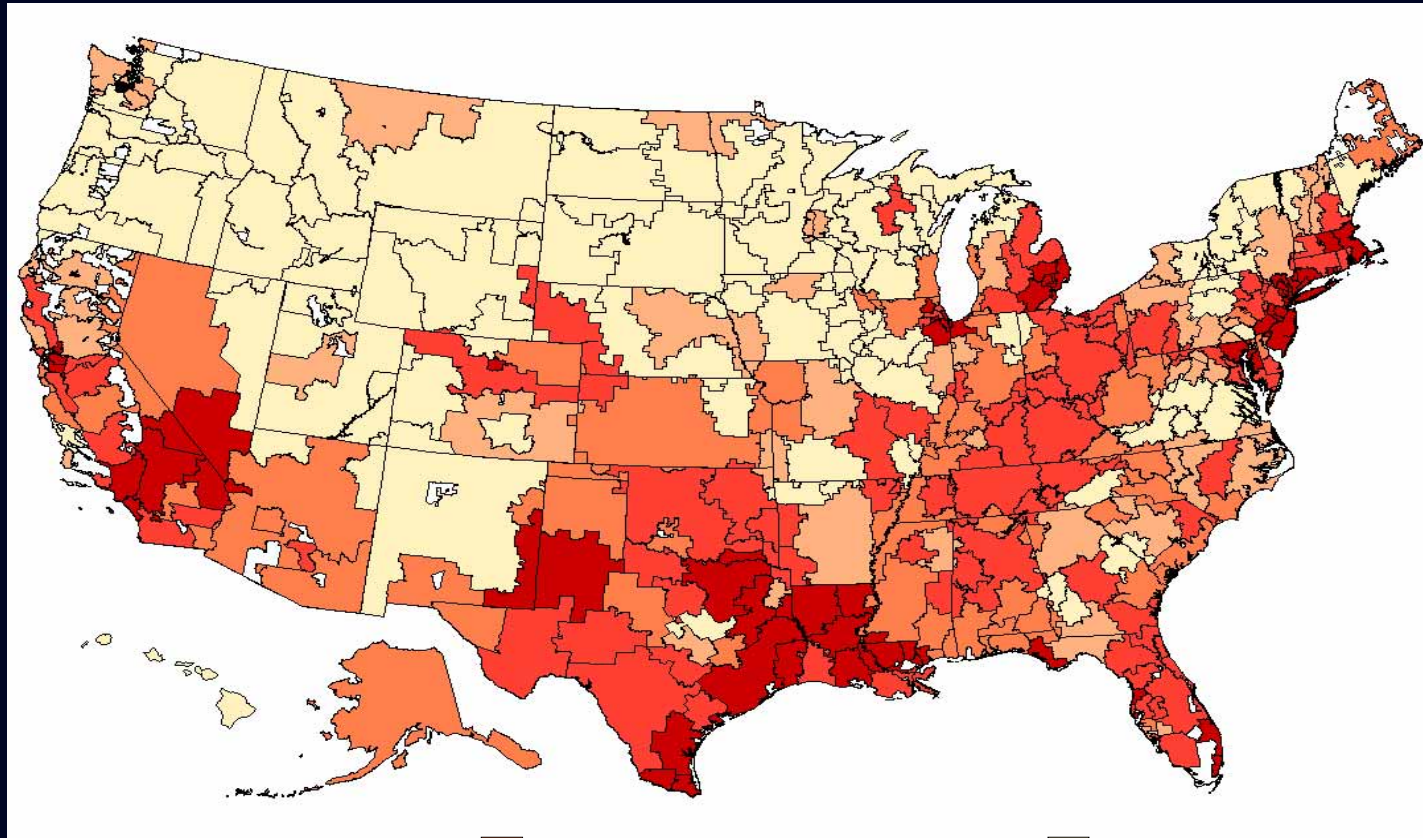
Percentage Share of GDP



Source: CBO



Medicare Spending per Capita, by Hospital Referral Region, 2006



Source: www.dartmouthatlas.org

Cost Shift Medicare-Medicaid

- **Study conducted by Milliman and endorsed by the U.S. Chamber of Commerce that finds cost-shifting due to underpayment by Medicare and Medicaid costs private insurers \$89 billion a year**
- **Raising the cost of insurance coverage for a family plan by \$1,788 a year**

Key Senate Players



Questions

