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Overview of health care financing options and the Minnesota landscape

UNIVERSITY OF MINNESOTA

School of Public Health

www.sph.umn.edu

Kathleen Call

Minnesota Medical Association

Bloomington, MN. February 13, 2020

Goals

Provide an overview of:

- Various health care financing options and how they differ from each other
- Experience of Colorado and Washington who have passed public options in their state
- The Minnesota landscape

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Major Policy Questions

- Should we get rid of private health insurance?
- Should we build on the ACA?
- Is health care a universal right?
  - Should everyone have access to health care regardless of their ability to pay?
  - Should undocumented immigrates have access to health care?
- Who should pay for health care? Should certain people pay more?
- Should everyone be forced to have health insurance?
- Should people have to pay for benefits they don't use/want (e.g. men having to buy policies that include maternity benefits; young healthy adults paying when they don't sure services)?

Stage Setting

- The U.S. is the only one of 33 developed counties without universal health care
- U.S. health care costs continue to rise; exceeding all other high income countries with some form of universal health care
- Assertion that the current U.S. multi-payer system leads to higher costs AND leaves many uninsured and underinsured
  - 10% of the U.S. population are uninsured, leading to delayed and more costly care
  - Underinsurance is rising, leading to delayed and forgone care
- Single-payer approach has been on and off table as policy solution since 1990
- Public option viewed as incremental step in that direction

Models of universal health care

- **Single-payer** = Government provides free health care paid for with revenue from income taxes. All have same access to care
  - U.K., Spain, New Zealand, and Cuba. U.S. offers to military personnel
- **Mandatory or social health insurance** = Uses social health insurance model that requires everyone to buy insurance. The government controls health insurance prices
  - Germany, France, Belgium, the Netherlands, Japan, and Switzerland
- **National health insurance** = Uses public insurance to pay for private practice care. Every citizen pays into the national insurance plan
  - Canada, Taiwan, and South Korea

Source: healthpolicy.ucla.edu

Overview of U.S. health care financing options

Medicare for All (single-payer)

Pure Medicare for All

- A single national plan, displaces private insurance, no patient cost sharing, comprehensive benefit
- **GOAL**: achieve universal coverage AND remove market forces from health insurance, create complete systems change

Hybrid Medicare for All

- Leaves a role for private insurers, private options would be approved by the federal government, current Medicare Advantage participants could keep their coverage
- **GOAL**: achieve universal coverage, lessen disruption, maintain history of incremental changes to the US healthcare system

Public Option

Medicare for All Who Want It

- Government sponsors regulated "Medicare-like" insurance option(s) that individuals can buy into.
- Builds on and supplements Affordable Care Act's provisions
- Leaves current Medicare intact; may retain a role of private insurers
- Some view this as a stepping stone toward Medicare for All
- **GOAL**: preserve choice, minimize disruption, maintain history of incremental change

Source: Oberlander. Navigating the Shifting Terrain of US Health Care Reform – Medicare for All, Single Payer, and the Public Option. Milbank Quarterly, 2019

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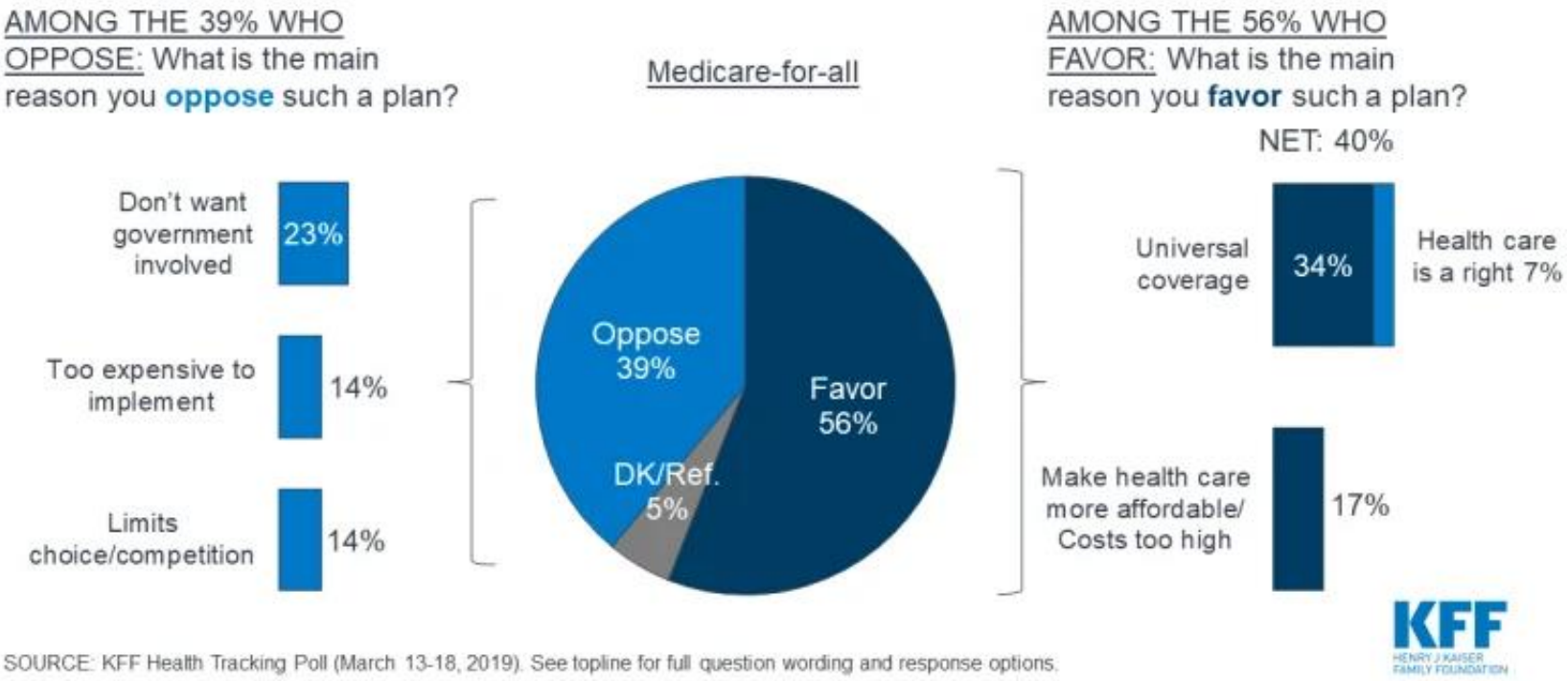
Public support for national plan is growing

Figure 7

Reasons For Opinions On National Health Plan Echo Partisan Messages



SOURCE: KFF Health Tracking Poll (March 13-18, 2019). See topline for full question wording and response options.

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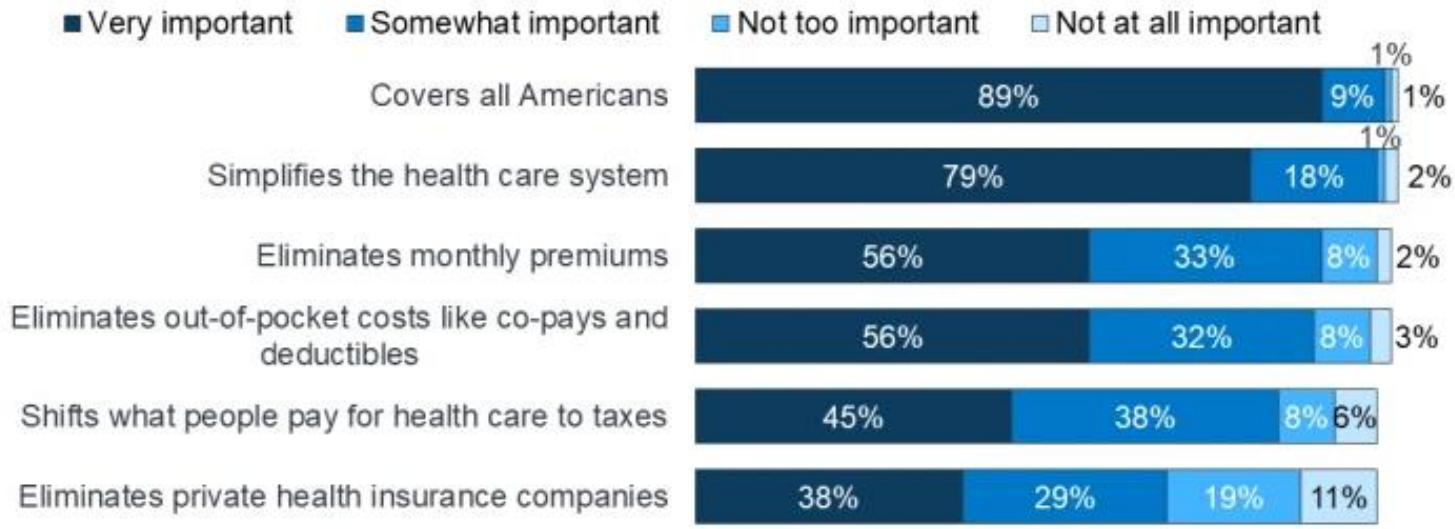
Broad support for universal coverage

Figure 8

Universal Coverage Is Most Important Feature Of A National Health Plan Among Supporters

How **important** is it that a national health plan…?



NOTE: Among those who favor a national health plan.
SOURCE: KFF Health Tracking Poll (March 13-18, 2019). See topline for full question wording and response options.

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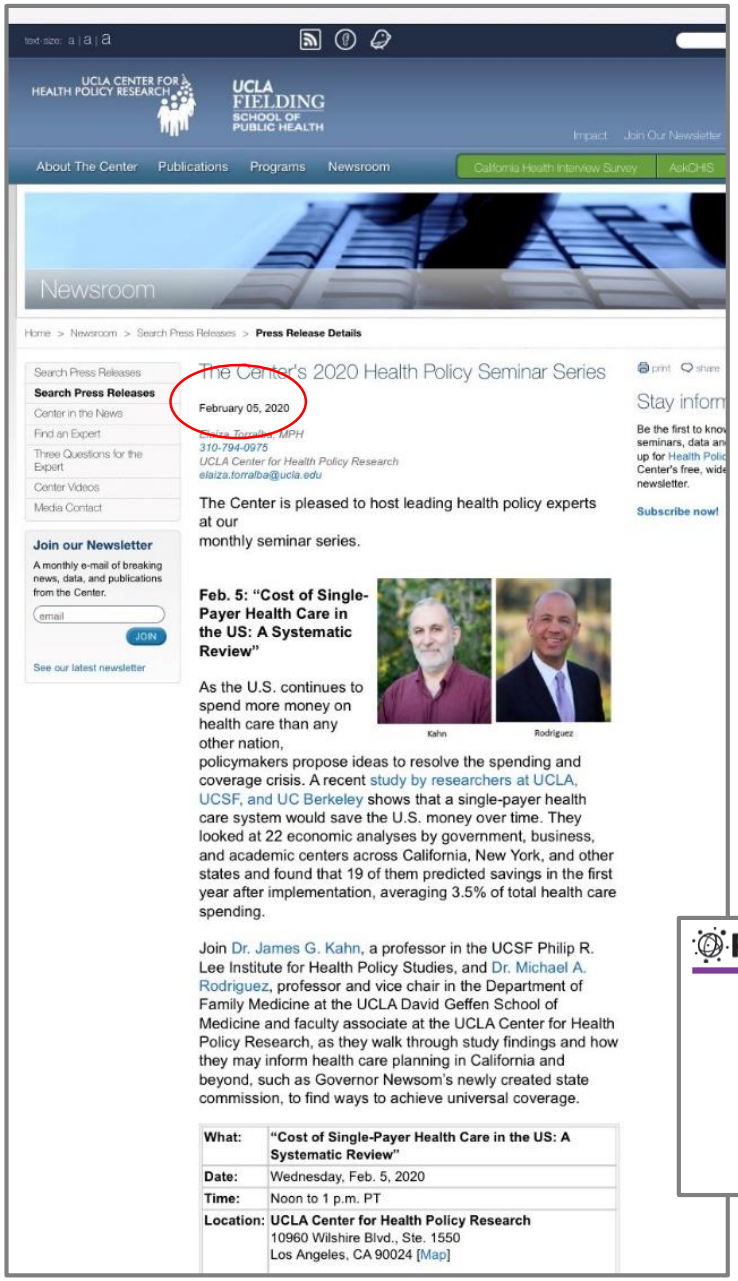

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February 05, 2020

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Feb. 5: "Cost of Single-Payer Health Care in the US: A Systematic Review"

Kahn

Rodriguez

As the U.S. continues to spend more money on health care than any other nation, policymakers propose ideas to resolve the spending and coverage crisis. A recent study by researchers at UCLA, UCSF, and UC Berkeley shows that a single-payer health care system would save the U.S. money over time. They looked at 22 economic analyses by government, business, and academic centers across California, New York, and other states and found that 19 of them predicted savings in the first year after implementation, averaging 3.5% of total health care spending.

Join Dr. James G. Kahn, a professor in the UCSF Philip R. Lee Institute for Health Policy Studies, and Dr. Michael A. Rodriguez, professor and vice chair in the Department of Family Medicine at the UCLA David Geffen School of Medicine and faculty associate at the UCLA Center for Health Policy Research, as they walk through study findings and how they may inform health care planning in California and beyond, such as Governor Newsom's newly created state commission, to find ways to achieve universal coverage.

What:	**"Cost of Single-Payer Health Care in the US: A Systematic Review"**
Date:	Wednesday, Feb. 5, 2020
Time:	Noon to 1 p.m. PT
Location:	**UCLA Center for Health Policy Research** 10960 Wilshire Blvd., Ste. 1550 Los Angeles, CA 90024 [Map]

Review of 22 economic analyses of single-payer system

- 19/22 studies found that single-payer model can save money, including in the first year
  - Median net savings: 3.5% of total costs
- Largest source of savings
  - Simplified payment administration
- 2nd largest source of savings
  - Lower drug spending

PLOS | MEDICINE

RESEARCH ARTICLE

Projected costs of single-payer healthcare financing in the United States: A systematic review of economic analyses

Christopher Cai[1]*, Jackson Runte[1], Isabel Ostrer[1], Kacey Berry[1], Ninez Ponce[2], Michael Rodriguez[3], Stefano Bertozzi[4], Justin S. White[1], James G. Kahn[1]

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Deeper Dive into the Public Option

How might public option be run?

Run by government but implemented like private health insurance

- **Self-sustaining:** require that it be self-sustaining; that is, paid for only by the premiums paid in by those enrolled
- **Tax Subsidized:** have government subsidized premiums, supported through taxes
- **Federal or State Administered:** handled solely by the federal government or by individual states; states would set their own requirements

Source: Torrey, T. Public option health insurance pros and cons: An explanation for the debate

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Who would be eligible for public option?

- People who cannot afford private insurance, especially if their employer does not offer health insurance
- People with pre-existing conditions (if ACA protections are modified or repealed)
- Young and healthy

Source: Torrey, T. Public option health insurance pros and cons: An explanation for the debate

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Public option pros and cons

Pros

- **Covering large group of people would lower cost and lower premiums**
- **Cost would be lower because:**
  - Large size translates to bargaining power
  - Government is non-profit: goal to cover costs but do not have to build profit into premiums
  - Lower administrative costs; no marketing costs
- **Portability**

Cons

- **All related to healthcare professionals, trickle down to patients**
  - Private health insurers could go out of business due to weakened negotiating power
  - Providers worry they will be reimbursed at lower rate an bear brunt of lower costs for patients
  - Watchdogs suggest lower reimbursement will lead providers to reject public option patients
    - Expand/amplify insurance based discrimination

Source: Torrey, T. Public option health insurance pros and cons: an explanation for the debate

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Colorado's Public Option Is (The Big) One Of Many Health Care Fights Lawmakers Will Have This Year

By John Daley | January 27, 2020

Colorado's public option

- Passed 2019. Earliest start: January 2022
- Overseen by Colorado Division of Insurance and the Department of Health Care Policy and Financing
  - Operates like QHP
- No tax dollars: Private insurers (brokers) will sell, collect premiums, bear risk (self-sustaining)
- Cost saving strategies
  - Limiting payouts to between 175% and 225% of Medicare rate (bill setting rates not yet passed)
  - Raise Medical Loss Ratio (MLR) from 80% to 85%
  - Limit what hospitals can charge, varied by hospital
- Asking for authority to require hospitals and private insurers to participate – may be denied by general assembly
- Hoping to reappropriate federal dollars previously spent on premium tax credits (1332 innovation waiver)
  - Lower cost option → less federal money paying for premium tax credits

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Discussion of public option with Governors Inslee and Polis 2/7/20

Washington's public option

- Passed 2019. Earliest start: 2021
- Washington State Health Care Authority oversees
- Will contract with existing private insurers
- Referred to as "State-Procured Qualified Health Plan" (QHP)
  - QHPs will be offered on the individual marketplace
  - Must offer Bronze, Silver, Gold options
- Reimbursements cannot exceed 160% of Medicare reimbursement rate
  - Special reimbursement rates apply to critical access hospitals and primary care services
  - Primary care providers paid at least 135% of Medicare rates
- Bill does not require participation from insurers or providers

Source: Pope, C. Piercing the fog of a Public Option. January 16, 2020

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Who's eligible?

Colorado

- All Colorado residents who are interested in buying their own individual health insurance can purchase a state option plan
- Estimate 4,600 to 9,200 new individuals will enroll
- Voluntary participation

Washington

- People who do not have ESI and do not qualify for Medicare or Medicaid
- Targeted at individual market (4.5% of state's population)
- Voluntary participation

Source: Oberlander. Navigating the Shifting Terrain of US Health Care Reform – Medicare for All, Single Payer, and the Public Option. Milbank Quarterly, 2019

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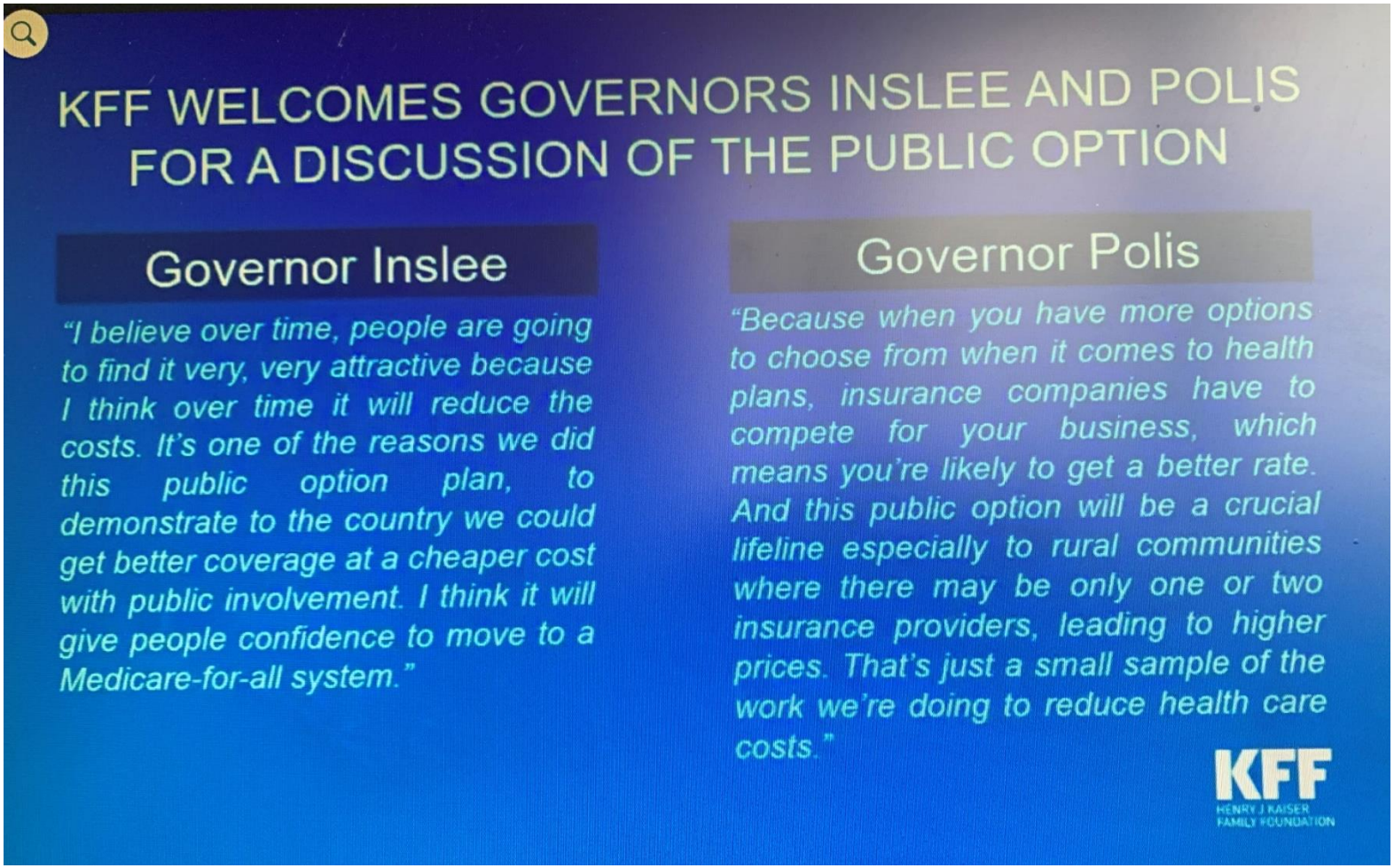

Source: Kaiser Family Foundation forum. February 7, 2020

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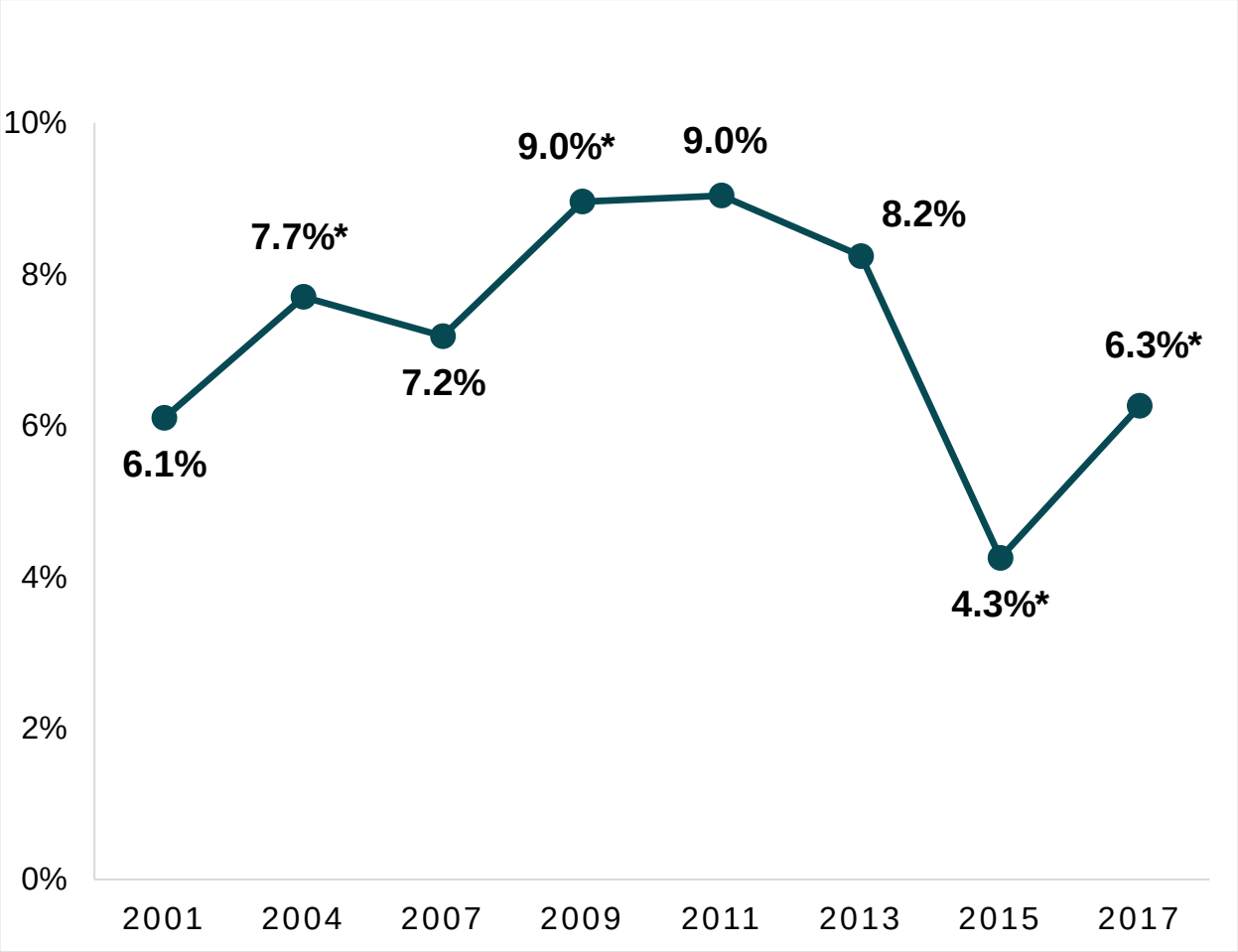
Minnesota Landscape

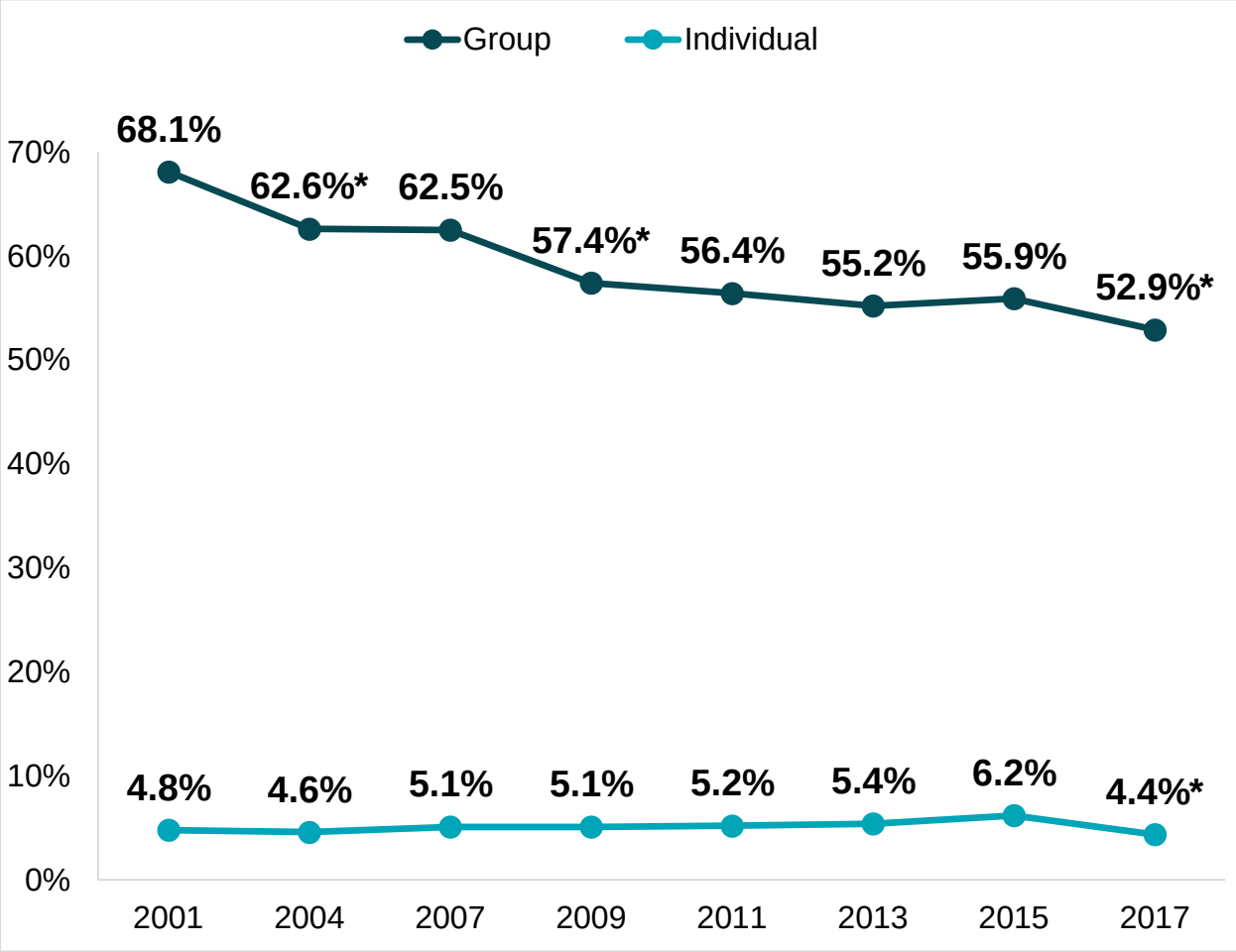
Key Finding 1:
Uninsurance rate rose significantly



- First time increase in uninsurance rate NOT tied to state of economy
- Growth in public coverage did not offset declines in private coverage
- Uninsurance remained below 2013 levels

* Indicates statistically significant difference from previous year shown at the 95% level
Source: 2001, 2004, 2007, 2009, 2011, 2013 , 2015 and 2017 Minnesota Health Access Survey.

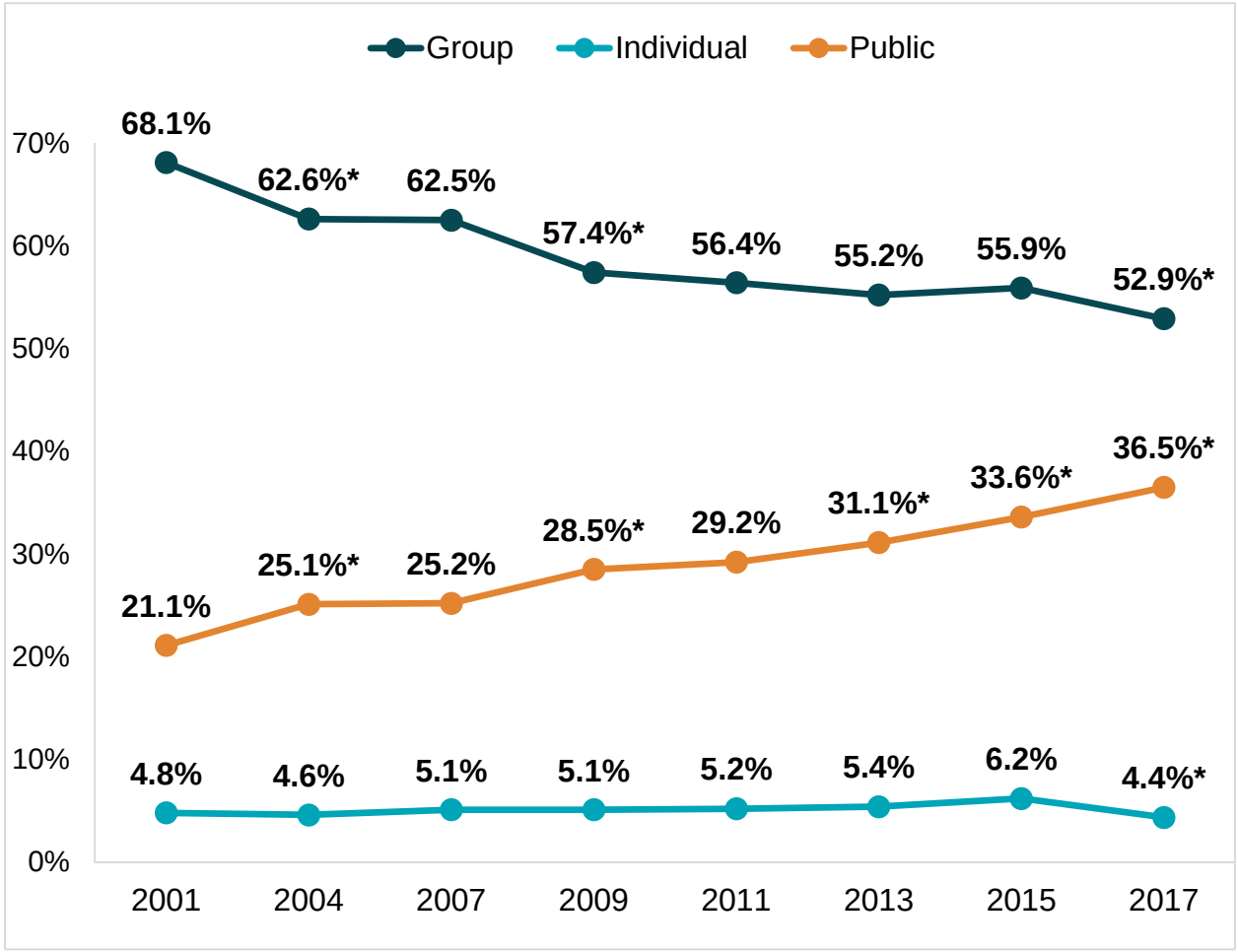
Key Finding 2: Coverage through individual market and employers fell



- Fewer people connected to employers offering coverage
- Declining take-up among children
- High costs (both group and individual markets)
- Uncertainty around coverage

* Indicates statistically significant difference from previous year shown at the 95% level
Source: 2001, 2004, 2007, 2009, 2011, 2013 , 2015 and 2017 Minnesota Health Access Survey.

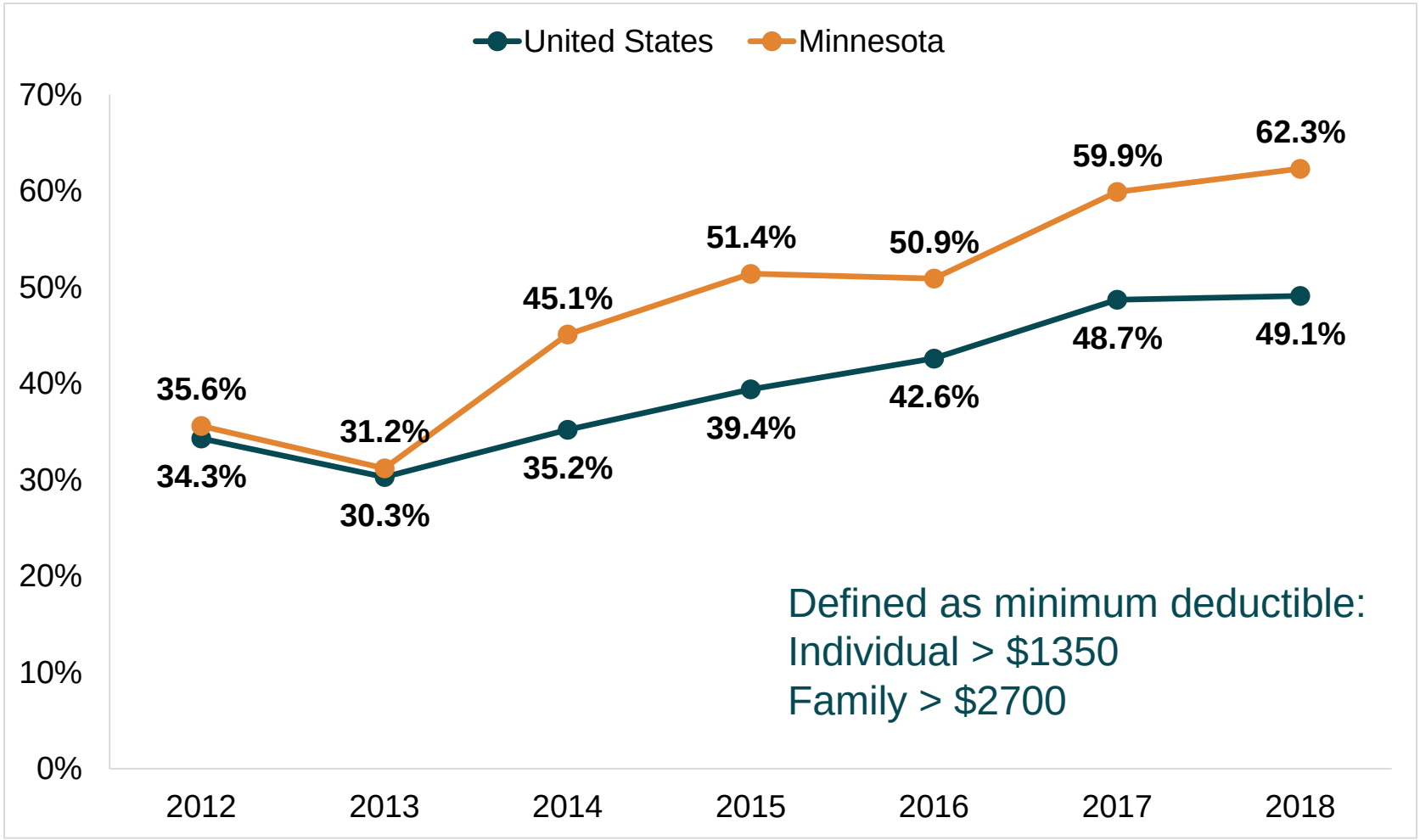
Key Finding 3:
Public program coverage increased



- More people aging into Medicare (responsible for 40% of the increase)
- Fewer people losing public coverage and becoming uninsured
- Eligible people have more options to enroll, better support than in the past and more exposure to the issue

* Indicates statistically significant difference from previous year shown at the 95% level
Source: 2001, 2004, 2007, 2009, 2011, 2013 , 2015 and 2017 Minnesota Health Access Survey.

Percent of private-sector employees enrolled in high-deductible health insurance plans



SHADAC analysis of MEPs-ID, State Health Compare, SHADAC, University of Minnesota, statehealthcompare.shadac.org

Minnesota landscape summarized

- Private coverage, the bedrock of the US (and Minnesota) health care system is declining
  - Smaller labor market participation rate and changes in how we work (part-time, contract work) is changing our access to coverage.
  - Costs are going up – higher cost sharing, higher premiums (both group and individual market) – while wage-growth is slow.
  - Employers pass these costs along, or decide to drop coverage
- Public coverage is covering more people, and they are maintaining that coverage
- The uncertainty around federal policy in recent years may have contributed to the increase in uninsurance
  - Eager to see 2019 data

Closing comments

U.S. Values and Health Reform

- Liberty
- Justice and fairness
- Responsibility (individual)
- Solidarity (community)
- Medical progress
- Privacy
- Quality
- Efficiency

What do we want health reform to accomplish?

What kind of society to we want?

What values should health care reform be built upon, embody, and achieve?

Source: Connecting American Values with Health Reform. @2009 The Hastings Center. Garrison, NY.http://www.thehastingscenter.org/wp-content/uploads/Connecting_American_Values1.pdf

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Health as human right

- 1948 Universal Declaration of Human Rights
  - Includes right to medical care
- Everyone should have be able to
  - access good quality health care when they need it
  - feel welcome when seeking needed care
  - not worry about financial consequences for themselves or their families, for their job or their business

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Resources

- **SHADAC State Health Compare:** State-level data on health insurance coverage, cost, access, utilization, quality, public health, and health behaviors
  http://statehealthcompare.shadac.org/
- **SHADAC Blog:** Thoughts, insights and analysis from SHADAC expert
  http://www.shadac.org/news-blog
- **Conservative think tank with writings on health reform:**
  https://www.americanexperiment.org/healthcare/
- **Liberal think tank with writings on health reform:**
  http://familiesusa.org/
- **Media sources that cover health care well:**
  - **Politico (Dan Diamond)** http://www.politico.com/staff/dan-diamond
  - **Vox (Sarah Kliff)** https://www.vox.com/authors/sarah-kliff
  - **Forbes (Avik Roy)** https://www.forbes.com/sites/theapothecary/people/aroy/#39f6f67d2496
  - **Kaiser Health News (Julie Rovner)** https://khn.org/news/author/julie-rovner/

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