— A Proposal to Cover All Americans —
Health Coverage Passport

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President
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National Congress On the Un & Under Insured
Washington, DC
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Agenda

- Overview
- America’s Uninsured
- Health Coverage Passport
- Impact of Health Coverage Passport
- Health Care Reform in the Presidential Campaign
America’s Uninsured
Today, 47 million Americans are uninsured; nearly 20% (9.2 million) are children.

The number of uninsured has grown by an average of one million each year since 1990.

The uninsured are found in all age and income groups.

- 48% (22.2 million) of the uninsured are living below 200% of the Federal Poverty Level (FPL) a/

a/ The Federal Poverty Level is: $9,800 for single individuals; $20,300 for family of four.

Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)
Most Uninsured Americans Are in Working Families

- 71% of the uninsured (33 million) have one or more workers in the family
- Uninsured workers can be found in firms of all sizes

![Pie chart showing distribution of uninsured workers by firm size]

Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)
Public Programs Have not Reached Many Eligible Uninsured

1 in 5 uninsured qualify for SCHIP or Medicaid but aren’t enrolled

* Medicaid includes the State Children’s Health Insurance Program (SCHIP)
** Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)

Average Monthly Uninsured = 46.4 million
Average Monthly Medicaid Eligible Not Enrolled = 10 million

* Medicaid includes the State Children’s Health Insurance Program (SCHIP)
** Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)
Many Shoulder the Health Care Costs of the Uninsured

The uninsured will account for $82.4 billion in health expenditures in 2007; $38.1 billion of this care is uncompensated.

Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)
Health Coverage Passport

A PROPOSAL TO COVER ALL AMERICANS
Health Coverage Passport

Makes it possible for all Americans to get the coverage they need by:

- **Helping Those Who Need it Most** - providing assistance to all Americans, particularly to the neediest
- **Preserving Existing Coverage** - sustaining coverage for those currently insured through employers and public programs
- **Reforming the Market** - ensuring that quality coverage, similar to what is offered to federal employees, is available at a fair price
- **Holding Everyone Responsible** - requiring every American to have health insurance
HCP Sticks with what works for most privately covered Americans:

- Insurance risk best distributed when coverage choice not based on current or perceived health status
- Maintenance of private insurance market more likely if reform built on current private coverage
- Any retribution more manageable if financing aim to supplement current private and public coverage
- Past reform failure partially due to real or perceived threat to currently covered Americans
- With exceptions, unlikely that altering sources of coverage would substantively remove competitiveness issue: “it’s the cost, stupid”
# How It Works

Everyone Gets Assistance to Fit Their Needs

<table>
<thead>
<tr>
<th>Income a/</th>
<th>New Assistance for the Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-100% FPL</td>
<td>Medicaid and SCHIP are expanded and eligible individuals and families are automatically enrolled, in coordination with other public programs.</td>
</tr>
<tr>
<td>101-150% FPL</td>
<td>HCPs cover the full cost of employer-based premiums. If employer coverage is not offered, HCPs generally cover the full cost of premiums on insurance purchased in the individual market.</td>
</tr>
<tr>
<td>151-400% FPL</td>
<td>HCPs cover a portion of the cost of employer-based premiums (assistance is based on income). If employer coverage is not offered, health insurance must be purchased in the individual market but individuals can choose to (1) apply an HCP to a portion of their premium or (2) have premiums become tax deductible.</td>
</tr>
<tr>
<td>Above 400% FPL</td>
<td>To ensure equity, premiums for individual coverage become tax deductible.</td>
</tr>
</tbody>
</table>

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a/ The Federal Poverty Level is: $9,800 for single individuals; $20,300 for family of four
HCPs: Illustrative Sliding Scale Assistance for Families

MONTHLY PREMIUM COSTS FOR FAMILIES MINUS HCP ASSISTANCE (AVERAGE MONTHLY PREMIUM COST BEFORE HCPs = $882)

Monthly Out-of-Pocket Premium

<table>
<thead>
<tr>
<th>Annual Income</th>
<th>Fully Funded Premium</th>
<th>$0</th>
<th>$131</th>
<th>$393</th>
<th>$655</th>
<th>$882</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,300 100% of FPL</td>
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Premium costs are based upon estimates of the average premium for a standard federal employee’s plan for the population to be covered, which is comparable to the premiums expected in reformed state insurance markets.
How It Works
Holding Everyone Responsible

- Adults must have health coverage for themselves
- Parents must have health coverage for their dependent children
- Anyone who is uninsured when filing federal income taxes or seeking health care will be enrolled:
  - In Medicaid or SCHIP if eligible
  - In an HCP-qualified plan, and charged the premium less their HCP amount
- Health coverage can be obtained through:
  - A public program like Medicaid or SCHIP
  - A qualifying employer plan
  - Individual insurance that qualifies for HCPs or tax relief
How It Works
Seamless Enrollment

- People can either apply to programs directly or, when possible, are enrolled automatically.

- Automatic enrollment is based on existing government data on family income, such as Food Stamps eligibility, earnings reported to Social Security and income tax data.

- People can apply in Social Security offices to request extra help when their circumstances change.
The Impact
Impact: 98% of Americans Are Covered


Current Law
- 12% Medicaid/SCHIP 35.9M
- 17% Uninsured 47.9M
- 13% Medicare 36.4M
- 1% CHAMPUS 3.9M
- 3% Private Non-employer 9.5M

Total Population = 293.5 million

FAH Proposal
- 2% Uninsured 6.6M
- 17% Medicaid/SCHIP 47.5M
- 13% Medicare 36.4M
- 1% CHAMPUS 3.9M
- 12% Private Non-employer 35.7M
- 55% Employer 163.4M

Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)

A PROPOSAL TO COVER ALL AMERICANS
**Impact: Increased Federal Costs**

$115.2 billion if implemented in 2007

<table>
<thead>
<tr>
<th>Major Categories of New Federal Costs and Beneficiaries</th>
<th>Federal Costs (billions)</th>
<th>Beneficiaries (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto-enrollment of current uninsured eligibles into Medicaid and SCHIP</td>
<td>$14.6</td>
<td>6.3</td>
</tr>
<tr>
<td>Medicaid for poor adults outside current categories</td>
<td>$29.3</td>
<td>10.1</td>
</tr>
<tr>
<td>Health Coverage Passports for employer plans</td>
<td>$27.1</td>
<td>61.0</td>
</tr>
<tr>
<td>Health Coverage Passports for private, non-employer plans</td>
<td>$31.4</td>
<td>25.9</td>
</tr>
<tr>
<td>New tax deduction for private, non-employer plans</td>
<td>$8.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Administrative costs a/</td>
<td>$4.3</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$115.2 billion a/</strong></td>
<td><strong>111.5 million b/</strong></td>
</tr>
</tbody>
</table>

a/ Includes $0.8 billion in technical adjustments.
b/The number of beneficiaries exceeds the number of uninsured primarily because HCPs and the new tax deduction would be available to provide assistance to eligible lower and middle-income earners who currently purchase insurance.
Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)
Impact: Decreased Costs to States and Households

HOW 2007 HEALTH SPENDING SHIFTS UNDER HEALTH COVERAGE PASSPORT (IN BILLIONS)

$115.2B

Federal Government

$3.7B

Private Employers

$13.8B

States

$36.9B

Households

A Total Decline of $51 Billion

a/ These estimates assume that employers reduce wage growth to compensate for firms’ increase in health insurance costs, which rise by 9/10 of 1%, from $428.8 billion to $432.6 billion under the proposal. Wage losses are counted as increased family spending for health care.

Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)
Impact: National Health Spending

Projected National Health Spending in 2007
Under the Current System and Health Coverage Passport (Billions)

- $2,325
  Dollars Used In Current System

- $68
  Spending Added by Proposal

A 2.9% Increase

Source: Office of the Actuary of the Centers for Medicare and Medicaid Services; and
Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)
Parties At Odds Over Health Reform

- **Democrats**
  - Universal Coverage
  - Mandates: Individual & Employer
  - Defined Benefits
  - Private Market & Medicare Compete
  - Generous Subsidies

- **Republicans**
  - Tax Reform: HSAs & Tax Credits
  - Block Grant Medicaid
  - Cut Health Insurance Mandates
  - Tort Reform
  - Transparency
  - Reform Entitlement Programs
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