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# ***A VISION FOR WORKABLE HEALTH CARE REFORM***

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# AHIP's Reform Proposal

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- 1. Coverage You Can Afford**
  - 2. Coverage You Can Keep**
  - 3. Coverage For Everyone**
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# Coverage You Can Afford: The Context

## BusinessWeek

Numbers: Health Care

### Health-Care Premium Breakdown

Administrative costs consume 11% of private health-care premiums

INSURER PROFITS

ADMINISTRATIVE COSTS

PHYSICIAN SERVICES

24%

OUTPATIENT COSTS

22%

INPATIENT COSTS

18%

PRESCRIPTION DRUGS

16%

OTHER MEDICAL SERVICES\*

6%

11%

3%

\*HOME HEALTH CARE, NURSING HOMES, MEDICAL GOODS

Data: PricewaterhouseCoopers



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# Coverage You Can Afford: The Context

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**Comparison of Premiums and Health Benefits, 1993-2003**

Type of Expenditure	1993	2003	Change in Costs 1993-2003	Annual Growth Rate
	(in millions)			
Premiums	298,078	600,594	302,516	7.3%
Benefits	259,865	518,737	258,872	7.2%

Source: Centers for Medicare & Medicaid Services, National Health Accounts, 2005.

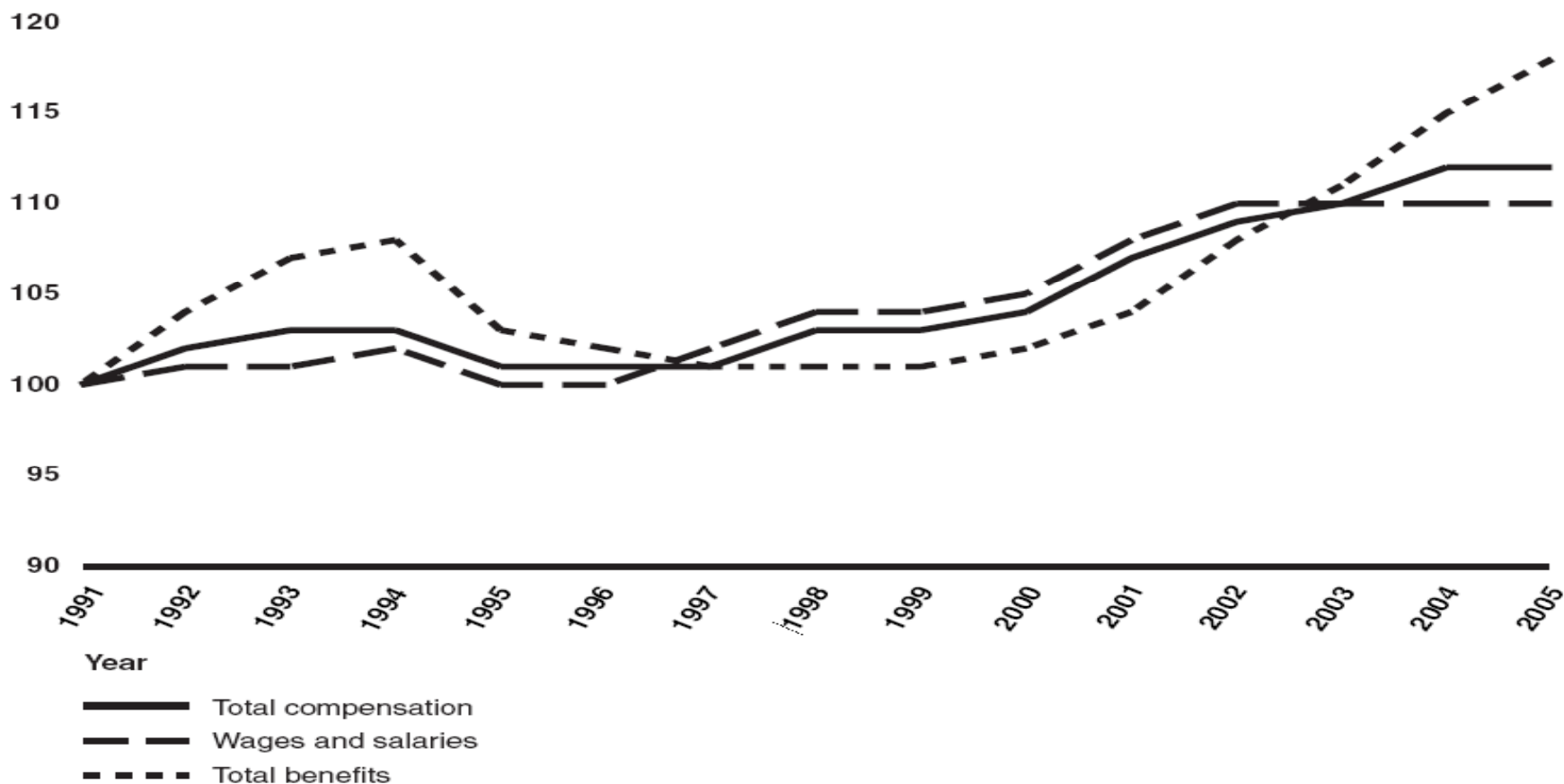
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# Coverage You Can Afford: The Context

### Growth in Real Employer Hourly Costs for Employee Total Compensation, Wages, and Total Benefits for All Workers, 1991 to 2005

Growth in employer costs (1991=100)



Source: GAO analysis of Bureau of Labor Statistics (BLS) data from the National Compensation Survey (NCS).



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## Coverage You Can Afford:

*A Helping Hand for Working Families*

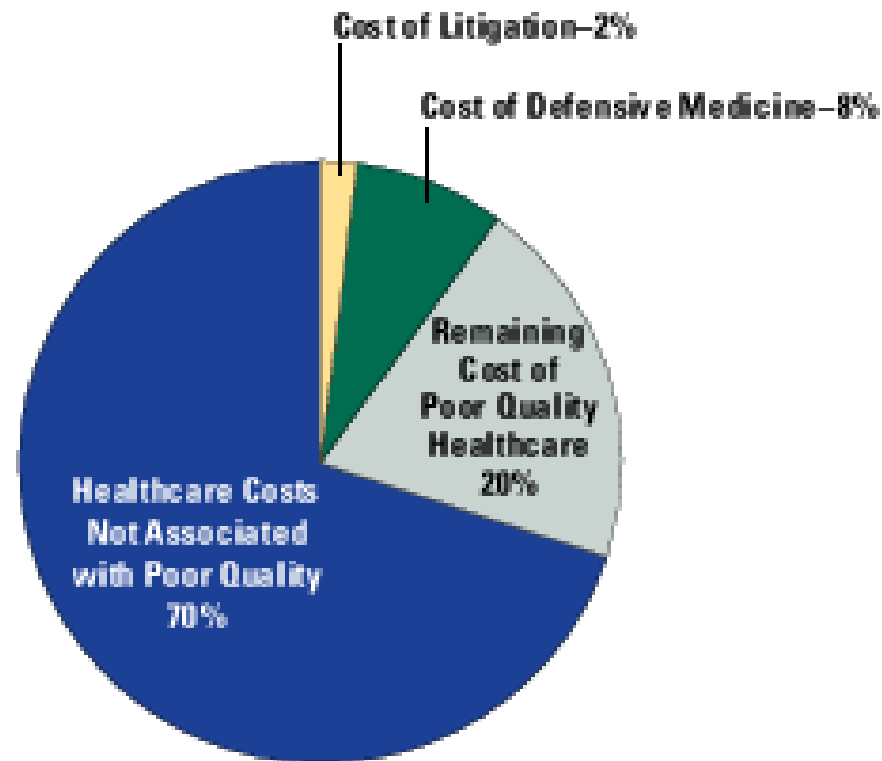
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- Health coverage tax credits:
    - Enable working families to take coverage when employers offer it
    - Refundable and advanceable
    - Sliding scale based on income
  - Extra incentives to get kids covered
  - Tax equity for those purchasing in individual market
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# Coverage You Can Afford:

## *The Cost-Quality Linkage*

**Estimated Breakout of Healthcare Costs of Poor Quality**



Source: Based on the Juran Institute, Inc. and The Severyn Group Inc, "Reducing the Costs of Poor Quality Health Care Through Responsible Purchasing Leadership" April 2003.



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## Coverage You Can Afford:

*Common-sense reforms to reduce costs and improve quality*

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- Create a new entity for comparative effectiveness.
  - Modernize device approval process.
  - Establish a research agenda to address gaps in evidence.
  - Coordinate and step up diffusion of research.
  - Develop consensus on measurement and reward high performance.
  - Create a new medical dispute resolution system to overhaul malpractice system and resolve disputes fast, fairly and effectively.
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# Coverage You Can Keep:

## *Individual Market Reform*

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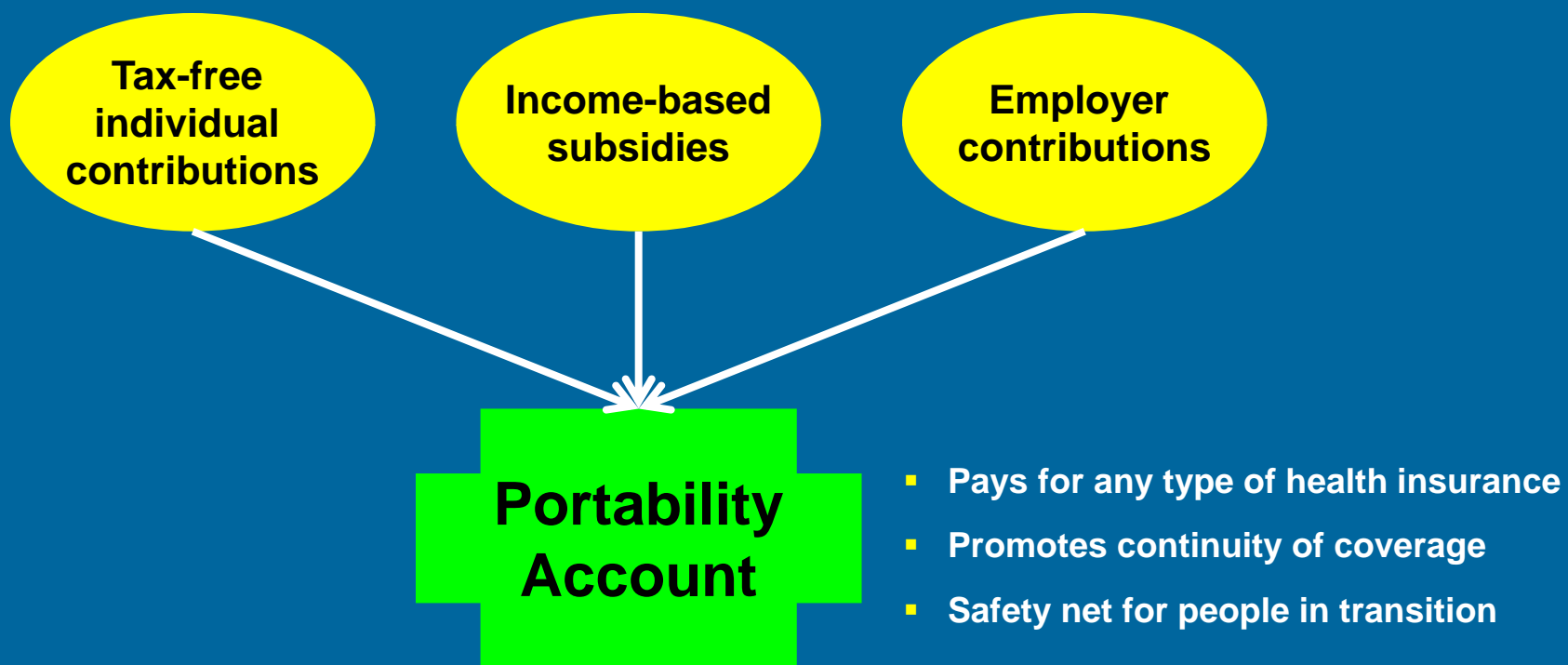
- Continuity of Care:
    - Shared responsibility
    - Open enrollment with no pre-existing conditions exclusions
    - Fundamentally improve high-risk pools
    - Tax credits based on need
  
  - Consumers have access to binding independent review of insurers' decisions.
  
  - If states or federal government move toward universal coverage, guarantee issue conversation is transformed.
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# Coverage You Can Keep:

## *New Portability Accounts*

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## Coverage For Everyone:

*Strengthen the Health Care Safety Net*

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- Country needs to prioritize this issue and invest in access.
  - If you live in poverty and are uninsured you should be eligible for Medicaid regardless of age, gender or state.
  - Strengthen SCHIP to make eligible all low-income children from uninsured families.
  - National awareness and enrollment drive.
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## Coverage For Everyone:

*Incentivize the States to Enact Reform*

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- Seed money over 10 years to assist states in expanding access
  - States submit plans to achieve coverage goals:
    - Ensure affordable coverage
    - Ensure availability of coverage
    - Improve quality and reduce costs
    - Promote healthy living, prevention and wellness
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## Why This Type of Plan Can Work

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- Builds on the current system.
  - Shared responsibility: public-private, federal-state approach.
  - Fiscally responsible.
  - Politically achievable – resonates with voters across the spectrum.
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## Our Commitment as the Nation Pursues Health Care Reform

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- Offer innovative policy solutions.
  - Provide technical expertise.
  - Collaborate with stakeholders.
  - Be accessible and accountable.
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