# The Health Insurance Landscape

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## The Uninsured
## How Big is the Problem?


Indiana: 16%
U.S.: 18%
Max: Texas 27%
Min: Iowa and Minnesota 10%

Uninsured Percentages by State
Nonelderly (0-64) 2005

- "The Kaiser Family Foundation, statehealthfacts.org. Data Sources: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2005 and 2006 Current Population Survey (CPS: Annual Social and Economic Supplements).

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## Major Sources of Coverage
## Percentage of Nonelderly 2005

| | Employer | Individual | Medicaid/ SCHIP |
|---|---|---|---|
| Indiana | 65% | 4% | 13% |
| U.S. | 61% | 5% | 14% |

- "The Kaiser Family Foundation, statehealthfacts.org. Data Sources: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2005 and 2006 Current Population Survey (CPS: Annual Social and Economic Supplements).

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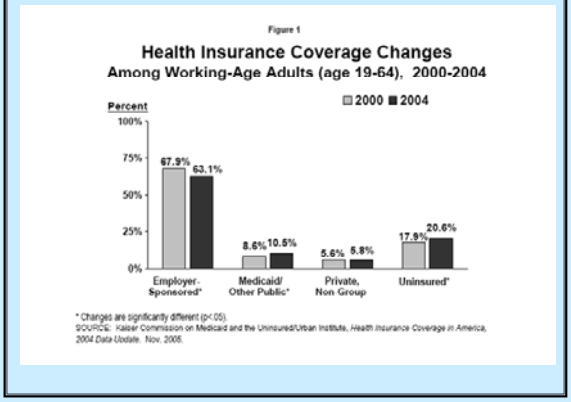
Paying for Employer-Sponsored Health Insurance
Premiums for Family Coverage

| | Indiana | U.S. | Min | Max |
|---|---|---|---|---|
| % paid by employer | 79% | 76% | 67% MS | 84% NJ |
| % paid by employee | 21% | 24% | | |
| Total premium | $9,869 | $10,006 | $7,800 ND | $11,742 DC |

The Kaiser Family Foundation, statehealthfacts.org. Sources: Agency for Healthcare Research and Quality, Center for Financing, Access and Cost Trends. 2004 Medical Expenditure Panel Survey (MEPS) -Insurance Component. Tables II.C.1, II.C.2, II.C.3 available at: Medical Expenditure Panel survey (MEPS), July 2006.

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## Some Ideas that Seemed Good But Have Not Worked

- Subsidies
  - to Workers Already Offered Employer Insurance.
  - to Small Employers Not Offering Insurance.
- Small Group Reforms
  - State policies designed to increase access and affordability of insurance for workers at small firms.

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## Subsidies to Workers

- In 2004, 20% of workers eligible for offered employer health insurance did not enroll.
  - 23% in Indiana
- Research shows that these workers are not likely to enroll voluntarily even with sizeable subsidies.
  - 75% subsidies increased participation by 3 pct points.

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## Subsidies to Firms

- 45% of private establishments and 65% of establishments with < 10 workers do not offer HI to their workers.
  - 49% and 75% in Indiana
- Studies have found only a small impact on firm offer rates of moderate to large subsidies.
  - "few takers" for a 50% subsidy in New York State.

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## Small Group Reforms

- Problem most severe for small firms
  - Private sector establishments offering health insurance
    - Only 43% with < 50 employees
    - 95% of those with > 50 employees
- Many reform efforts are aimed at small firms
  - Small group reforms – early 1990's
    - Guaranteed issue
    - Guaranteed renewal
    - Rating restrictions

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## Small Group Reforms

- Research on effect of these policy reforms shows very little or no increase in the number of insured workers after implementation.
  - In fact, some evidence of a decrease in coverage.
- Unintended Consequence
  - Premium increases

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## Beware of Unintended Consequences

- Inadvertently making health insurance more expensive.
- Changing the risk pool.
- Subsidizing too many of those who would have bought insurance anyway.

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## Voted Most Likely to Succeed

- Public Insurance Expansions
- Individual Mandate

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## Public Expansions – Recent History

- SCHIP/Medicaid expansions have increased coverage, especially for children.
- More expansive eligibility for children allowed SCHIP/Medicaid to offset recent declines in employer sponsored coverage for children.
  - Indiana: Low Income Children (< 200% pov) 2000-2004
    - 10 point decline in employer sponsored coverage
    - But 9.9% DECREASE in uninsured low-income children due to 22.7 point increase in coverage by Med/SCHIP

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## Voted Most Likely to Succeed Public Insurance Expansions

- Builds on current public programs
  - Infrastructure already in place.
  - Incremental reform that could be implemented relatively quickly.
- Could expand eligibility to some targeted groups:
  - Extend SCHIP eligibility to parents in all states.
  - Extend Medicaid to more poor adults.
  - Allow 60-64 year olds to buy into Medicare or Medicaid.
- Drawbacks:
  - Full cost borne by government.
  - Does not achieve universal coverage.

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## Individual Mandate

- Individual Mandate
  - Legal requirement that everyone obtain health insurance coverage.
  - Usually includes sliding scale premiums or some assistance for the low-income.
  - Often discussed in a framework that encourages development of "bare-bones" or catastrophic coverage (to keep premiums lower).
- Politically Feasible (outside Mass.) ?
  - Individual responsibility (rather than employer responsibility) may make it more politically feasible.
  - Model of mandated auto insurance.
  - Has seen some bipartisan support but, even those who support it do not necessarily agree that it is politically feasible.

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## Voted Most Likely to Succeed Individual Mandate

- Has Potential to Achieve Universal Coverage
  - Doesn't target only employed or only low-income.
- Alleviates problem of uncompensated care.
- Creates a more stable risk pool in individual and small group markets.
- Those who can afford it bear their own costs.
- Drawbacks:
  - Political objections.
  - Enforcement difficult?
  - What would be the public cost?

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## Keep on the Radar Screen

- Reinsurance
  - Government pays most costs of those with highest 1% of health expenditures.
  - Alleviates insurers' need to avoid high risks.
  - Meant to increase access in small group and individual market and keep premiums lower.
- "Buy-in" to Federal or State Employee plans
  - Others could participate or "buy in" to these plans.
  - Large risk pool.
  - Wide variety of plans; many choices.

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## Conclusions

- These are promising options.
- Will probably take a multi-pronged approach.
- Some combination of those "voted most likely to succeed" and other smaller complementary reforms such as reinsurance.
- Also strong political will.

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## Links

- http://www.statehealthfacts.org
- http://www.statecoverage.net/index.htm
- http://www.citizenshealthcare.gov/

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