

# Alliance for Health Reform: Health Insurance Coverage

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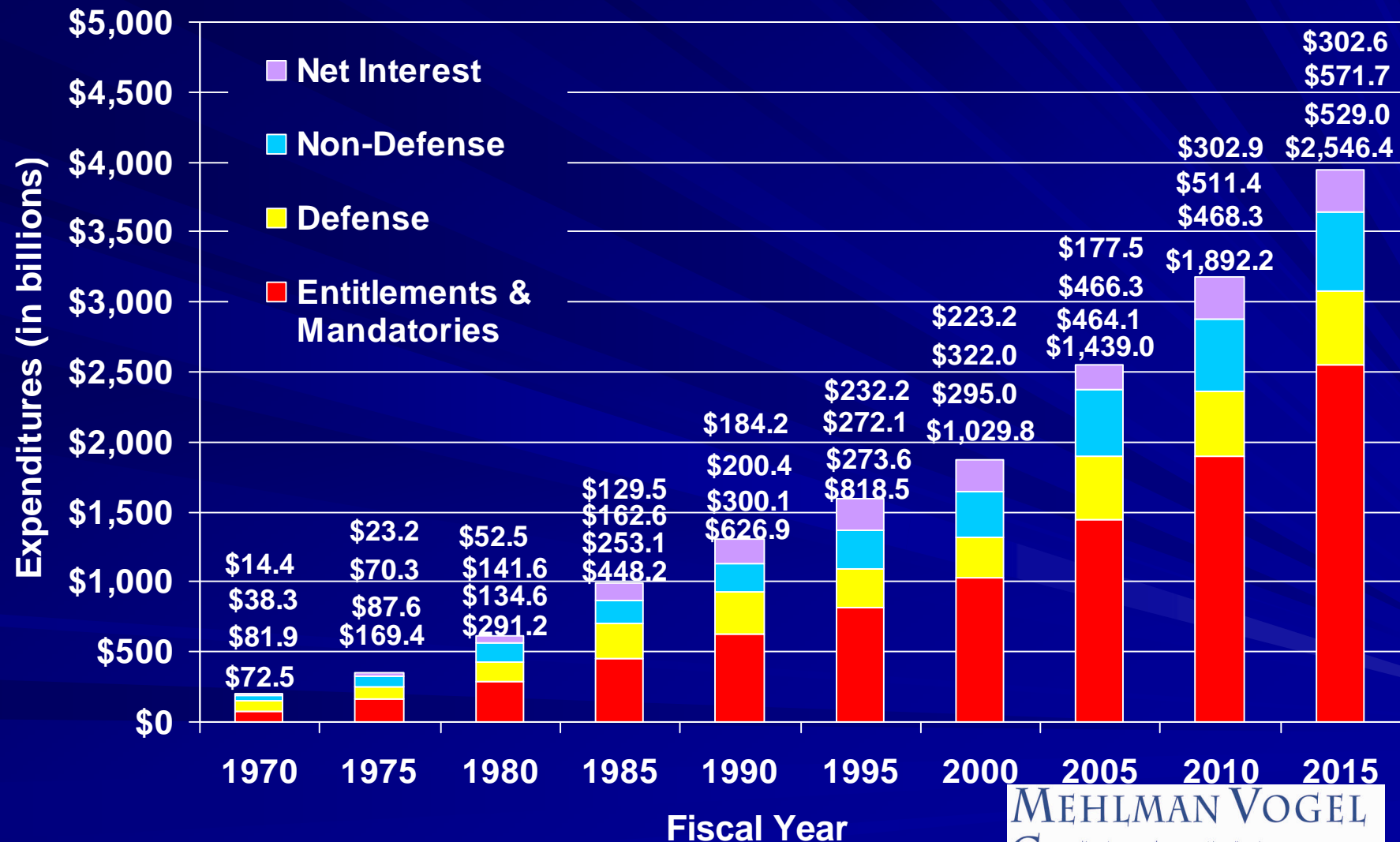
# Overview

- Current Environmental Assessment
- Future Political Catalysts
- Future Policy Vehicles
- “Realistic Coverage Options”

# First, The Bad News

- Deficits/Debt
- Exploding Entitlement Costs
- Lack of policy consensus

# Major Components of the Budget (FY1970-FY2015)



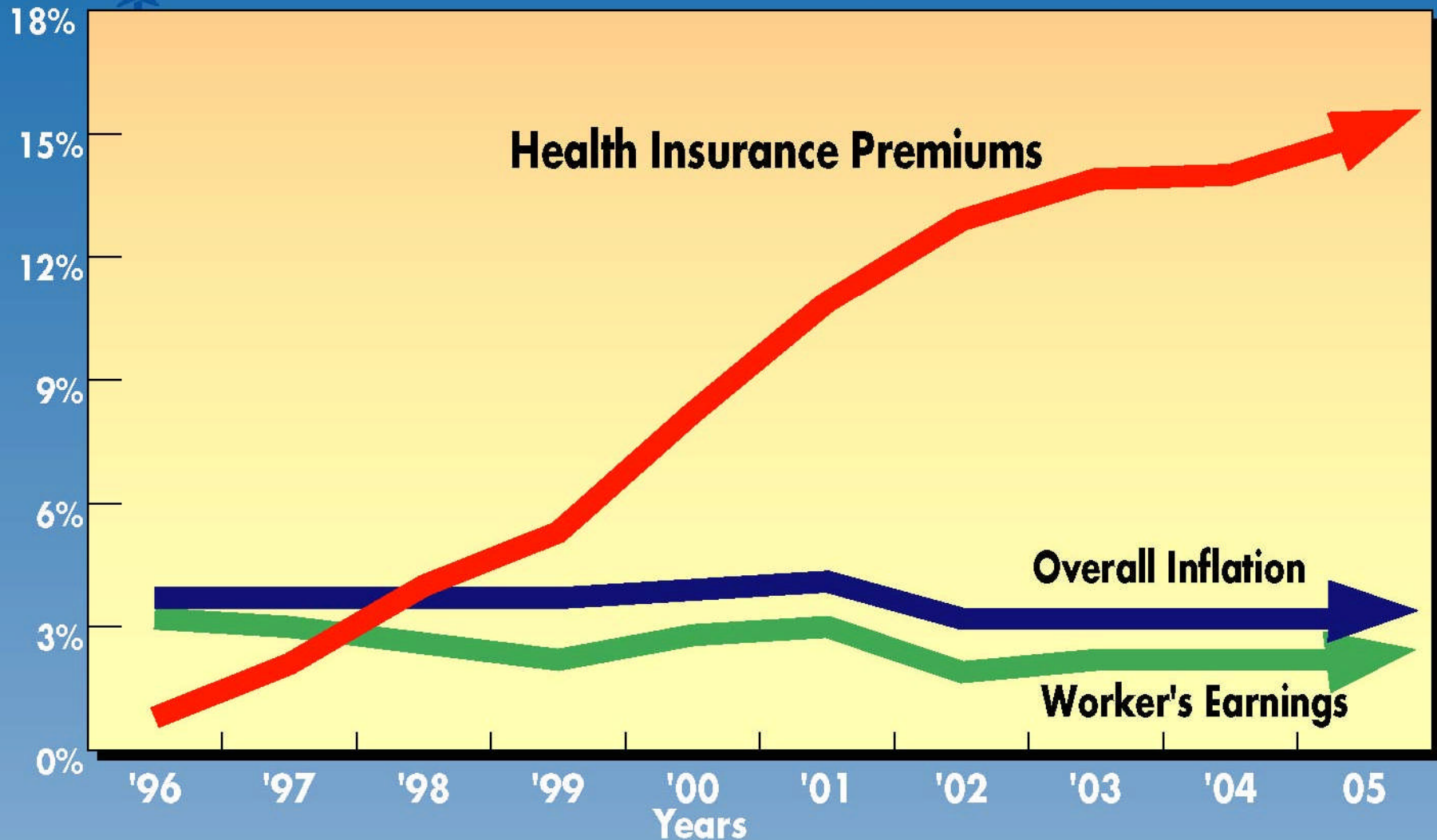
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# Possible Political Catalysts ("It's the cost, stupid!")

- Rising Federal Health Costs
- Rising State Health Costs
- Rising Private Sector Health Costs
- Increasing pressure on small employers
- Increasing pressure on large employers
- Increasing pressure on unions/workers
- Increasing pressure on physicians and other providers
- Greater consumer out-of-pocket costs
- Greater Retiree health cost obligation

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**Increasing uninsured**

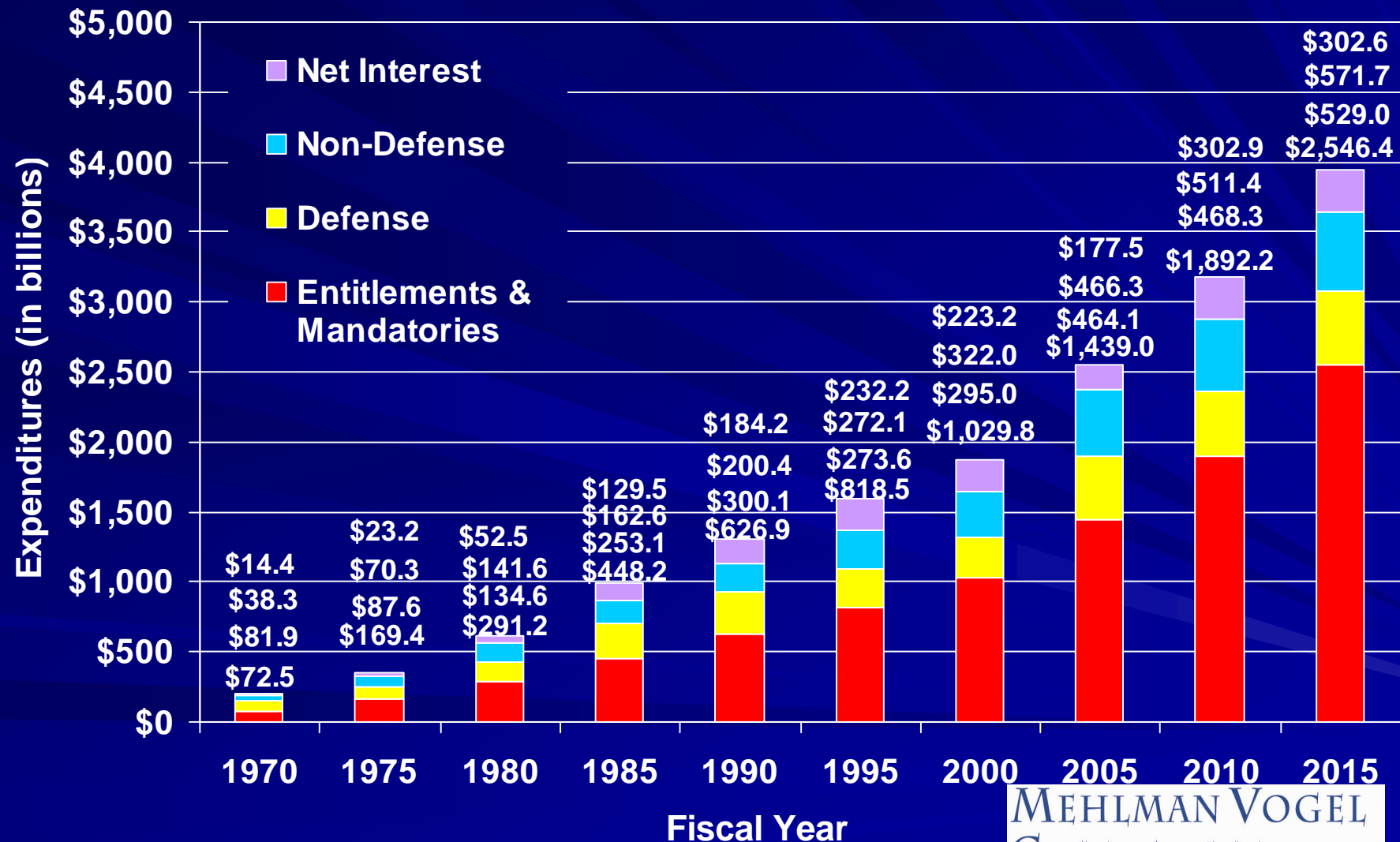
# Health Insurance Premiums Are Outpacing Wages



# Future Opportunities/Vehicles

- Entitlement Reform
- Tax Reform
- Political Elections

# Major Components of the Budget (FY1970-FY2015)

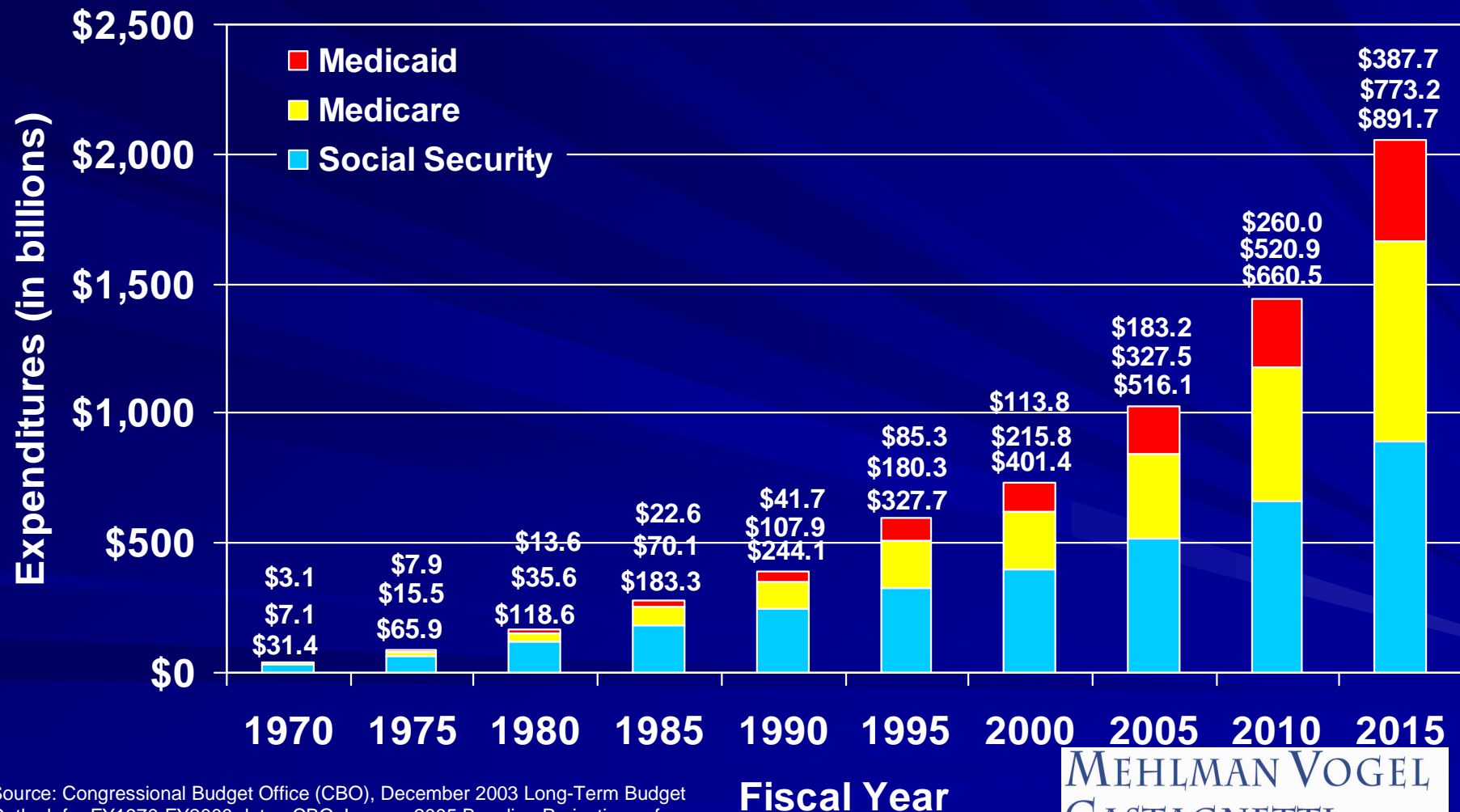


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Source: Congressional Budget Office (CBO), Budget and Economic Outlook, January 2005.



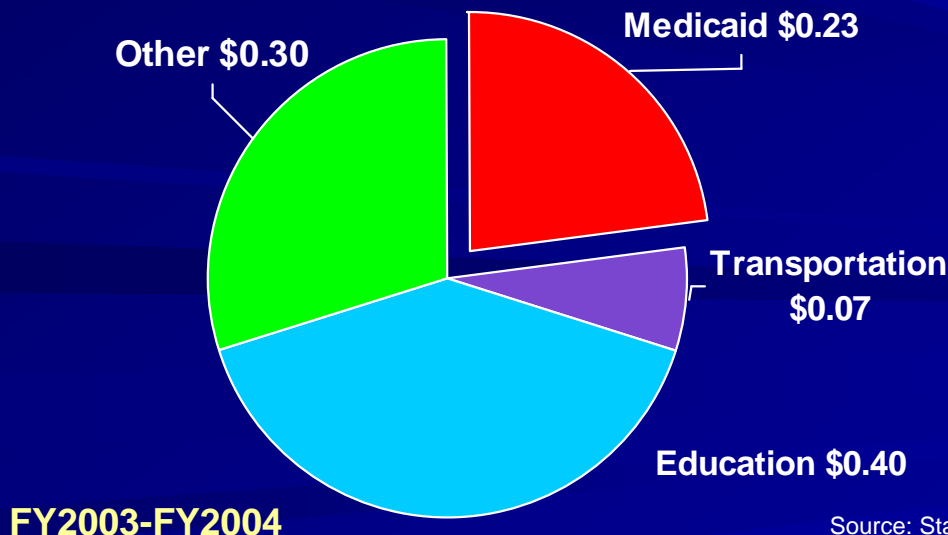
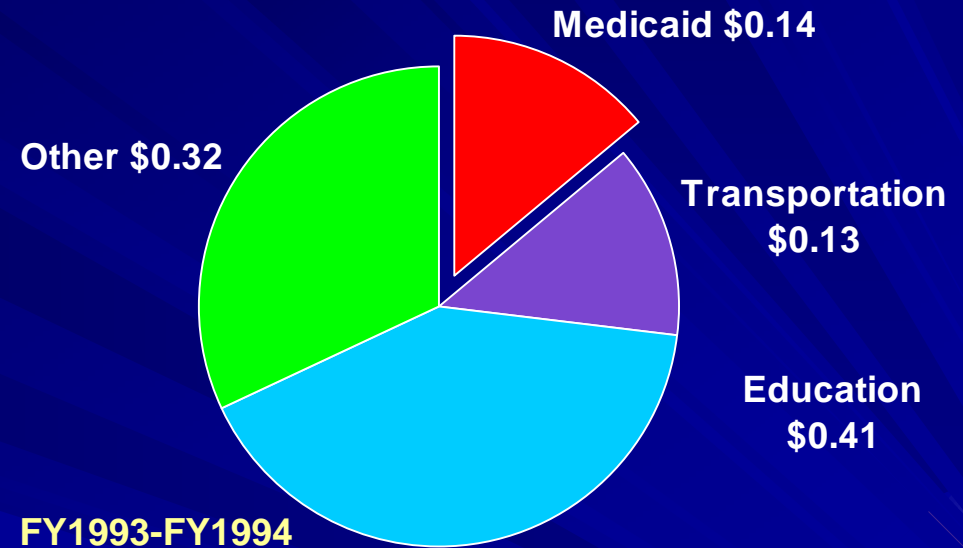
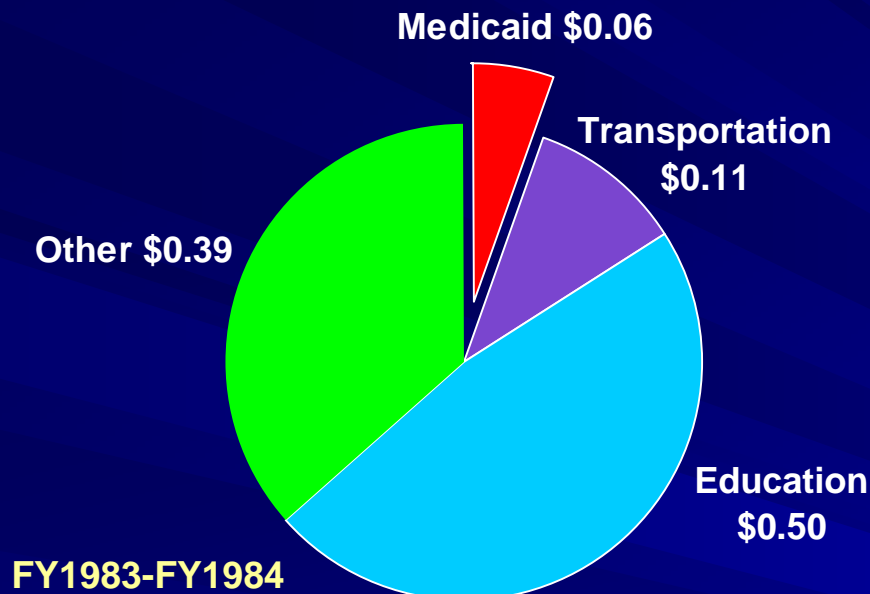
# Major Components of Entitlement Spending (FY1970-FY2015)



Source: Congressional Budget Office (CBO), December 2003 Long-Term Budget Outlook for FY1970-FY2000 data. CBO January 2005 Baseline Projections of Mandatory Spending for FY2005-FY2015 data.

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# Tennessee Medicaid Spending Grabs Increasing Share of State Budget

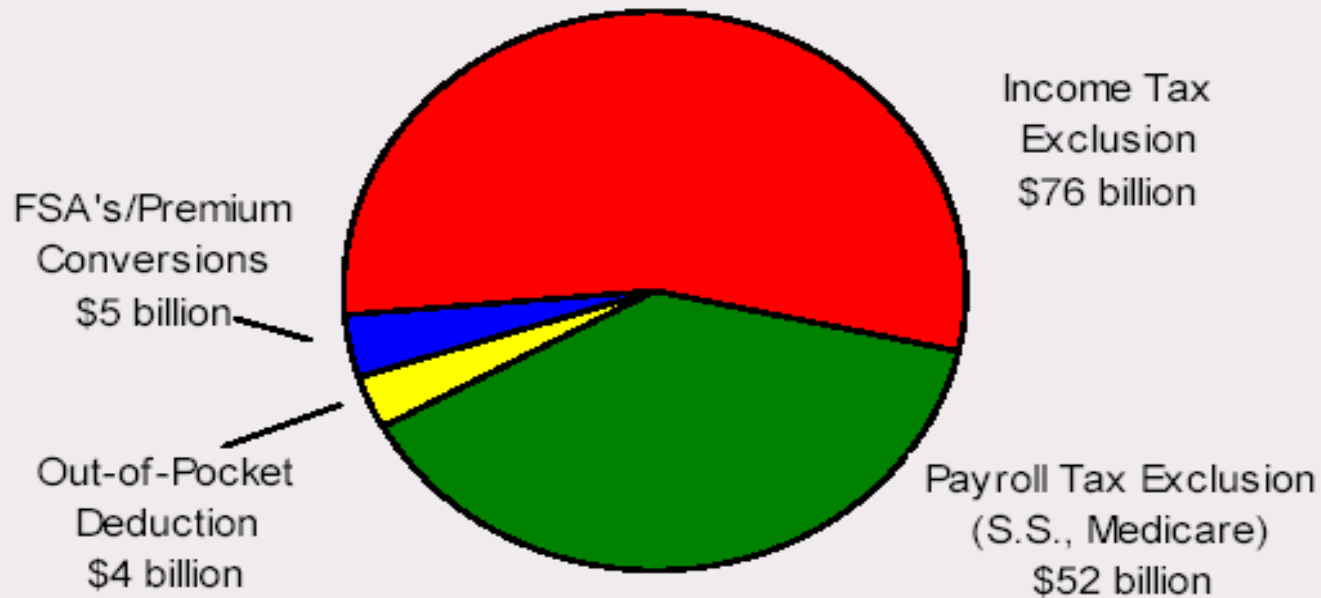


*McKinsey estimates that more than 80% of Tennessee's new state revenues will be consumed by TennCare growth in each of the four years leading up to FY2008.*

# Tax Benefits Linked to Employment

**Figure 1:**

## Federal Tax Expenditures for Employer Health Benefits (Calendar Year 2002)



Source: Lewin Group estimates using the Health Benefits Simulation Model

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# Coverage Options

## ■ Employer subsidy

- Medicare Model
- Reinsurance

## ■ Government Expansions

- SCHIP expansion
- Children's outreach

## ■ Individual empowerment

- TAA model/tax credit
- Expanded insurance deductions
- “Healthy Mae”/broader risk pooling
- Tax-preferred savings vehicles
- Employer exclusion

# System Reform Options

- Address overall health costs and system reform through comprehensive strategies including:
  - Payment reform (e.g., value-based purchasing)
  - Efficiency reform (e.g., HIT)
  - Litigation reform
  - Insurance reform (e.g., state choice, AHPs, harmonization)
  - Tax reform
  - Entitlement reform