Comparing Health Insurance Reform Options: From “Building on the ACA” to Single Payer


Analysis of 8 reform options

- 4 reforms add incrementally to the ACA in steps:
  - Improve premium & cost-sharing subsidies and expand eligibility for assistance
  - Bring healthier people back into the insurance pool
  - Cost containment through introduction of public option
- Reforms 5-6: builds on 1-4, but also
  - Auto-enrollment which leads to universal coverage for US residents legally present
  - Further improve affordability, including for more workers
- Reforms 7-8: single payer “lite” and single payer “enhanced”
  - single government health insurance plan for all, no private coverage
  - the two approaches differ in benefits and cost-sharing and coverage for undocumented immigrants
Overview

- Results compare reform to current law:
  - The uninsured
  - The change in federal spending = federal budget effects
  - The change in national health spending = households + employers + state governments + federal government
- We include different ways to achieve universal coverage
- Tradeoffs across reform options highlighted:
  - Greater the savings to households, the greater the increase in federal government spending;
  - Universal coverage requires some people to pay premiums or taxes they would choose not to pay
  - Greater the savings in national health spending, the greater the need for regulation of provider prices
- Reforms estimated as if fully in place in 2020
- Estimated government revenues needed, but not how to get them

Reforms 1-4:
In 4 steps, show how coverage and spending are affected by:
- More generous premium & cost-sharing subsidies
- Restored individual mandate & prohibition on substandard plans
- Filling in the Medicaid gap in nonexpansion states
- Public plan option
- uninsured fall by 10.9 million with all pieces; filling Medicaid gap is critical
- Keeping national spending constant requires public option
- Federal spending increases with more assistance, falls with public option ($46.7 billion in 2020, \$590 billion over 10 years for reform 4).

Coverage and Changes in Spending Compared to Current Law, 2020

- Millions of people
- Billions of dollars

* Increase in federal revenue needed to finance reform, net of additional income tax receipts resulting from reduced employer spending on health insurance passed back to workers as wage increases.

Data: Urban Institute analysis.
Reform 5: Reform 4 plus:
- Continuous auto-enrollment with retroactive enforcement (CARE)
- Eliminates ESI “firewall”
- Requires public option
- Universal coverage for people legally present in US; reduces uninsured by 25.6 million (80%)
- Employer coverage drops by 15.0 million, 10.2%
- National spending decreases modestly ($22.6 billion or 0.6%)
- Federal spending increases by $122.1 billion in 2020, $1.5 trillion over 10 years

**Coverage and Changes in Spending Compared to Current Law, 2020**

<table>
<thead>
<tr>
<th>Millions of people</th>
<th>$ billions</th>
<th>Change in national health spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current law</td>
<td>34.6</td>
<td>$123.9</td>
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<tr>
<td>Reform 5</td>
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<td>$108.6</td>
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<tr>
<td>Increase in federal spending</td>
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<tr>
<td>Additional federal revenue needed</td>
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<tr>
<td>Reform 5 - Current law</td>
<td>2.4</td>
<td>-209.5</td>
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</tbody>
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Data: Urban Institute analysis.

Reform 7: Single Payer “Lite”
- Coverage of all legally present US residents
- ACA essential health benefits
- Income-related cost-sharing
- No private insurance
- 25.6 million legal residents gain insurance, but additional 4.2 million undocumented immigrants become uninsured; net decline of 21.4 million
- National spending falls by $209.5 billion (6%)
- Federal spending increases by $1.5 trillion in 2020, $17.6 trillion over 10 years
- Household spending drops dramatically across income groups (72% overall)

**Coverage and Changes in Spending Compared to Current Law, 2020**

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</thead>
<tbody>
<tr>
<td>Current law</td>
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<td>$1,522.8</td>
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<tr>
<td>Reform 7</td>
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<td>Increase in federal spending</td>
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<td>Additional federal revenue needed</td>
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<td>0</td>
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<tr>
<td>Reform 7 - Current law</td>
<td>2.4</td>
<td>-209.5</td>
</tr>
</tbody>
</table>

* Increase in federal revenue needed to finance reform, net of additional income tax receipts resulting from reduced employer spending on health insurance passed back to workers as wage increases.
Data: Urban Institute analysis.
Linda J. Blumberg, Ph.D.  
October 18, 2019

Reform 8: Single Payer “Enhanced”

- Coverage of all US residents
- Additional benefits beyond ACA
- No cost-sharing
- No private insurance
- Uninsured eliminated (although uncertainty around this estimate)
- National spending increases by $720 billion (~20%) in 2020.
- Federal spending increases by $2.8 trillion in 2020, $34.0 trillion over 10 years, roughly double “lite” version
- Household spending eliminated

Coverage and Changes in Spending Compared to Current Law, 2020

 Millions of people

<table>
<thead>
<tr>
<th>Current law</th>
<th>Reform 8</th>
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<tr>
<td>Number without minimum essential coverage</td>
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Billions of dollars

<table>
<thead>
<tr>
<th>Increase in federal spending</th>
<th>Additional revenue needed*</th>
<th>Change in national health spending</th>
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</thead>
<tbody>
<tr>
<td>Current law</td>
<td>Reform 8</td>
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<tr>
<td>$2,846</td>
<td>$2,687</td>
<td>$719.7</td>
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* Increase in federal revenue needed to finance reform, net of additional income tax receipts resulting from reduced employer spending on health insurance passed back to workers as wage increases.

Data: Urban Institute analysis.

Discussion

- Optimal levels of provider payment rates in a price regulated individual market (Reforms 4-6) or single payer reform (Reforms 7-8) are unknown but have large effects on government costs;
- Phase-in periods are critical with larger, more system disrupting reforms, and these can have large implications for costs in the 10 year window;
- Changes in employer health care spending are not the same as changes in employer spending as a whole;
- Effects on specific households’ finances depend upon particular approach to funding reforms and will vary by income;
- Critical tradeoffs: household costs v. government costs, voluntary v. coverage level, national cost savings v. potential provider system disruption

Examining the Continuum of Coverage Proposals