



HEALTH POLICY ACADEMY

Insurance Coverage and How the U.S. Pays for Care

April 16, 2021



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Robert Saunders, Ph.D.

Research Director, Payment and
Delivery Reform, Duke-Margolis
Center for Health Policy



Audience Question #1:

- Reply in the Q&A box with something that confuses you about health insurance or that you hope to learn today.



Health Insurance and Paying for Care: A Practical Introduction

Health Policy Academy 2021

Robert Saunders, PhD
Research Director, Payment and Delivery Reform
April 16, 2021

Today's Presentation

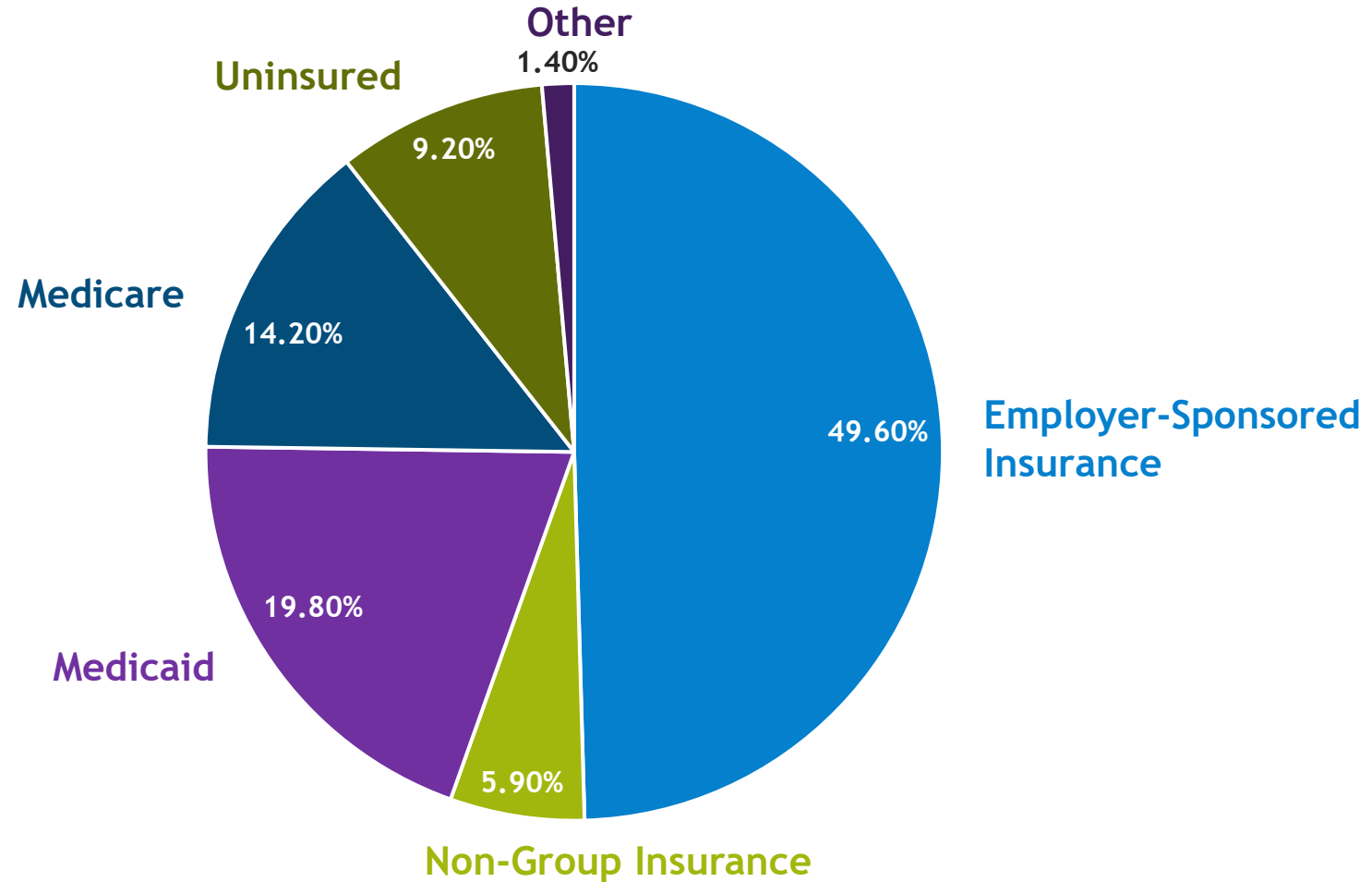
- How do people get health insurance?
- What does health insurance cover?
- What does health insurance cost?
- Who pays for health care?
- Potential areas for future action

How do People Get Insurance?

- **Public Programs**
 - *Medicare*: covers those 65 and older + permanently disabled + more
 - *Medicaid*: covers people with lower-income; exact eligibility criteria varies by state
 - *Other*: insurance programs for special groups (e.g., Veterans Affairs, Military Health System, Indian Health Service)
- **Private Market**
 - *Employer*: insurance provided through your employer
 - *Individual*: purchased by individuals through the ACA marketplace
- **Uninsured**: No insurance coverage

How do People Get Insurance?

Proportion of Population Covered by Each Insurance Type in 2019



What Laws and Regulations Affect How People Get Coverage?

- **Consolidated Omnibus Reconciliation Act (COBRA), 1985:** Allows people who lose their job to pay to keep their health plan, up to 18 months
- **Health Insurance Portability and Accountability Act (HIPAA), 1996:** Protects people in group health insurance plans from being barred for pre-existing conditions
- **Affordable Care Act (ACA), 2010:** Created exchanges for purchasing individual insurance; expanded Medicaid so states can cover all low-income people (<138% poverty); required insurers to offer plans to people with pre-existing exclusions

Today's Presentation

- How do people get health insurance?
- **What does health insurance cover?**
- What does health insurance cost?
- Who pays for health care?
- Potential areas for future action

What Does Health Insurance Cover?

- Overall, it depends
- Historically, lots of variation by states, employer, insurer, etc.
- More standardization in the past decade across plans

What Laws and Regulations Affect What Insurance Covers?

- Several state-level laws on benefit requirements
- **Employee Retirement Income Security Act (ERISA), 1974:** State mandated benefits don't apply to large employer insurance plans, which are covered by the national ERISA standard
- **ACA (2010):** Set 10 categories of essential benefits across individual and large employer insurance (e.g., preventive and wellness visits, maternity care.)
 - Essential benefit standards don't apply to short-term insurance plans

Today's Presentation

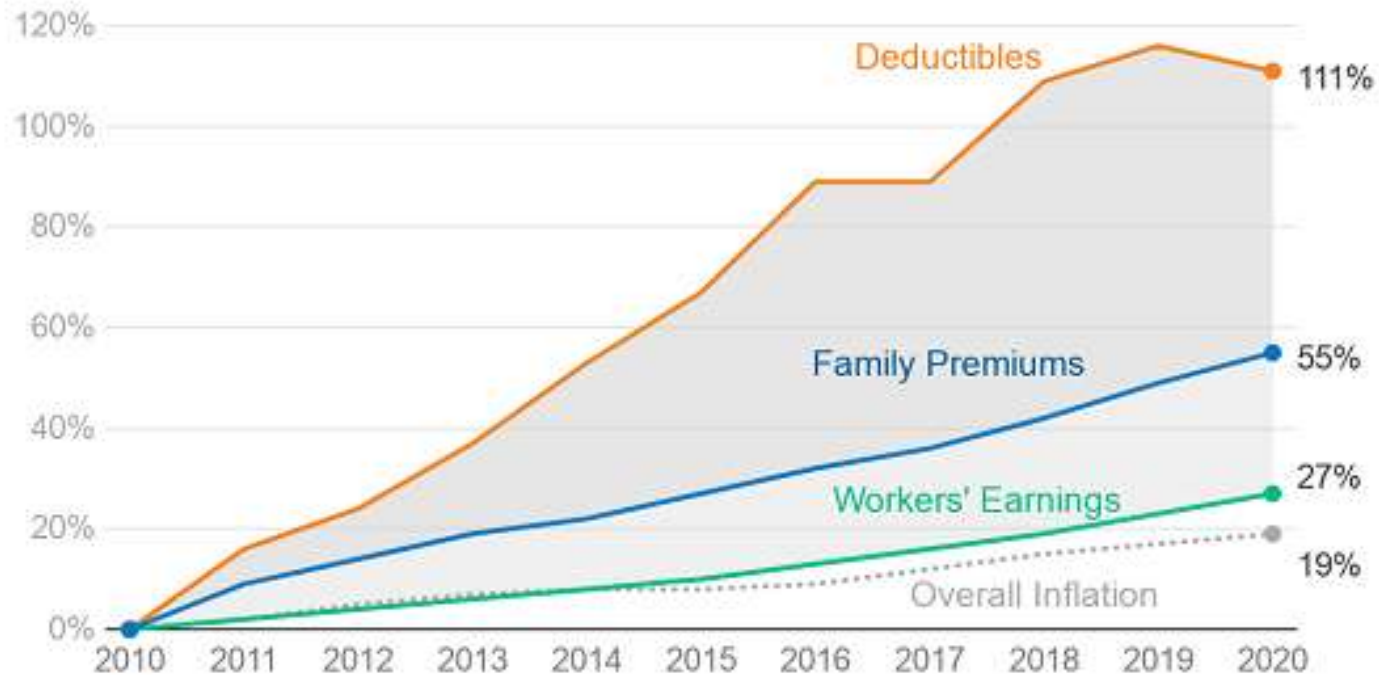
- How do people get health insurance?
- What does health insurance cover?
- **What does health insurance cost?**
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What Does Health Insurance Cost?

- It depends.
- Premiums depend on who is covered (ex. individual vs. family), insurer administrative costs/profits, and underlying health care costs
 - Premiums are also affected by subsidies (from employers, federal government, others)
- Total cost to patient = premiums + co-pays + co-insurance + deductible

Health Insurance Costs Continue to Rise

Employer Premiums and Deductibles Have Risen Much Faster than Wages Since 2010



NOTE: Average general annual deductibles are for single coverage and are among all covered workers. Workers in plans without a general annual deductible for in-network services are assigned a value of zero.



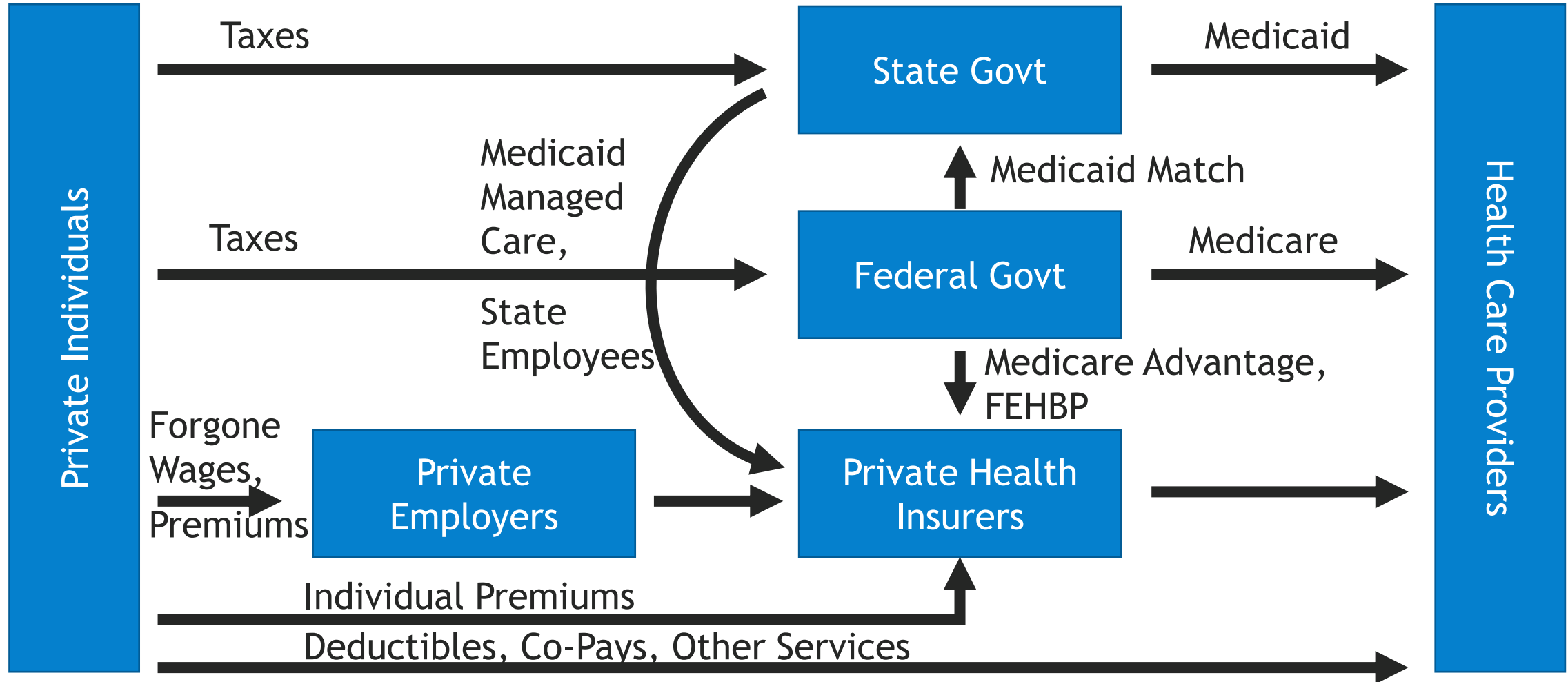
What Laws and Regulations Affect What Health Insurance Costs?

- **ACA (2010):**
 - Provided subsidies for people buying insurance through the exchanges (up to 400% poverty)
 - Prohibited changing premiums based on illnesses (and can only vary 3x by age)
- **American Rescue Plan (2021):**
 - Temporary 100% COBRA coverage subsidy for eligible employees (valid until Sept 30, 2021)
 - Extends subsidies for individual insurance for people over 400% poverty and expands subsidies for people with lower incomes for 2 years

Today's Presentation

- How do people get health insurance?
- What does health insurance cover?
- What does health insurance cost?
- **Who pays for health care?**
- Potential areas for future action

Flow of Funds in Health Care is Complex



What Laws and Regulations Affect How We Pay for Health Care?

- **ACA (2010):** Launched payment reforms intended to lower medical expenditures (which then would lower premiums/out of pocket costs)
- **Medicare Access and CHIP Reauthorization Act (MACRA), 2016:** Encouraged more value-based payment models by physicians in Medicare, which could lower overall health care costs

Today's Presentation

- How do people get health insurance?
- What does health insurance cover?
- What does health insurance cost?
- Who pays for health care?
- **Potential areas for future action**

Potential Areas for Future Health Policy Action

- Actions to reduce continued high and rising health care spending
 - Health care spending currently 17.7% of GDP
 - Medicare Trust Fund solvency in 2026
 - Actions could include payment reforms, market competition, pricing
- Drug pricing
- Surprise billing
- Reducing disparities and improving equity
 - Integrating the social determinants of health into the health care system

Summary

- Considerable variability in insurance coverage, benefits, and cost
- Variety of federal and state laws and regulations affect insurance access, cost, and benefits (e.g. ACA, COBRA, state benefit mandates, state insurance regulation)
- Potential future actions discussed include value-based payment, drug pricing, equity, surprise billing, and spending reforms.

Thank You!

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Health Insurance and Paying for Care

Health Policy Academy 2021

Brian Webb

Assistant Director for Health Policy

National Association of Insurance Commissioners



Friday, April 16, 2021

The NAIC

Founded in 1871, the NAIC is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and the five U.S. territories.

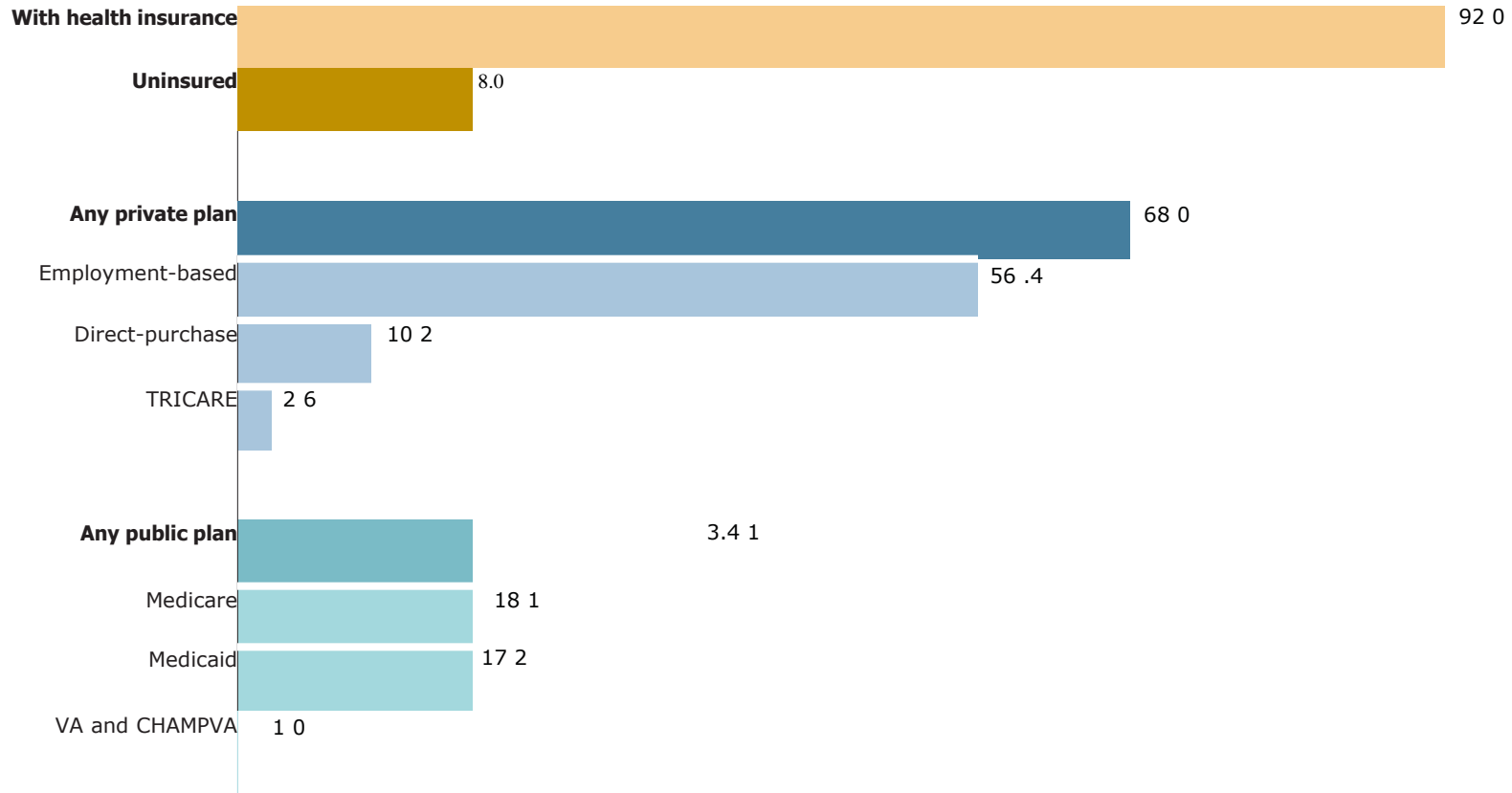
Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight.

NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

What is Health Insurance?

Protection from economic loss resulting from a medical condition, such as costs of medical care (medical expense coverage) or loss of income due to medical condition (disability income coverage)

Figure 1
Percentage of People by Type of Health Insurance Coverage: 2019
 (Population as of March 2020)



Note: The estimates by type of coverage are not mutually exclusive; people can be covered by more than one type of health insurance during the year. For information on confidentiality protection, sampling error, nonsampling error, and definitions in the Current Population Survey, see <<https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar20.pdf>>.

Source: U.S. Census Bureau, Current Population Survey, 2020 Annual Social and Economic Supplement (CPS ASEC).

Health Insurance: Key Factors

- Coverage – benefits/exclusions; networks/formularies
- Cost – premiums; cost-sharing; underwriting
- Certainty – capital; risk pool; investment risk
- Consumer Protections – access to care; appeals; quality

Any Questions?

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MEDICARE, MEDICAID & CHIP

Federally Funded Insurance Programs

Rodney Whitlock, Ph.D.

April 16, 2021

[mcdermottplus.com](https://www.mcdermottplus.com)

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*I can't get no
satisfaction...*

1965



MEDICARE

Medicare is funded mostly by payroll tax, general revenue and insurance premiums

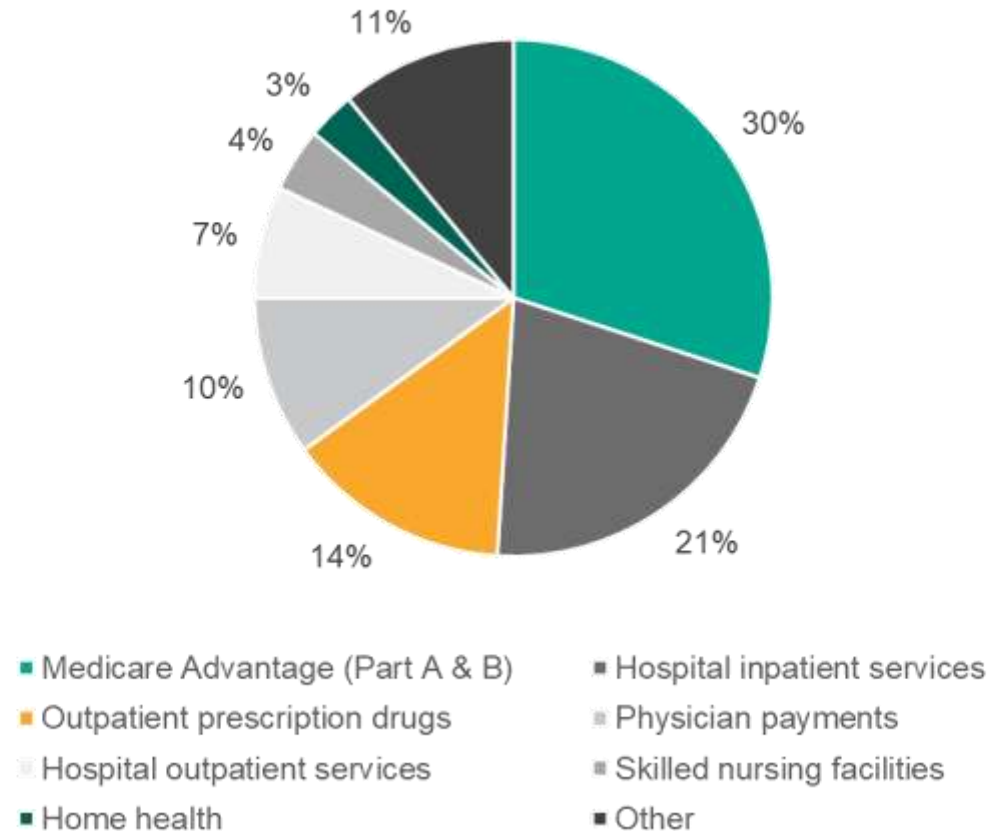
Who does it cover?

- Individuals 65+
- Under 65 with certain disabilities
- Any age with End-Stage Renal Disease (ESRD)

What can it get you?

- PART A: hospital and longer-term care
- PART B: doctor's visits and supplies
- PART C: Medicare Advantage (A + B + other perks)
- PART D: Prescription drug coverage

Medicare Benefit Payments by Type of Service (2017)



Source: KFF.org

MEDICAID

Medicaid is jointly funded by federal and state dollars, with sharing based on state per capita income

Coverage

- Medicaid is built on categories of eligibility. Specific groups with income limitations.
- Medicaid programs varied widely by state.
- ACA expansion = under 65 and at/below 138% Federal Poverty Level (FPL).
 - *NFIB v. Sebelius*
 - **12 states** have not expanded

State Labs

- Waiver programs allow state-specific “experiments.”
 - 1115 (demonstrations)
 - 1332 (innovation)
 - 1915(c) (home- and community-based services)
- HHS/CMS approval required.
- Must be consistent with Medicaid goals.

Expansion Map

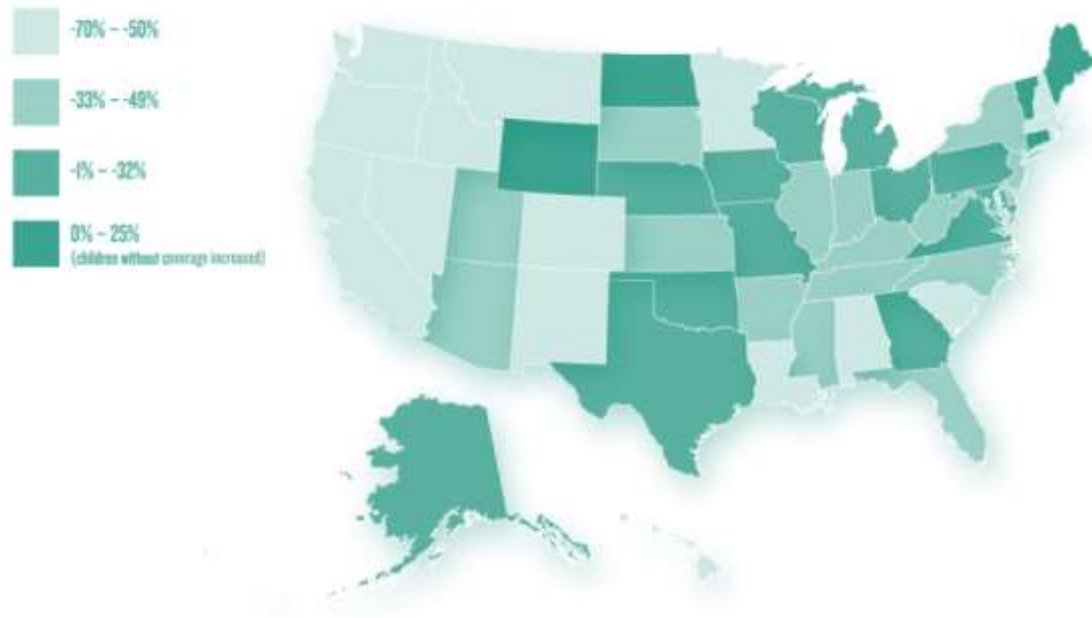


Source: KFF.org

CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

CHIP is also jointly funded, but the FMAP is enhanced and federal allotments are capped.

Change in Children without Health Insurance: 2010-2017



Source: 2019 KIDS COUNT DATA BOOK

Who does it cover?

- Children of families with too much income for Medicaid.
- Sometimes pregnant women (including post-partum window).

What can it get you?

- A set of mandatory benefits, like well-child care, vaccines and behavioral health.
- State-specific additional services.
- Early and Periodic Screening, Diagnostic and Treatment services in expansion states.

CENTERS FOR MEDICARE AND MEDICAID SERVICES

CMS administers the Medicare, Medicaid & CHIP programs

Reimbursement

- Sets rates and administers A/B reimbursement through 12 regional Medicare Administrative Contractors (MACs)
- Reimbursement regulations = facility fee + physician fee
 - Inpatient Prospective Payment System (facility)
 - Hospitals, structured around Diagnosis-Related Groups (DRGs)
 - Outpatient Prospective Payment System (facility)
 - Ambulatory facilities, structured around Ambulatory Payment Classifications (APCs)
 - Medicare Physician Fee Schedule (physician)
 - Payment based on relative value units (RVUs)

Value-Based Programs

- The ACA established Centers for Medicare and Medicaid Innovation to experiment with payment models.
 - Runs programs to increase quality and reduce cost in health care.
 - E.g., accountable care organizations, value-based purchasing, bundled payment models
 - Works with other agencies and institutes to track quality and outcomes of demonstrations.



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**CENTER ON HEALTH
INSURANCE REFORMS**

**Alliance for Health Policy
Health Insurance and Paying for Care:
Health Policy Academy 2021**

April 16, 2021
Sabrina Corlette, J.D.

About Georgetown's Center on Health Insurance Reforms (CHIR)

- A team of experts on private health insurance
- Conduct research and policy analysis, provide technical assistance to federal and state officials and consumer advocates
- Based at Georgetown University's McCourt School of Public Policy
- Learn more at <https://chir.georgetown.edu/>
- Subscribe to CHIRblog at <http://chirblog.org/>
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**Who Regulates What?
Understanding Rules of the Road for
Private Coverage**

Types of Private Insurance

- **Employer-sponsored or “group” market**
 - Covers 158M people (~ 1/2 total U.S. population)
 - Can be *self-funded* or *fully insured*
 - Can be “small-group” or “large-group” market
 - Subsidized via tax exclusion (the single largest federal tax expense)
- **Individual market**
 - Covers ~ 13-14M people (down from 2015 peak of 17.4M)
 - On or off-Marketplace
 - Affordable Care Act subsidies only available on-Marketplace
 - Grandfathered or “Grandmothered”
- **Other, such as:**
 - Short-term health plans
 - Health care sharing ministries



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Rules Differ, Depending on Type of Insurance

- Fully insured plans
 - State is the primary regulator
 - Federal law sets the floor
 - See e.g., HIPAA and ACA
- Individual, small-group, large-group
 - Different benefit and preexisting condition protections apply
- Self-funded, employer-sponsored insurance
 - Regulated under federal law: “ERISA”
 - ERISA preempts most state regulation
 - Some exceptions, i.e., “Multiple Employer Welfare Arrangements” (MEWAs)



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Questions?

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Poll Question #2:

- Approximately how much does family health insurance coverage cost per year?
 - \$5k
 - \$10k
 - \$15k
 - \$20k
 - \$30k



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Upcoming Events

**April
23**

The U.S. Public Health System

11:30 a.m. – 1:00 p.m. ET

**May
7**

Introduction to Congress and the Policymaking Process

11:30 a.m. – 1:00 p.m. ET

**May
21**

Introduction to HHS and Health Policy Implementation

11:30 a.m. – 1:00 p.m. ET





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Thank you for attending!

