

HEALTH POLICY ACADEMY 2023

Health Care Coverage in the United States

Session 1



ALLIANCE
FOR HEALTH POLICY



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Health Care Coverage in the United States, Part I

Health Policy Academy | Alliance for
Health Policy

Presenter: Orriel L. Richardson, JD, MPH

April 2023

Health Care in the United States

An abbreviated timeline



Health Care Spending + Coverage in the United States

National health expenditures grew 2.7 percent in 2021, reaching \$4.3 trillion or \$12,914 per person, and **accounted for 18.3% of Gross Domestic Product (GDP)**.

- The largest shares of total health spending were sponsored by the federal government (34 percent) and the households (27 percent).
- The private business share of health spending accounted for 17 percent of total health care spending, state and local governments accounted for 15 percent, and other private revenues accounted for 7 percent.

Of the \$4.3 trillion in health care spending...

- Medicare: 21 percent
- Medicaid: 17 percent
- Private health insurance: 28 percent
- Out of pocket spending: 10 percent

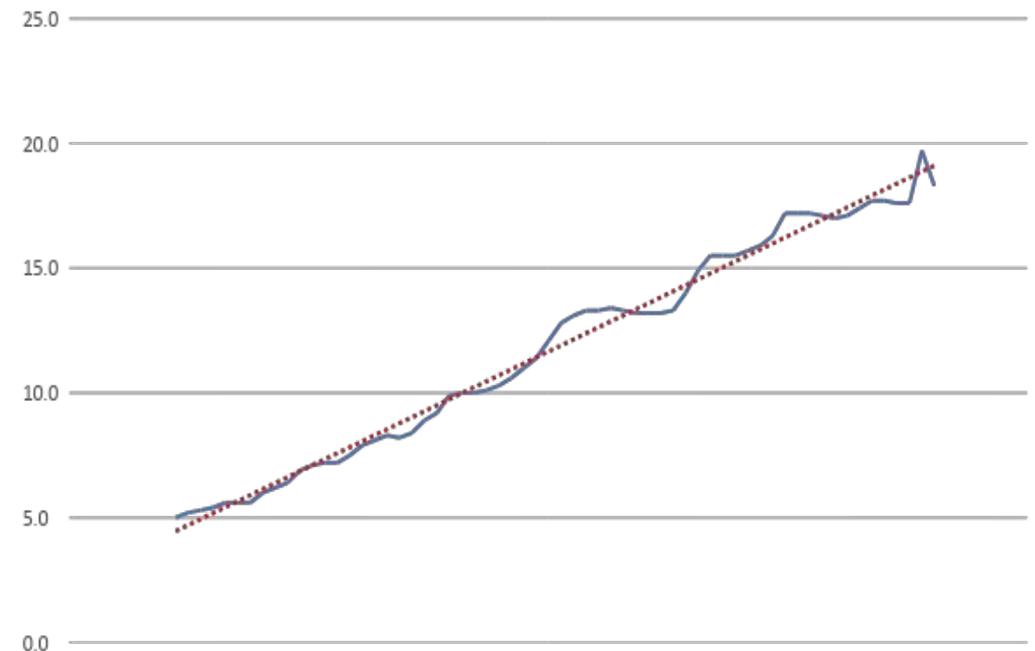
Hospital expenditures grew 4.4% to \$1,323.9 billion in 2021, slower than the 6.2% growth in 2020.

Physician and clinical services expenditures grew 5.6% to \$864.6 billion in 2021, slower growth than the 6.6% in 2020.

Prescription drug spending increased 7.8% to \$378.0 billion in 2021, faster than the 3.7% growth in 2020.

The **percentage of the population with health insurance is expected to peak in 2022 at 91.1%** before falling back towards pre-pandemic levels as the public health emergency is assumed to end.

The **2030 rate is projected to be 90.5%**.



National Health Expenditures, <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nationalhealthaccounts/historical>

Employer-Sponsored Insurance

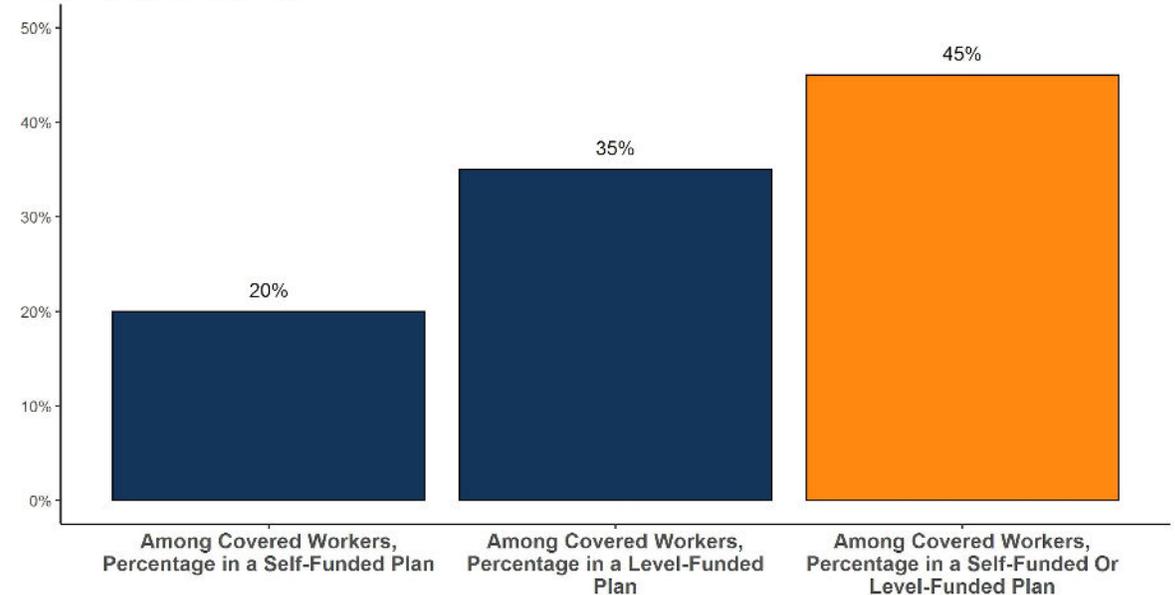
Employer-sponsored insurance (ESI) is health insurance are offered to employees and their dependents (and in most cases, spouses) as a benefit of employment.

ESI covers approximately 160 million Americans – [nearly half](#) the total population of the country. Health insurance benefits are more likely to be provided by larger companies; in fact, an estimated 99 percent of companies with 200 or more workers offer health benefits, according to testimony in Congress.

Primary categories of ESI plans

- **Fully Insured:** employer purchases plan from an insurer.
- **Self-Insured:** usually present in larger companies where the employer collects premiums from enrollees and takes on the responsibility of paying medical claims.
 - Self-insured plans **may purchase stop-loss insurance** to help cover the costs of unexpectedly large claims.
- **Level-Funded:** employer makes a set—or level—monthly payment to an insurer or a TPA.
 - The insurer or TPA uses the money to **fund a reserve account** for claims, administrative costs, and stop-loss coverage premiums. If the **claims are lower than projected, the surplus may be refunded.**
- **Multi-Employer Plan:** 2 or more employers jointly sponsor a plan.

Among Covered Workers at Small Firms, Percentage Enrolled in a Level-Funded or Self-Funded Plan, 2022



NOTE: See end of Section 10 for definitions of self-funded, fully-insured, and level-funded premium plans. Small Firms have 3-199 workers. This figure shows the percentage of covered workers; In 2022, 38% of small firms reported that they had a level-funded plan. This includes respondents who indicated both that their plan was level-funded and fully insured.

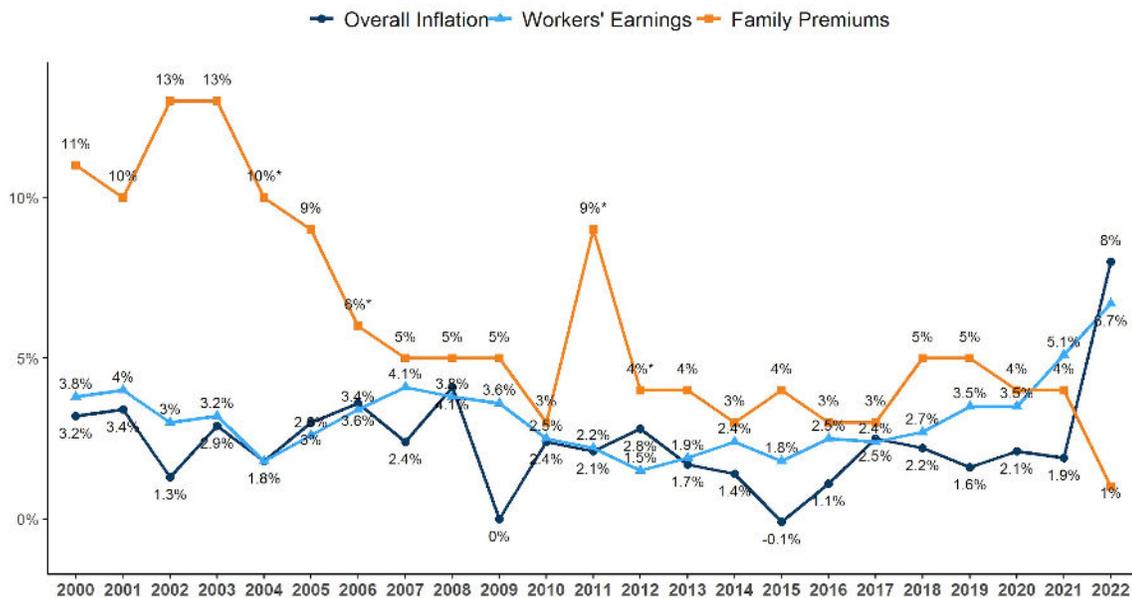
SOURCE: KFF Employer Health Benefits Survey, 2022

<https://www.kff.org/report-section/ehbs-2021-section-10-plan-funding/>

Financing Employer-Sponsored Insurance

The *favorable tax treatment of employment-based health benefits (exclusion)* is one of the federal government's largest tax expenditures. Including effects on both income taxes and payroll taxes, that expenditure is projected to total \$641 billion in 2032.

Average Annual Increases in Premiums for Family Coverage Compared to Other Indicators, 2000-2022



- The exclusion encourages workers to enroll in ESI rather than other types of insurance, such as that obtained through the nongroup market.
- Because the exclusion reduces taxable income, it is **worth more to taxpayers in higher tax brackets than to those in lower brackets.**
- The federal tax system, as well as most state tax systems, also **subsidizes health care costs not covered by insurance** by excluding from income and payroll taxes the contributions made to various health spending accounts that employees can use to cover those costs.
- By subsidizing employment-based health insurance, the tax exclusion encourages firms to offer a more generous benefit package to recruit and retain employees.
- Unlike cash compensation, **employers' payments for their employees' health insurance premiums are excluded from income and payroll taxes.**

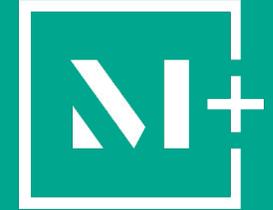
* Family Premiums Estimate is statistically different from estimate for the previous year shown (p < .05).
 SOURCE: KFF Employer Health Benefits Survey, 2018-2022; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2017. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation, 1999-2022; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1999-2022.



Rodney Whitlock, Ph.D.

Vice President

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A MEDICARE OVERVIEW

RODNEY WHITLOCK
Vice President
McDERMOTT+CONSULTING
April 14, 2023

A sample Medicare Health Insurance card for John L. Smith. The card has a blue header with the Medicare logo and the text 'MEDICARE HEALTH INSURANCE'. Below the header, the card displays the following information:

Name/Nombre	JOHN L SMITH	
Medicare Number/Número de Medicare	1EG4-TE5-MK72	
Entitled to/Con derecho a	Coverage starts/Cobertura empieza	
HOSPITAL (PART A)	03-01-2016	
MEDICAL (PART B)	03-01-2016	

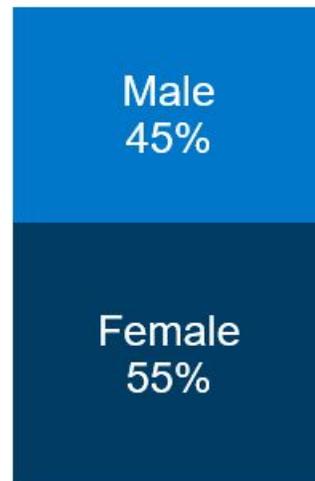
The card also features a large, light blue 'SAMPLE' watermark across the center.

WHAT IS MEDICARE?

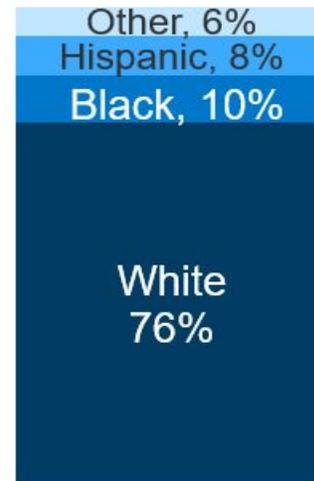
- + Medicare is a federal social insurance program, established in 1965, that pays for covered health services for qualified beneficiaries. It covers 65 million lives (2022).
- + Qualified beneficiaries fall into three categories:
 - Age 65 and older
 - Under 65 and permanently disabled
 - Have End Stage Renal Disease (ESRD) at any age
- + Medicare is administered by the Centers for Medicare & Medicaid Services (CMS)

CHARACTERISTICS OF MEDICARE BENEFICIARIES

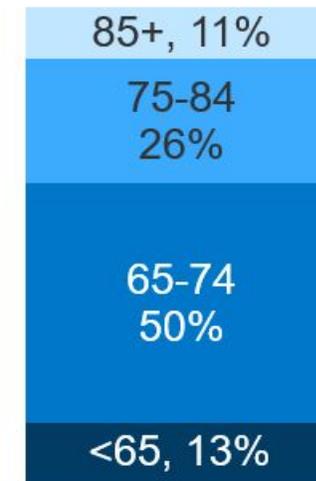
Selected Demographic Characteristics of Medicare Beneficiaries, 2020



Gender



Race/ethnicity



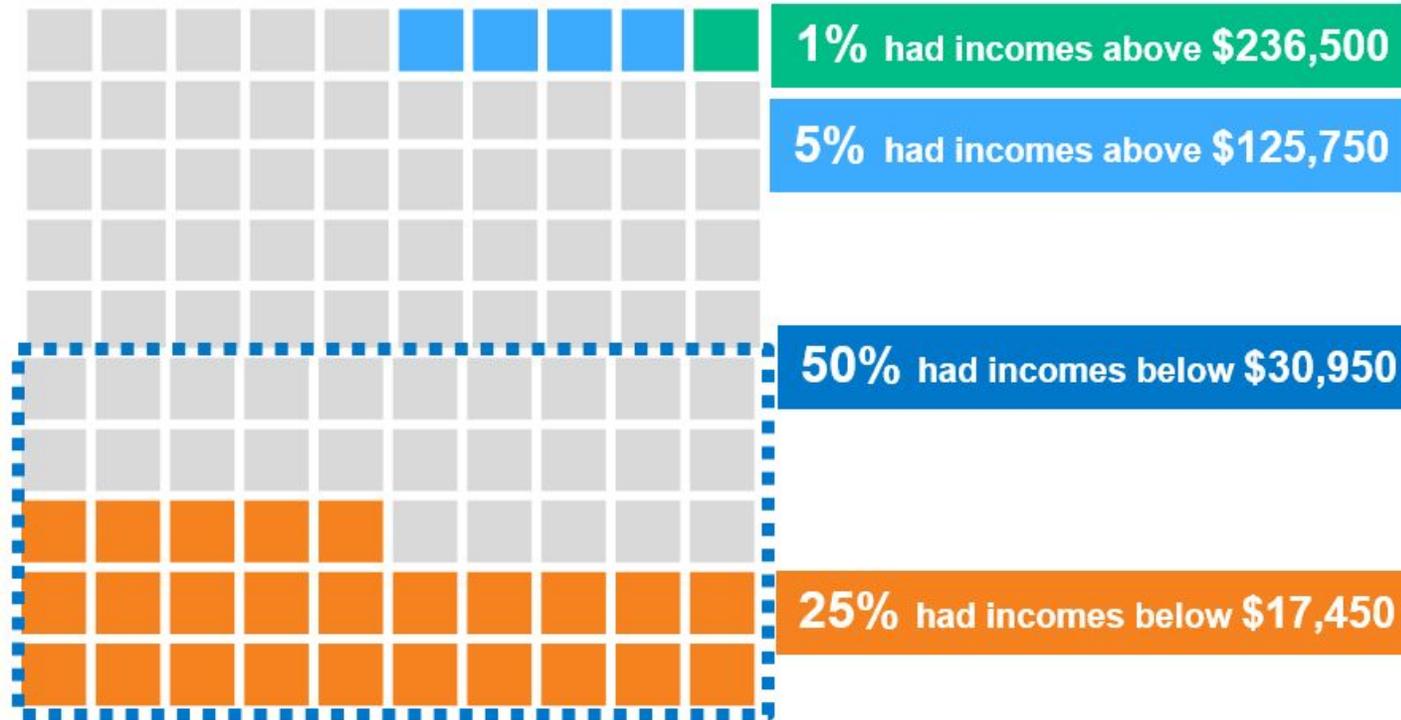
Age group

SOURCE: KFF analysis of Medicare Current Beneficiary Survey, 2020 Survey File.



CHARACTERISTICS OF MEDICARE BENEFICIARIES

Half of all Medicare Beneficiaries Had Incomes Below \$30,950 Per Person in 2021

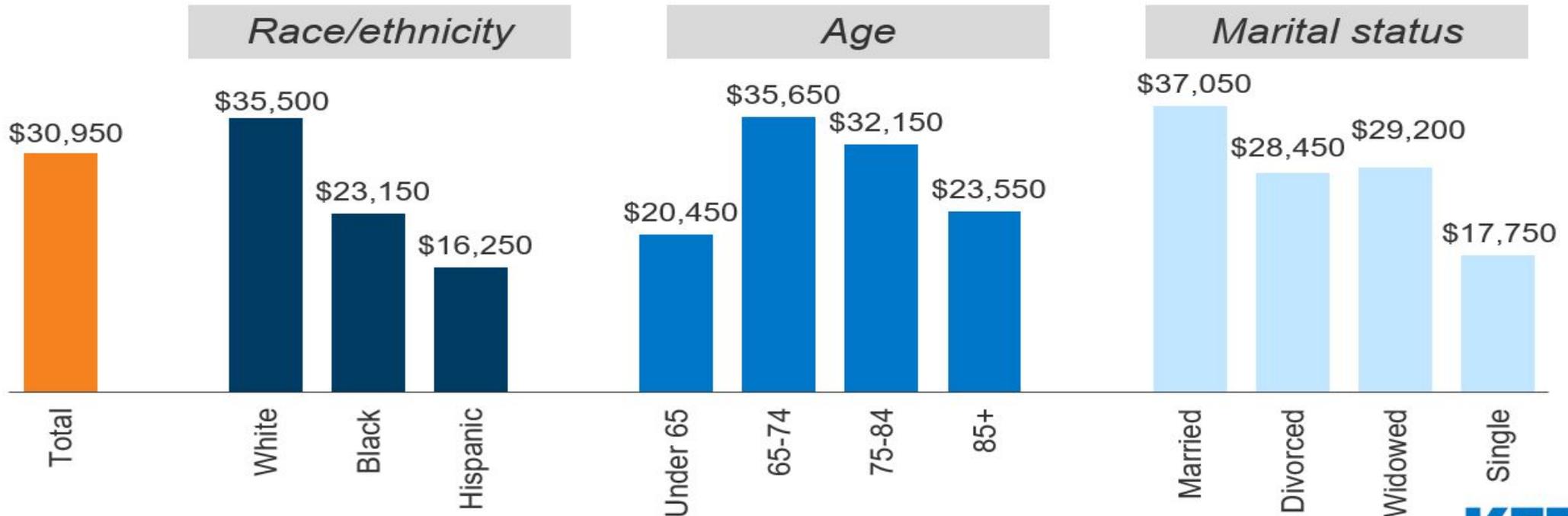


SOURCE: KFF analysis of data from Urban Institute/DYNASIM, 2021.



CHARACTERISTICS OF MEDICARE BENEFICIARIES

Median Per Capita Income Among Medicare Beneficiaries Varies by Beneficiary Characteristics in 2021



NOTE: Total household income for couples is split equally between husbands and wives to estimate income for married beneficiaries.

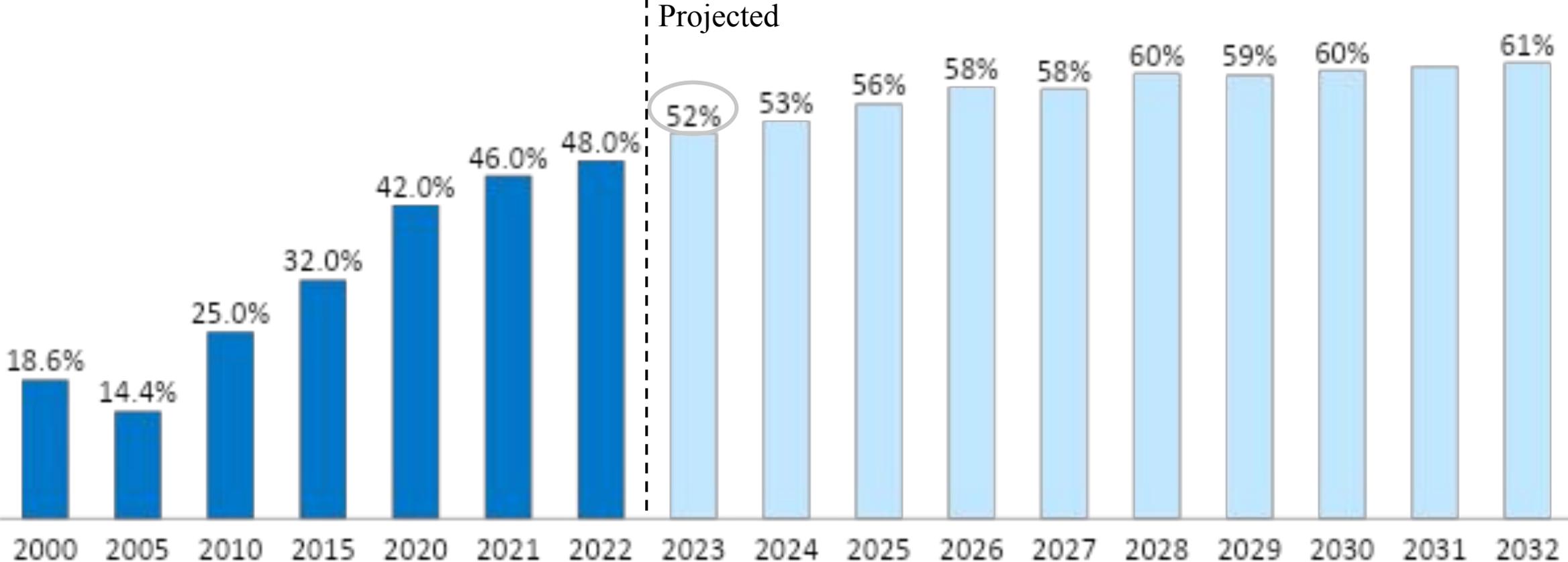
SOURCE: KFF analysis of data from Urban Institute/DYNASIM, 2021.



WHAT ARE THE COMPONENTS OF MEDICARE?



HALF OF ELIGIBLE MEDICARE BENEFICIARIES ARE PROJECTED TO BE ENROLLED IN MEDICARE ADVANTAGE PLANS THIS YEAR



SOURCE: KFF, "Medicare Advantage in 2022: Enrollment Update and Key Trends," August 2022.

HOW IS MEDICARE FINANCED?

Medicare is a significant federal program accounting for approximately 10% of the annual federal budget and costing \$905 B in 2022.

PART A: Hospital Insurance Trust Fund (HI Trust Fund). Designed to be self-supporting; it is financed mainly through payroll taxes paid by employers and employees (1.45% each) plus an additional .9% tax on high-income workers.

PARTS B & D: Supplementary Insurance Trust Fund (SMI Trust Fund). Beneficiary premiums and general tax revenues finance this trust fund, which was never envisioned as being self-sustaining like the Part A Trust Fund above.

TODAY'S TOPLINE MEDICARE ISSUES

- + Medicare Solvency
- + Budget Impacts
- + Medicare Advantage Program Payments
- + Medicare Prescription Drug Price Negotiation

HELPFUL RESOURCES

- [CMS MEDICARE & YOU HANDBOOK](#): Published annually, available online & via mail. Essentially a “user’s manual” for Medicare. Designed for beneficiaries, but very helpful for anyone wanting to understand the program.
- [Inflation Reduction Act Medicare Prescription Drug Provisions](#): Kaiser Family Foundation (KFF)
- [Medicare Advantage: A Policy Primer](#): Commonwealth Fund
- [What to Know About Medicare Spending & Financing](#): KFF
- [2023 Medicare HI Trust Fund Actuaries Report](#).



Becky Shipp

Principal

Becky Shipp Consulting



Medicaid Overview

Alliance for Health Policy
Health Policy Academy 2023:
Health Care Coverage in the United States

Becky Shipp, Principal,
Becky Shipp Consulting

Medicaid 101

Federal-State

- Individual entitlement
- States establish:
 - Eligibility standards
 - Types of services
 - Payment rates
- Federal Medical Assistance Percentage (FMAP)

Historical Highlights

- Connection to Aid to Families with Dependent Children (AFDC)
- Omnibus Budget Reconciliation Acts (OBRA)
- Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA)
- Deficit Reduction Act of 2005 (DRA)
- Patient Protection and Affordable Care Act of 2010 (ACA)

Eligibility

85 million enrolled

Federal Poverty Level (FPL)

Major Eligibility Groups:

- Children and Pregnant Women
- Elderly
- People with disabilities
- Low-income adults

Benefits

Mandatory

Optional

Interaction with public and private health insurance

Brief History

2 Broad Types

- Program Waivers (Section 1915)
 - Home and Community-Based Services (HCBS)
- Research and Demonstration (Section 1115)



Cynthia Cox, MPH

Vice President

Henry J. Kaiser Family Foundation

Affordable Care Act: An Overview

Cynthia Cox

Vice President, ACA

April 2023

KFF

Filling the need for trusted information on national health issues.

Figure 29

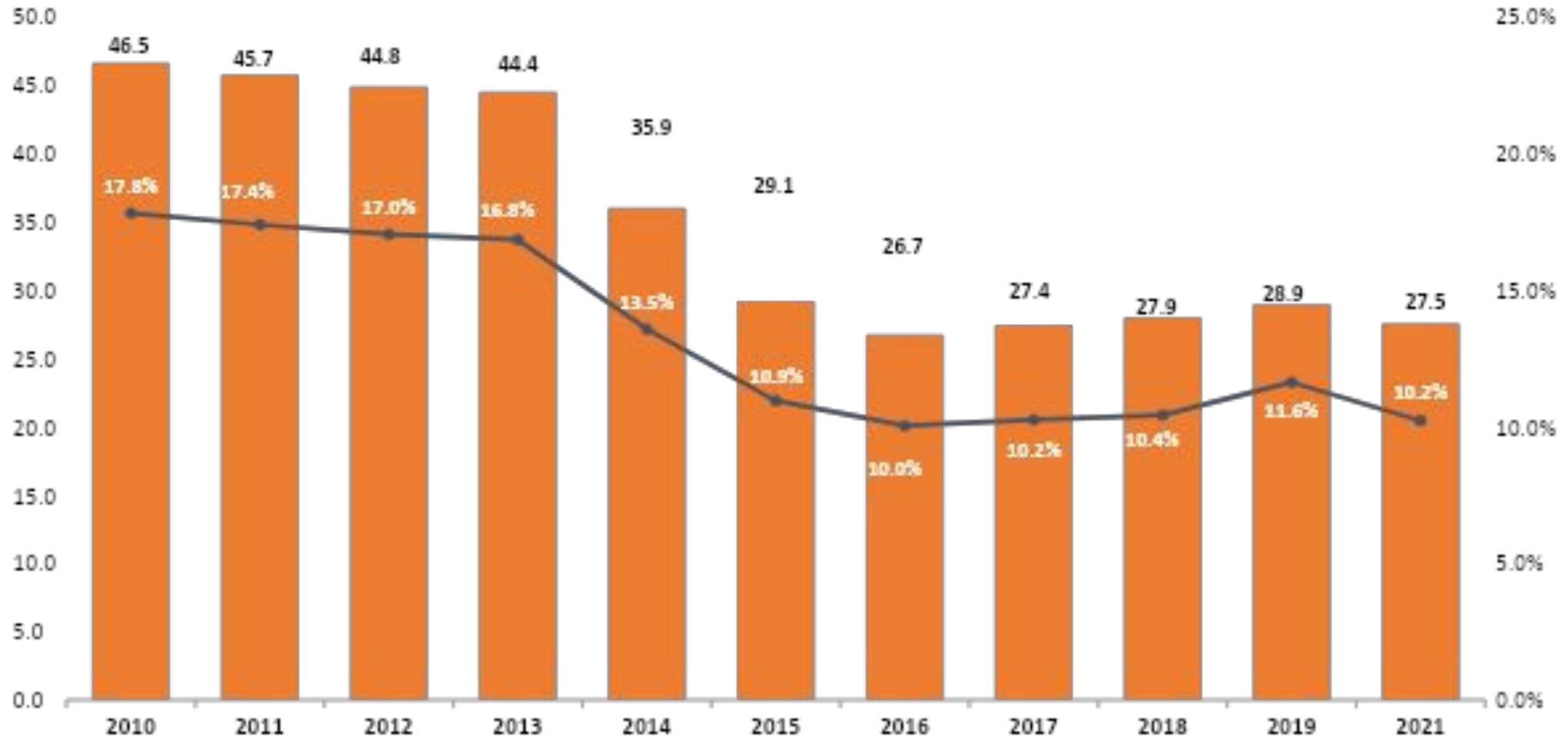
ACA Timeline

- ACA passed in 2010, with some provisions (e.g. preventive services, MLR) starting soon thereafter
- Most significant changes went into effect in 2014

2014	2015	2016	2017	2018	2019	2020	2021	2022
Healthcare.gov Medicaid expansion Market reforms (pre-ex, etc.)	ACA marketplace premiums mostly steady	Last year 2 of risk programs, ACA marketplace premiums start to rise	ACA repeal and replace debates CSR funding Ind. mandate	Steep ACA Marketplace Premium increases	ACA Marketplace Premiums moderate	COVID Voluntary premium, OOP waivers	ARPA subsidies Premiums steady	ARPA, IRA passes Record enrollment

Figure 30

Number and rate of uninsured declined among the non-elderly population, 2010-2021



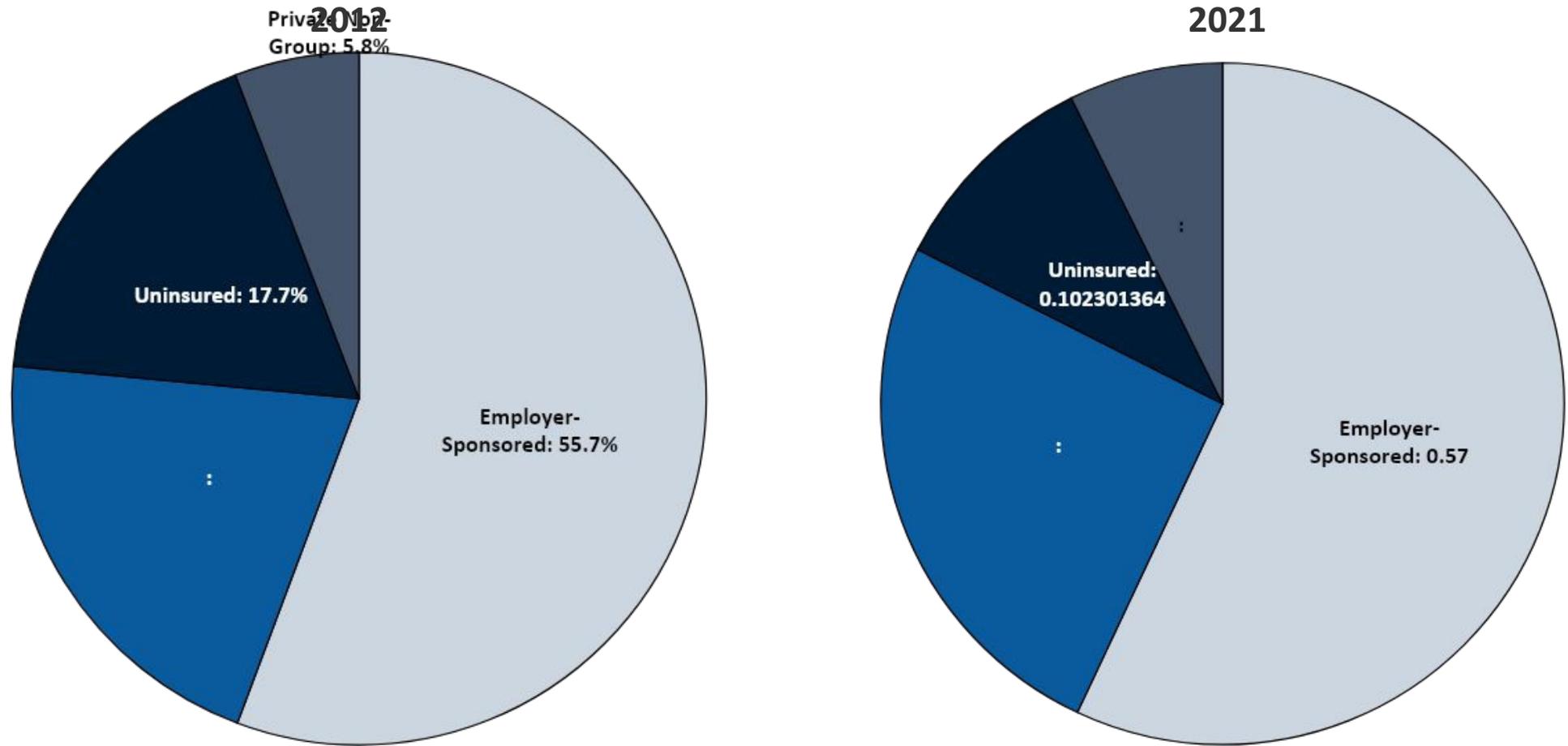
NOTE: Includes nonelderly individuals ages 0 to 64.

SOURCE: [Kaiser Family Foundation analysis of 2010-2021 American Community Survey \(ACS\), 1-Year Estimates.](#)



Figure 31

Sources of health Insurance coverage for non-elderly, 2012 and 2021



SOURCE: [KFF analysis of the 2008-2021 American Community Survey](#). US Census Bureau.

Figure 32

Marketplace Trends: Open Enrollment Plan Selections

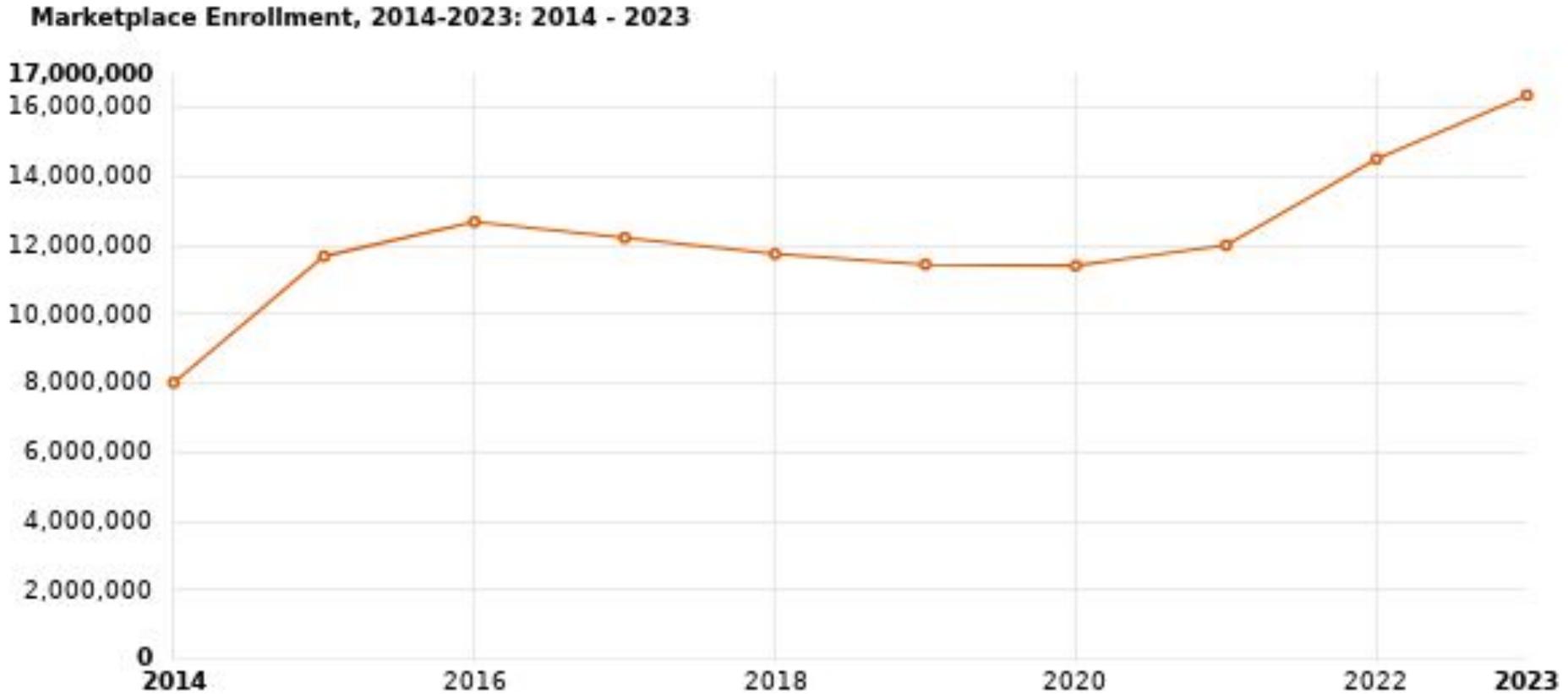


Figure 33

Marketplace Trends: National Average Benchmark Plan Premiums, With and Without Subsidies

National average monthly premiums, tax credit amounts, and individual contributions for the benchmark Silver plan for a 40-year old consumer with income at 200% FPL, 2014-2023

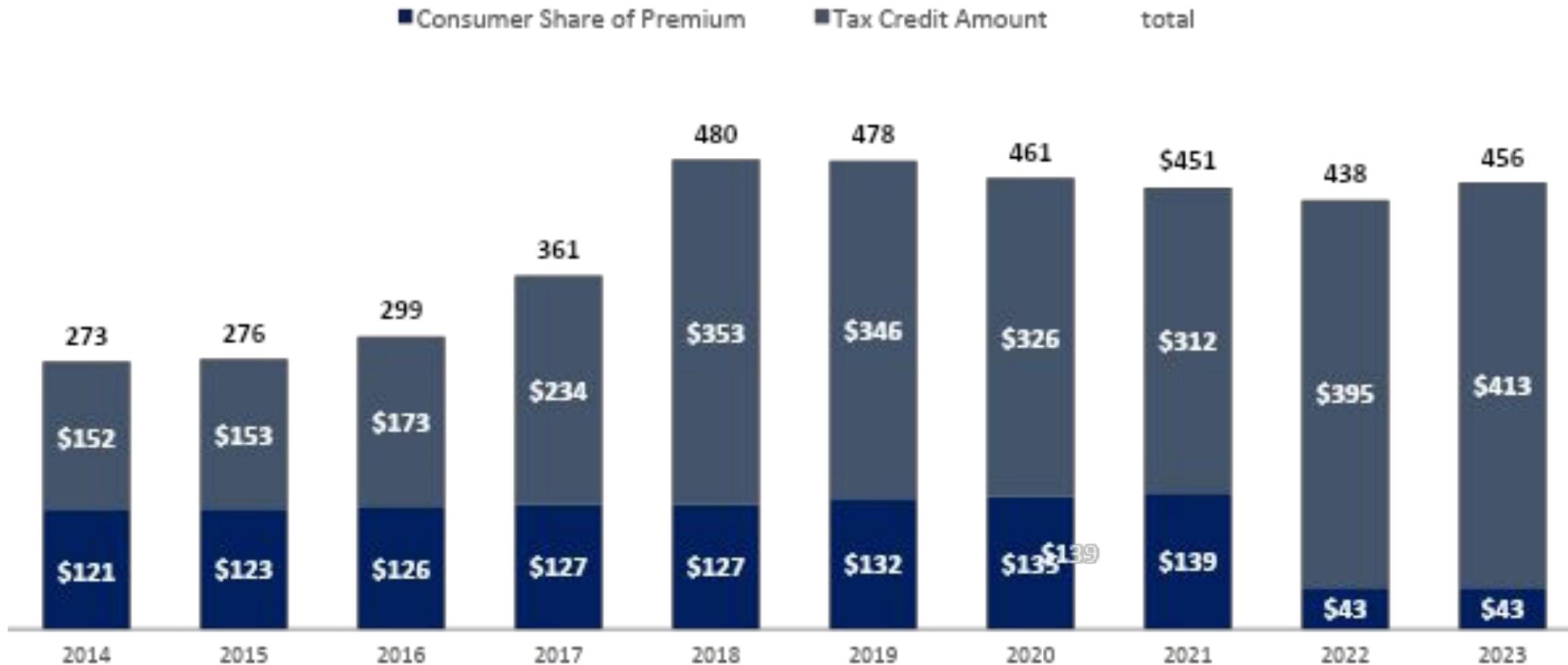
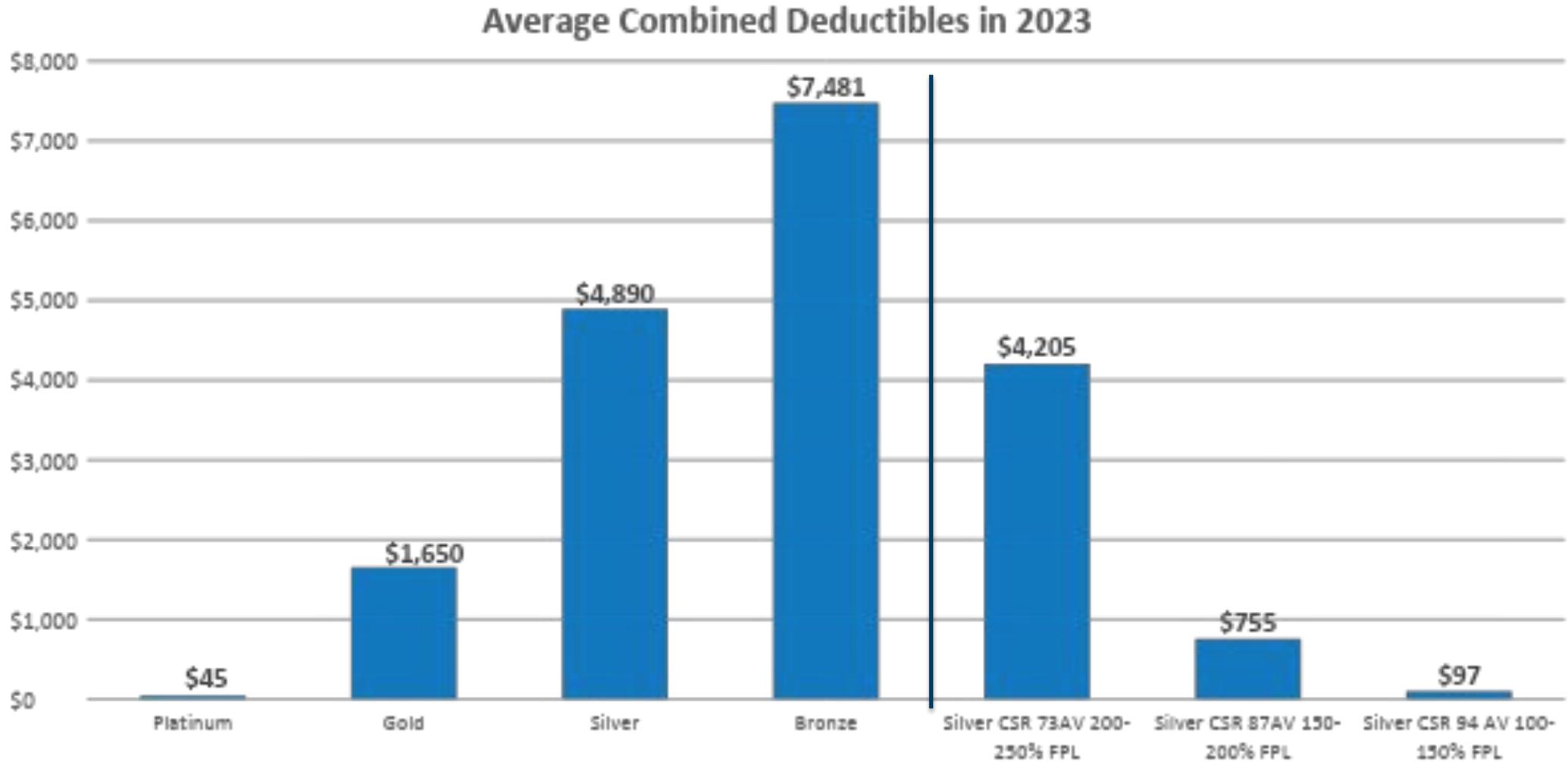


Figure 34

Marketplace Trends: Average Combined Annual Deductibles



NOTE: FPL stands for Federal Poverty Line

SOURCE: KFF Analysis of Marketplace plans in states with Federally Facilitated or Partnership exchanges in 2023. Data are from Healthcare.gov.



Other factors affecting Marketplace sign-ups in 2023

- **Investment in Navigator Programs**
 - CMS invested \$98.9 million dollars in Navigator programs for the 2023 Open Enrollment Period, vs \$10 million for 2019-2020
- **Longer Open Enrollment Period**
 - Open Enrollment lasts until January 15th instead of December 15th
- **Longer SEPs**
 - Consumers with income up to 150% FPL can enroll year-round; rules for other SEPs relaxed
- **“Fixed” the family glitch**
 - Consumers with offer of health coverage through a family member’s employer can qualify for marketplace subsidies if the worker’s premium contribution for family (vs. self-only) coverage exceeds 9.12% of income
- **Pandemic motivated people to stay covered?**

SOURCES:

- [Biden-Harris-Administration Makes Largest Investment Ever In Navigators Ahead of HealthCare.gov Open Enrollment Period](#)
- [KFF, Nine Changes to Watch in ACA Open Enrollment 2023](#)

Figure 36

What to watch...

- High cost-sharing in private plans (Marketplace and ESI) fuels medical debt
- Claims payment practices, denials, and appeals
- Consumer assistance resources, particularly in context of Medicaid disenrollments
- Provider network adequacy
- Court cases, e.g., *Braidwood v Becerra* (preventive services)
- Federal budget

Federal Health Insurance Subsidies for People Under Age 65

Billions of Dollars

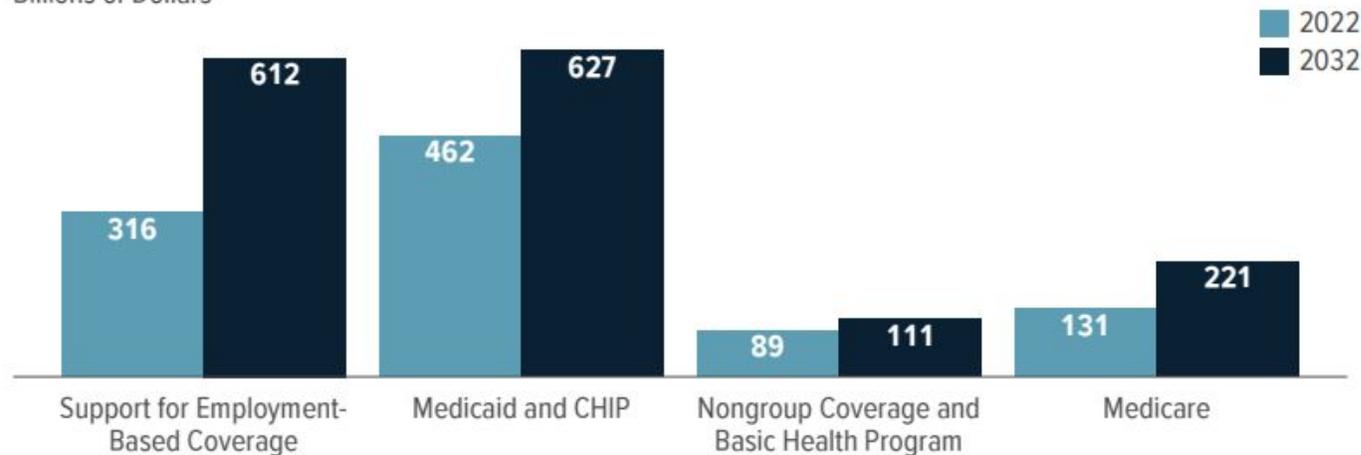


Figure 37

KFF Resources

- ACA/Marketplace Frequently Asked Questions <https://www.kff.org/health-reform/faq/health-reform-frequently-asked-questions/>
- Marketplace Subsidy Calculator <https://www.kff.org/interactive/subsidy-calculator/>
- ACA Analyses and Data <https://www.kff.org/health-reform/>
- Private Insurance Analyses and Data <https://www.kff.org/private-insurance/>
- Employer Health Benefits Survey <https://www.kff.org/health-costs/report/2018-employer-health-benefits-survey/>
- Uninsured <https://www.kff.org/uninsured/>
- Medicaid <https://www.kff.org/medicaid/>
- Racial Equity and Health Policy <https://www.kff.org/racial-equity-and-health-policy/>
- State Health Facts <https://www.kff.org/statedata>
- Survey of Marketplace Assistants and Brokers <https://www.kff.org/health-reform/report/2022-survey-of-aca-marketplace-assister-programs-and-brokers/>
- Health Care Debt in the US, 2022 <https://www.kff.org/health-costs/report/kff-health-care-debt-survey/>
- Peterson-KFF Health System Tracker <https://www.healthsystemtracker.org/>

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Thank you.

Moderated Q & A