

Jim

VT

## Catamount Health Financial Facts Under the Senate Bill

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## Catamount Health

- Comprehensive insurance subsidies available through 300% of poverty
- Assistance to enroll those not currently covered by their employers' plan (if the benefits are as generous as CH). Limits "crowd-out" and reinforces coverage in the private market.
- Financial assistance to reduce the cost of insurance in the individual market
- Free basic immunizations for Vermonters

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## Catamount Health Benefit

- Based on typical plan in BCBSVT book of business
- Plan design
  - In-network: \$200 deductible, 20% coinsurance, \$600 limit on out-of-pocket spending . \$10 office co-pay.
  - Out-of-network: \$400 deductible 30% coinsurance, \$1,200 limit on out-of-pocket spending
  - No copayments on clinically recommended services for chronic disease
  - No drug deductible, \$15 copay for generic, \$25 for preferred brand and \$50 for non-preferred brand

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## Catamount Health Premiums For those Enrolling in CH

- Single premium for this benefit in the commercial market today = \$423 per mo.
- *The premium is high since commercial payers reimburse hospitals and other providers at 44% above the cost of treatment!*
- CH would pay 10% above the cost of treatment, reducing the premium by 24%
- Differences in morbidity between the CH eligibles and those privately insured reduce the premiums by 10%
- Overall reduction in premium is 34%—24% from lower payments and 10% due to differences in health status
- *Used a lower reduction (28%) to build in a "cushion" in case actual costs exceed estimated costs.*

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## CH Premium Also Lower Due to Demographics

- Age-adjusted prevalence of chronic illnesses including diabetes, hypertension, cancer, heart disease are higher in VT's employer-based system than among the uninsured
- Uninsured are also younger. Nearly 50% of uninsured adults are aged 19-34 compared to 25% of privately insured adults.

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## Growth in Premiums Over Time

- Linked to the growth in Medicare spending per capita
- CBO projects for hospital, outpatient, ancillary services and physician services spending will rise 3.6% per year between 2007 and 2010. Assuming drug spending rises 9% per year under the program yields an average growth in CH premiums of 4.5%
- Actual growth will of course differ based on changes in Medicare rules
- Payments to hospitals start in 2008 at 110% of costs

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## Reduction in Uncompensated Care

- Today-private health insurers pay providers \$183 million (at least) more than the cost of treating their insured patients in hospitals
- Under no reform and current law private health plans will pay \$287 million more than the cost of treatment by 2010
- CH will reduce these above cost payments by \$53 million by 2010—reducing the cost shift and slowing the growth in insurance premiums

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## Compared to No Reform CH Results in Lower Health Insurance Premiums By Reducing the Cost Shift

### ■ Payment to Cost Ratios

	No Reform	CH	Enrollees
Uninsured in CH	13%	110%	16,095
Uninsured in ESI	13%	144%	1,469
■ VHAP			
■ Uninsured	13%	73%	4,060
■ Uninsured to ESI	13%	144%	2,808
■ Currently Enrolled	73%	144%	3,180
• To ESI			
Currently Insured	144%	110%	2,635
Payments to Hospitals % Costs	30%	113%	30,247

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## What Happens if Hospital Spending Rises Faster Than the Medicare Payment Updates? Cost Shifting is Reduced Dramatically and Premiums are Still Lower!

- Assumes BISHCA Not CBO Projections of Hospital Spending Increase (6.36% per year)

### Payment to Cost Ratios for the Uninsured

	No Reform	CH
■ 2008	13%	1.10%
■ 2009	13%	1.08%
■ 2010	13%	1.06%

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## Reduction in Cost Shift Under CH

- The cost shift facing commercial insurers RELATIVE to the no reform (i.e. baseline of no change) will unambiguously be reduced
- The cost shift is reduced and private insurance premiums will lower relative to the no reform option due to:
  - Moving the uninsured to CH and ESI coverage
  - Moving VHAP insured to ESI coverage

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## Private Insurance Payments Relative to Costs



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## Family Premiums Under No Reform and CH

Year	No Reform	Catamount Health
2008	\$12,950	\$12,560
2009	\$14,050	\$13,065
2010	\$15,245	\$13,872

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**Savings to Vermonters with Private Insurance Under Catamount Health**



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