



BlueCross BlueShield
Association

An Association of Independent
Blue Cross and Blue Shield Plans

A Blue Cross and Blue Shield Association Presentation

Healthcare Reform

Southeastern Actuaries Conference

November 19, 2009

Agenda

- Political overview
- Overview: what's in the House and Senate bills
- Key issues: pros/cons, who's for/who's against
- Political outlook

Healthcare Reform: A National Priority

Too many uninsured



- 46 million Americans currently without coverage, including 10 million children

Unsustainable costs



- U.S. spending \$2.2 trillion on healthcare annually
- Average premiums for family coverage have more than doubled since 1999

Strong commitment



- Top priority for President and Congress

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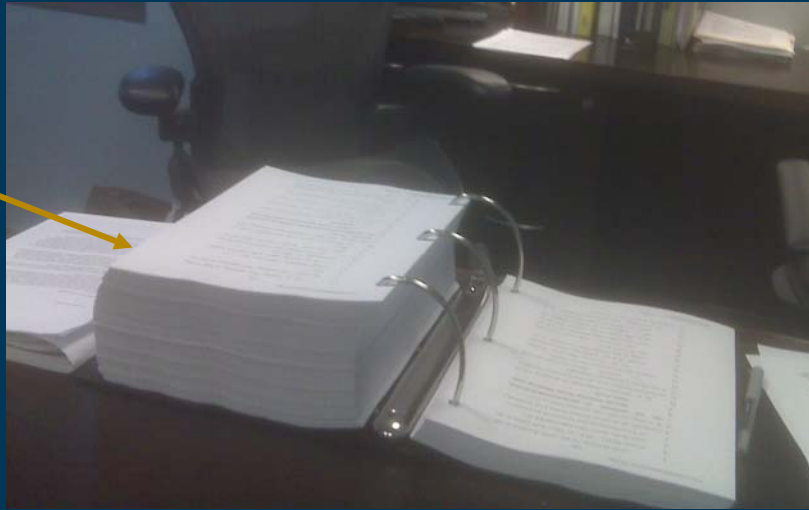
Political Overview

- **Obama/Democrats driving to enact a bill this year**
 - Obama staking his Presidency on success
- **Bills currently moving through Congress**
 - House: Narrowly passed bill on 11/7 by 220-215 (lost 39 Democrats)
 - Controversial abortion compromise
 - Senate: Floor action possible this week – 3 or 4 weeks of debate

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House Bill: 1990 Pages; 9.86 Lbs

2-sided



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What's In The House and Senate Bills

Reform elements proposed by the House and Senate are similar, but details differ

Expand Access

- Public option
- Individual/ employer mandate
- Subsidies
- Medicaid expansion

Insurance Reforms

- No pre-existing conditions
- No health gender rating

Exchanges

- New state or national "exchange"

Financing

- Medicare/Medicaid cuts
- Tax on high earners (House)
- Tax on "Cadillac" plans (Senate)

Delivery System

- Wellness/prevention
- Medicare Pay for Performance
- Comparative Effectiveness Research

Costs: House \$1,055 Billion
Senate \$829 Billion

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Overview of Major Reform Proposals

Provisions		House	Senate	
			HELP	Finance
Mandates	Individual	Weak	Weak	Weak
	Employer pay or play	✓	✓	"Free rider"
Insurance Reforms	GI	✓	✓	✓
	CR	✓, Age 2:1; includes large employers	✓, Age 2:1	✓, Age 4:1
	Interstate compact	✓		✓
	MLR	✓	Reporting	Reporting
Subsidies	Individual	400% FPL	400% FPL	400% FPL
	Small group	✓	✓	✓
Exchanges		National, state opt-out	Regulatory, state-based	State-based
Government Plan		✓, Negotiate	✓, "Negotiate"	Co-ops
Medicaid		✓, 150%	Assume 150%	✓, 133%
Financing		MA: \$237 B	No jurisdiction	Insurer "fee" "Cadillac" Tax MA: \$113 B

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Key Issue: Public Option

Proponents urging:

- Establish a government-run health insurance option for everyone

Why?

- Increase competition
- President says necessary "to keep insurers honest"
- Reduce costs by using the government's "bargaining power" to set better prices with doctors and hospitals

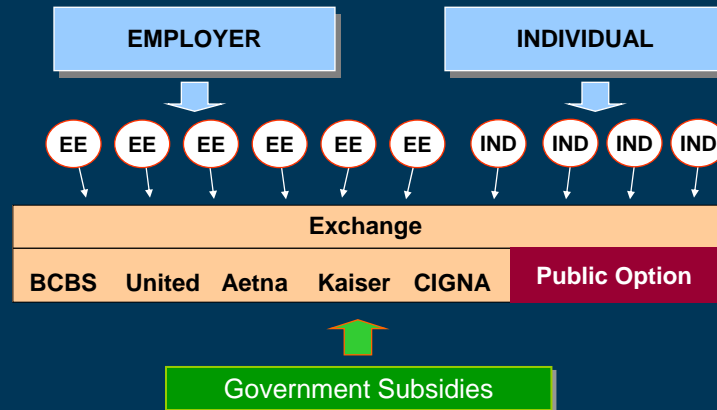
Who's for?

- MoveOn.org, Unions, Consumer Groups

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Public Option: The Vision

Employers and individuals sign-up with exchange and individuals select plan from among government approved options



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Key Issue: Public Option

Who's against?

- Employers, Insurers, Many Providers and Hospitals

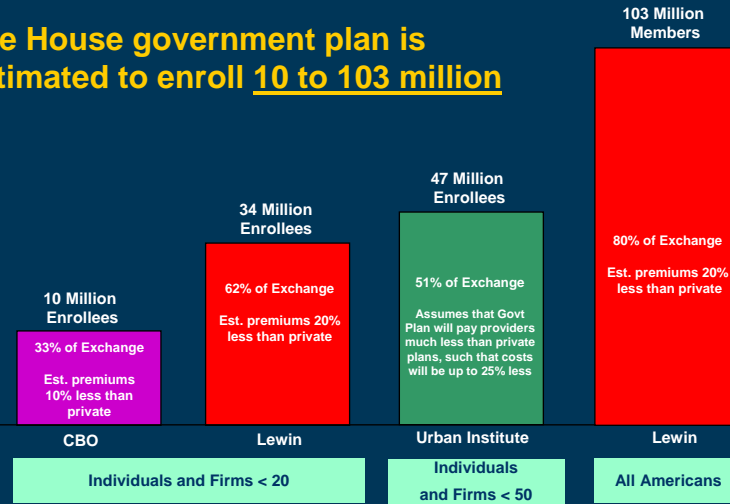
Why?

- Millions will lose their private coverage they like
- Providers will be underpaid, causing major access issues
- Government will use built-in advantages to take-over the market
- Delivery system reforms will be undermined

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Public Option: Enrollment

The House government plan is estimated to enroll 10 to 103 million



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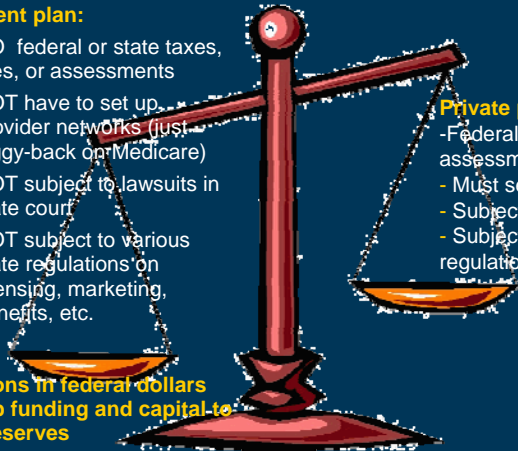
Public Option: The Balance of Power

"Level Playing Field" Not Possible

Government plan:

- NO federal or state taxes, fees, or assessments
- NOT have to set up provider networks (just piggy-back on Medicare)
- NOT subject to lawsuits in state court
- NOT subject to various state regulations on licensing, marketing, benefits, etc.

- **\$\$ billions in federal dollars start-up funding and capital to build reserves**



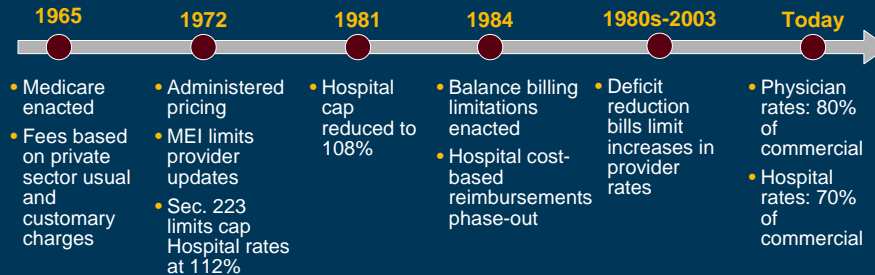
Private plans:

- Federal & state taxes and state assessments
- Must set up provider networks
- Subject to lawsuits in state court
- Subject to full range of state regulation

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Public Option: Negotiation of Rates

Medicare experience: Administered pricing quickly followed enactment



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Key Issue: Individual Mandate

Proponents urging:

- Require all individuals to obtain/maintain insurance

Why?

- Achieve universal coverage
- Necessary to assure affordable premiums by ensuring everyone – young/healthy and older/sicker – participates in system

Who's for?

- Democrats
- Insurers
- Providers
- Business

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Key Issue: Individual Mandate

Who's against?

- Some consumer groups, Republicans

Why?

- Concern about “forcing” people to buy coverage they can't afford
- Represents government intrusion
- “Windfall” for insurance industry

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Subsidy Example: Monthly Family (4) Premium

Expected Premium \$1,000			
Federal Poverty Level	Income Level	Subsidy Level (% of Premium)	Family Contribution After Subsidy
100-150%	\$22,000-\$33,000	93%	\$70
150-200%	\$33,000-\$44,000	82%	\$180
200-250%	\$44,000-\$55,000	67%	\$330
250-300%	\$55,000-\$66,000	48%	\$520
300-350%	\$66,000-\$77,000	32%	\$680
350-400%	\$77,000-\$88,000	22%	\$780
400%+	\$88,000	0%	\$1,000

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Key Issue: Employer Mandate

Proponents urging:

- Require employers to offer/contribute to coverage for employees

Why?

- Help achieve universal coverage
- Ensure everyone contributes to the system

Who's for?

- Unions, consumer groups
- Democrats

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Key Issue: Employer Mandate

Who's against?

- Employers, Republicans

Why?

- Many employers can't afford to offer coverage
- Could force lay-offs, reductions in hiring

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Key Issue: Age Rating

Proponents urging:

- Prohibit insurers from offering age-related discounts of greater than “2:1”

Why?

- Make coverage more affordable for older, sicker individuals

Who's for?

- AARP
- Most Democrats

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Key Issue: Age Rating

Who's against?

- Insurers, SHOUT America, youth organizations

Why?

- 2:1 age bands result in huge premium increases for young people
- There would be significant increase in the number of uninsured young people (even with a mandate)
- Coverage would eventually be less affordable for older people

	Premiums with 5:1 Age Adjustment	Premiums with 2:1 Age Adjustment	Percentage Premium Increase
20 year old	\$100	\$200	+100%
60 year old	\$500	\$400	-20%

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Possible Senate Scenarios

70+ Votes Regular Order

- Fully bipartisan
- Government plan option unlikely
- Overall less government intrusion
- Incremental
 - Medicaid expansion
 - Modest Medicare cuts
 - Cadillac plan tax on table

60 Votes Regular Order

- Little bipartisan support
- Moderate Ds/Rs are key
- Likely compromise on government plan

51 Votes Reconciliation

- Highly partisan
- Byrd rule may prevent extraneous matter
- Narrow - comprehensive bill difficult
- “Sidecar” bill needed
- Non-elected parliamentarian has final say

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Political Outlook: What's Next

- After Senate Floor vote, House/Senate bills go to Conference Committee
- Conference Committee: Differences settled
- Agree upon final bill:
 - Goes back to House/Senate for final Floor votes
- If/when passes, sent to President for signature
 - January 2010 State of Union Address??

Regardless of reform...there will be a Medicare bill

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