Assessment of the cost and savings under The Health Security Act of 2009

Since The Health Security Act has no definite budget mechanism built in, this summary is to review findings of similar health care plans so called Single Payer plans.

Nationwide the health insurance premiums have increased 4 times faster than wages since 2000. Health care costs are rising twice faster than other industrialized nations.

The Health Security Act of 2009 respects the following principles:

1- Access to care regardless of age or status or employment

2- Single standard of care for all residents, eliminating disparities of the current system and Medicaid and Schip etc.

3-The creation of a one risk pool with mechanism to eliminate administrative cost and complications of the current fragmented system, which will generate savings

4- Mechanisms for public review and assessment of the system based on quality

5- Mechanisms for accountability and budgeting

1-Findings from the Lewin Report of 2000 State of Maryland

The Lewin analysis of 2000 differentiated several aspects of the money flow involved in a single payer plan.

Table 1: Changes in Global Health Spending Under A Single Payer Model (in Millions, negative values are in parentheses)

	Single-Payer Model
CHANGES IN HEALTH SERVICES UTILIZATION	
Increase in Utilization Due to Expanded Coverage	**$675.9**
Utilization Increase for Previously Uninsured	$449.4
Expanded Coverage for Those Already Insured	$226.5
CHANGES IN MANAGED CARE	
Changes in Use of Managed Care [b/]	$63.7
CHANGE IN ADMINISTRATIVE COSTS	
Net Change in Administrative Costs	**($1,085.4)**
Insurer Administration (Includes Administration for Newly Insured)	($689.7)
Physician Administrative Savings	($220.4)
Hospital Administrative Savings	($175.3)
NET CHANGE IN HEALTH SPENDING	
Net Change in Health Spending	**($345.8)**

The increase of health services is largely offset by the savings in administrative costs, which include insurer, physicians and hospital administrative costs.

SAVINGS IN THE FIRST YEAR IN 2000 VALUE: **345.8 MILLION**

Table 2: Change In Employer Costs In Maryland In 2001

	Changes In Health Spending (In Millions)	Changes In Health Spending Per Worker
	Single-payer	Single-payer
Before Wage Effects		
Firms That Now Offer Insurance	($50.5)	($28)
Firms That Do Not Now Offer Insurance	$457.0	$1,162
All Firms	$406.5	$187
After Wage Effects		
Firms That Now Offer Insurance	($346.5)	($138)
Firms That Do Not Now Offer Insurance	$0.0	$0.0
All Firms	($346.5)	($83)

Wage effects: increase in employer costs are generally passed on employees.

Employers who offered health insurance before reform will save a substantial amount of money with a single payer plan.

Other benefits include:

No yearly renegotiation and bargaining with health insurers; long term care for employees and employers independent from employment.

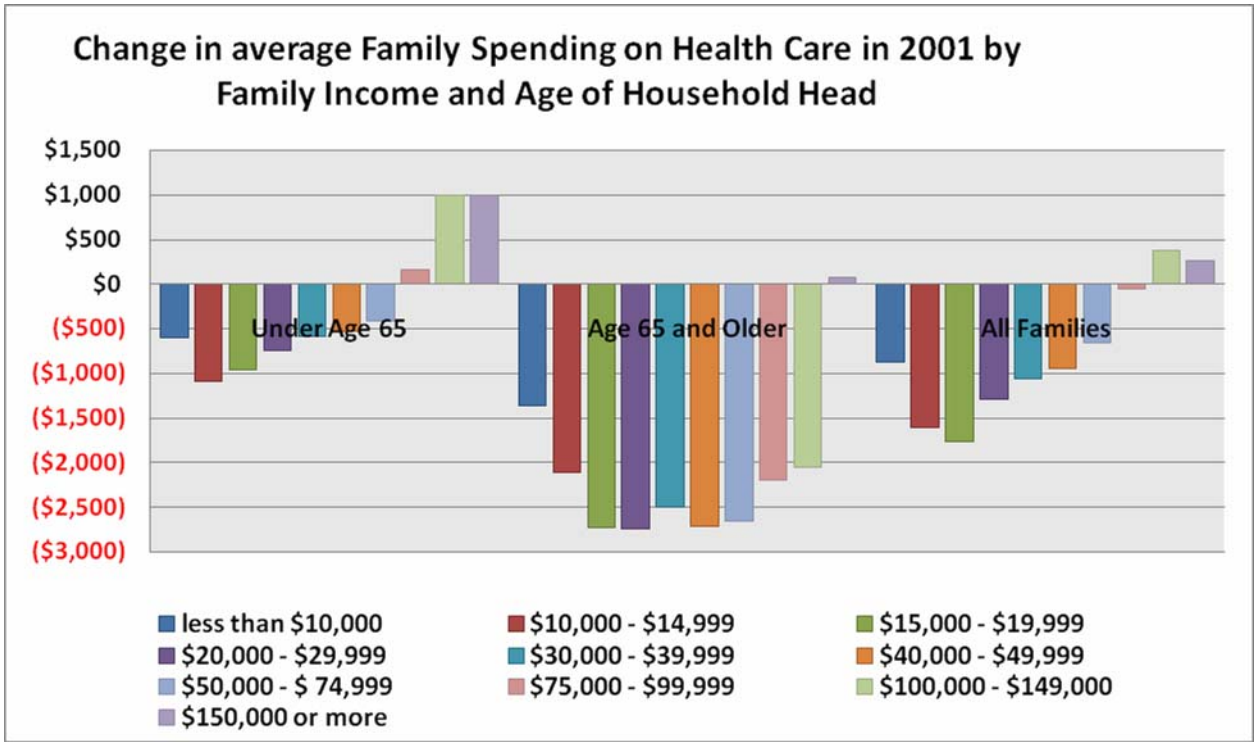
Higher quality of care

Improved productivity with a healthier workforce

Reduction of possible labor conflicts due to health care negotiations

Benefit negotiations based on wages not health care

Graph 1:

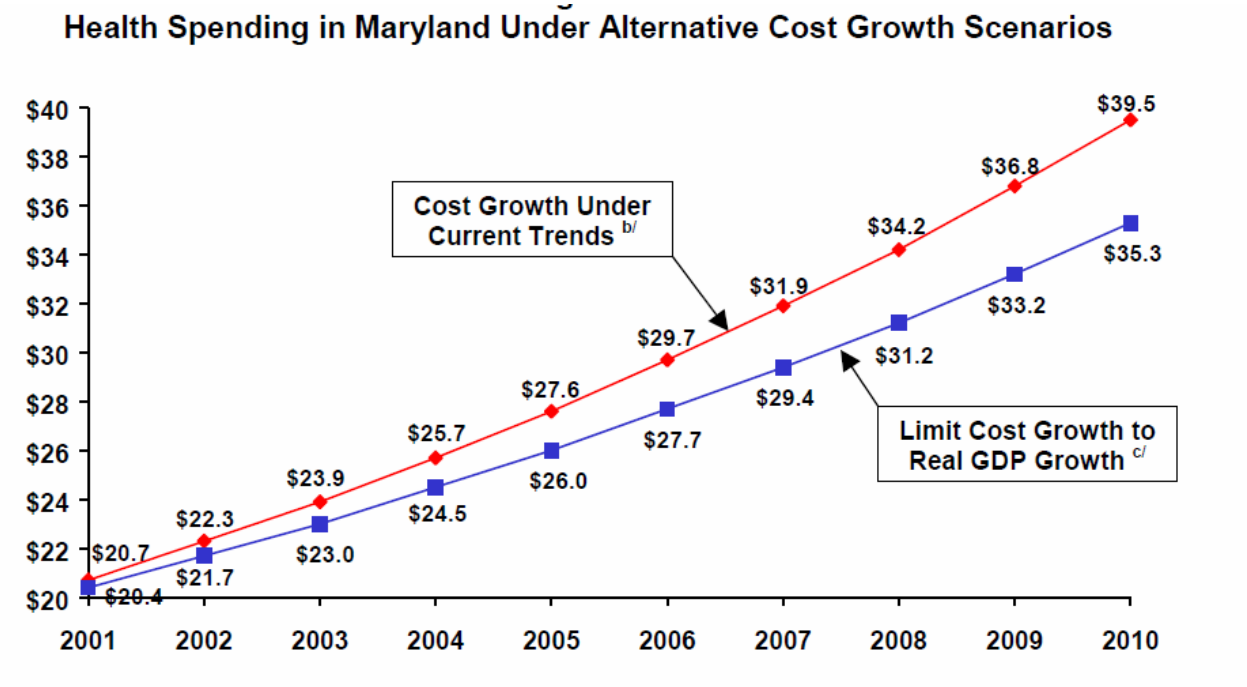


The shift from the private insurer system to a single public payer system means that the billing of health care services will vary relative to income as opposed to fixed premiums that are not related to income.

This system provides a higher standard of fairness in financing.

This will clearly reduce the cost of health care for low and middle income families, the most at risk of becoming uninsured or underinsured under the current system. The population of Marylander over 65 may expect an even larger reduction of cost.

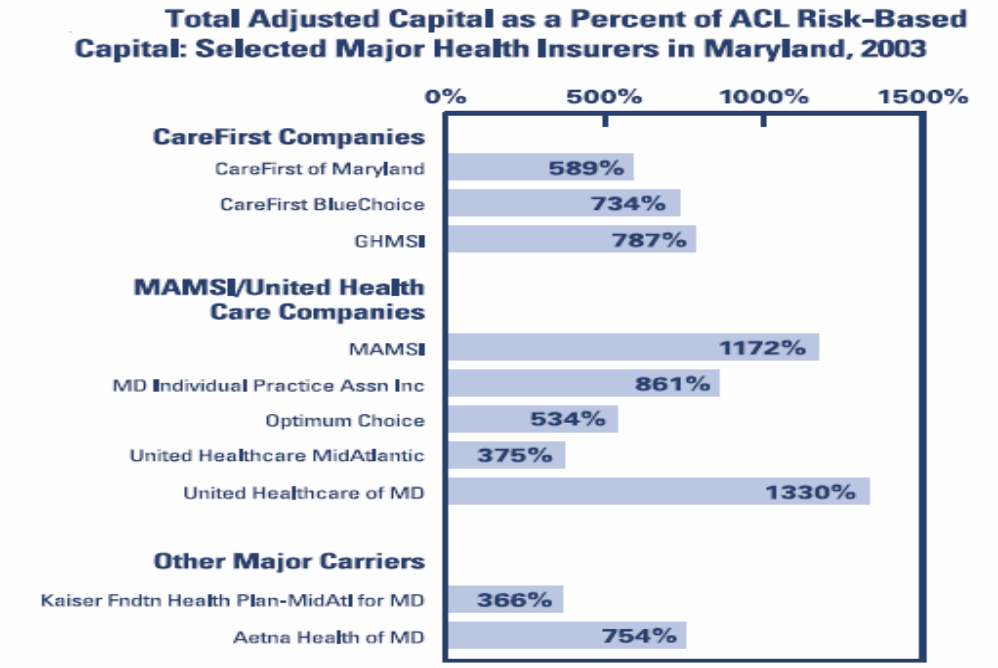
Graph 2:



Graph 2 is extracted from Lewin analysis of 2000. We know now that the Maryland health care spending was actually higher than expected on this graph in 2004 and after.

We know also that the expenditure for administrative and net cost of insurance grew faster in Maryland than in the rest of the country.

We know, as reported in the Maryland Health Care Commission that large insurers added to large surplus and profit between 2000 and 2006



Source: Mathematica Policy Research analysis of public data from the Maryland Insurance Administration. Figure omits unaffiliated carriers that hold small market shares in Maryland, including Fidelity (which subsequently has merged with UHC), Guardian Life, PHN HMO (subsequently merged with CareFirst), Cigna, Coventry, Unicare (Wellpoint/Anthem), and Connecticut General.

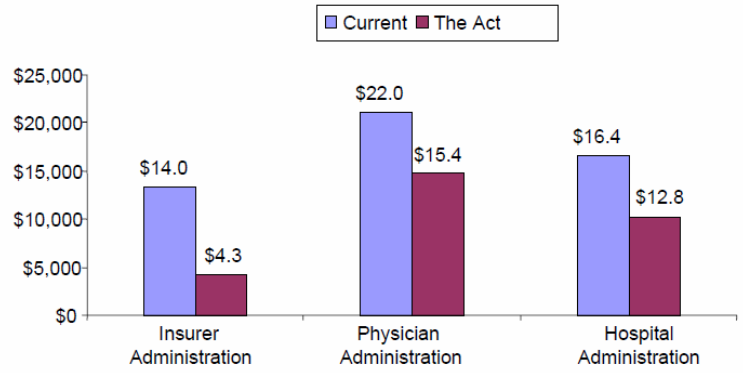
This graph shows that the unexpected additional expenditure can be associated with the increase of surplus and profit of the main private health insurers operating in Maryland

The preceding graphs demonstrate clearly that having adopted the single payer solution in 2000 would have saved millions of dollars.

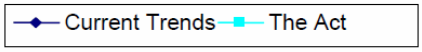
2- Findings from a State-Based Analysis by the Lewin Group, January 19, 2005

In the Report, the Act refers to a health care system based on a single public payer that covers every resident of the state with benefits comparable to the Health Security Act of 2009 Savings from administrative cost and bulk purchasing spending

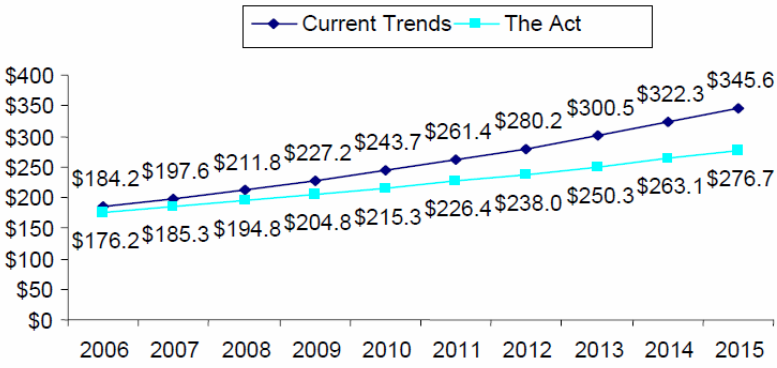
Changes in Administrative Costs for Insurance and Health Care Providers Under the Act for 2006 (in millions)



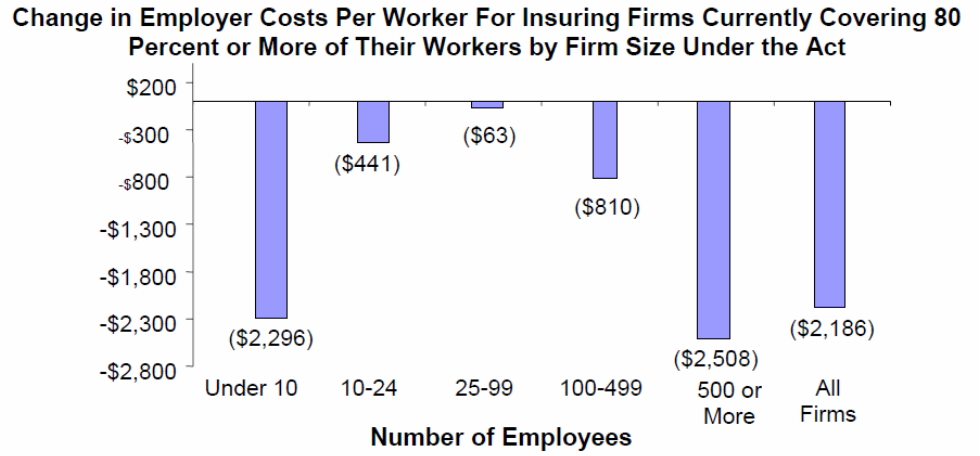
Projected Growth in Health Spending under Current Trend and the Act for 2006

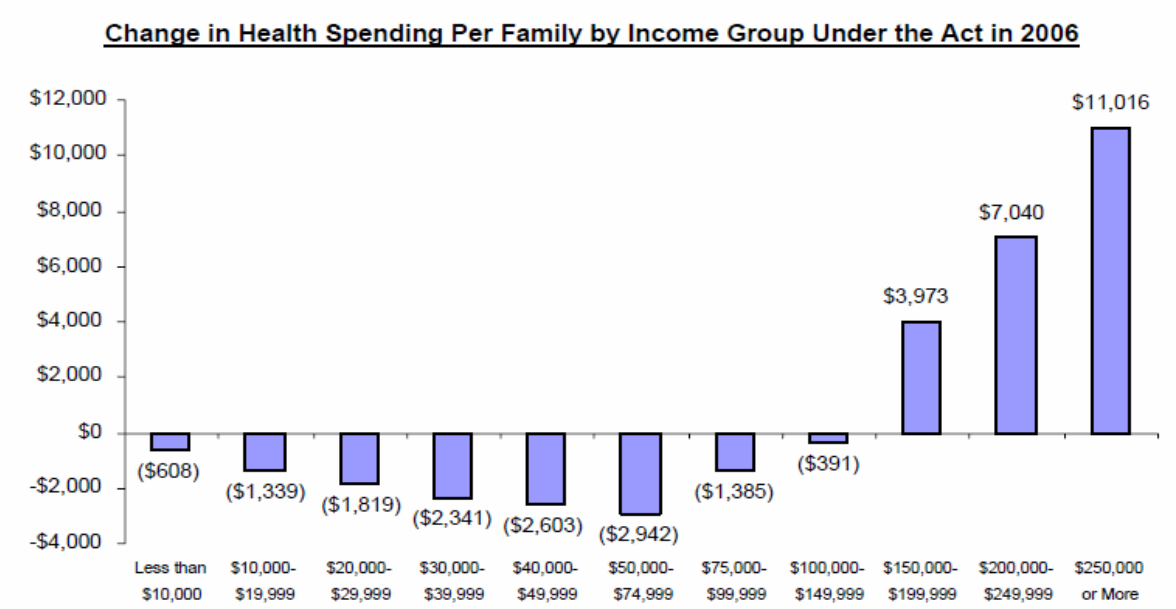


Projected Growth in Health Spending under Current Trend and the Act for 2006 - 2015 (in billions)



Source for tables and graphs: Lewin Group Estimates using the Health Benefits Simulation Model (HBSM)





Source for tables and graphs: Lewin Group Estimates using the Health Benefits Simulation Model (HBSM)

In summary according to the Lewin analysis:
The overall savings are estimated at $29 billion. Savings come from three areas:
1 Savings on administrative costs by replacing the multi-payer system with a single public payer system.
2 Savings on prescription and durable medical equipment by negotiating and buying in bulk.
3 Savings from emphasis on primary care and preventative care.

Average savings for businesses that provided health insurance before the reform, is about 16%
Average health care spending for families should be reduced by $2,448 per family

3-Extrapolation to Maryland 2009

Methods:

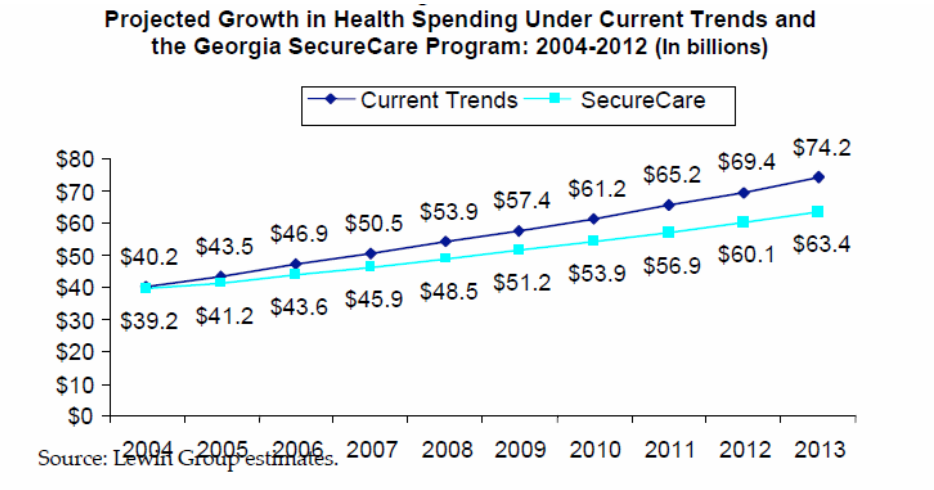
Our estimate is based on population and gross health spending and ratios.
For comparison, the numbers were adjusted to reflect the difference of population and health spending between the two states. The numbers are estimated within a 10% margin of error.

Results:

Savings	Reference State	Projections for MD
Savings in administrative cost	$ 20 billion	$ 3.060 billion
Savings in Prescription drugs and durable medical equipment	$ 5.2 billion	$ 796 million
Savings from increased preventive care and primary care	$ 3.4 Billion	$ 521 million

The savings recorded in this table will concern all sectors of health care. Administrative cost reductions will be passed on to many sectors that are currently burdened with paper work and negotiation management with the private insurers.
Savings in prescription drugs and durable equipment bought in bulk are well documented in other countries and in many researches.
Savings from increased preventive care comes from better everyday health management of the population. Primary care delivery is the back bone of such a system.
This will allow ER's to return to their initial mission: managing emergencies.

4 Coherent findings with other single payer state studies



2001 VERMONT	SAVINGS: $118 million	**SOURCE OF STUDY:** **THE LEWIS GROUP FOR THE OFFICE OF VERMONT HEALTH ACCESS**
2002 **RHODE ISLAND** **Two models single payer** **Plan 1:** **Consolidated financing** **Plan 2: Consolidated financing and professionalism within budget**	**SAVINGS:** PLAN 1 Over 6 years $4.4 BILLION PLAN 2 Over 6 years $6.6 BILLION	**SOURCE OF THE STUDY:** **BOSTON UNIVERSITY SCHOOL OF PUBLIC HEALTH**
2003 **MISSOURI**	**SAVINGS:** $1.3 BILLION	**SOURCE OF THE STUDY:** **MISSOURI FOUNDATION OF HEALTH**
2004 **GEORGIA**	**SAVINGS:** $ 716 MILLION	**SOURCE OF THE STUDY:** **LEWIN GROUP**
2005 **CALIFORNIA**	**SAVINGS:** First year: $8 BILLION Over 10 years $344 BILLION	**SOURCE OF THE STUDY:** **THE LEWIN GROUP**

Common features among states under a single payer program:

The increased use of health services due to covering the uninsured and underinsured, is always offset by the savings on administrative costs

The total state health spending always decreases from at least 5% to 10%

The plan guarantees a higher quality of care for all residents

Bulk purchasing of medications and durable medical equipments reduces cost

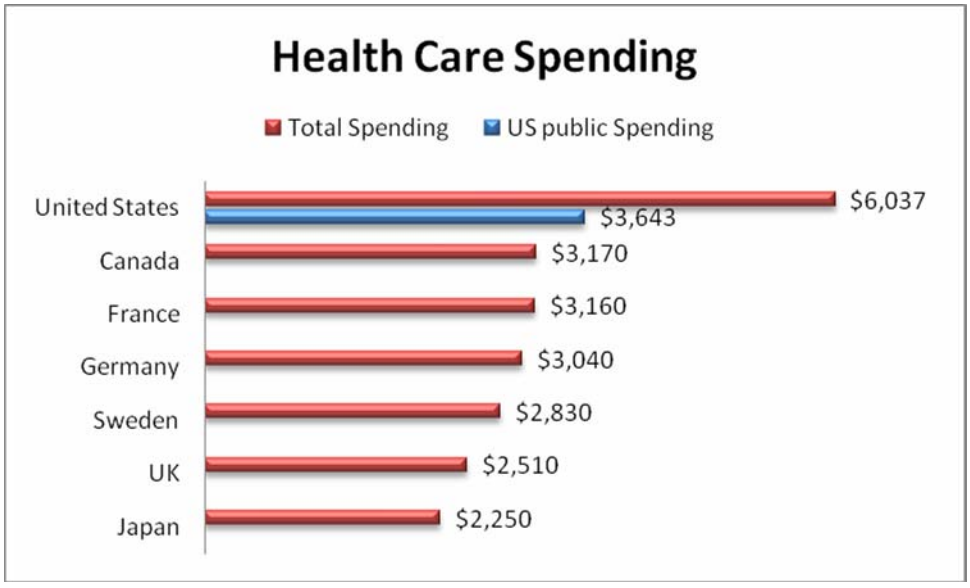
Emphasis on preventive care reduces the impact of delayed and thus more costly treatments and the cost of complications

Emphasis on primary care will reduce the stress of overreliance on emergency rooms, and thus further reduce costs.

Businesses that previously provided health benefits will have lower health expenditures, therefore reducing the restriction on wages and pensions

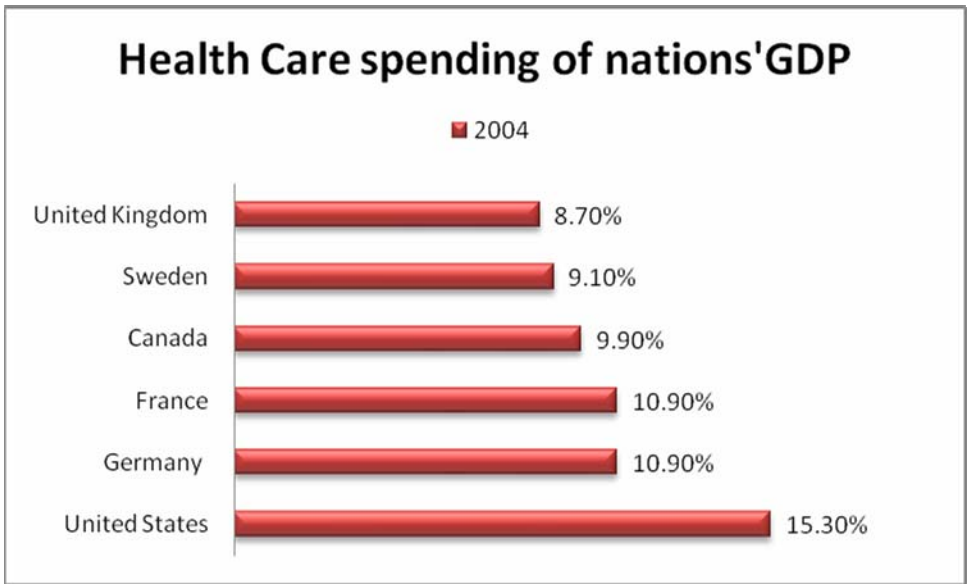
Lower and middle income families will see a substantial reduction in health spending.

5 Consistent findings at international level

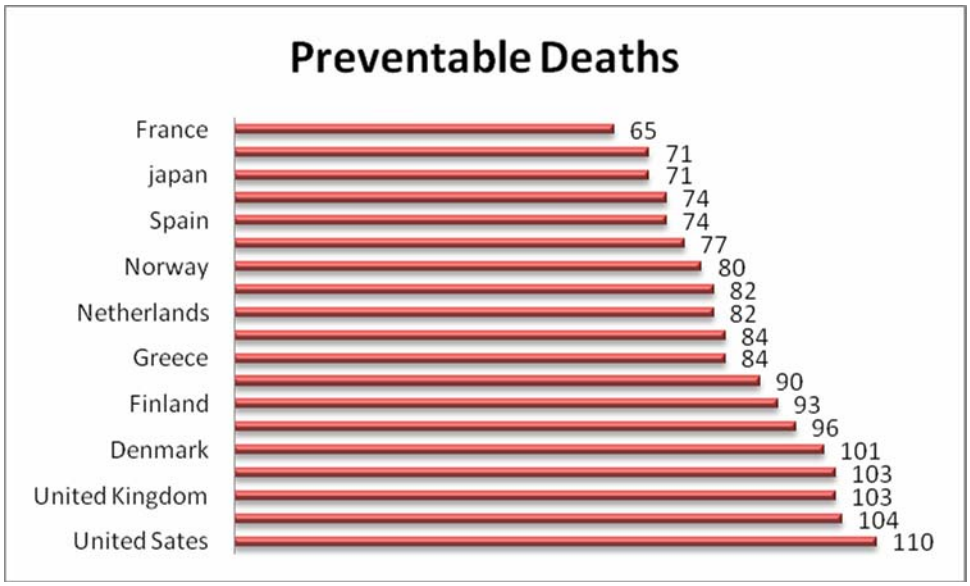


Source: OECD 2006 (US Public spending includes benefits costs for gov employees & tax subsidy for private insurance

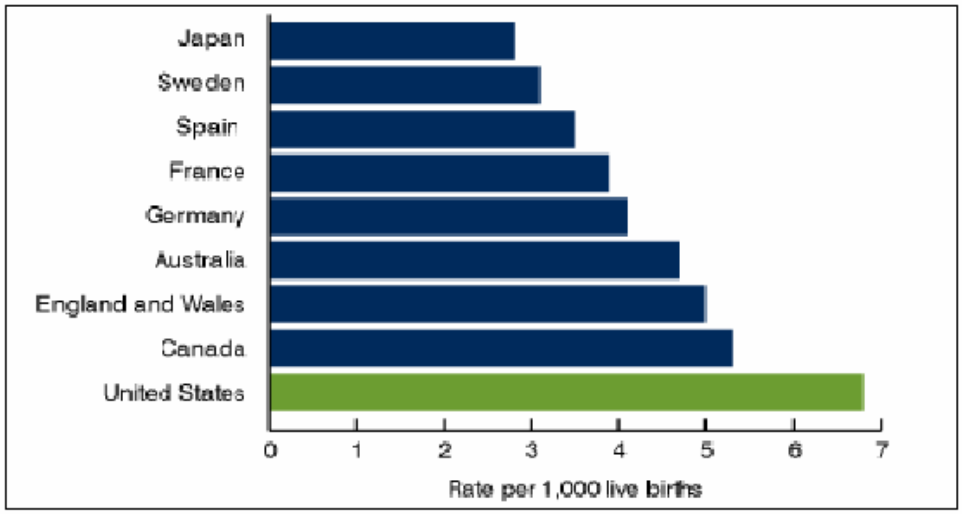
Americans public spending is more than other nations that already cover everyone under a public program



Comparison of health outcomes.



Infant Mortality Comparison with Other Countries



Health,UnitedStates,2007,Table 25. http.cdc/gov/nchs/date,hus/hus07.pdf#listtables

Americans pay top dollar for mediocre health care for most and almost no health care for many.

It is time to take a careful look at this plan as well as other related single payer proposals. We need to provide all Americans with comprehensive health care. The facts show that it is possible at much lesser price than the current situation prescribes.

The time is now.