

Health Insurance Reform and Oregon

Had we done nothing, by 2019 the number of uninsured people would have grown by more than 30 percent in 29 states and by at least 10 percent in every state. The amount of uncompensated care provided would more than double in 45 states. Businesses in 27 states will see their premiums more than double. And fewer people would have coverage through an employer.¹ In addition to families and businesses struggling with high health care costs, state governments have really felt the burden.

The new law expands coverage to millions of Americans, reduces premiums and out-of-pocket costs, and provides the security of knowing that if you lose your job, change your job, or start that new business, you'll always be able to purchase quality, affordable care in a new competitive health insurance market that keeps costs down.

Under reform in Oregon:

- 715,000 residents who do not currently have insurance and 257,000 residents who have nongroup insurance could get affordable coverage through the health insurance exchange.
- 378,000 residents could qualify for premium tax credits to help them purchase health coverage.
- 580,000 seniors would receive free preventive services.
- 103,000 seniors would have their brand-name drug costs in the Medicare Part D "doughnut hole" halved.
- 58,300 small businesses could be helped by a small business tax credit to make premiums more affordable.

Health Insurance Reform Provides Early Relief and Health Security.

Proposals implemented in 2010 and 2011 will produce *real benefits* for:

- **Families:** The 3.8 million residents of Oregon will benefit as reform:
 - **Ensures consumer protections in the insurance market.** Insurance companies will no longer be able to place lifetime limits on the coverage they provide, use of annual limits will be restricted, and they will not be able to arbitrarily drop coverage.
 - **Creates immediate options for people who can't get insurance today.** 7 percent of people in Oregon have diabetes², and 27 percent have high blood pressure³ – two conditions that insurance companies could use as a reason to deny health insurance coverage. Reform will establish a high-risk pool to enable people who cannot get insurance today to find an affordable health plan.
 - **Ensures free preventive services.** 33 percent of Oregon residents have not had a colorectal cancer screening, and 19 percent of women over 50 have not had a mammogram in the past two years.⁴ Health insurance reform will ensure that people can access preventive services for free through their health plans. It will also invest in a prevention and public health fund to encourage prevention and wellness programs.
 - **Supports health coverage for early retirees.** An estimated 75,100 people from Oregon have early retiree coverage through their former employers, but early retiree coverage has eroded over time.⁵ A reinsurance program would stabilize early retiree coverage and provide premium relief to both early retirees and the workers in the firms that provide their health benefits. This could save families up to \$1,200 on premiums.
- **Seniors:** Oregon's 580,000 Medicare beneficiaries⁶ will benefit as reform:
 - **Lowens premiums by reducing Medicare's overpayments to private plans.** All Medicare beneficiaries pay the price of excessive overpayments through higher premiums – even the 59 percent of seniors in Oregon who are not enrolled in a Medicare Advantage plan.⁷ A typical couple in traditional Medicare will pay nearly \$90 in additional Medicare premiums next year to subsidize these private plans.⁸ Health insurance reform clamps down on these excessive payments.
 - **Reduces prescription drug spending.** Roughly 103,000 Medicare beneficiaries in Oregon hit the "doughnut hole," or gap in Medicare Part D drug coverage that can cost some seniors an average of \$4,080 per year.⁹ Reform legislation will provide a 50 percent discount for brand-name drugs in this coverage gap.
 - **Covers free preventive services.** Currently, seniors in Medicare must pay part of the cost of many preventive services on their own. For a colonoscopy that costs \$852, this means that a senior must pay \$200¹⁰ – a price that can be prohibitively expensive. Under reform, a senior will not pay anything for that colonoscopy, or for any other recommended preventive service. A senior will also get free annual wellness visits to his or her provider, with a personalized prevention plan to remain in good health.
- **Small businesses:** While small businesses make up 78 percent of Oregon's businesses, only 40 percent of them offered health coverage benefits in 2008.¹¹ 58,300 small businesses in Oregon could be helped by a small businesses tax credit proposal that makes premiums more affordable.¹² And these small businesses would be exempt from any employer responsibility provisions.
- **States:** State budgets will be relieved from rising health care costs as reform:
 - **Reduces state employee premiums.** Coverage would immediately be expanded to the uninsured, decreasing the amount of uncompensated care costs that gets shifted to the premiums of state employees. For states that provide early retiree health benefits to their state employees, a reinsurance program would provide premium relief of up to \$1,200 per family policy per year for all employees.
 - **Reduces uncompensated care.** Right now, providers in Oregon lose \$437 million in uncompensated care each year,¹³ which states subsidize at least in part. Instead, under reform, uncompensated care would begin to be reduced immediately as more uninsured people gain coverage.

Health Insurance Reform Provides Stability, Security, and Choice.

- **Provides relief from rising health care costs.**
 - **Ends the "hidden tax".** The \$437 million spent on uncompensated care in Oregon often gets passed along to families in the form of a hidden premium "tax".¹⁴ By expanding coverage to the uninsured, health insurance reform will eliminate this burden on people who already have insurance.
 - **Provides premium tax credits.** Without reform, individuals and families in Oregon will spend increasing amounts of money out-of-pocket to cover premiums, deductibles, and co-payments, from \$4.2 billion today to up to \$7.2 billion in 2019.¹⁵ Through health insurance reform, 378,000 Oregon residents could be eligible for premium credits to ease the burden of these high costs.¹⁶
- **Promotes health insurance portability and choice.** Health insurance reform establishes a health insurance exchange that will provide individuals with a wide variety of choices and ensure that they will always have coverage, whether they change jobs, lose a job, move or get sick.
 - Currently 715,000 residents of Oregon do not have health insurance, and if nothing is done, by 2019 this population could swell to 979,000. The exchange will help the uninsured to obtain needed coverage and will also help the 257,000 Oregon residents who currently purchase insurance in the individual insurance market to get quality coverage at an affordable price.¹⁷
- **Supports long-term home and community based services:** It is estimated that 65 percent of those who are 65 today will spend some time at home in need of long-term care services,¹⁸ which typically cost almost \$18,000 per year.¹⁹ This means that 317,850 older residents of Oregon who are aged 55 to 64 today will need home health services after they turn 65²⁰ – services that are not always covered by Medicare, Medicaid, or private health insurance.
 - Health insurance reform will create a new voluntary long-term care services insurance program, which will provide a cash benefit to help seniors and people with disabilities obtain services and supports that will enable them to remain in their homes and communities.
 - Reform will encourage states to expand their home and community based services through Medicaid by providing enhanced funding, and it will create a program to provide community support services for disabled Medicaid enrollees who would otherwise need to be in a nursing home. These programs could help improve care for many of the 80,000 disabled Medicaid beneficiaries in Oregon.²¹

Health Insurance Reform Improves Quality and Reforms the Delivery System.

- **Reduces preventable readmissions.** The current health care system does not place enough emphasis on improving quality of care. For example, nearly 20 percent of Medicare patients who are discharged from the hospital end up being readmitted within 30 days.²² For Oregon, that's 18,600 readmissions each year which could potentially be prevented with improved care coordination.²³ Health insurance reform will invest in innovations in primary care and will provide financial incentives to hospitals to better coordinate care at discharge to avoid preventable readmissions.
- **Lessens Paperwork.** Physicians spend on average about 140 hours and \$68,000 a year just dealing with health insurance bureaucracy.²⁴ For the 12,669 physicians in Oregon, this adds up to 1.8 million hours and \$861 million in costs.²⁵ By simplifying and standardizing paperwork and computerizing medical records, doctors will be able to focus on caring for their patients instead of dealing with bureaucracy.
- **Incentivizes primary care.** Roughly 5,100 doctors in Oregon practice primary care and would qualify for a new 5 to 10 percent payment bonus under health insurance reform.²⁶
- **Invests in the health care workforce.** Approximately 269,000 people, or 7 percent of Oregon's population, cannot access a primary care provider due to shortages in their communities.²⁷ Health insurance reform will expand and improve programs to increase the number of health care providers, including doctors, nurses, and dentists, especially in rural and other underserved areas.

¹ Garrett B, Hoalan J, Doan L et al. *The Cost of Failure to Enact Health Reform: Implications for States*. September 2009.

² Behavioral Risk Factor Surveillance System Survey Data. Atlanta, Georgia: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 2008.

³ Behavioral Risk Factor Surveillance System Survey Data. Atlanta, Georgia: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 2007.

⁴ Behavioral Risk Factor Surveillance System Survey Data. Atlanta, Georgia: U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, 2007.

⁵ Kaiser Family Foundation. 2009 Employer Health Benefits Survey.

⁶ Kaiser State Health Facts. <http://www.statehealthfacts.org/comparetable.jsp?ind=353&cat=7>.

⁷ Kaiser State Health Facts. <http://www.statehealthfacts.org/comparetable.jsp?ind=353&cat=7>.

⁸ Rick Foster, Office of the Actuary, Centers for Medicare and Medicaid Services. Letter to Congressman Stark, June 25, 2009.

⁹ Office of the Actuary. Centers for Medicare and Medicaid Services.

¹⁰ Centers for Medicare and Medicaid Services.

¹¹ Center for Financing, Access and Cost Trends, AHRQ, Medical Expenditure Panel Survey – Insurance Component, 2008, Table II.A.2.

¹² Center for Financing, Access and Cost Trends, AHRQ, Medical Expenditure Panel Survey – Insurance Component, 2008.

¹³ Hospital uncompensated care cost is estimated using a GAO model and the Hospital Cost Reports. Total uncompensated care is computed as hospital uncompensated care divided by 63% (Hadley and Holahan's study on "The Cost of Care for the Uninsured" for Kaiser in 2004 found that hospitals account for 63% of total uncompensated care). Data expressed in 2009 dollars using Centers for Medicare and Medicaid Services, "National Health Expenditure Data."

¹⁴ Hospital uncompensated care cost is estimated using a GAO model and the Hospital Cost Reports. Total uncompensated care is computed as hospital uncompensated care divided by 63% (Hadley and Holahan's study on "The Cost of Care for the Uninsured" for Kaiser in 2004 found that hospitals account for 63% of total uncompensated care). Data expressed in 2009 dollars using Centers for Medicare and Medicaid Services, "National Health Expenditure Data."

¹⁵ Garrett B, Hoalan J, Doan L et al. *The Cost of Failure to Enact Health Reform: Implications for States*. September 2009.

¹⁶ U.S. Census Bureau, Current Population Survey. Annual Social and Economic Supplements, March 2007 and 2008.

¹⁷ Garrett B, Hoalan J, Doan L et al. *The Cost of Failure to Enact Health Reform: Implications for States*. September 2009.

¹⁸ Kemper P, Komisar H, Alexchik L. Long-term care over an uncertain future: What can current retirees expect? *Inquiry* 2005; 42(4): 335–350.

¹⁹ National Clearinghouse for Long-Term Care Information.

http://www.longtermcare.gov/LTC/Main_Site/Understanding_Long_Term_Care/Costs_Paying/index.aspx

²⁰ U.S. Census Bureau, Current Population Survey. Annual Social and Economic Supplements, March 2008 and 2009.

²¹ Based on CBOs estimated Federal Outlays. Allocated by state using disabled Medicaid enrollees by state from Kaiser Family Foundation statehealthfacts.org.

²² Jencks SF, Williams MV, Coleman EA. Rehospitalizations among patients in the Medicare fee-for-service program. *NEJM* 2009;360:1418–28.

²³ Centers for Medicare and Medicaid Services.

²⁴ Casalino LP, Nicholson S, Gans DN, et al. What Does It Cost Physician Practices To Interact With Health Insurance Plans? *Health Affairs*, July/August 2009; 28(4): w533–w543.

²⁵ American Medical Association, Physicians Professional Data, year of data 2008, copyright 2008: Special Data Request.

²⁶ American Medical Association, Physicians Professional Data, year of data 2008, copyright 2008: Special Data Request.

²⁷ Office of Shortage Designation, Bureau of Health Professions, Health Resources and Services Administration (HRSA), Special Data Request, April 2009.