Health Insurance and Financing of care for seniors: An Overview

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Today’s topics

• Principles of insurance
• Types of public and private insurance plans
• Discussion
Is health insurance really insurance?

Principles of insurance

- Definable
- Catastrophic loss
- Low chance of occurrence
- Unwanted nature
- Out of the control of the individual
- Low “moral hazard”
Principles of insurance

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Moral hazard

Presence of insurance does not increase likelihood of occurrence

Is employer-based health insurance really insurance?

- Prepaid health care
- Use financial incentives to decrease moral hazard
Financial incentives to decrease moral hazard (overuse)

- Copayments
- Deductibles
- Coinsurance
- Maximums

Copayments

- A set payment amount per visit
- Pharmacy claims ($X/Rx)
- Primary care visits ($X/visit)
Deductibles

• Amount the insured has to pay before the insurance payments will begin
• e.g. $50 deductible in your auto insurance policy
• Not often used in dental
  – decreases incentive to receive preventive services

Coinsurance

• The portion of a bill that the insured is responsible for
• e.g. 90/10 coinsurance on physician visits
Maximums

- Out of pocket maximums
- Maximum coverage

Out of pocket maximums

- Maximum the insured has to pay
- e.g. insured pays the 10% coinsurance on all health care costs up to $2500, the insurance will pay the rest
Maximum coverage

• Maximum amount insurance will pay
• Common in dentistry
• e.g. crowns are covered with a 50 percent coinsurance rate with a maximum coverage of $1000 for all dental care in one year

Employer-based health insurance

• Most health insurance in US is purchased via employers
• Large employers must offer insurance
  – Don’t have to pay for it
• Most are self insured
Principle of self insurance

- Used by most large businesses
- Avoid state insurance laws (ERISA)
- Creates better risk
  - large pool of employees
  - usually younger than society
- Hire third party administrator
  - usually an insurance company
  - paperwork, billing

Health insurance coverage in US

Health Insurance Coverage of the Nonelderly Population, 2005

- Uninsured 18%
- Medicaid/Other Public* 16%
- Private Non Group 5%
- Employer-Sponsored 61%

Total = 257.4 million

* Medicaid/Other Public includes Medicaid, SCHIP, other state programs, Medicare and military-related coverage. SOURCE: KCMU/Urban Institute analysis of March 2006 CPS.
Health insurance by income

Health Insurance Coverage by Poverty Level, 2005

- Employer/Other Private
- Medicaid/Other Public
- Uninsured

<table>
<thead>
<tr>
<th>Income Level</th>
<th>Employer/Other Private</th>
<th>Medicaid/Other Public</th>
<th>Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;100% FPL</td>
<td>37%</td>
<td>43%</td>
<td>20%</td>
</tr>
<tr>
<td>100-199% FPL</td>
<td>30%</td>
<td>26%</td>
<td>45%</td>
</tr>
<tr>
<td>200-299% FPL</td>
<td>18%</td>
<td>71%</td>
<td>7%</td>
</tr>
<tr>
<td>300%+ FPL</td>
<td>7%</td>
<td>89%</td>
<td>4%</td>
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</tbody>
</table>

The federal poverty level was $19,971 for a family of four in 2005. Data may not total 100% due to rounding.

Source: KCMU Urban Institute analysis of March 2006 CPS.

Characteristics of uninsured

Characteristics of the Uninsured, 2005

- Family Work Status
- Family Income
- Age

Total = 46.1 million uninsured

The federal poverty level was $19,971 for a family of four in 2005. Data may not total 100% due to rounding.

Source: KCMU Urban Institute analysis of March 2006 CPS.
Health insurance by income

Health Insurance Coverage by Poverty Level, 2005

- Employer/Other Private
- Medicaid/Other Public
- Uninsured

The federal poverty level was $19,671 for a family of four in 2005. Data may not total 100% due to rounding.

SOURCE: KCMU/Urban Institute analysis of March 2006 CPS.

Uninsured rates by race and income

Uninsured Rates Among Racial/Ethnic and Income Groups, 2005

Poverty Level

- White, Non-Hispanic
- Black, Non-Hispanic
- Hispanic
- Asian*
- American Indian*

< 200% FPL

200% + FPL

*Asian group includes Pacific Islanders. *American Indian group includes Aleutian Eskimos. 200% of the poverty level was $39,642 for a family of four in 2005.

SOURCE: KCMU/Urban Institute analysis of March 2006 CPS.
Public Insurance Programs

- Medicaid
- Medicare
- CHIP
- IowaCare

Enrollment distribution

- Medicare only-42 million
- Medicaid only-52 million
- Dual eligible-7 million
- CHIP-8 million
Program costs

- Medicare-$440 billion (FY2007)
- Medicaid-$366 billion (FY 2009)
- CHIP-$4.4 billion

Medicaid

Part federal/part state program (1965)
- Federal sets guidelines
- States select coverage (some) and eligibility

3 eligibility programs
1. Income eligibility decoupled from (TANF)
2. Supplemental Security Income (SSI) program
3. Medically needy program “spend down”
Medicaid cost share (FY 2009)

Part federal/part state funded-$366 billion
- US Federal-$243 billion
- US State-$123 billion
- IA Total-$3 billion
- IA Federal-$2.1 billion
- IA State-$900 million

Medicaid enrollment (FY 2007)
- US-58 million
  -19% of population
- IA-470,000
  -16% of population
Long term care and Medicaid

- Largest part of Medicaid budget
- Not considered when Medicaid first passed
- 45% of LTC paid for by Medicaid

Medicare/Medicaid qualifiers

- Low income elderly
- Qualified Medicare Beneficiaries (QMBs)
  - Resources twice SSI level
  - Income at 100% FPL
- Often pays for
  - Prescriptions
  - Beyond 100 day NH limit
  - Eyeglasses
  - Hearing aids
  - Dental
Medicare

- Proposed by President Truman
- Passed in 1965 by President Johnson

Medicare program

- Part A–Hospital Insurance
- Part B–Supplementary Medical Insurance
- Part D–Pharmacy coverage
Number of Medicare Beneficiaries

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Disabled &amp; ESRD</th>
<th>Elderly</th>
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<tbody>
<tr>
<td>1970</td>
<td>20.4</td>
<td>28.4*</td>
</tr>
<tr>
<td>1980</td>
<td>25.5</td>
<td>28.4*</td>
</tr>
<tr>
<td>1990</td>
<td>31.0</td>
<td>34.3</td>
</tr>
<tr>
<td>2000</td>
<td>34.1</td>
<td>38.6*</td>
</tr>
<tr>
<td>2010</td>
<td>38.6</td>
<td>45.9</td>
</tr>
<tr>
<td>2020</td>
<td>45.9</td>
<td>52.2</td>
</tr>
<tr>
<td>2030</td>
<td>52.2</td>
<td>66.2</td>
</tr>
</tbody>
</table>

* Numbers may not sum due to rounding.

Source: CMS, Office of the Actuary.

Medicare program—2004

- 40 Million enrollees
- 80% received services
- $5,560 per enrollee served
- $5,048 per enrollee
- Iowa—$3643 per Medicare enrollee (1996)
  - Fourth lowest in US
Medicare Part A

- Provided automatically to those over 65 or disabled 2 years
- Hospital, SNFs, Home health, hospice

Medicare Part B

- Optional for all who have Part A (87%)
- Covered services
  - Physician care
  - Lab & X-ray
  - Physical therapy
  - Occupational therapy
  - Outpatient mental health
Medicare Part D

- Began January 1, 2006
- Provides limited drug coverage
- 1041 drug plans for 2012
- 33 in Iowa
  - 16 basic, 17 enhanced
  - Cost $15/mos to $106/mos

Medicare cost issues

- Prospective payment system (DRGs)
- Physician payment reform
- Solvency of trust fund
Medicare trust funds

- Part A
  - Mandatory payroll deductions
- Part B
  - Premiums with some government subsidy

Medicare managed care

- Began in 1980
- Now called Medicare Advantage plans
CHIP (FY 2009)

Part federal/part state funded - $10 billion
- US Federal - $7 billion
- US State - $3 billion

- IA Total - $75 million
- IA Federal - $55 million
- IA State - $20 million

CHIP enrollment (FY 2010)

- US - 7.7 million
- IA - 64,000
Discussion

Where does health care fit in:

- http://old.usccb.org/cchd/povertyusa/tour.htm