

# **Analysis of the Impact of an Illustrative Single-Payer System for Hawaii**

Prepared for:  
Hawaii Health Care Task Force

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# People Covered Under Hawaii Single-Payer

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- ◆ All Hawaii residents are covered under a single program unless exempt
- ◆ Exempt groups include people covered by
  - Medicare
  - TriCare
  - Federal Employee Health Benefits Plan
- ◆ Assumes collectively bargained workplaces are included in single-payer program
- ◆ State and local workers (EUTF) are included in single-payer

# Potential Savings Under Program

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- ◆ Reduced Insurer/Program Administration
  - No transitions in coverage with job change
  - Elimination of marketing costs
  - Reduced allowances for profit and risk
  - Reduced income testing for public programs
- ◆ Reduced Provider Administration
  - Uniform billing process
  - Uniform covered services
  - Reduced bill collection costs for uninsured
  - Reduced claims adjudication
- ◆ Bulk Purchasing of Drugs and Medical Equipment

# Single-Payer Benefits Compared With PHCA Benefits

BENEFITS	PREPAID HEALTH-CARE ACT		EMPLOYER-UNION HEALTH BENEFITS TRUST FUND (EUTF) <sup>cl</sup>
	Plan A <sup>bl</sup>	Plan B <sup>bl</sup>	
<b>MAXIMUM BENEFIT</b>	\$1 million per lifetime/renewable \$10,000 per calendar year per member		\$2 million per lifetime/renewable \$10,000 per calendar year per member
<b>OUT-OF-POCKET LIMITS</b>		\$1,500/yr (indiv); \$4,500/yr (family)	
<b>DEDUCTIBLE</b>	\$100 indiv/\$200 family per calendar year		\$100 indiv/\$300 (family)
<b>ANNUAL COPAY MAX</b>	\$2,500 indiv/\$7,500 family per calendar year		\$1,500/yr (indiv); \$5,500/yr (family)
<b>MEDICAL BENEFITS</b>	Participating Provider-No annual deductible		
Office Visits	90/10	\$14/visit copay	100% covered (routine annual physicals); 90/10 (other office visits)
Hospitalization	90/10	No charge	90/10
Skilled Nursing	90/10	No charge	90/10
Home Health	Covered 100 %		100% covered
Hospital ER visits	90/10	Within HI: \$25/visit copay Outside HI: 80/20	90/10
Emergency Ambulance	80/20	80/20	90/10
Well-Child Visits	90/10		100% covered
Immunizations	-90/10 -Covered 100% for immunizations in connection with well-child visits; no deductible		100% covered
<b>SURGICAL &amp; LAB BENEFITS</b>	Participating Provider-No annual deductible		
In/Outpatient Surgery & Procedures	Non-cutting: 80/20 Cutting: 90/10 Anesthesiology: 90/10	\$14/visit copay	90/10
Diagnostic Lab, X-ray and radiology	80/20	90/10	90/10

# Single-Payer Benefits Compared With PHCA Benefits (continued)

BENEFITS	PREPAID HEALTH-CARE ACT		EMPLOYER-UNION HEALTH BENEFITS TRUST FUND (EUTF) <sup>c/</sup>
	Plan A <sup>a/</sup>	Plan B <sup>b/</sup>	
<b>MATERNITY BENEFITS</b>			See physician and hospital benefits
Pregnancy, childbirth, termination of pregnancy and related medical conditions	Physician & hospital benefits: 90/10 Lab & xray: 80/20	In-vitro: 80/20 Elective abortion: \$14 copay (2 per lifetime) Medically indicated: \$14 copay	
Birth Centers	90/10		
Contraception	Varied copays: \$5 - \$15 - 50% (does not count towards annual copay max)		50/50
<b>MENTAL HEALTH &amp; CHEMICAL DEPENDENCY BENEFITS</b>	PREFERRED PROVIDER-NO ANNUAL DEDUCTIBLE	SMI and chemical dependency services: \$14 copay (outpatient), No charge (inpatient) All other mental health services: 80/20	90/10
Outpatient psych testing	80/20	-	-
Inpatient psych testing	90/10	-	-
Inpatient physician, CSW or APN	90/10	-	-
Outpatient physician, CSW or APN	90/10	-	-
Inpatient psych	90/10	-	-
<b>HOSPICE</b>	Covered 100%	Covered 100%	
<b>MEDICAL FOODS</b>	80/20		
<b>THERAPY (PT, SPEECH, OT)</b>	90/10	Inpatient: No charge Outpatient: \$14 copay	90/10
<b>ORGAN/TISSUE TRANSPLANTS</b>			Covered 100%
<b>DRUGS</b> (Including diabetic supplies, oral contraceptives)	N/A	N/A	Varying copays
<b>DENTAL</b>	N/A	N/A	Varying copays
<b>VISION</b>	N/A	N/A	\$10 copay (exam)/\$25 copay (lenses or frames)

a/ "Reimbursement" type plans, based on participating provider

b/ "Service" type plans; based on KPGP Plan

c/ Based on Hawaii Employer-Union Health Benefits Trust Fund (Active Employees) based on participating provider

# Uniform Provider Reimbursement

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- ◆ Reimburse Providers at 130 Percent of Medicare Rates <sup>a/</sup>

	Medicare as Percent of Hawaii Medicaid	Medicare as Percent of Hawaii Private
Hospital	165%	113%
Physician	175%	105%

- ◆ Adopt Medicare Reimbursement Methods
  - Medicare physician rates by service
  - Medicare prospective payment system
- ◆ Bulk Purchasing Discounts for Drugs and Durable Medical Equipment Assumed to be the Same as Under Medicaid (overall savings of 15 percent)
- ◆ Assumes Medicaid Retained to Provide Wrap Around Coverage for Needy

a/ MEDPAC, "Report to Congress: Medicare Payment Policy", March 2001, Zuckerman et al., "Changes in Medicaid Physician Fees, 1998-2003". *Health Affairs*, June 2004.

# Financing

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- ◆ Savings from government programs folded into single-payer
  - Medicaid /SCHIP
  - Safety-Net
- ◆ Employers pay a premium pegged to the current PHCA benefits package
  - From workers employed 20 or more hours a week
  - No contribution required for dependents
- ◆ Estimated Payroll Tax Rate of 9.55 Percent
- ◆ Payroll Tax on Wages up to Social Security Maximum (about \$95,000) to Fund the Remainder of the Program
  - Worker pays tax
  - Employers can pay worker payroll tax
- ◆ Estimated Payroll Tax Rate of 9.55 Percent

# Comparison of Per Worker Premium

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- ◆ Employers Pay PHCA Amount

Minimum Package Under PHCA	State Employee Benefits	
	Private Payer Rates	At 130% of Medicare Rates with Bulk Purchasing Discount
\$271 PMPM	\$341 PMPM	\$392 PMPM

- ◆ PHCA amount paid for all workers not covered by Medicare or TriCare
- ◆ PHCA amount is reduced to \$233 to adjust for payments now due for exempt workers under current law (i.e., workers with employer coverage through spouse)
- ◆ Some Employers May Pay More or Less
- ◆ Overall, No New Spending for Employers



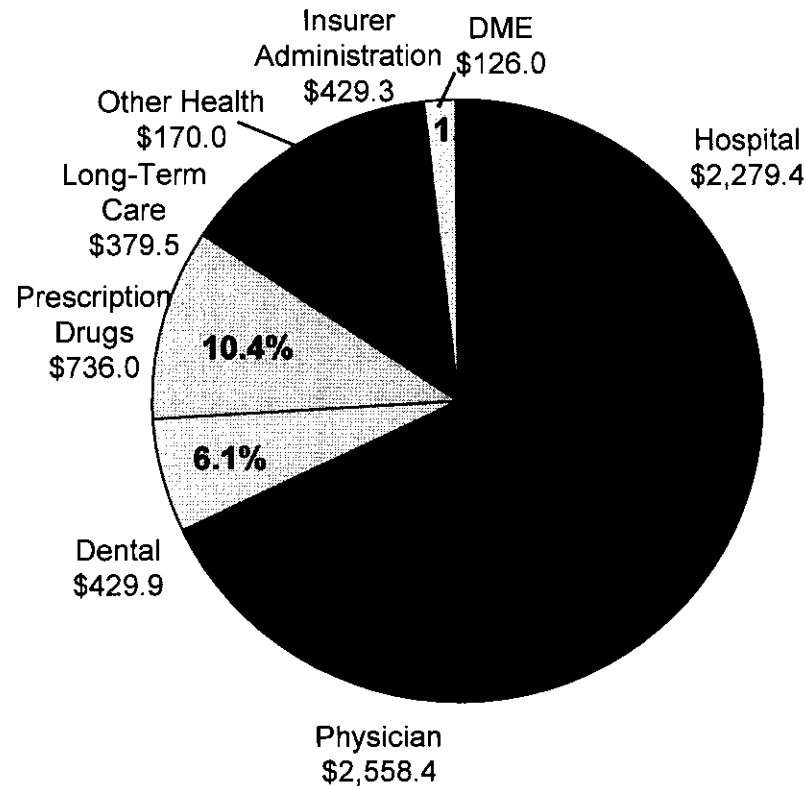
# Cost Growth and Financing in Future Years

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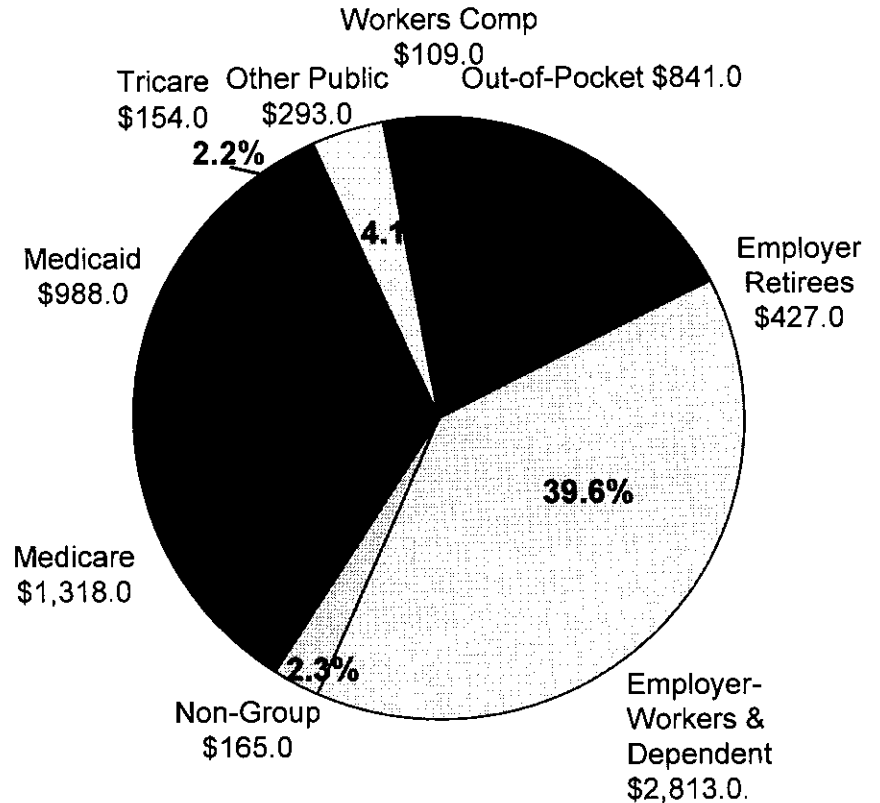
- ◆ Budgeted Spending Would Grow With the Growth in Health Care Costs Throughout the Nation
- ◆ Transfers of Funding for Discontinued Public Programs would be Indexed to Cost Growth Annually
- ◆ Employer Premium is Indexed to the Growth in Health Care Costs
- ◆ Worker Payroll Tax Must be Adjusted Annually to Reflect Health Care Cost Growth (i.e., health spending grows faster than wages).

# Total Health Spending by Type of Service and Source of Payment for Hawaii in 2006 (millions)

Type of Service



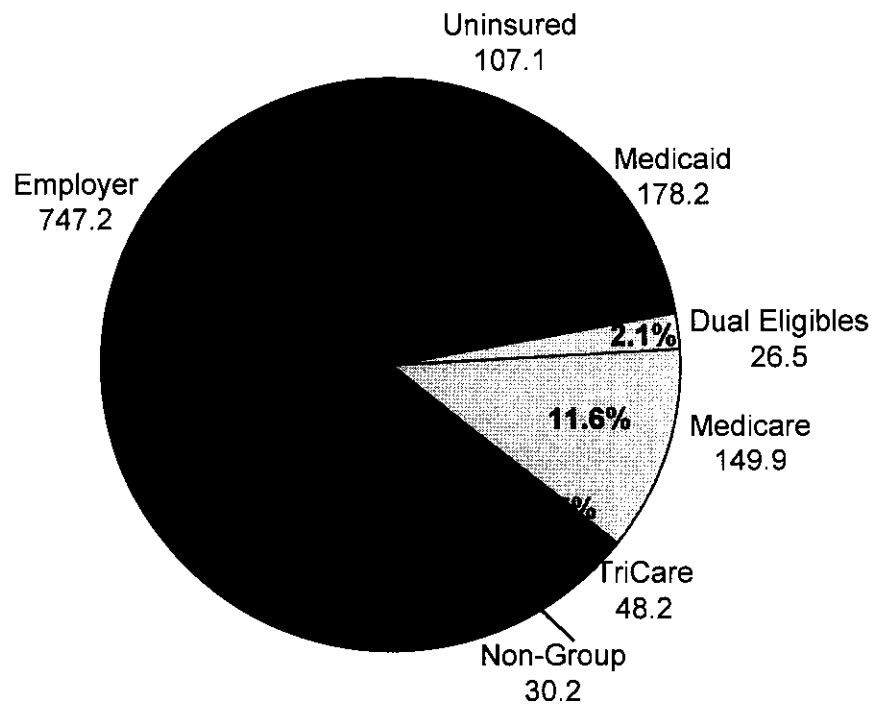
Source of Payment



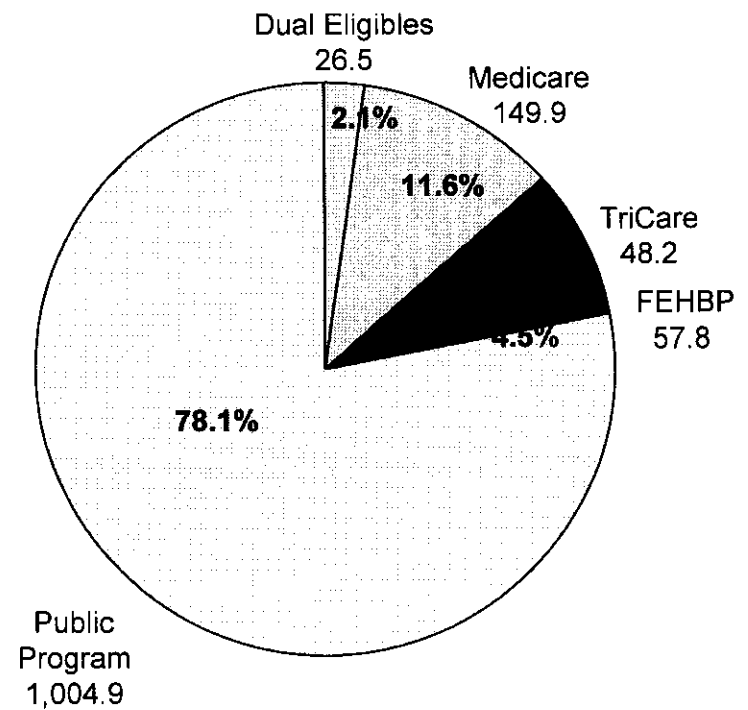
Total Spending = \$7,108.0 Million

# Hawaii Residents by Primary Source of Coverage Under Current Law and the Single-Payer Program in 2006 (thousands)

Current Law



Single Payer Proposal



Total Population = 1,287.3 thousands

# Changes in State-Wide Health Spending Under the Single-Payer Proposal in 2006

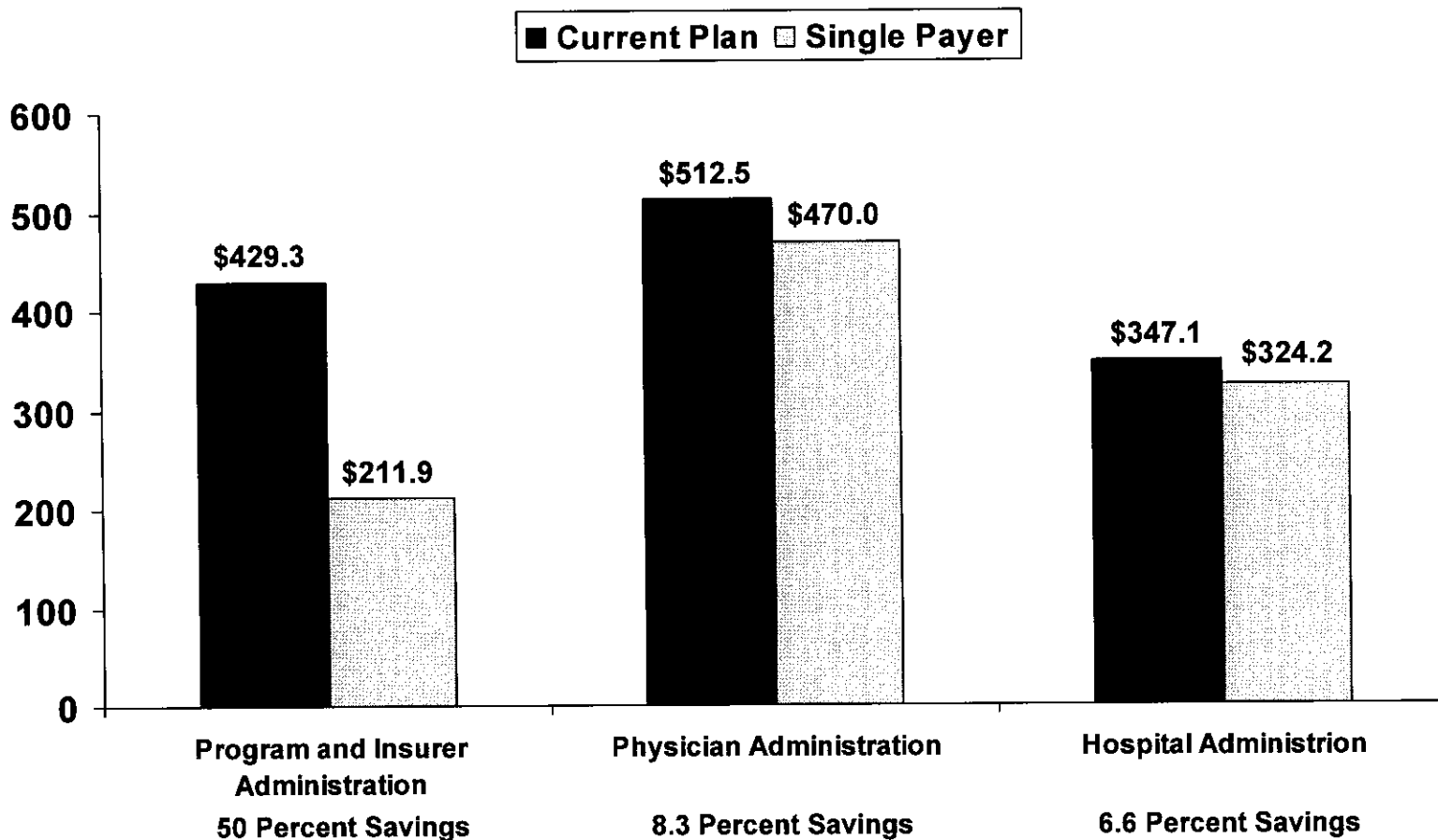
	Amount (in millions)
Health Spending in 2006 Under Current Law	\$7,108.0 <sup>a/</sup>
<b>Changes in Utilization and Payments</b>	
Increases in Utilization for Uninsured	\$129.2
Change for "Underinsured"	\$27.9
Change in Provider Reimbursement (130% of Medicare Rates')	\$492.3
Increased Utilization for People Leaving HMOs <sup>b/</sup>	\$76.7
<b>Total Utilization and Payment</b>	<b>\$726.1</b>
<b>Spending Offsets</b>	
<b>Bulk Purchasing</b>	<b>(\$90.1)</b>
Prescription Drugs	\$76.2
Durable Medical Equipment	\$13.9
<b>Administrative Costs</b>	<b>(\$282.8)</b>
Insurer Administration	\$217.4
Hospital Administration	\$22.9
Physician Administration	\$42.5
<b>Reduced Fraud and Abuse</b>	<b>(\$24.8)</b>
<b>Total Offsets</b>	<b>(\$397.7)</b>
<b>Net Change in State-Wide Health Spending</b>	
<b>Net Change</b>	<b>\$328.4</b>

a/ Includes statewide spending for all Residents of Hawaii. Excludes public health other than direct services, research and construction.

b/ Assumes a 4 percent increase in utilization for people currently enrolled in commercial HMOs.

# Changes in Administrative Costs for Insurance and Providers

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# Changes in Health Spending by Type of Service Provider

	Changes Under Single Payer					Total Under Single Payer
	Current Revenues	Change in Utilization	Changes in Reimbursement	Admin. Savings Recapture	Total Changes	
Hospital	\$2,279.4	\$108.4	\$286.1	(\$22.9)	\$371.6	\$2,651.0
Physician and Other Professionals	\$2,558.4	\$56.3	\$176.4	(\$42.5)	\$190.2	\$2,748.6
Dental	\$429.9	\$23.2	\$29.8	--	\$53.0	\$482.9
Drugs	\$736.0	\$14.9	(\$76.2)	--	(\$61.3)	\$674.7
Durable Medical Equipment (DME)	\$126.0	\$6.3	(\$13.9)	--	(\$7.6)	\$118.4
Long-Term Care	\$379.9	--	--	--	--	\$379.9
Other Health	\$170.0	--	--	--	--	\$170.0
Insurer Administration	\$429.3	--	--	(\$217.4)	(\$217.4)	\$211.9
<b>Total Spending</b>						
<b>Total</b>	<b>\$7,108.0</b>	<b>\$209.0</b>	<b>\$402.2</b>	<b>(\$282.8)</b>	<b>\$328.4</b>	<b>\$6,779.6</b>

# Change in Spending by Major Stakeholder Group Under the Single-Payer Program in 2006

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	Change in Spending (millions)	
	Before Wage Effects	After Wage Effects <sup>a/</sup>
State & Local Government	(\$96.4)	(\$94.0)
Federal Government	--	\$30.6 <sup>b/</sup>
Private Employers	(\$39.3)	(\$36.1)
Households	\$464.1	\$427.9
<b>Total</b>	<b>\$328.4</b>	<b>\$328.4</b>

a/ Changes in employer spending for workers and dependents are assumed to be passed back to workers in the form of changes in wages. Employers are assumed to retain savings for early retirees under the program.

b/ Includes net-loss of federal tax revenues due to wage-effects.

# Sources and Uses of Funds for Health Services with the Single-Payer Program in 2006 (millions)

Uses of Funds		
<b>Benefits Payments</b>		\$3,924.9
Benefits at 130% of Medicare Rates	\$3,873.0	
HMO Utilization	\$76.7	
Reduced Fraud and Abuse	(\$24.8)	
<b>Bulk Purchasing Savings</b>		(\$90.1)
Prescription Drugs	\$76.2	
Durable Medical Equipment	\$13.9	
<b>Adjustments to Provider Payment Rates</b>		(\$174.7)
Allowance for Reduced Cost Shifting	\$109.3	
Hospital Administrative Savings	\$22.9	
Physician Administrative Savings	\$42.5	
<b>Continued Medicaid &amp; SCHIP</b>		\$444.0
Long Term Care & Other	\$304.0	
Dual Eligible	\$78.4	
Wrap Around Coverage	\$30.9	
Administration	\$30.7	
<b>Single Payer Administration</b>		\$69.7
<b>Continued Safety Net Programs for Covered Population <sup>a/</sup></b>		\$124.9
<b>Total Program</b>		<b>\$4,298.7</b>

Sources of Funds		
<b>Medicaid &amp; SCHIP</b>		\$988.0
State Share	\$407.0	
Federal Share	\$581.0	
<b>Safety-Net Funding (for covered population) <sup>a/</sup></b>		\$239.4
<b>Total Intergovernmental Transfers</b>		\$1,227.4
<b>Revenues Required to Fund Program</b>		
Employer Premium Payments		\$1,113.9
Employee Payroll Tax (9.55%)		\$1,309.8
Employee Payroll Tax paid by Employer (i.e., voluntary payments)		\$647.6
<b>Net New Revenue Requirement</b>		<b>\$3,071.3</b>
<b>Total Sources of Funds</b>		<b>\$4,298.7</b>

a/ Includes total safety-net funding for people eligible for single-payer program only. Does not include safety-net care for aged and disabled.



# Change in Health Spending for State and Local Governments under the Single-Payer Program in 2006 (in millions)

	State & Local Health Spending Under Current Law	State & Local Spending Under the Single-Payer Proposal	Change in State and Local Health Spending Under the Single-Payer Proposal
<b>State and Local Government Funded Health Spending Single-Payer</b>			
State Funding for Medicaid & SCHIP	\$407.0	\$182.9	(\$224.1)
State & Local Safety-net Programs	\$239.4	\$124.9	(\$114.5)
Transfer to Single-payer Program	--	\$338.6	\$338.6
<b>Total Spending</b>	<b>\$646.4</b>	<b>\$646.4</b>	<b>\$0.0</b>
<b>Changes in Spending for State and Local Worker Health Benefits</b>			
Health Benefits for State & Local Government <sup>a/</sup> Workers & Dependents	\$231.1	\$228.5	(\$2.6)
Retirees	\$255.8	\$162.0	(\$93.8)
Wage Adjustment for State and Local Workers <sup>b/</sup>	--	\$2.4	\$2.4
<b>Total State and Local Workers</b>	<b>\$486.9</b>	<b>\$392.9</b>	<b>(\$94.0)</b>
<b>Net Impact on State and Local Government Health Spending</b>			
<b>Total State and Local Government Spending</b>	<b>\$1,133.3</b>	<b>\$1,039.3</b>	<b>(\$94.0)</b>

a/ Excludes employee premium payments of \$146.9 million.

b/ We assume governments pass-on the savings in health benefits for workers and dependents in the form of changes in wages.

# Change in Spending Under the Hawaii Employer-Union Health Benefits Trust Fund (EUTF)

	Number of Workers	Current State Spending (millions)	Spending Under Single-Payer (millions)	Change in State Spending (millions)
Workers Currently with Health Benefits (includes dental and vision costs)	51,983	\$231.1	\$185.6	(\$45.5)
Workers who have Waived Health Benefits	13,151	--	\$42.9	\$42.9
Non Medicare Retirees	9,925	\$93.8	--	(\$93.8)
Medicare Retirees	25,431	\$132.3	\$132.3	--
Medicare Part B Payments	25,431	\$29.7	\$29.7	--
<b>Total Spending</b>				
<b>Unduplicated Total</b>	<b>100,490</b>	<b>\$486.9</b>	<b>\$390.5</b>	<b>(\$96.4)</b>

a/ Enrollment and spending figures are based upon the annual report for fiscal year 2004-05, Hawaii Employer-Union Health Benefits Trust Fund (EUTF).

# Change in Health Spending for the Federal Government Under the Single-Payer Program in 2006 (in millions)

	Federal Spending Under Current Law	Federal Spending Under the Single-Payer Proposal	Change in Federal Spending Under the Single-Payer Proposal
<b>Federally Funded Health Coverage</b>			
Federal Funding for Medicaid & SCHIP	\$581.4	\$261.4	(\$320.0)
Federal Funds Transfer to Program	--	\$320.0	\$581.0
<b>Total Public Programs</b>	<b>\$581.4</b>	<b>\$581.4</b>	<b>\$0.0</b>
<b>Changes in Federal Tax Revenues Due to Wage Effects Under the Single Payer Proposal</b>			
Change in Federal Income Tax Revenues	--	(\$35.5)	(\$35.5)
Change in Social Security/Medicare Payroll Tax Revenues	--	\$4.9	\$4.9
<b>Total Change in Federal Tax Revenues</b>	<b>--</b>	<b>(\$30.6)</b>	<b>(\$30.6)</b>
<b>Net Impact on Federal Government Health Spending</b>			
<b>Net Cost/(Savings)<sup>a/</sup></b>	<b>\$581.4</b>	<b>\$612.0</b>	<b>\$30.6</b>

a/ Reductions in federal tax revenues are counted as a cost to the federal government.

# Private Employer Health Spending for Workers and Retirees under Current Law and the Single-Payer Program in 2006 (in millions)

	Private Employer Health Spending Under Current Law	Private Employer Health Spending Under the Single-Payer Program	Change in Private Employer Health Spending
<b>All Private Employers</b>			
Worker and Dependent Benefits (excludes employee contributions)	\$1,703.2	\$151.8 <sup>a/</sup>	(\$1,551.4)
Retiree Benefits	\$171.2	\$129.5 <sup>b/</sup>	(\$41.7)
Premium Payments to Program	--	\$966.1	\$966.1
Voluntary Payments of Employee Payroll Tax	--	\$587.7 <sup>c/</sup>	\$587.7
<b>Total Spending</b>	<b>\$1,874.4</b>	<b>\$1,835.1</b>	<b>(\$39.3)</b>

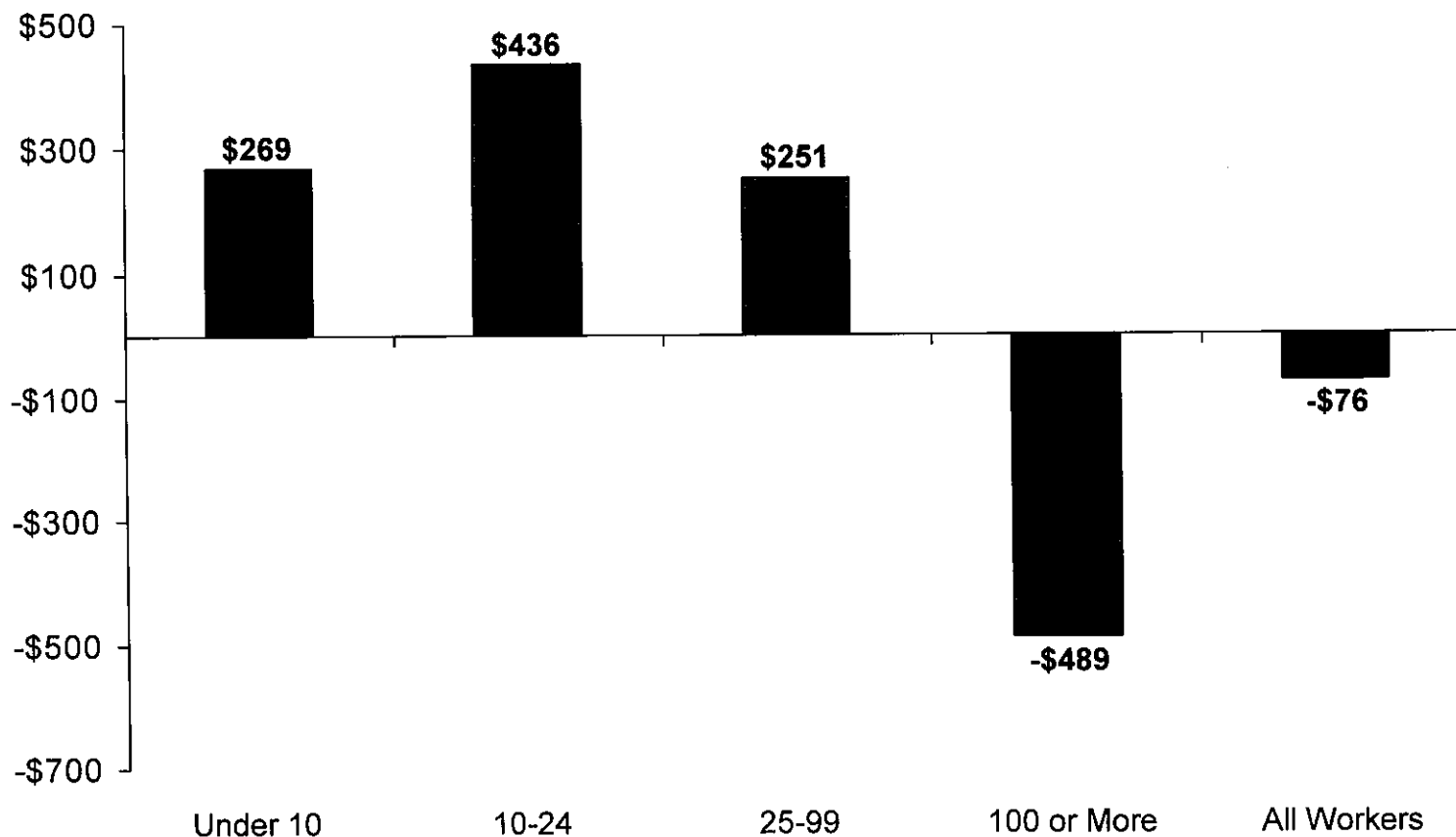
a/ Employers are assumed to provide wrap around coverage for services currently covered by the employer plan that are not covered under the Single-payer plan.

b/ Employer benefit for retirees on Medicare are assumed to continue.

c/ Employers are assumed to pay the payroll tax up to the amount paid for dependent benefits under current law.

# Change in Private Employer Health Spending Per Worker by Firm Size under the Single-Payer Program: Before Wage Effects

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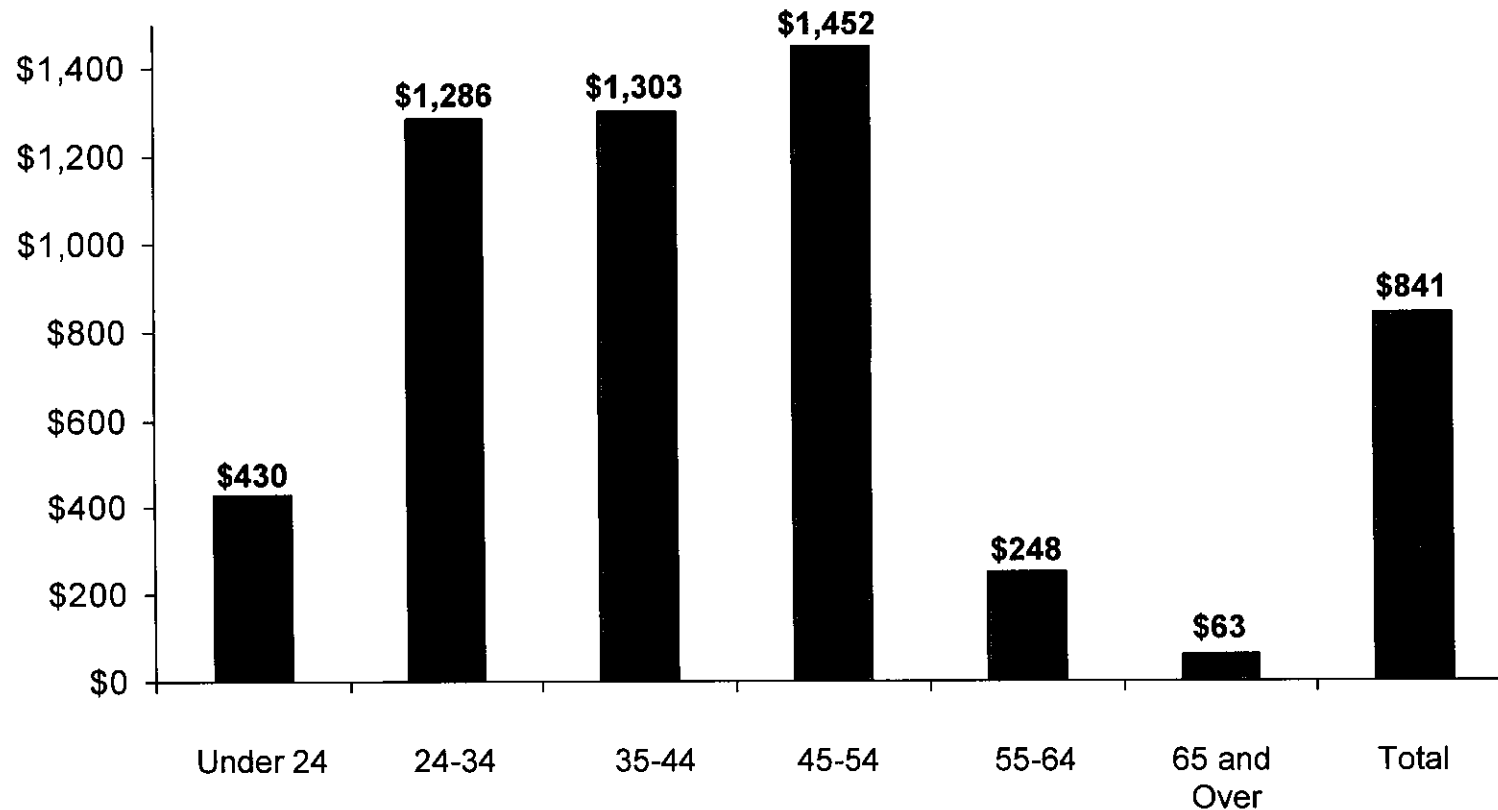


# Changes in Family Health Spending in Hawaii under the Single-Payer Program in 2006 (in millions)

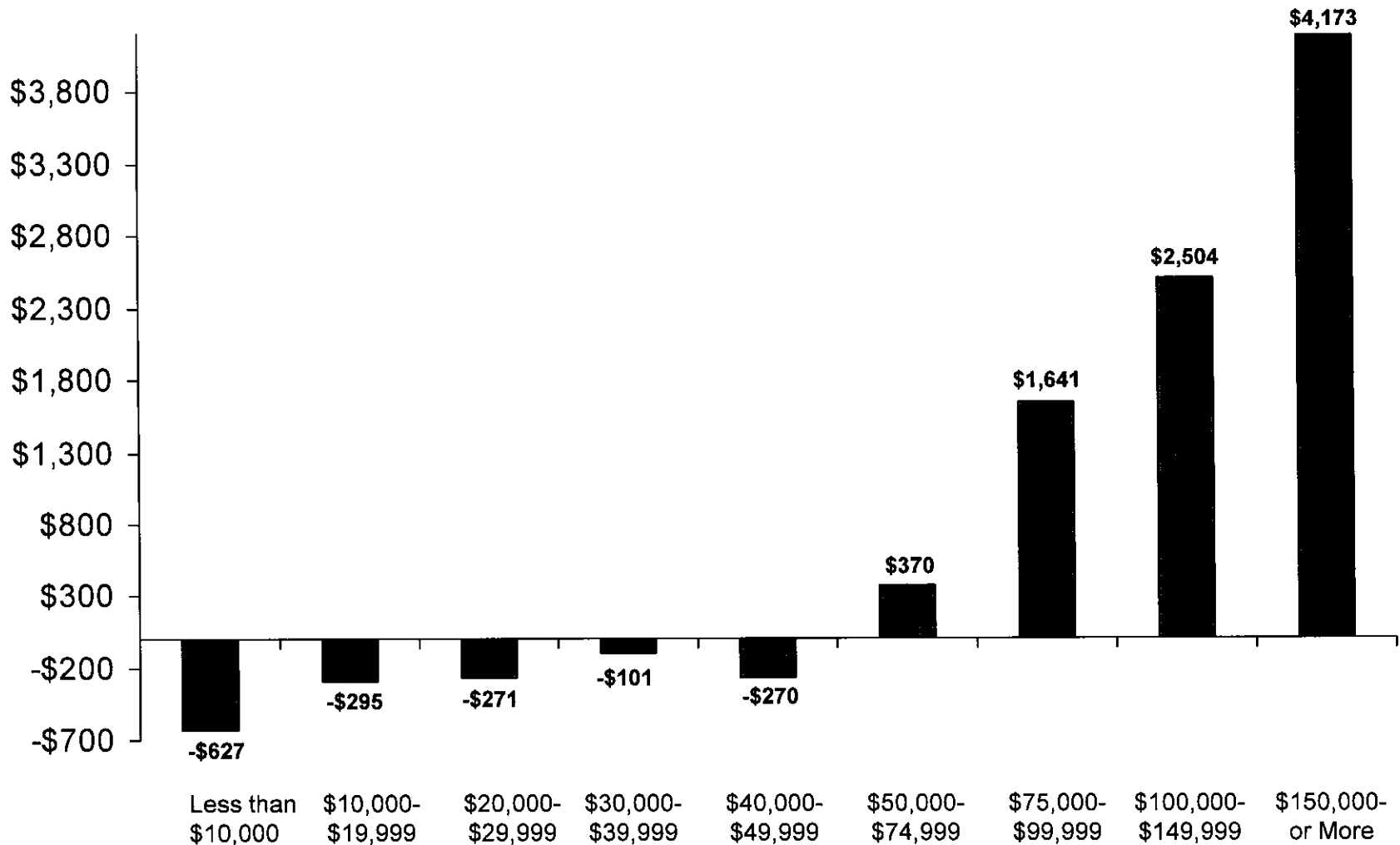
	Family Health Spending Under Current Law	Family Health Spending Under the Single-Payer Proposal	Changes in Family Health Spending Under the Single- Payer Proposal
<b>Health Insurance Premiums</b>	\$885.8	\$270.5	(\$615.3)
Employee Premium Contributions	\$716.6	\$178.5	(\$538.1)
Non-Group Insurance <sup>a/</sup>	\$169.2	\$92.0	(\$77.2)
<b>Family Out-of-pocket Spending (co-payments, uncovered services, etc.)</b>	\$720.0	\$489.6	(\$230.4)
<b>Increase in After-Tax Wages (shown as a reduction in family spending for health care)</b>	--	(\$36.2)	(\$36.2)
<b>Taxes to Fund Program</b>	--	\$1,309.8	\$1,309.8
Worker Payroll Tax (9.55 percent)			
<b>Total Family Health Spending</b>	<b>\$1,605.8</b>	<b>\$2,033.7</b>	<b>\$427.9</b>

a/ Includes Medicare supplemental coverage which would not be affected by the proposal.

# Change in Average Family Health Spending by Age of Family Head under the Single-Payer Program in 2006

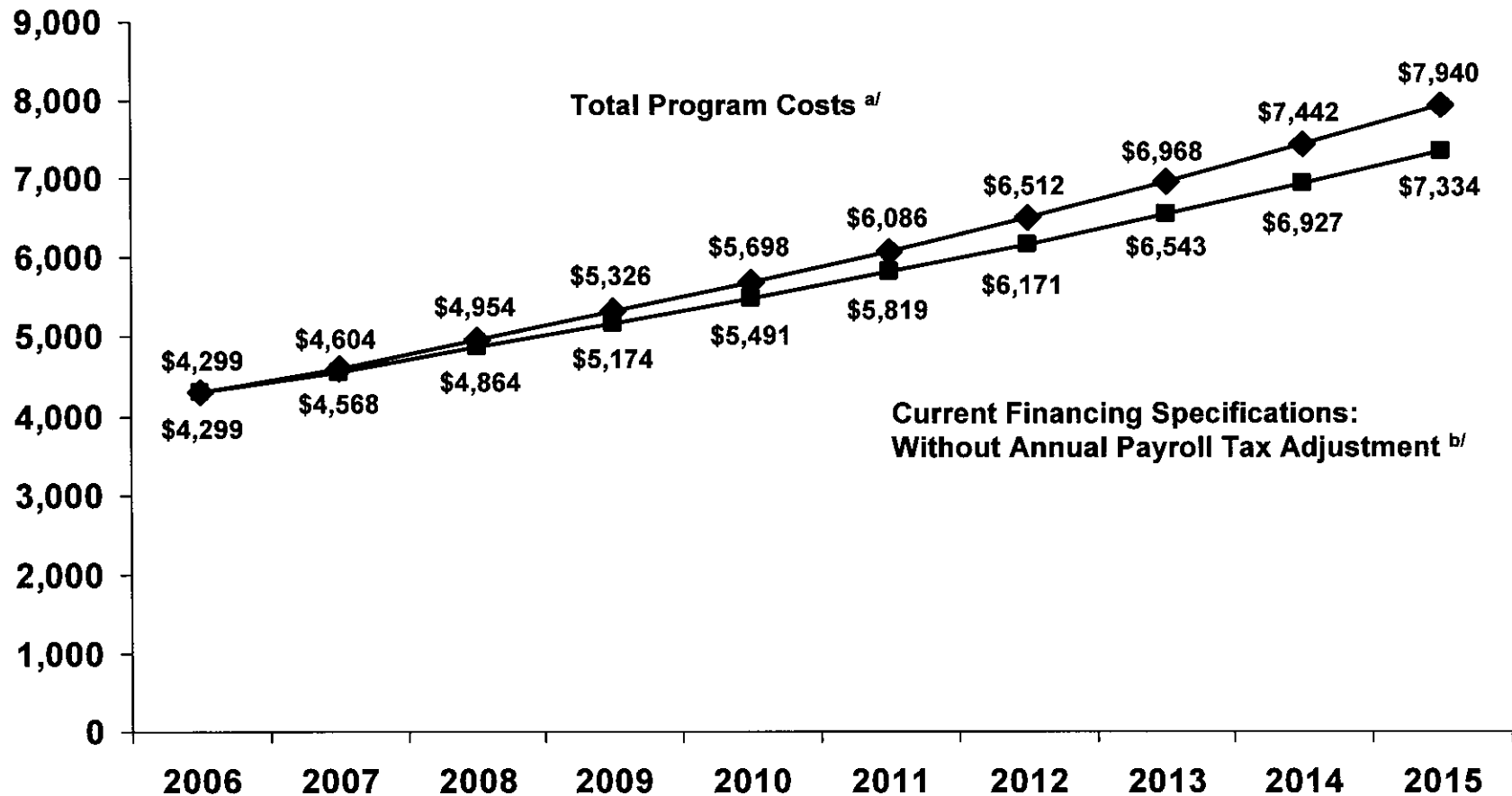


# Change in Health Spending Per Family by Income Group under the Single-Payer Program in 2006





# Projections of Single-Payer Costs and Revenues for 2006 Through 2015 (in millions)



a/ Based upon national projections of health spending growth from the Centers for Medicare and Medicaid Services (CMS) Office of the Actuary, adjusted to reflect the historically lower rate of growth in health spending in Hawaii.

b/ Based upon CMS Gross Domestic Product (GDP) growth for 2007 through 2015.

# Payroll Tax Rates Required to Fully Fund the Hawaii Single-payer Program

