

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

DISCUSSION DRAFT

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/Champus
  - ✍ 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
  - ✍ Elimination of contract negotiation process
  - ✍ Reduced bill collection/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>ci</sup>
	Plan A <sup>ai</sup>	Plan B <sup>bi</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>			
Pregnancy, childbirth, termination of pregnancy and related medical conditions	Physician & hospital benefits: 90/10 Lab & x-ray: 80/20	In-vitro: 80/20 Elective abortion: \$14 copay (2 per lifetime) Medically indicated: \$14 copay	
Birthing 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 Medicare Rates

	Medicare as Percent of Hawaii Medicaid	Medicare as Percent of Hawaii Private
<b>Hospital</b>	<b>127%</b>	<b>87%</b>
<b>Physician</b>	<b>135%</b>	<b>81%</b>

- ✍ 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

# 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
- ✍ Payroll tax on wages to fund the remainder of the program (estimated to be 5.6 percent)
  - ✍ Worker pays tax
  - ✍ Employers can pay worker payroll tax

# Comparison of Per Worker Premium

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✍ Employers Pay All of PHCA Amount

State Employee Benefits		Minimum Package Under PHCA
Private Payer Rates	At Medicare Rates with Bulk Purchasing Discount	
\$340	\$283	\$272 PMPM

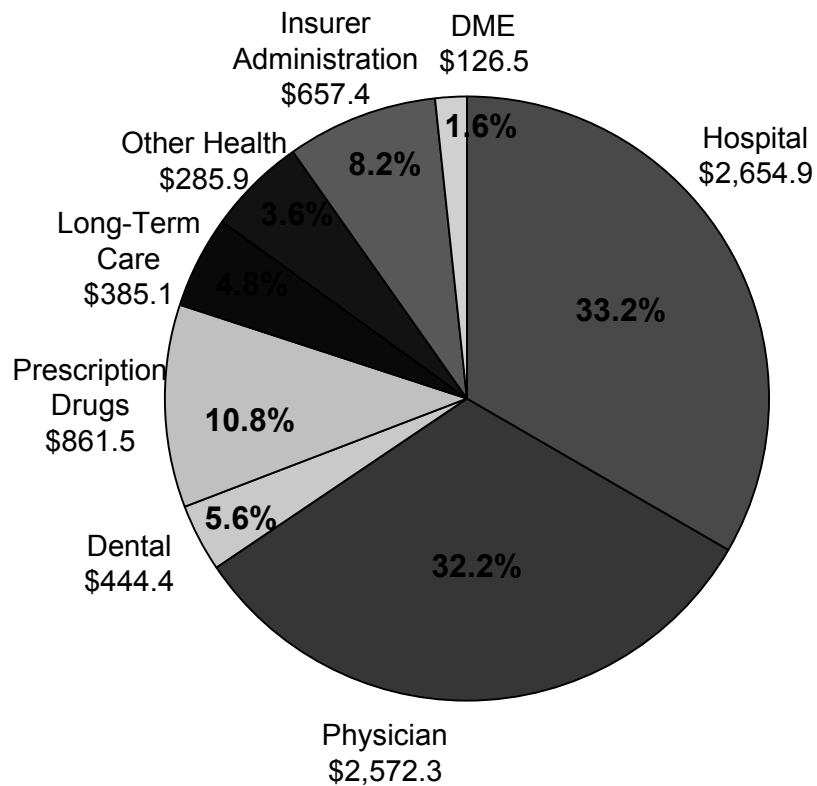
✍ Some Employers May Pay More or Less

✍ Overall, No New Spending for Employers

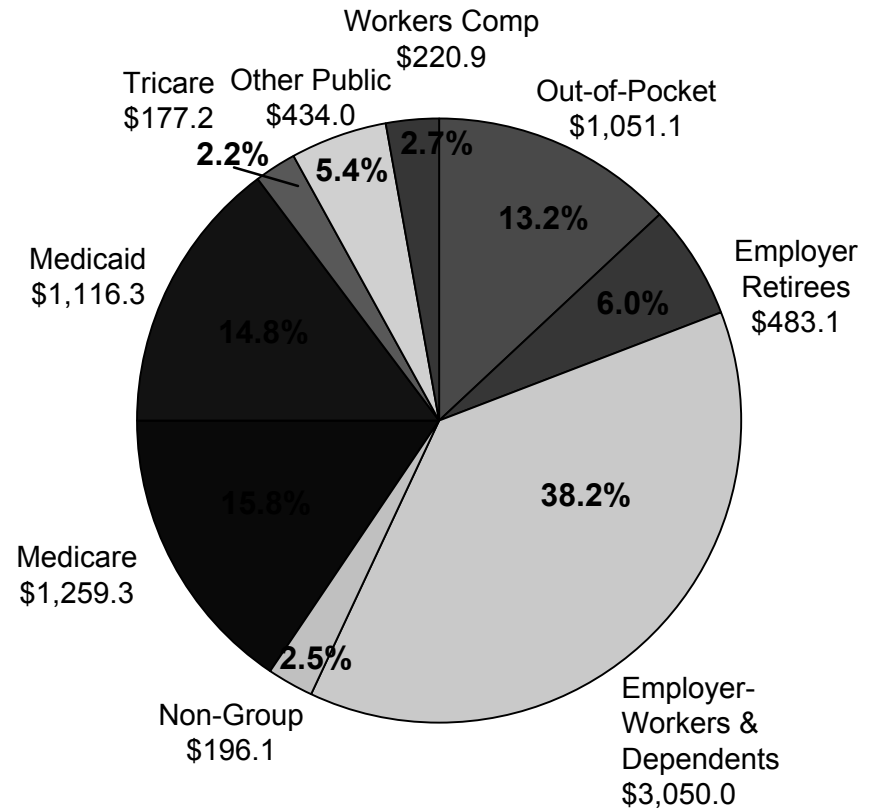


# Total Health Spending by Type of Service and Source of Payment for Hawaii in 2006 (millions)

**Type of Service**



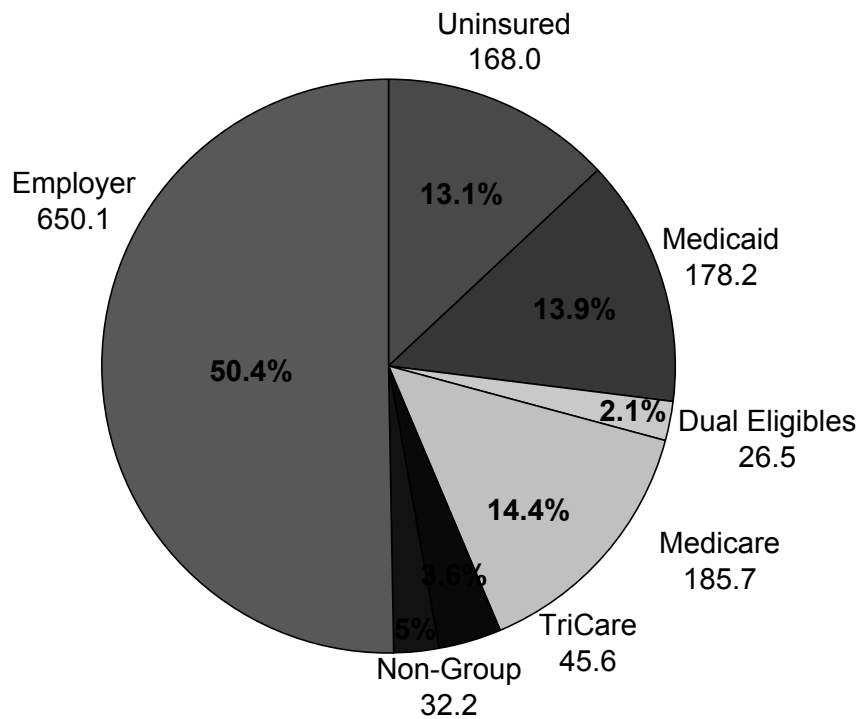
**Source of Payment**



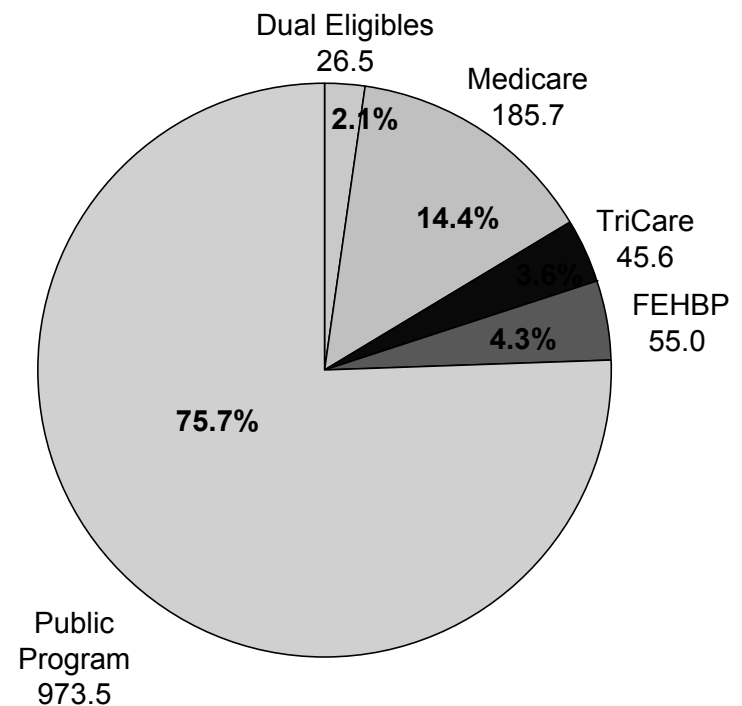
**Total Spending = \$7,988.0 Million**

# 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 = 1,286.3 thousands

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

	Amount (in millions)
<b>Health Spending in 2006 Under Current Law</b>	\$7,988.0 <sup>a/</sup>
<b>Increases in Utilization</b>	
<b>Increases in Utilization for Uninsured</b>	\$267.4
<b>Change for “Underinsured”</b>	\$61.7
<b>Change in Provider Reimbursement (Medicare Rates)</b>	(\$379.8)
<b>Increased Utilization for People Leaving HMOs <sup>b/</sup></b>	\$92.5
<b>Reduced Fraud and Abuse</b>	(\$29.6)
<b>Spending Offsets</b>	
<b>Bulk Purchasing</b>	(\$75.3)
Prescription Drugs	\$56.5
Durable Medical Equipment	\$18.8
<b>Administrative Costs</b>	(\$615.7)
Insurer Administration	\$356.1
Hospital Administration	\$101.5
Physician Administration	\$158.1
<b>Net Change in State-Wide Health Spending</b>	
<b>Net Change</b>	<b>(\$678.8)</b>

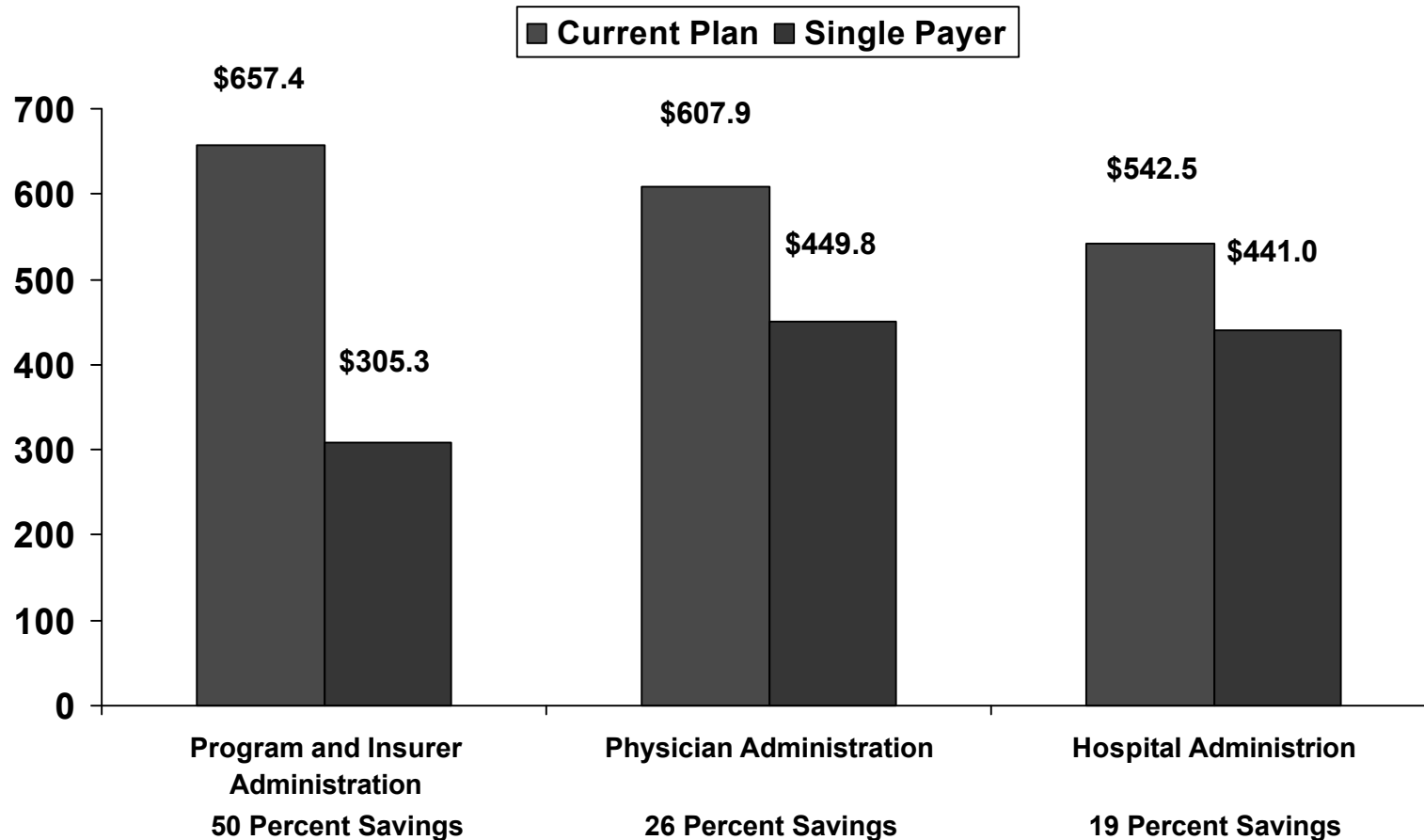
<sup>a/</sup> Includes statewide spending for all Residents of Hawaii. Excludes public health other than direct services and research.

<sup>b/</sup> Assumes a 4 percent increase in utilization for people currently enrolled in commercial HMOs

Source: Lewin Group estimates using the Health Benefits Simulation Model (HBSM).

# Changes in Administrative Costs for Insurance and Providers

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# Changes in Health Spending by Type of Service Provider

	Current Revenues	Changes Under Single Payer				Total Under Single Payer
		Change in Utilization	Changes in Reimbursement	Admin. Savings Recapture	Total Changes	
Hospital	\$2,654.9	\$203.3	(\$180.3)	(\$101.5)	(\$78.5)	\$2,576.4
Physician and Other Professionals	\$2,572.1	\$105.7	(\$168.9)	(\$158.1)	(\$221.3)	\$2,350.8
Dental	\$444.4	\$43.6	(\$30.6)	--	\$13.0	\$457.4
Drugs	\$861.5	\$28.0	(\$56.5)	--	(\$28.5)	\$833.0
Durable Medical Equipment (DME)	\$126.5	\$11.4	(\$18.8)	--	(\$7.4)	\$119.1
Long-Term Care	\$385.1	--	--	--	--	\$385.1
Other Health	\$385.9	--	--	--	--	\$285.9
Insurer Administration	\$657.7	--	--	(\$356.1)	(\$356.1)	\$301.6
Total	\$7,988.1	\$392.0	(\$455.1)	(\$615.7)	(\$678.8)	\$7,309.2

# 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	(\$112.3)	(\$95.1)
Federal Government	--	\$40.5 <sup>b/</sup>
Private Employers	(\$7.2)	(\$37.4)
Households	(\$559.3)	(\$586.8)
<b>Total</b>	<b>(\$678.8)</b>	<b>(\$678.8)</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 Under the Single-Payer Program in 2006 (millions)

Uses of Funds		
<b>Benefits Payments</b>		\$3,620.6
Benefits at Medicare Rates	\$3,647.7	
HMO Utilization	\$92.5	
Reduced Fraud and Abuse	(\$29.6)	
<b>Bulk Purchasing Savings</b>		(\$75.3)
Prescription Drugs	\$56.5	
Durable Medical Equipment	\$18.8	
<b>Adjustments to Provider Payment Rates</b>		(\$325.7)
Allowance for Reduced Cost Shifting	\$66.1	
Hospital Administrative Savings	\$101.5	
Physician Administrative Savings	\$158.1	
<b>Continued Medicaid &amp; SCHIP</b>		\$492.0
Long Term Care & Other	\$333.9	
Dual Eligible	\$85.1	
Wrap Around Coverage	\$33.6	
Administration	\$39.7	
<b>Single Payer Administration</b>		\$69.7
<b>Continued Safety Net Programs for Covered Population <sup>a/</sup></b>		\$147.2
<b>Total Program</b>		<b>\$3,928.5</b>

Sources of Funds		
<b>Medicaid &amp; SCHIP</b>		\$1,116.0
State Share	\$459.8	
Federal Share	\$656.2	
<b>Safety-Net Funding (for covered population) <sup>a/</sup></b>		\$228.9
<b>Total Intergovernmental Transfers</b>		\$1,344.9
Revenues Required to Fund Program		
Employer Premium Payments		\$1,284.3
Employee Payroll Tax (5.6%)		\$558.2
Employee Payroll Tax paid by Employer (i.e., voluntary payments)		\$741.1
<b>Net New Revenue Requirement</b>		<b>\$2,697.9</b>
<b>Total Sources of Funds</b>		<b>\$3,928.5</b>

<sup>a/</sup> 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 Health 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 Coverage</b>			
State Funding for Medicaid & SCHIP	\$459.8	--	(\$459.8)
State & Local Safety-net Programs	\$228.9	\$147.2	(\$81.7)
Transfer to Program	--	\$541.5	\$541.5
Health Benefits for State & Local Government <sup>a/</sup>			
Workers & Dependents	\$231.1	\$212.6	(\$18.5)
Retirees	\$255.8	\$162.0	(\$93.8)
Wage Effect Adjustment for State and Local Workers	--	\$17.2	\$17.2
<b>Net Impact on State and Local Government Health Spending</b>			
<b>Net (Savings)</b>	<b>\$1,175.6</b>	<b>\$1,080.5</b>	<b>(\$95.1)</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	\$169.7	(\$61.4)
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	--
Unduplicated Total	100,490	\$486.9	\$374.6	\$112.3

a/ Enrollment and spending figures are based upon the annual report for fiscal year 2004-05, Hawaii Employer-Union Health Benefits Trust Fund (EUTF). Premiums of July 1, 2005 were adjusted to July 1, 2006 levels assuming a seven percent increase in premiums.

# 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	Changes in Federal Spending Under the Single-Payer Proposal
<b>Federally Funded Health Coverage</b>			
Federal Funding for Medicaid & SCHIP	\$656.2	--	(\$656.2)
Federal Funds Transfer to Program	--	\$656.2	\$656.2
<b>Total Public Programs</b>	<b>\$656.2</b>	<b>\$656.2</b>	<b>0</b>
<b>Changes in Federal Tax Revenues Due to Wage Effects Under the Single Payer Proposal</b>			
Loss of Federal Income Taxes	--	(\$50.1)	(\$50.1)
Increase in Social Security/Medicare Payroll Tax Revenues	--	\$9.6	\$9.6
<b>Total Change in Federal Tax Revenues</b>	--	<b>(\$40.5)</b>	<b>(\$40.5)</b>
<b>Net Impact on Federal Government Health Spending</b>			
<b>Net Cost/(Savings)</b>	<b>\$656.2</b>	<b>\$696.7</b>	<b>\$40.5</b>

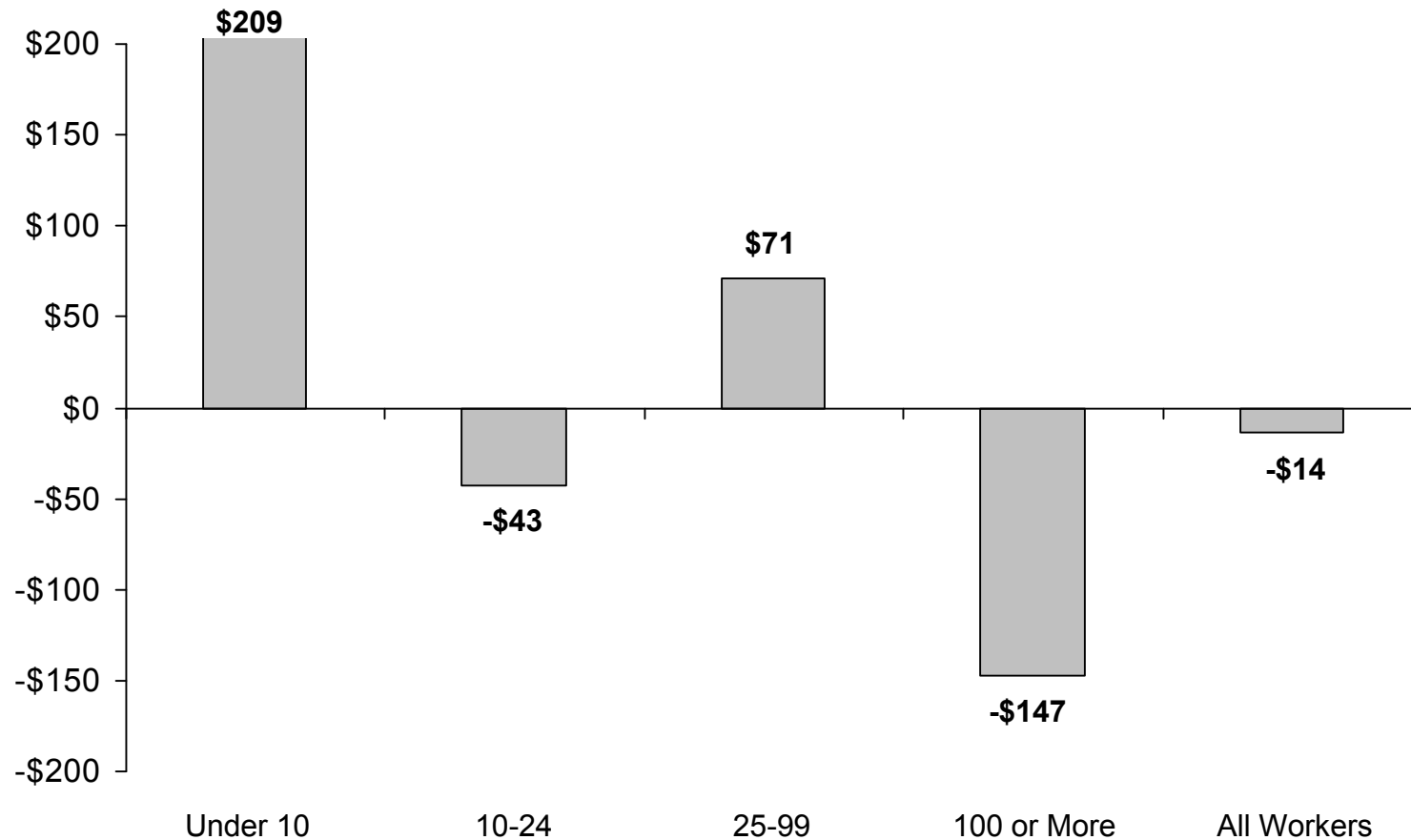
# Private Employer Health Spending for Workers and Retirees under Current Law and the Single-Payer Program in 2006 (in millions)

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	Private Employer Health Spending Under Current Law	Private Employer Health Spending Under the Single-Payer Program	Changes in Private Employer Health Spending Under the Single-Payer Program
<b>All Private Employers</b>			
Worker and Dependent Benefits	\$1,923.4	\$141.1	(\$1,782.3)
Retiree Benefits	\$186.2	\$148.9	(\$37.4)
Premium Payments to Program	--	\$1,128.0	\$1,128.0
Voluntary Payments of Employee Payroll Tax	--	\$684.5	\$685.5
<b>Total Spending</b>	<b>\$2,109.6</b>	<b>\$2,102.5</b>	<b>(\$7.2)</b>

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

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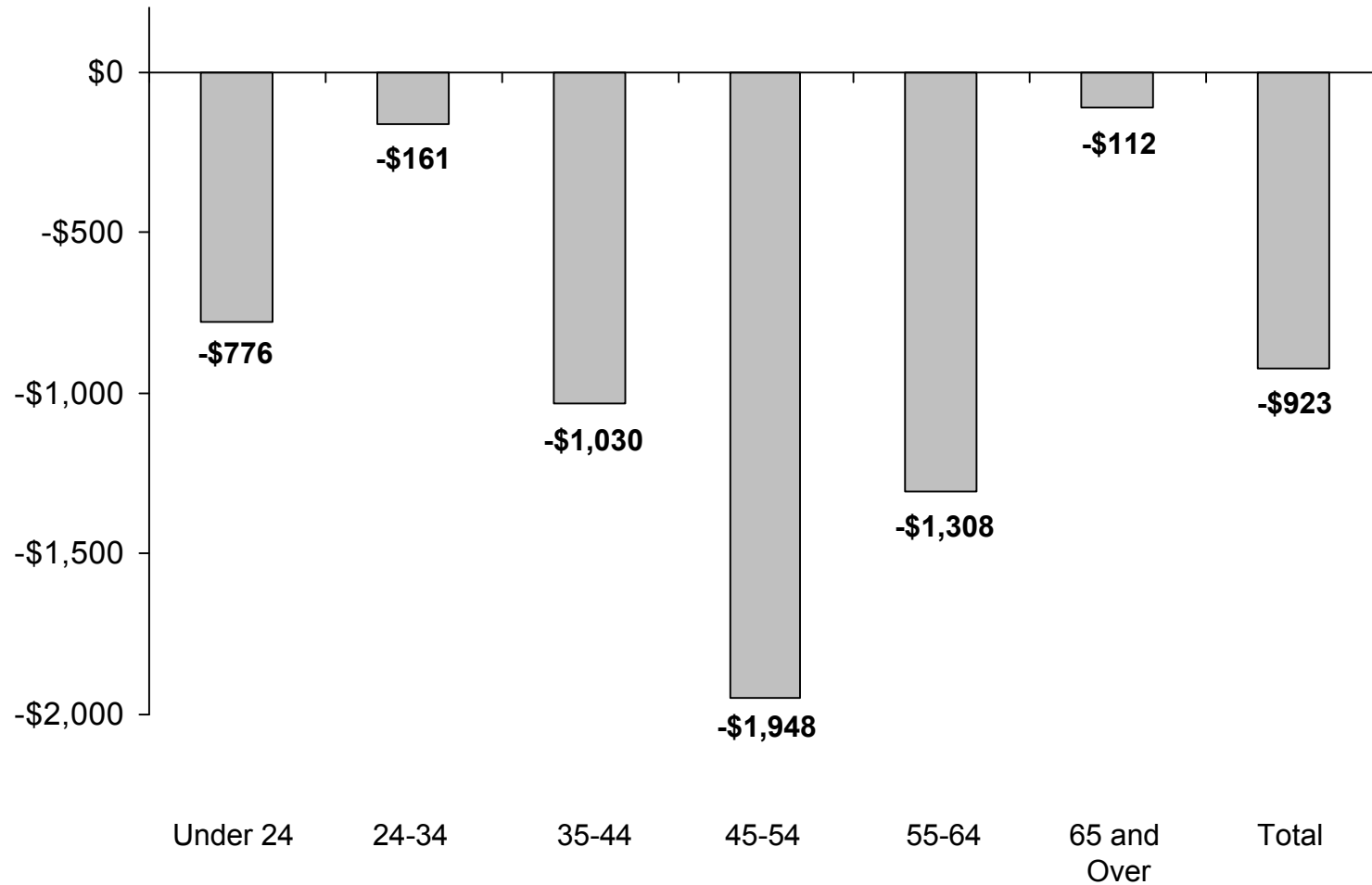


# Changes in Family Health Spending in Hawaii under the Single-Payer Program in 2006 (in millions)

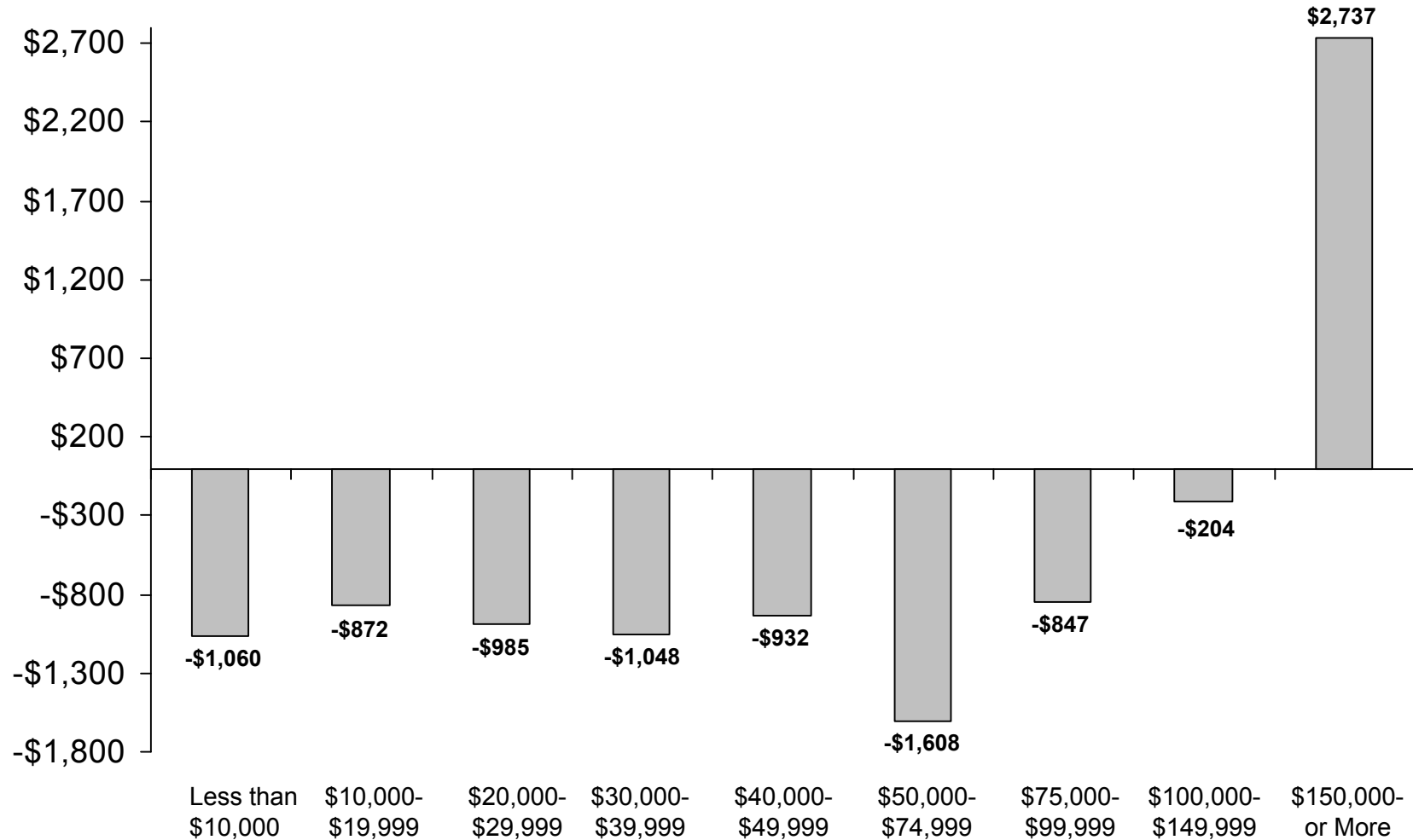
	Family Health Spending Under Current Law	Family Health Spending Under the Single-Payer Proposal	Changes in Family Health Spending Under the Single-Payer Proposal
<b>Health Insurance Premiums</b>	<b>\$980.3</b>	<b>\$276.7</b>	<b>(\$703.6)</b>
Employee Premium Contributions	\$787.9	\$156.1	(\$631.8)
Non-Group Insurance <sup>a/</sup>	\$192.4	\$120.6	(\$71.8)
Family Out-of-pocket Spending (co-payments, uncovered services, etc.)	\$981.4	\$567.5	(\$413.9)
Increase in After-Tax Wages (shown as a reduction in family spending for health care)	--	(\$27.5)	(\$27.5)
Taxes to Fund Program	--	\$558.2	\$558.2
Worker Payroll Tax (5.6 percent)	--	\$558.2	\$558.2
<b>Total Family Health Spending</b>	<b>\$1,961.7</b>	<b>\$1,374.9</b>	<b>(\$586.8)</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



# Health Spending in Hawaii by Source of Payment and Type of Service in 2006 (thousands)

Source of Payment	Total	Type of Service									
		Hospital	Physician	Dental	Other Professional	Prescription Drugs	Medical Durables	Nursing Home	Home Health	Other Personal Health Care	Administration
Out of Pocket	1,051,088	227,429	240,266	208,041	84,453	147,012	75,403	31,993	36,491	-	-
Employer-Workers	3,050,073	946,041	1,121,057	217,605	99,650	222,974	19,161	6,738	33,495	-	383,352
Employer-Retiree	483,061	164,307	171,010	12,152	16,285	66,962	5,867	1,170	5,817	-	39,491
Non-Group	196,138	56,403	64,489	3,844	5,360	11,653	2,993	402	1,997	-	48,998
Medicare	1,259,302	556,105	301,278	-	25,343	277,407	20,194	23,765	19,718	-	35,491
Medicaid	1,116,349	399,809	165,537	2,804	20,063	126,445	-	203,985	5,366	102,990	89,349
TriCare	177,179	105,307	64,098	-	-	5,328	-	-	-	-	2,446
Other Public	433,978	127,682	82,567	-	4,178	-	2,234	2,756	11,420	182,869	20,272
Workers Comp.	220,850	71,789	63,060	-	43,333	3,718	621	-	-	-	38,329
Total	7,988,017	2,654,873	2,273,361	444,447	298,664	861,498	126,473	270,809	114,306	285,859	657,727