

HSA FINANCIAL AND
DISTRIBUTION ANALYSIS

**THE HEALTH SECURITY ACT:
A FINANCIAL AND DISTRIBUTIONAL ANALYSIS**

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- I. NATIONAL HEALTH EXPENDITURES**
- II. IMPACT ON FEDERAL GOVERNMENT**
- III. IMPACT ON BUSINESS**
- IV. IMPACT ON FAMILIES**

THE HEALTH SECURITY ACT: A FINANCIAL AND DISTRIBUTIONAL ANALYSIS

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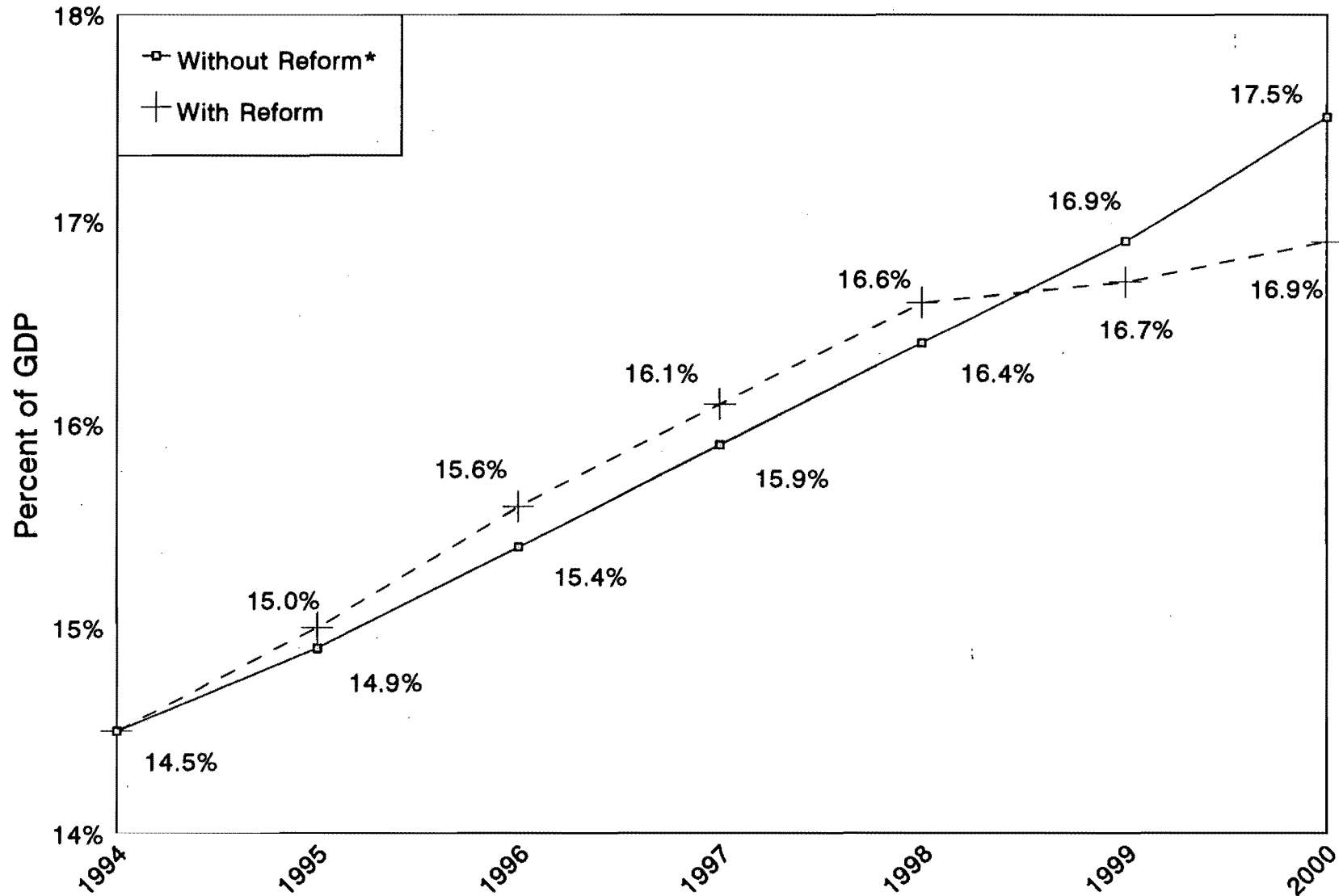
NATIONAL HEALTH EXPENDITURES

NATIONAL HEALTH EXPENDITURES UNDER CURRENT POLICY AND THE HEALTH SECURITY ACT: 1994 - 2000

- Absent comprehensive reform, health care would consume 17.5 percent of GDP, or \$1.653 trillion, in the year 2000. [Charts I-A and I-B]
- Under the Health Security Act, health care will consume 16.9 percent of GDP, or \$1.597 trillion, in the year 2000. This is \$56 billion lower than if there were no comprehensive reform. [Charts I-A and I-B]
- Under the Health Security Act, there will be a short-term increase in national health expenditures. Between 1995 and 1998 national health expenditures will consume 0.1 percent to 0.2 percent more of GDP than they would have without comprehensive reform. By 1999, health care will consume a lower percentage of GDP under the Health Security Act than if there were no comprehensive reform. [Charts I-A and I-B]
- Over the entire period from 1994 to 2000, savings will exceed additional expenditures by \$37 billion. [Chart I-B]

NATIONAL HEALTH EXPENDITURES AS A PERCENT OF GDP

Under Current Policy and the Health Security Act: 1994 - 2000



SOURCE: Administration Estimates.

* CBO baseline with Administration's economic assumptions.

Chart I-A

NATIONAL HEALTH EXPENDITURES IN DOLLARS

Under Current Policy and the Health Security Act: 1994 - 2000

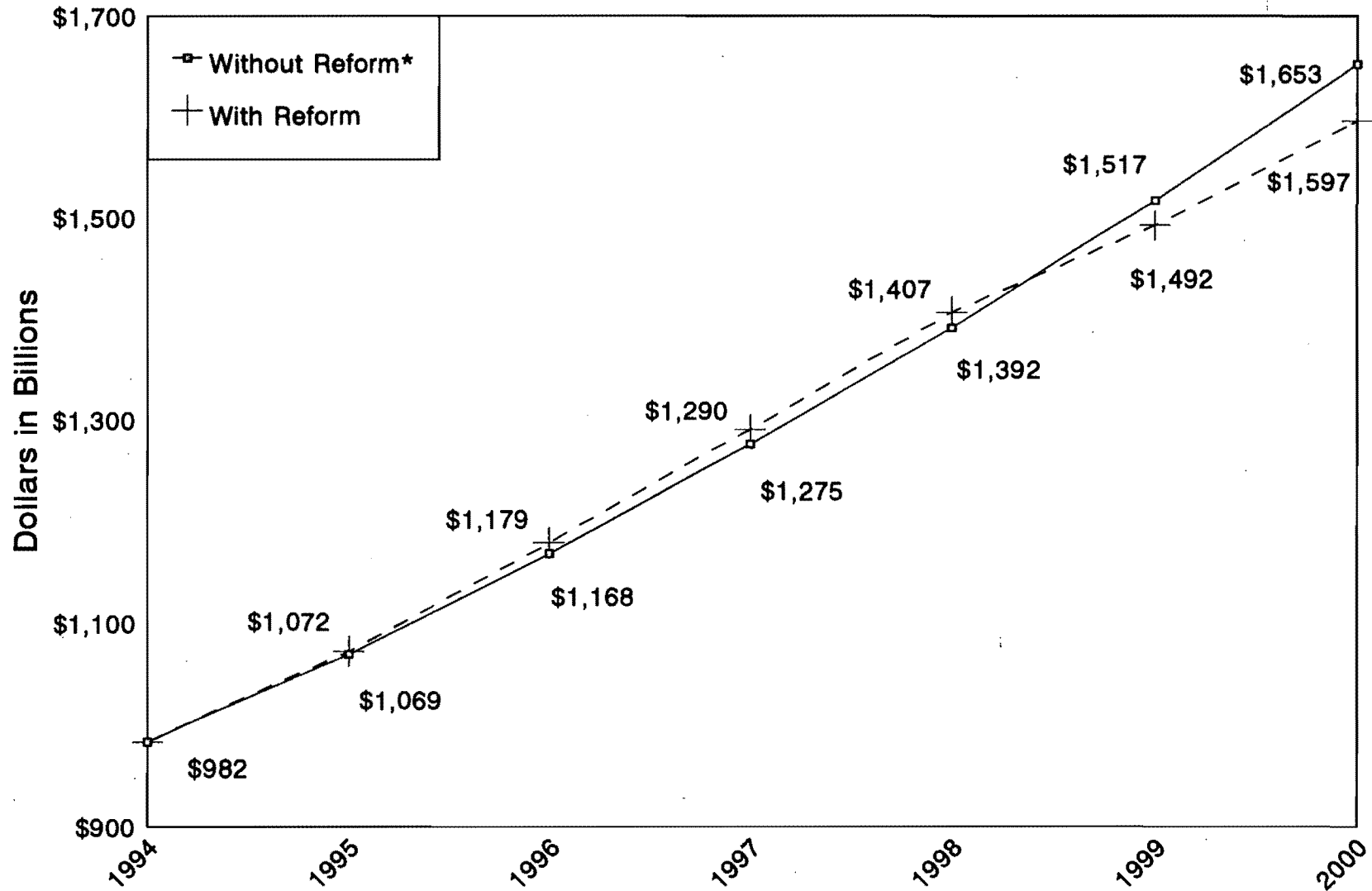


Chart I-B

SOURCE: Administration Estimates.

* CBO baseline with Administration's economic assumptions.

IMPACT ON FEDERAL GOVERNMENT

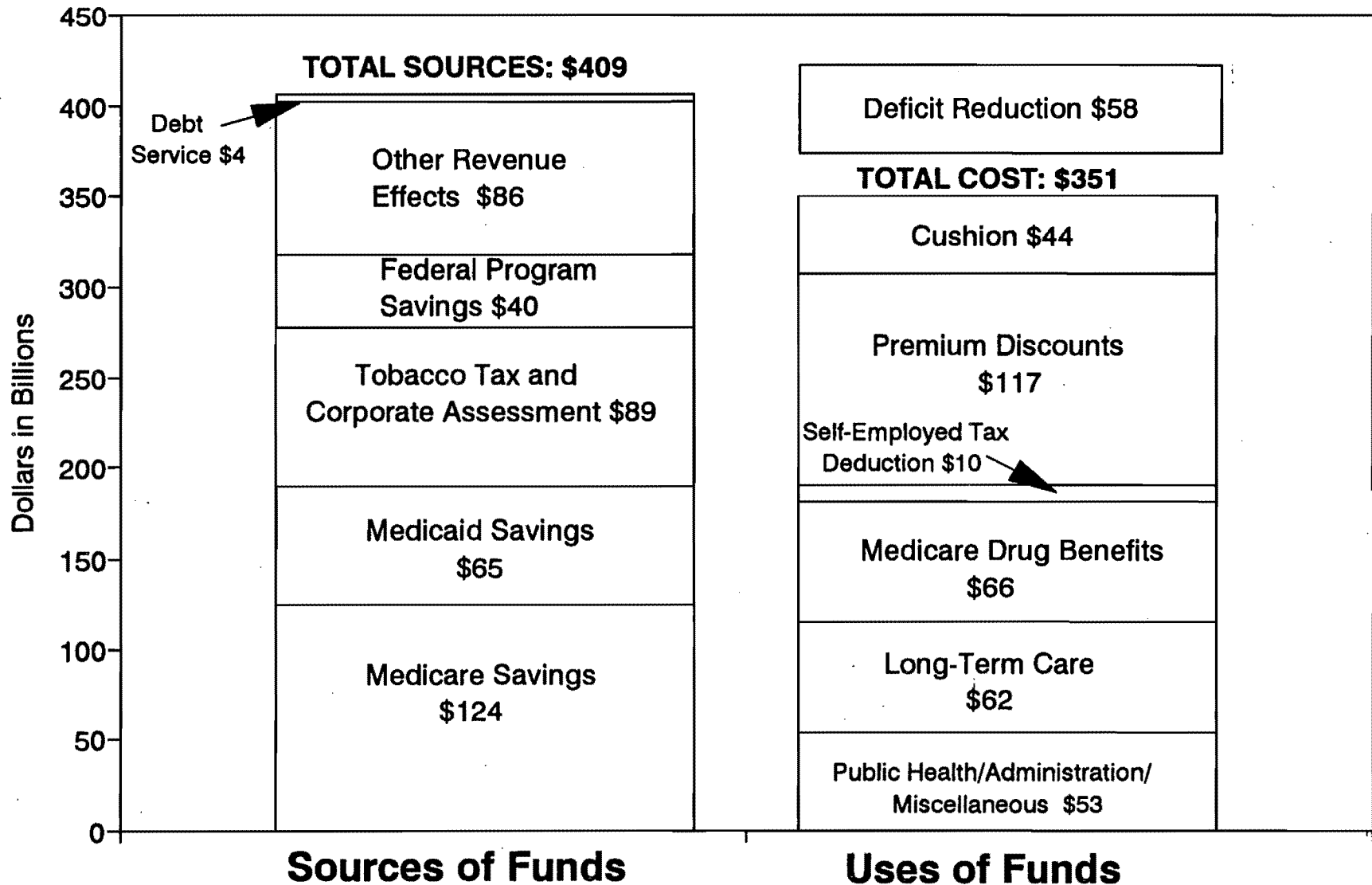
FINANCING HEALTH CARE REFORM
Totals: 1995 - 2000

- Under the Health Security Act, federal sources of funds (savings and resources) will total \$409 billion for the period 1995 to 2000. The total federal cost (expenditures) of health reform will be \$351 billion over that period. Thus, health reform will contribute \$58 billion toward deficit reduction in the first five years alone. [Chart II-A]

- The total estimated cost includes a \$44 billion discount "cushion", designed to ensure that there is adequate funding in the event of unanticipated economic or behavioral changes. [Chart II-A]

FINANCING HEALTH CARE REFORM

Totals: 1995 - 2000



SOURCE: Office of Management and Budget
Totals may not add due to rounding.

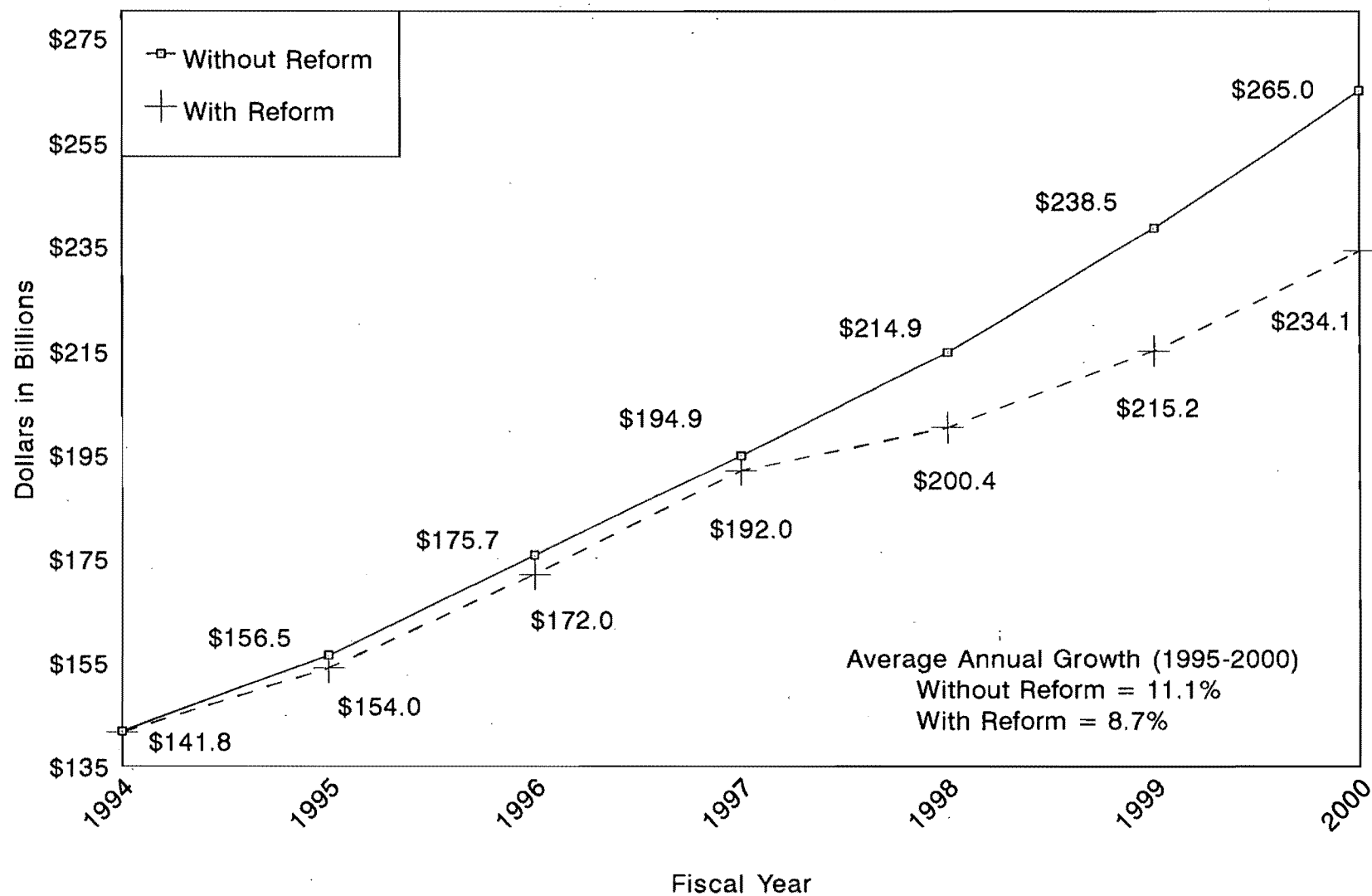
MEDICARE PROGRAM UNDER CURRENT POLICY AND THE HEALTH SECURITY ACT: 1994-2000

- Absent comprehensive reform, Medicare spending would grow at an average annual rate of 11.1 percent from 1995 to 2000. [Charts II-B and II-C]
- Including spending for the new prescription drug benefit, Medicare expenditures under the Health Security Act will increase at an average annual rate of 8.7 percent from 1995 to 2000. This is an average decrease of 2.4 percentage points due to the Health Security Act. [Chart II-B]
- Without spending for the new prescription drug benefit, Medicare expenditures under the Health Security Act will increase at an average annual rate of 7.2 percent for the same years. This is an average decrease of 3.9 percentage points due to the Health Security Act. [Chart II-C]
- Not including spending for prescription drugs, the Health Security Act will reduce Medicare spending by \$47.1 billion in the year 2000 alone. If spending for prescription drugs is included, Medicare spending will drop by \$30.9 billion in that year. [Charts II-B and II-C]

- Only 13 percent of all Medicare savings will be financed by beneficiaries. These savings will result from provisions such as coinsurance for home health care and laboratory services. [Chart II-D]
- Beneficiaries with annual incomes over \$90,000 for individuals and \$115,000 for couples will pay higher Part B premiums.
- Older Americans will pay an additional \$11.00 a month for the prescription drug benefit.

THE MEDICARE PROGRAM* UNDER THE HEALTH SECURITY ACT

Growth With and Without the Health Security Act
(With the Prescription Drug Benefit): 1994 - 2000



SOURCE: Office of the Actuary, HCFA.

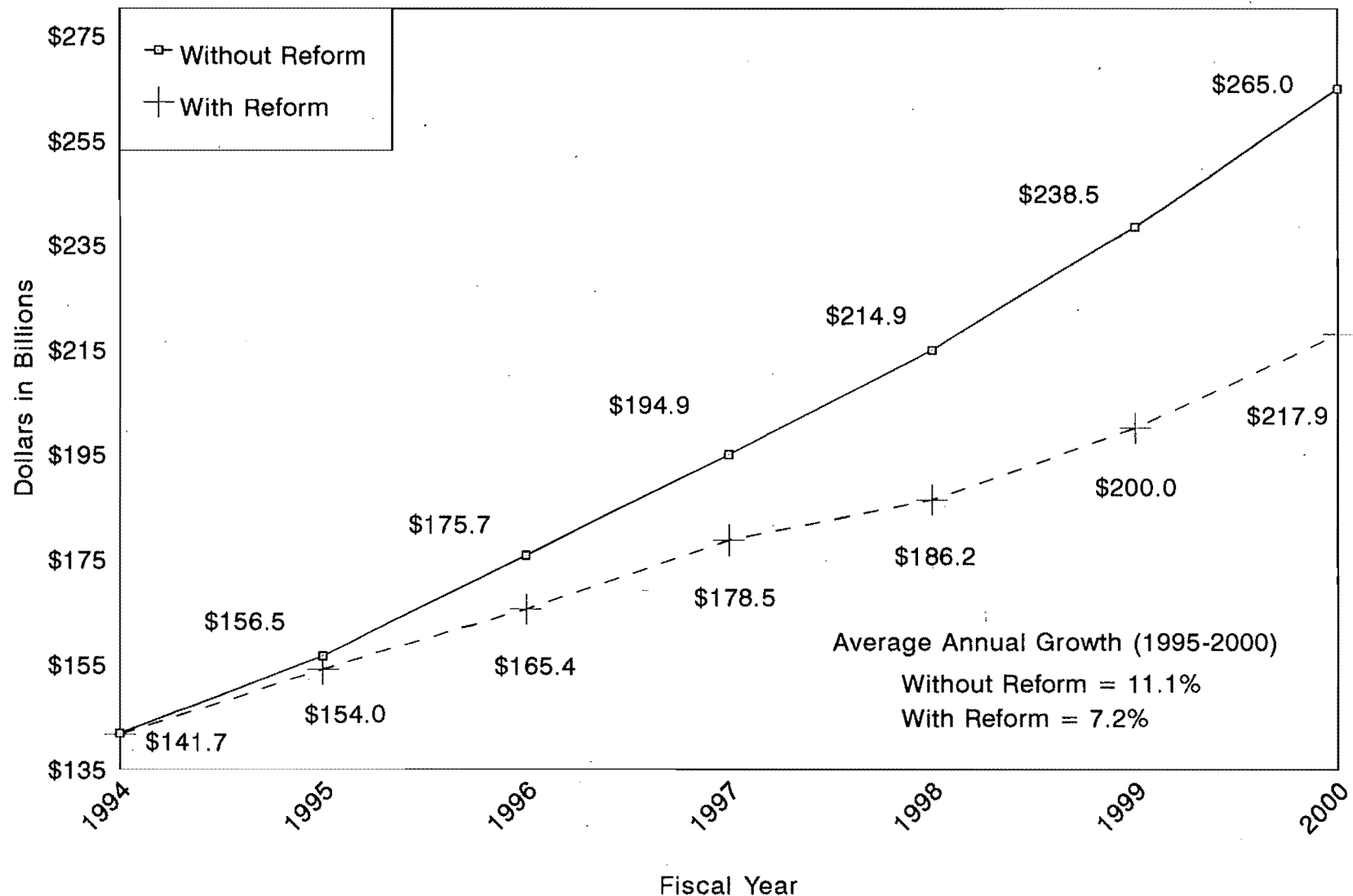
* Net of Offsetting Receipts

The proposed Medicare drug benefit becomes effective in 1996.

Chart II-B

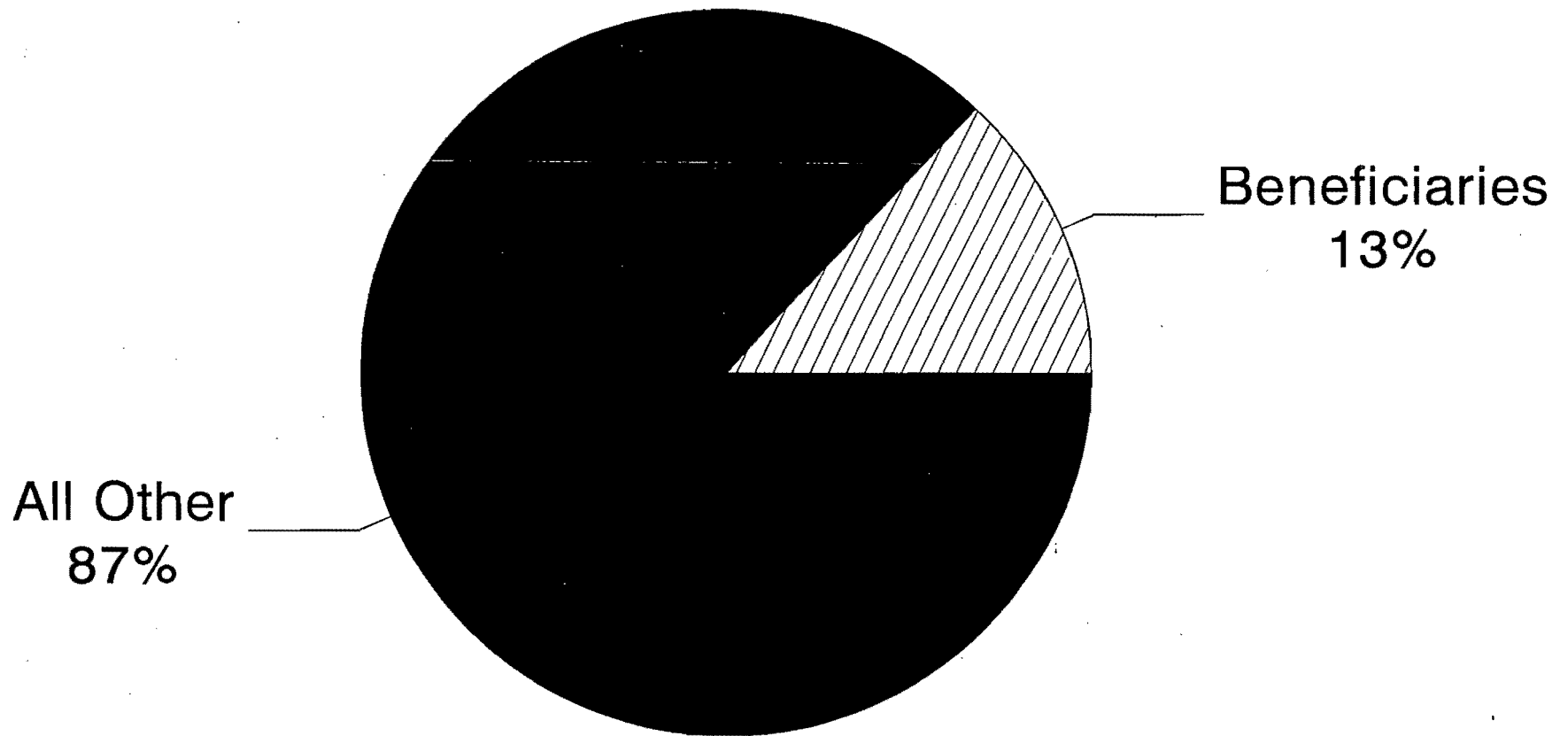
THE MEDICARE PROGRAM* UNDER THE HEALTH SECURITY ACT

Growth With and Without the Health Security Act
(Without the Prescription Drug Benefit): 1994 - 2000



SOURCES OF MEDICARE SAVINGS

Beneficiaries v. All Other: 1995 - 2000

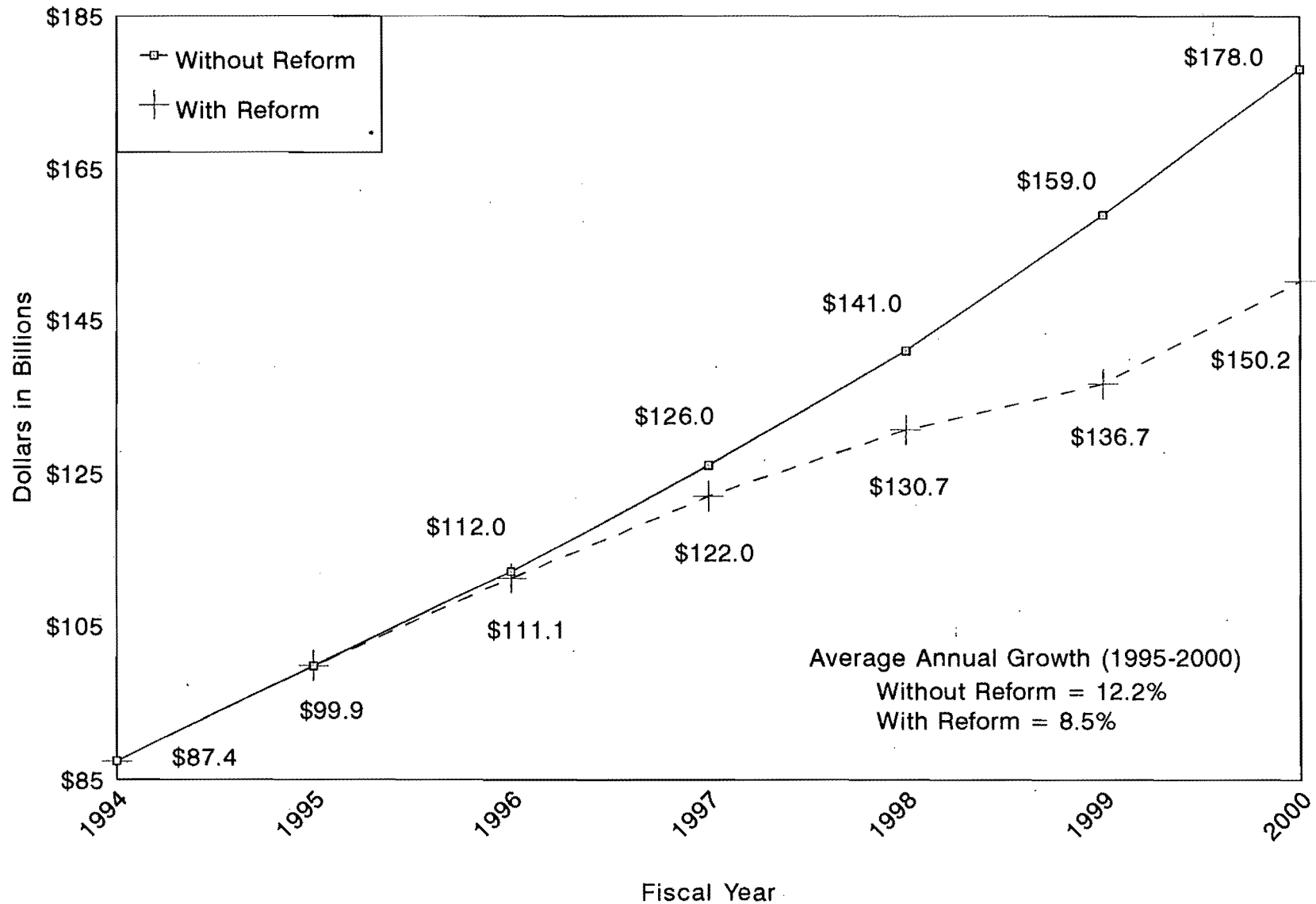


MEDICAID PROGRAM UNDER CURRENT POLICY AND THE HEALTH SECURITY ACT: 1994-2000

- Without comprehensive reform, federal spending for Medicaid would grow at an annual rate of 12.2 percent from 1995 to 2000. [Chart II-E]
- Under the Health Security Act, federal Medicaid spending will increase at an annual rate of 8.5 percent for the same years. This is an average decrease of 3.7 percentage points due to the Health Security Act. [Chart II-E]
- The Health Security Act will save \$27.8 billion in federal Medicaid spending in the year 2000 alone. [Chart II-E]

THE MEDICAID PROGRAM UNDER THE HEALTH SECURITY ACT

Growth With and Without the Health Security Act*



SOURCE: Office of the Actuary, HCFA.
* Federal expenditures only.

Chart II-E

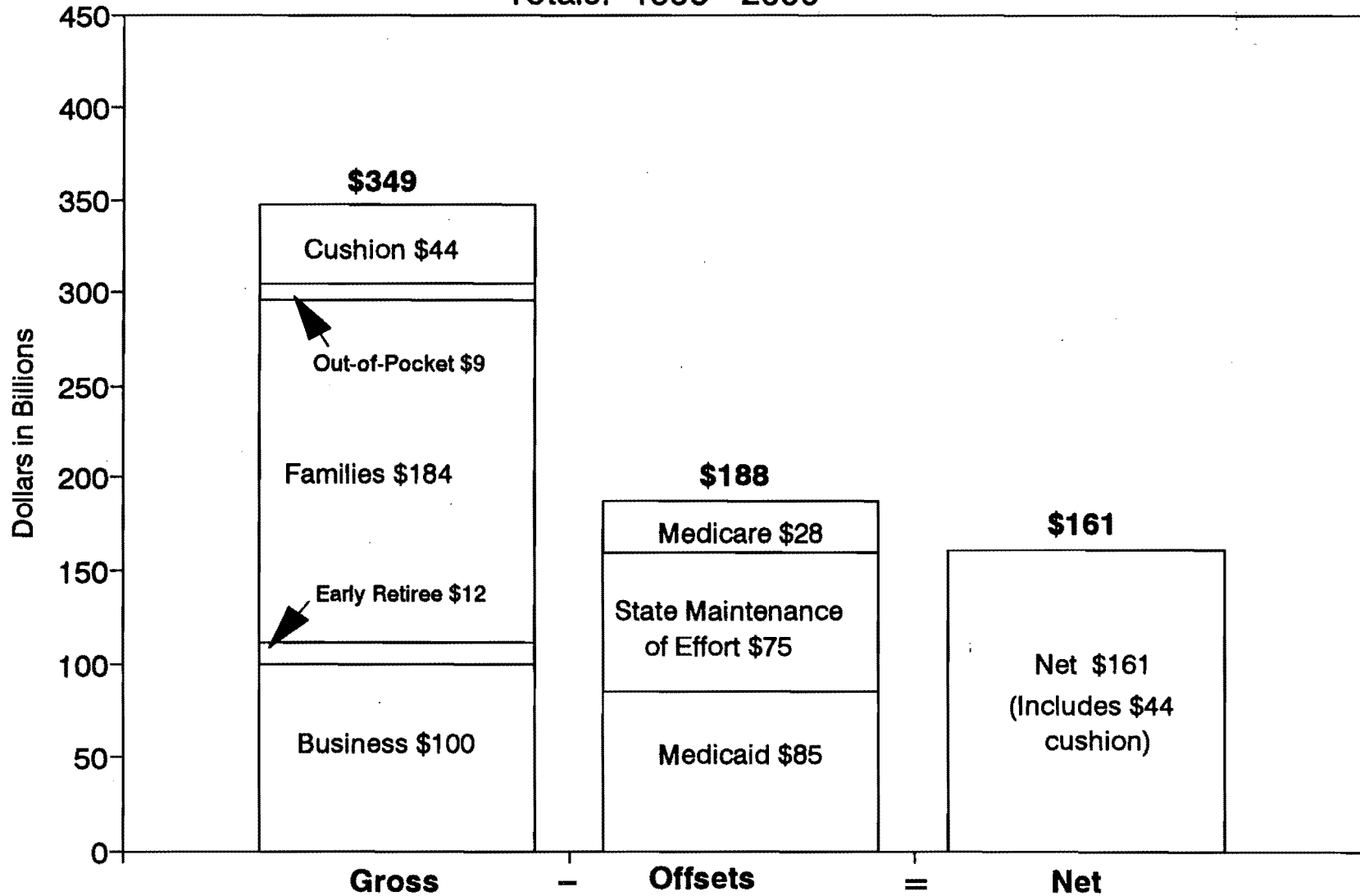
COST OF DISCOUNTS
For Families, Businesses, and Early Retirees
Totals: 1995 - 2000

- The federal government will provide discounts totalling \$349 billion for the period from 1995 to 2000. This cost will be partially offset by \$188 billion which will be saved because some persons who used to be in public programs will move into alliances. Thus, the net cost of the discounts will be \$161 billion for the period from 1995 to 2000. [Chart II-F]
- The net cost includes a \$44 billion "cushion", designed to ensure that there is adequate funding in the event of unanticipated economic or behavioral changes. [Chart II-F]
- Excluding the cushion, about \$184 billion (60 percent of the total cost) will be used for premium discounts for families. About \$100 billion (33 percent) will be for discounts to businesses. Approximately \$12 billion (4 percent) will be for discounts for early retirees, and \$9 billion (3 percent) will be for individuals' out-of-pocket expenses. [Chart II-F]

COST OF DISCOUNTS

(For Families, Businesses, and Early Retirees)

Totals: 1995 - 2000



SOURCE: Office of Management and Budget

Chart II-F

IMPACT ON BUSINESSES

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT: 1994 - 2000

Absent comprehensive reform:

- Employer premium payments will increase from \$180 billion in 1994 to \$303 billion in 2000. [Chart III-A]
- This correlates to an increase in percent of payroll spent on health insurance from 5.8 percent of total payroll to 7.0 percent of total payroll, and an increase in per worker premium expenditures from \$1,540 in 1994 to \$2,473 in 2000. [Charts III-B and III-C]
- This represents an overall increase in premium payments of nearly 70 percent.

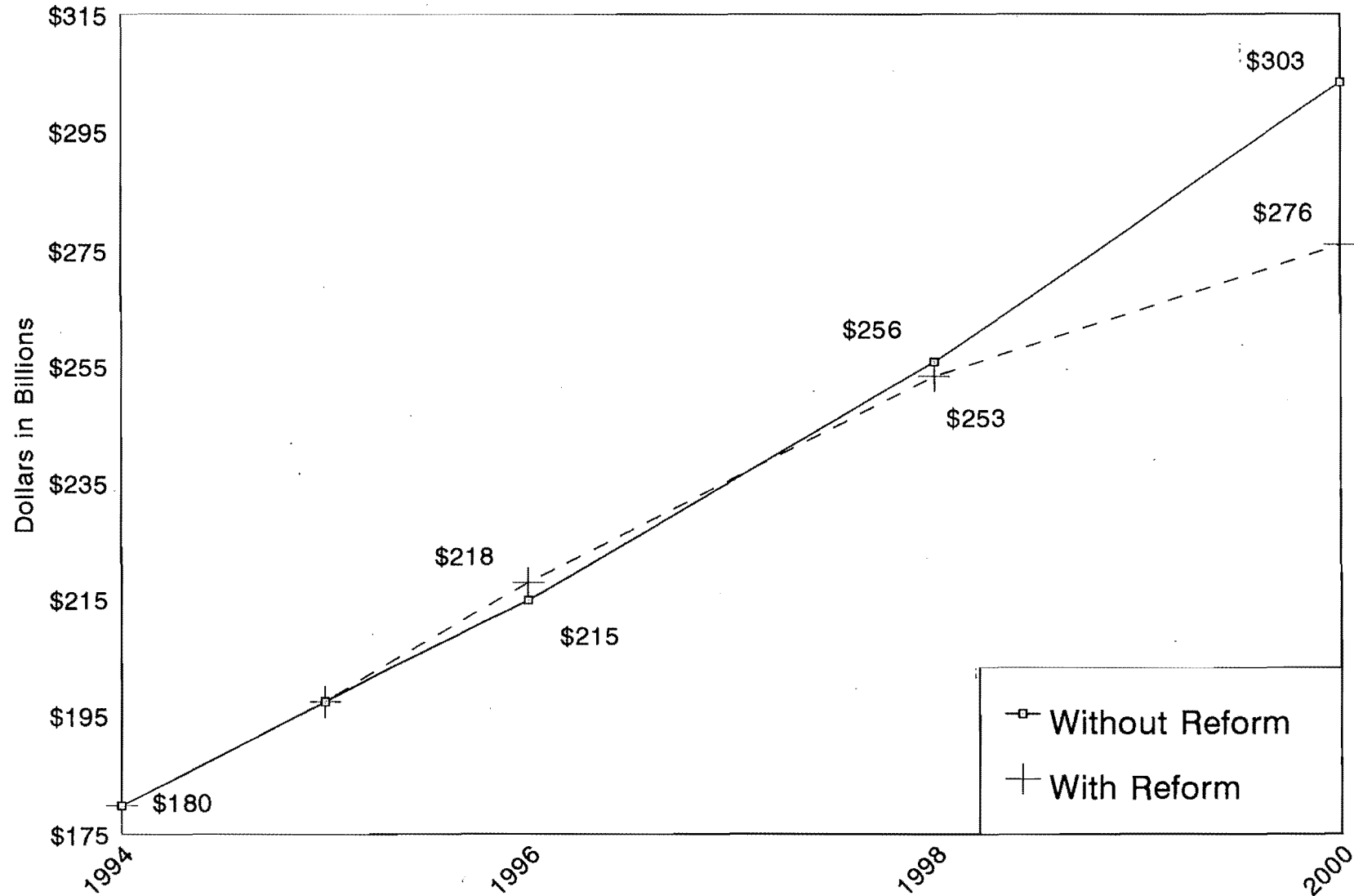
Under the Health Security Act:

- Employer premium payments will only rise from \$180 billion in 1994 to \$276 billion in 2000 -- **\$27 billion less** than would have been the case without reform. [Chart III-A]
- This correlates to a smaller increase in percent of payroll spent on health insurance -- only 6.4 percent with reform. [Chart III-B]

- Per worker premium expenditures increase at a slower rate, from \$1,540 in 1994 to \$2,245 in 2000. [Chart III-C]

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Annual Employer-Paid Premiums: 1994 - 2000

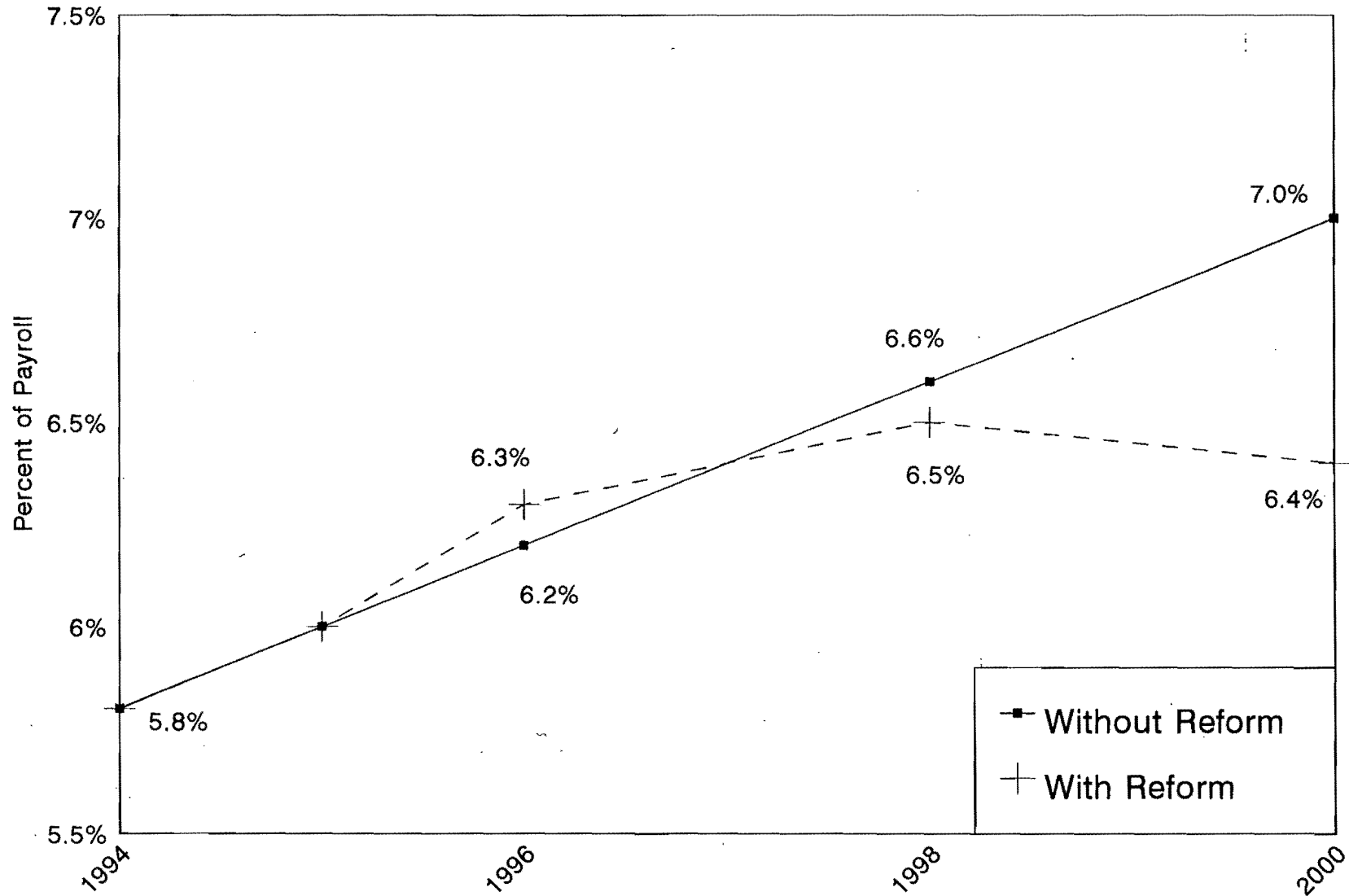


SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

Chart III-A

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

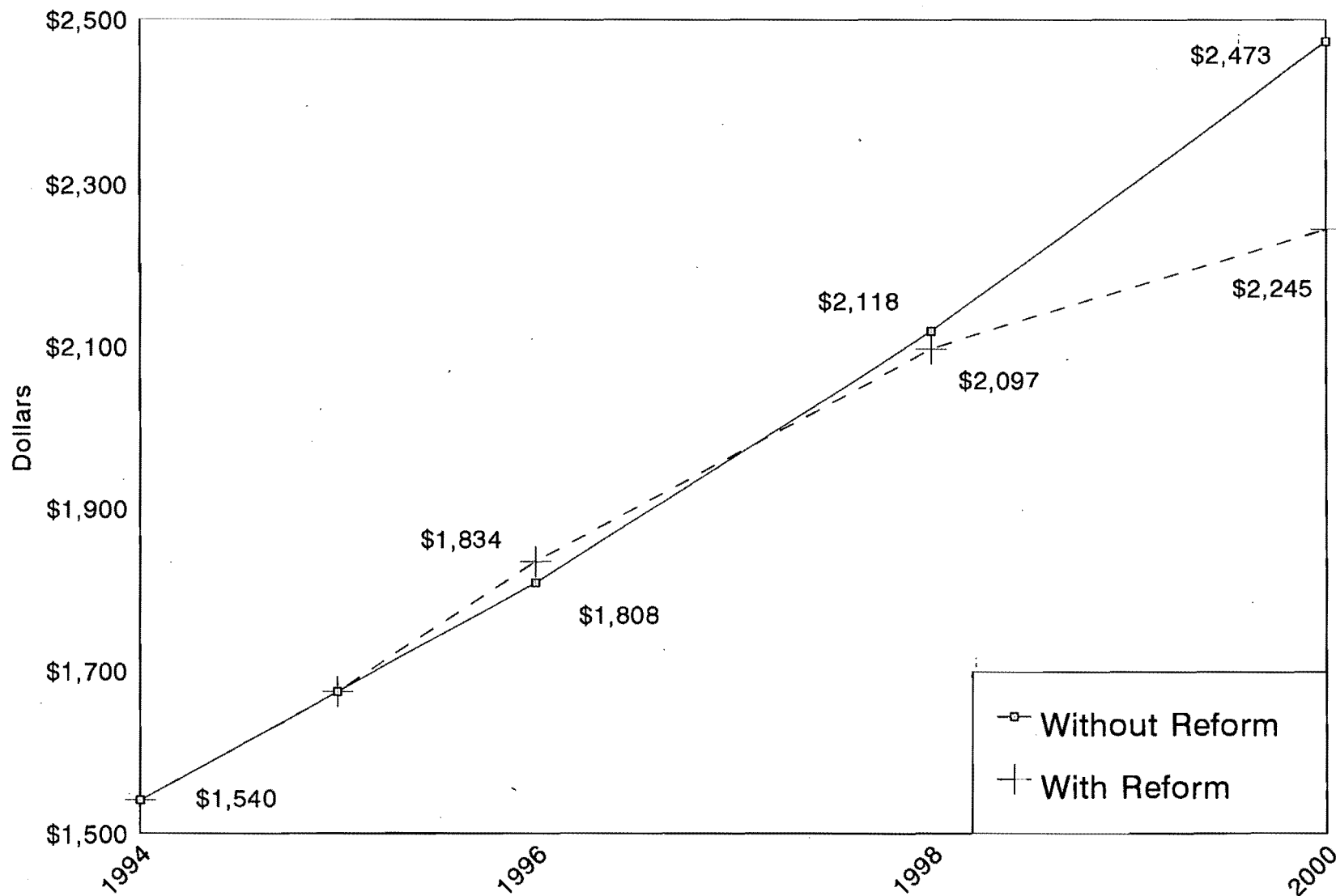
Average Annual Percent of Payroll: 1994 - 2000



SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Premiums per Worker: 1994 - 2000



SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

Chart III-C

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT For Firms Currently Offering Insurance: 1994 - 2000

Absent comprehensive reform:

- **Employer-paid premiums for firms that currently offer insurance would rise at a rate of approximately 70 percent, from \$180 billion to \$303 billion between 1994 and the year 2000. [Chart III-D]**
- **This results in an increase in percent of payroll spent on health insurance from 6.8 percent of total payroll to 8.2 percent of total payroll, and an increase in per worker premium expenditures from \$1,923 in 1994 to \$3,086 in 2000. [Charts III-E and III-F]**

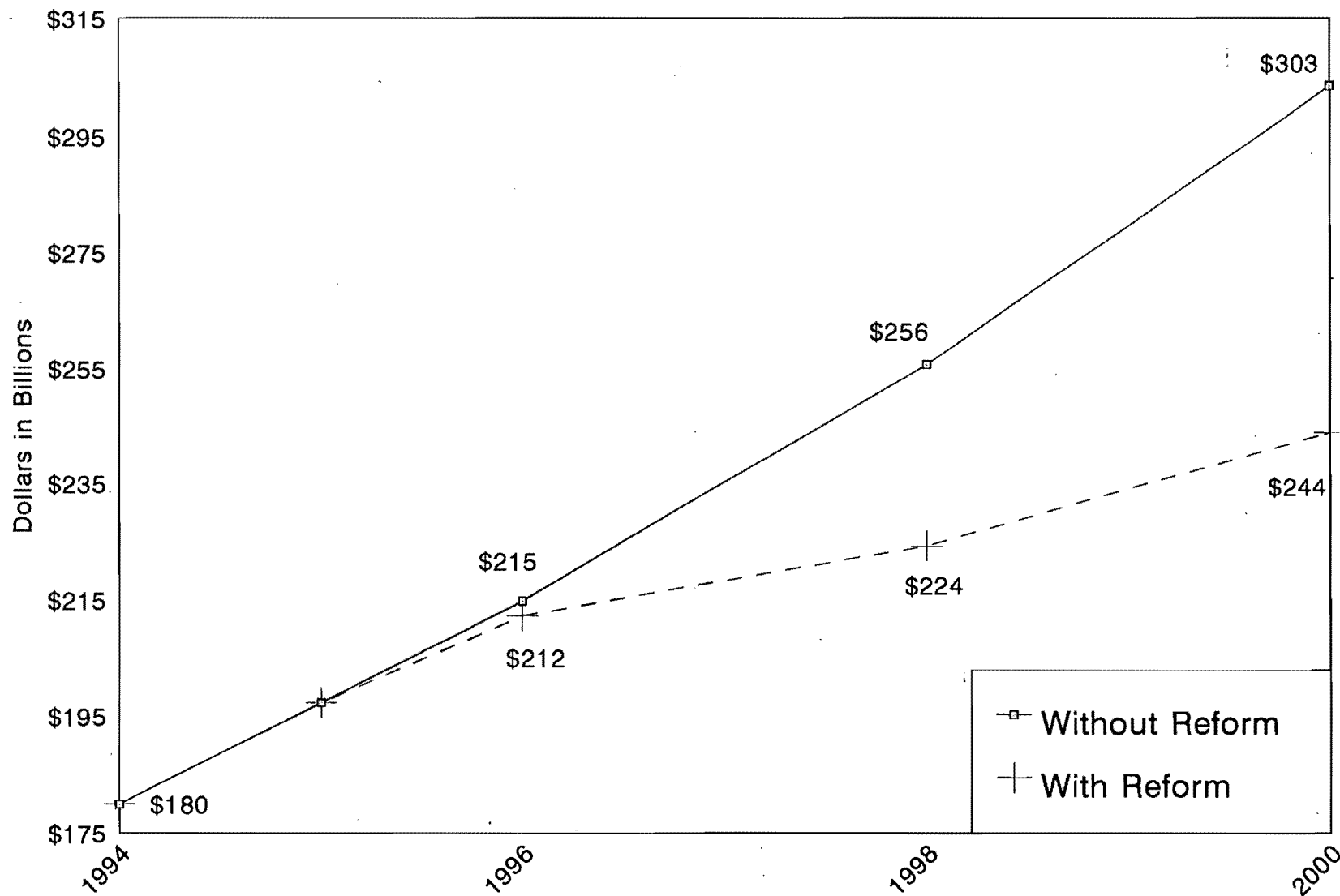
Under the Health Security Act:

- **Employer premium payments will rise from \$180 billion in 1994 to only \$244 billion in 2000 -- \$59 billion less than would have been the case without reform. [Chart III-D]**
- **This results in a smaller increase in percent of payroll spent on health insurance -- only 6.6 percent with reform, versus 8.2 percent without reform. [Chart III-E]**

- Per worker premium expenditures increase at a slower rate, from \$1,923 in 1994 to \$2,481 in 2000, an overall increase of only 29 percent. This equates to savings of \$605 per worker in the year 2000. [Chart III-F]
- Under the Health Security Act, employers who now offer insurance will experience immediate savings.

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Annual Employer-Paid Premiums for Firms Currently Offering Insurance: 1994 - 2000

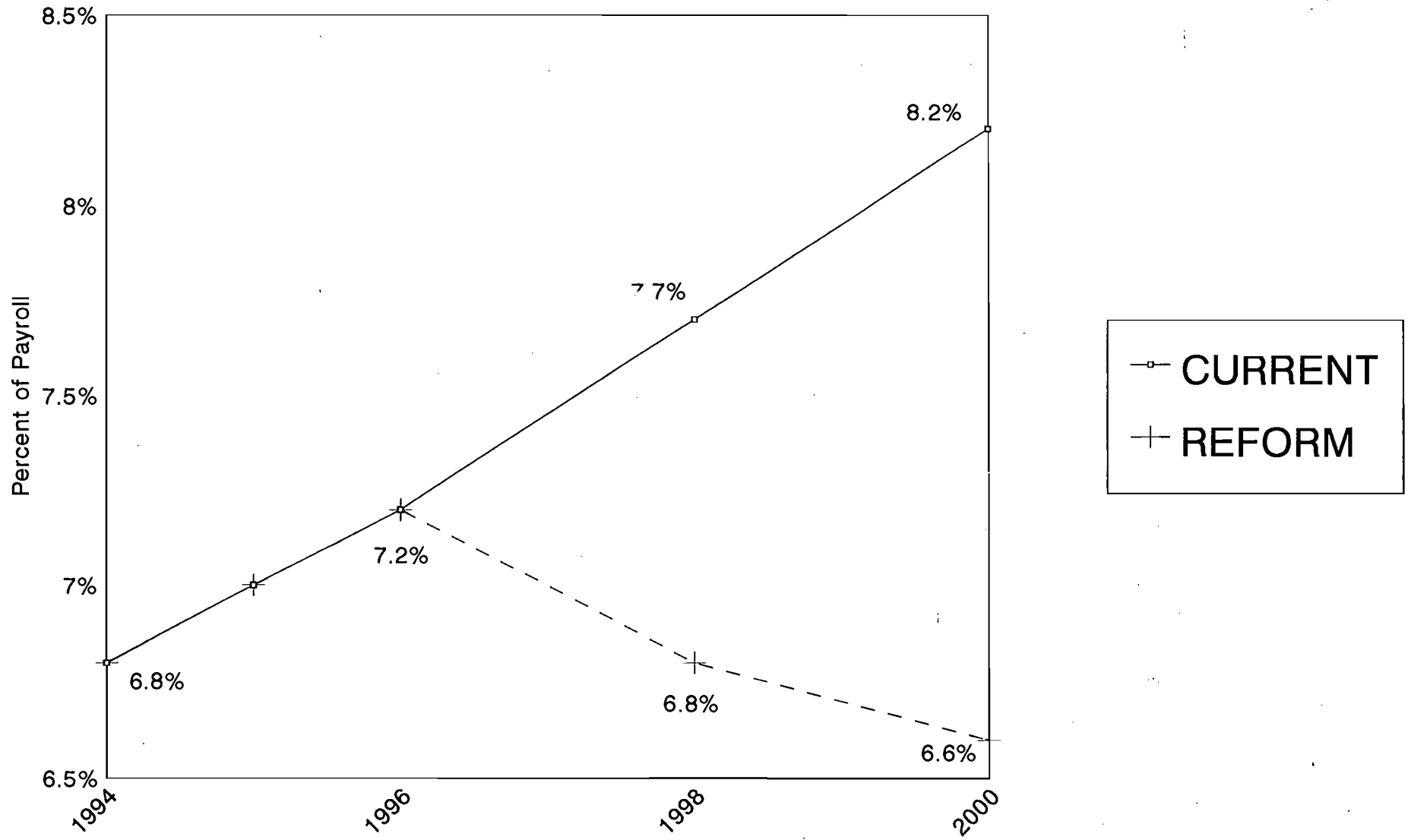


SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

Chart III-D

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Percent of Payroll for Firms Currently Offering Insurance: 1994 - 2000

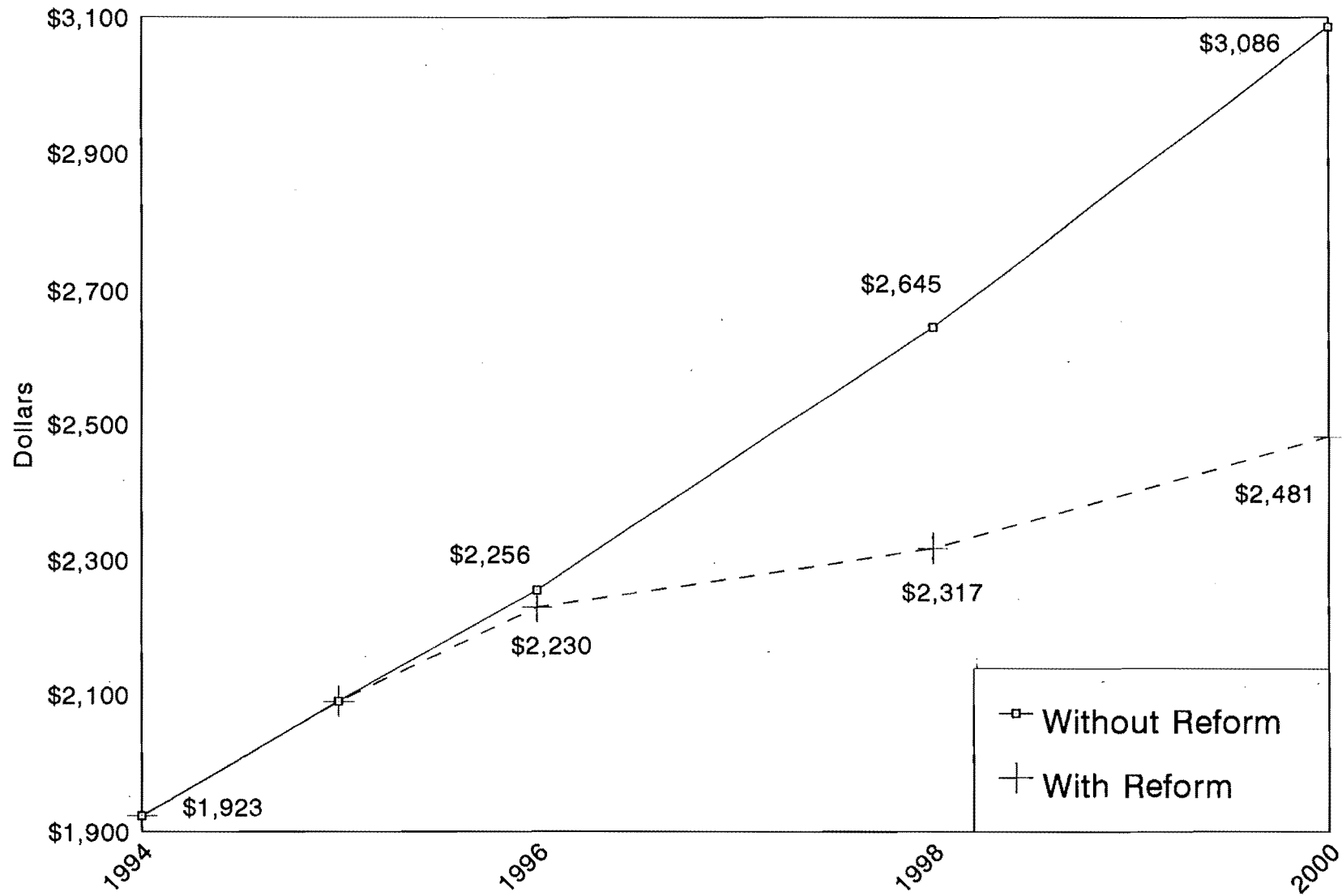


SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

Chart III-E

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Premiums per Worker for Firms Currently Offering Insurance: 1994 - 2000



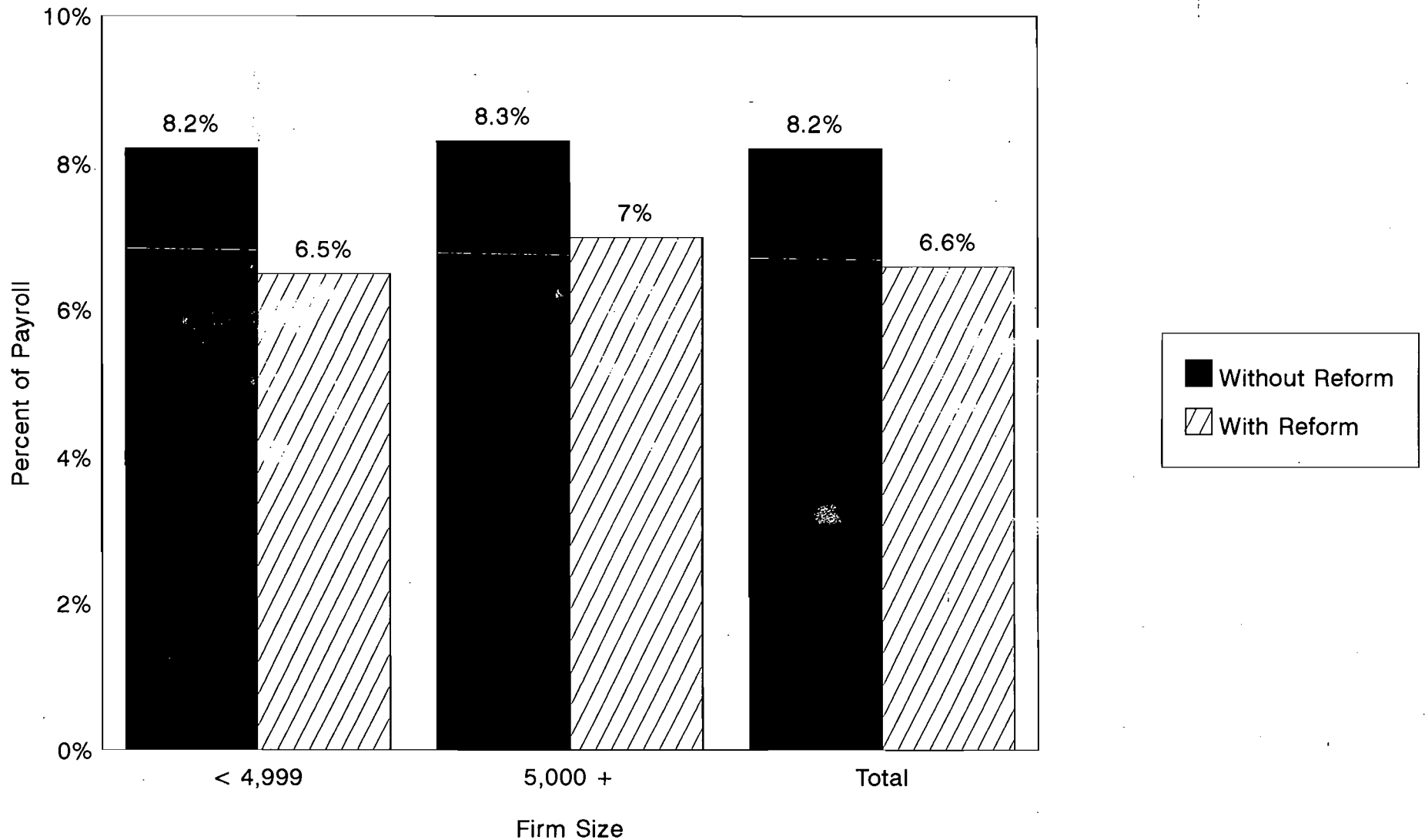
SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT
For Firms Currently Offering Insurance
For Firms with Greater or Less Than 5000 Employees: Year 2000

- Firms with more than 5000 employees are eligible to form corporate alliances. Employees of firms with less than 5000 employees will enroll in regional alliances.
- Under the Health Security Act, the average employer that currently offer insurance will pay less, per worker and as a percent of payroll, on health insurance premiums for their employees than would be the case without reform.
- Firms with less than 5000 employees that currently offer insurance will save \$621 per worker in the year 2000 alone. They will spend only 6.5 percent of total payroll on employees' health insurance premiums.
[Charts III-G and III-H]
- Firms with more than 5000 employees that currently offer insurance will save \$551 per worker in the year 2000 alone. They will spend only 7.0 percent of total payroll on employees' health insurance premiums.
[Charts III-G and III-H]

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Percent of Payroll for Firms Currently Offering Insurance
For Firms with Greater or Less Than 5,000 Employees: Year 2000

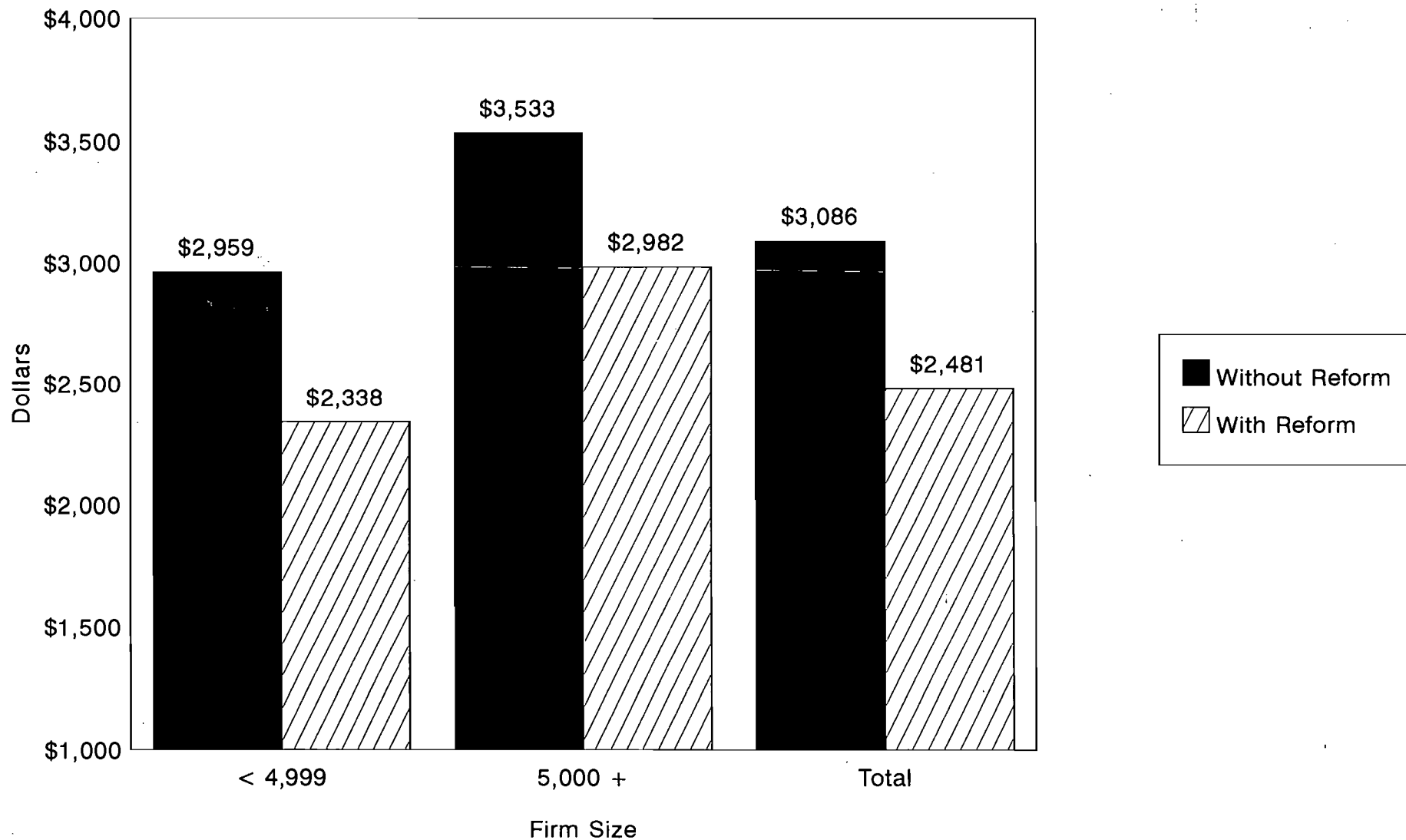


SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

Chart III-G

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Premiums per Worker for Firms Currently Offering Insurance
For Firms with Greater or Less Than 5,000 Employees: Year 2000



SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

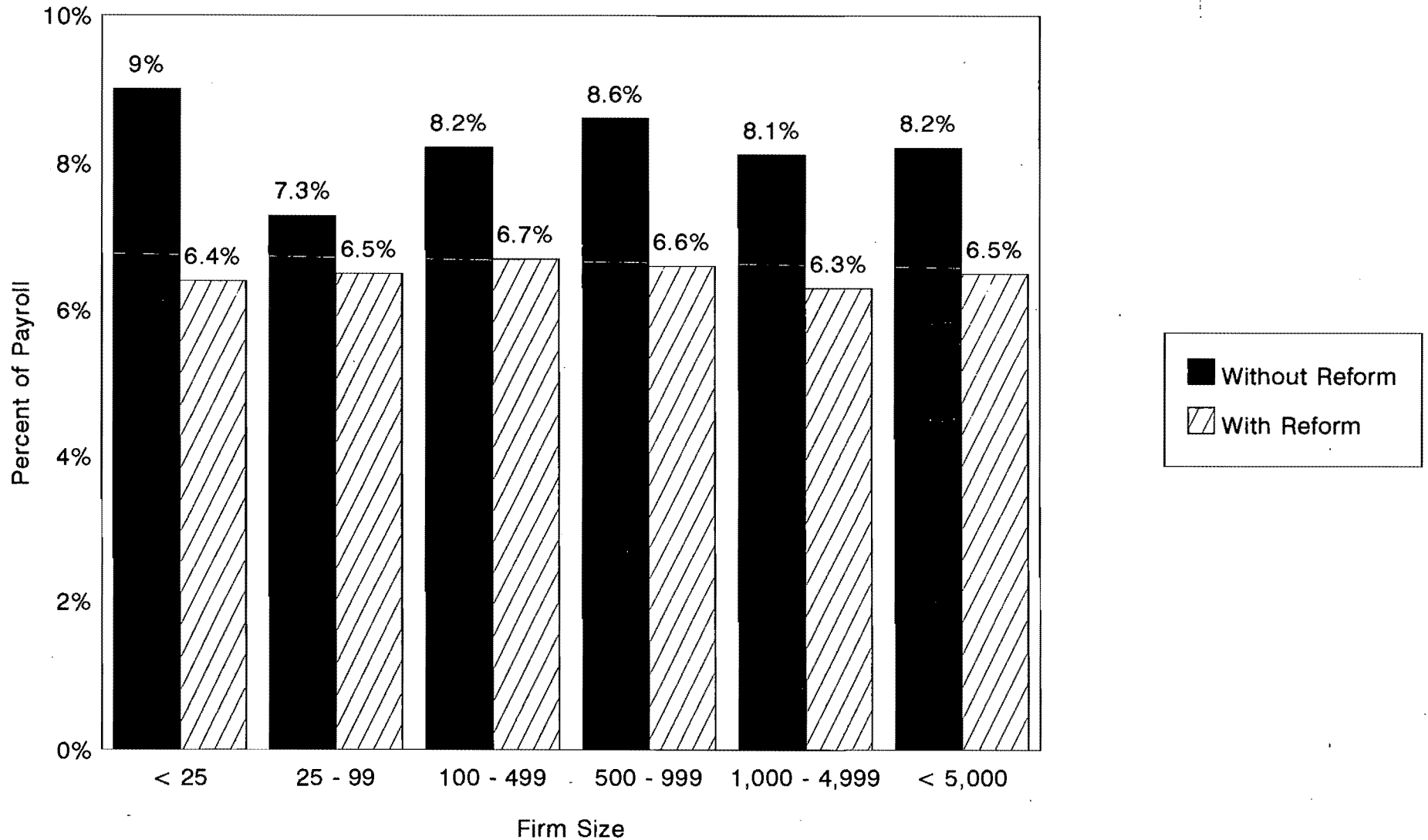
Chart III-H

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT
For Firms Currently Offering Insurance
By Firm Size: Year 2000

- On average, firms with fewer than 5000 employees that currently offer insurance will save, both as a percent of payroll and per worker, under the Health Security Act. [Charts III-I and III-J]
- **Small firms with fewer than 25 workers will experience the largest savings as a percent of payroll under the Health Security Act. They will pay a full 2.6 percentage points less of their payroll - \$771 per worker - on premiums after reform. [Charts III-I and III-J]**

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Percent of Payroll for Firms Currently Offering Insurance
By Firm Size: Year 2000

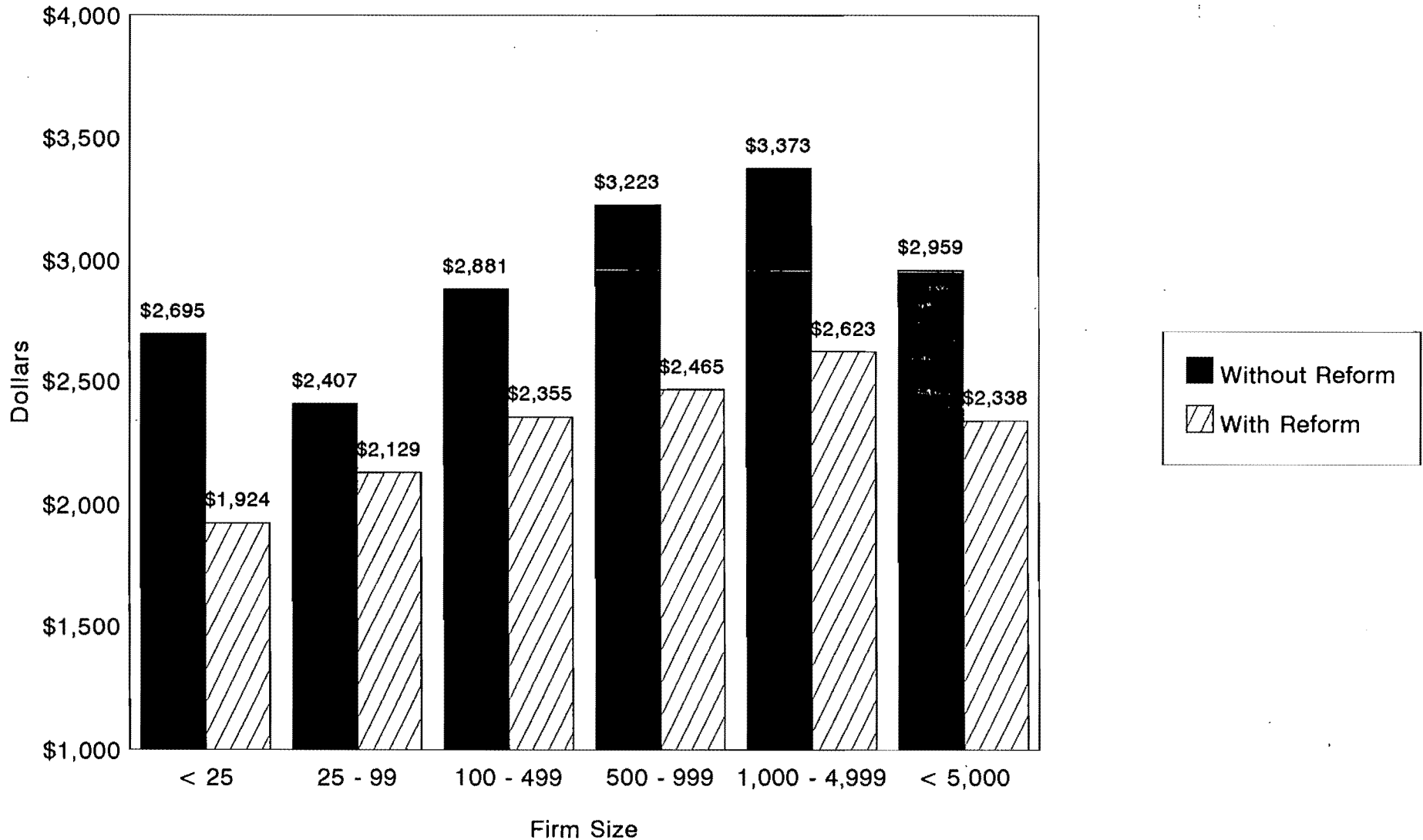


SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

Chart III- I

EMPLOYERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Premiums per Worker for Firms Currently Offering Insurance
By Firm Size: Year 2000



SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premiums paid by public and private employers for covered services in corporate and regional alliances.

Chart III-J

IMPACT ON WORKERS AND FAMILIES

WORKERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT: 1994 - 2000

- Absent comprehensive reform, workers' premium payments would rise, on average, from 1.4 percent of payroll in 1994 to 1.7 percent in 2000. [Chart IV-A] By the year 2000, workers would contribute an average of \$600 each year for their share of their premiums. [Chart IV-B]
- As states phase in universal coverage under the Health Security Act, workers' premium payments will fall from 1.5 percent of payroll in 1996 to 1.2 percent in the year 2000. [Chart IV-A] By the year 2000, workers will contribute an average of \$437 per year for their share of their premiums -- 27 percent less than if there were no comprehensive reform. [Chart IV-B]
- Thus, under the Health Security Act, workers's premium payments will be 0.5 percentage points less of total payroll costs in the year 2000. [Chart IV-A]

WORKERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Percent of Payroll: 1994 - 2000

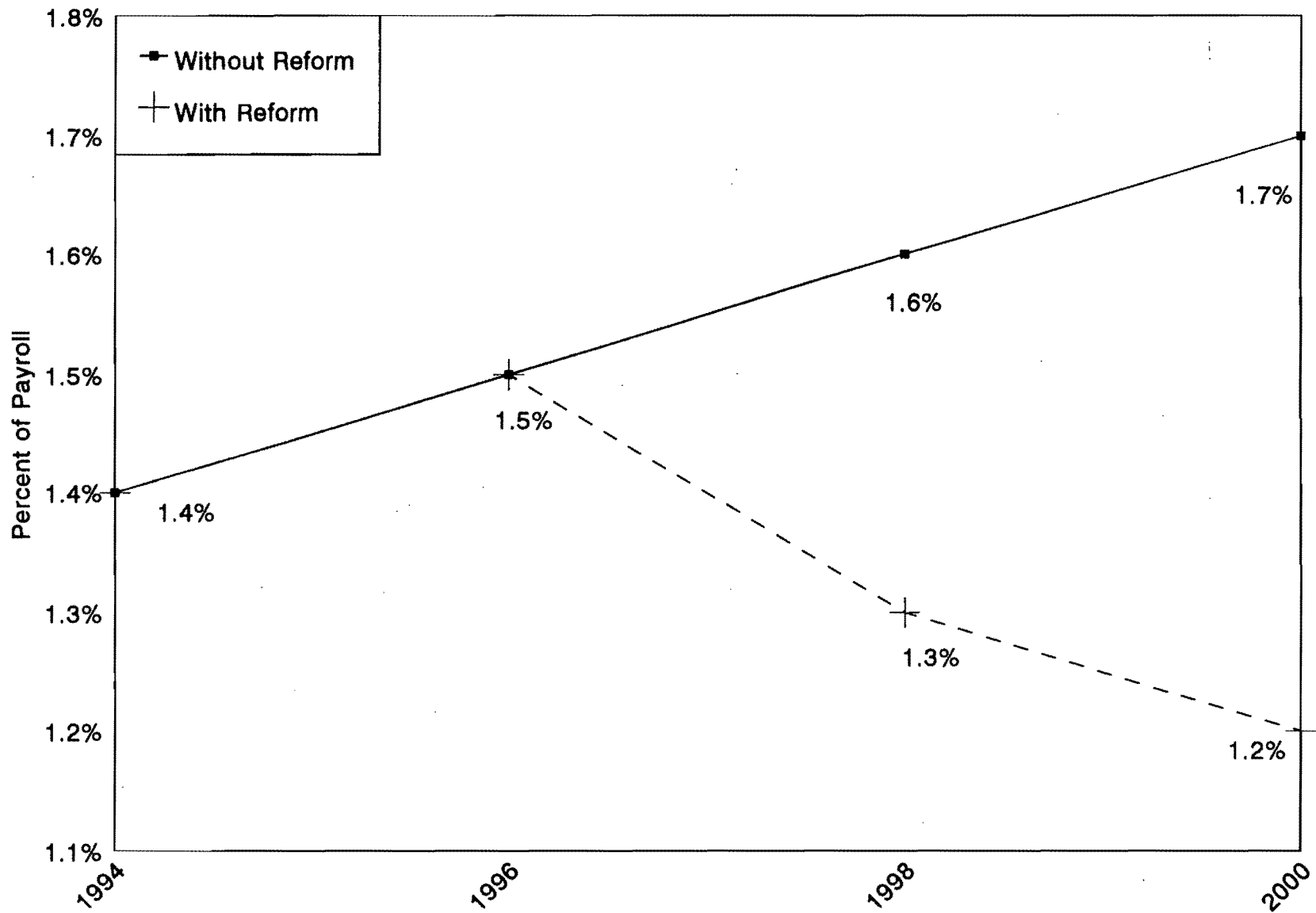


Chart IV-A

SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts.

WORKERS' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Premiums per Worker: Year 2000

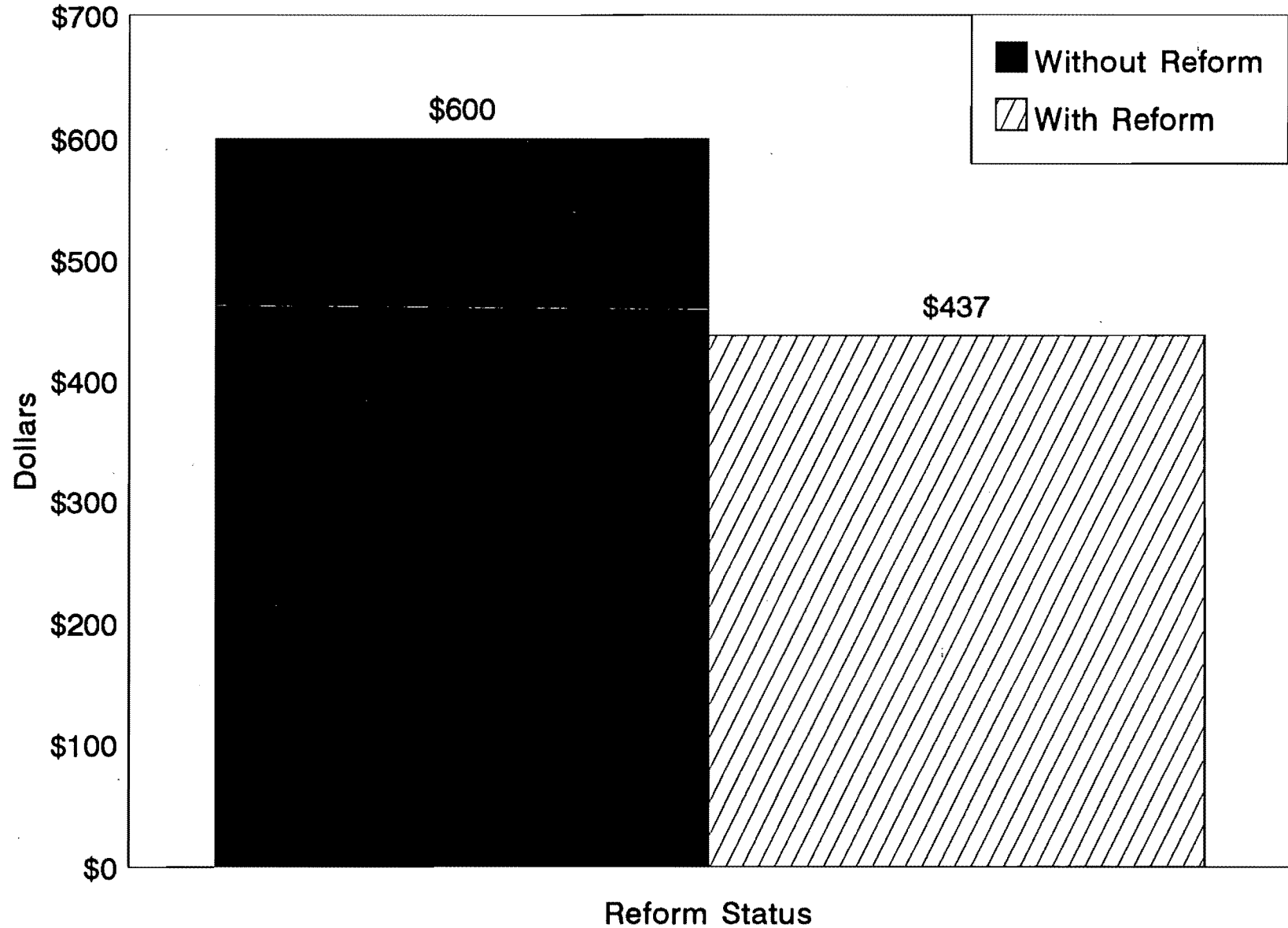


Chart IV-B

FAMILIES' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT: Year 2000

- Absent comprehensive reform, families' average annual spending in the year 2000 on health insurance premiums would be \$373 higher than under the Health Security Act (\$1062 versus \$689, respectively). [Chart IV-C] This translates to their spending 2.3 percent of income on premiums without comprehensive reform, as opposed to 1.5 percent under the Health Security Act. [Chart IV-D]
- Families with annual incomes between \$30,000 and \$50,000 would spend an average of \$377 more for premiums in the year 2000 if there is no comprehensive reform than they would under the Health Security Act (\$1171 versus \$794, respectively). [Chart IV-C] This translates to their spending 3.1 percent of income on premiums without comprehensive reform, as opposed to 2.1 percent under the Health Security Act. [Chart IV-D]

- All families, regardless of income, will save money on premium payments in the year 2000 under the Health Security Act. [Chart IV-E]
- On average, families with annual incomes between \$30,000 and \$50,000 will spend 1.0 percent of income less on health care in 2000 under the Health Security Act. [Chart IV-E, Chart IV-C]
- On average, the Health Security Act will save families 35 percent of their premium costs in the year 2000. Families with annual incomes between \$30,000 and \$50,000 will save 32 percent. [Chart IV-C]

FAMILIES' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Premium Spending: Year 2000

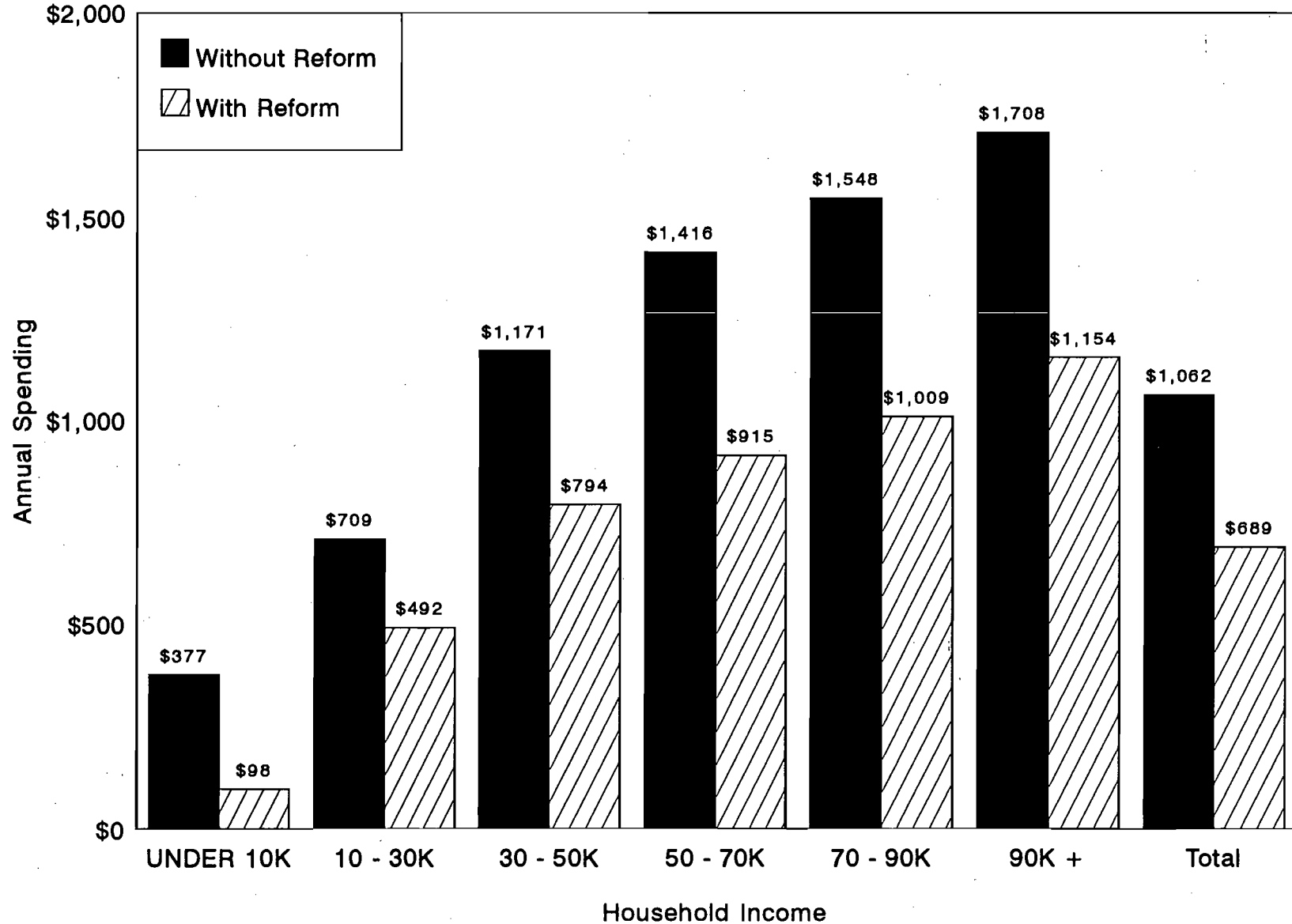


Chart IV-C

FAMILIES' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Premium Spending as a Percent of Income: Year 2000

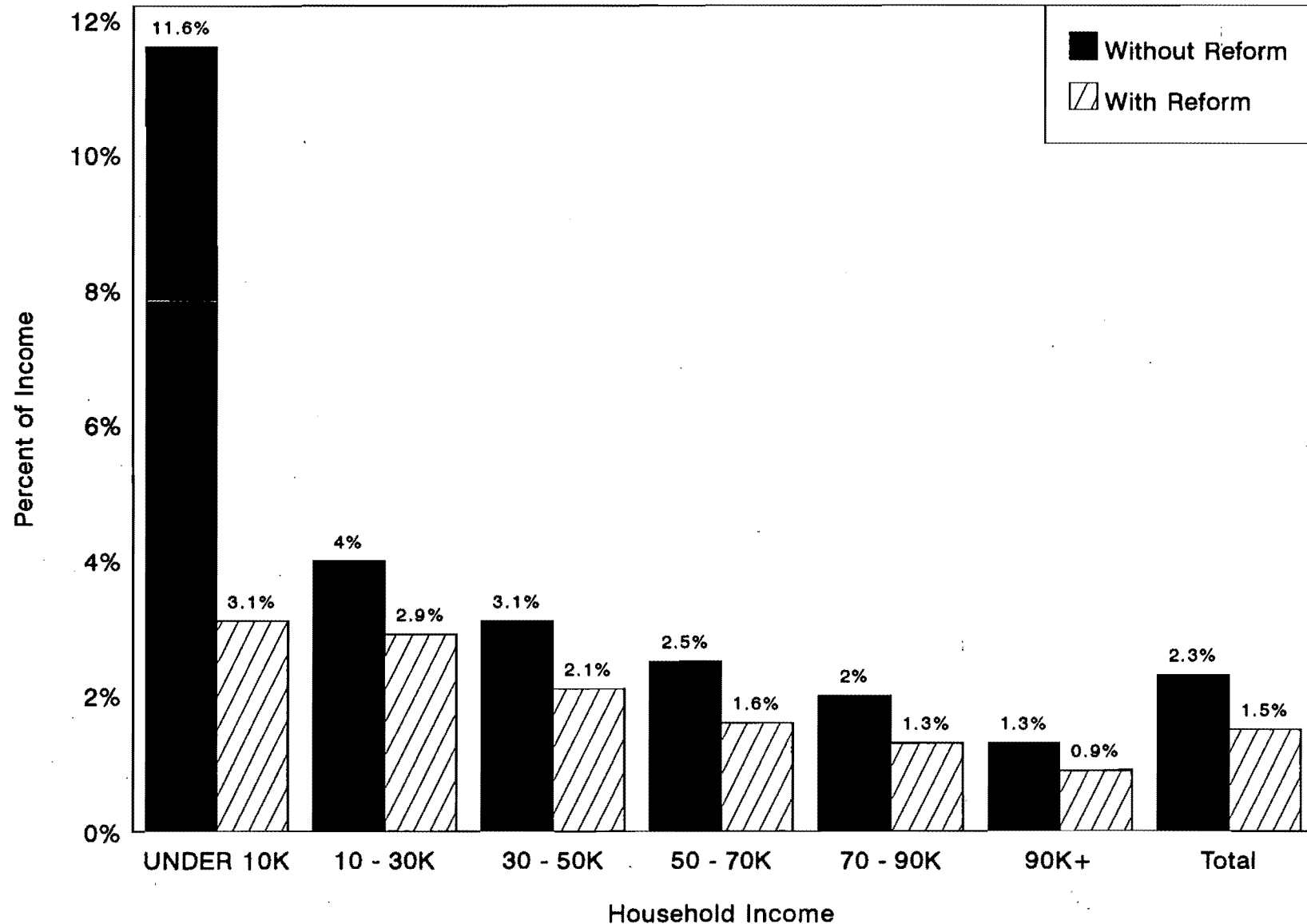


Chart IV-D

FAMILIES' PREMIUM PAYMENTS UNDER THE HEALTH SECURITY ACT

Average Annual Savings on Premium Spending as a Percent of Income
By Income Category: Year 2000

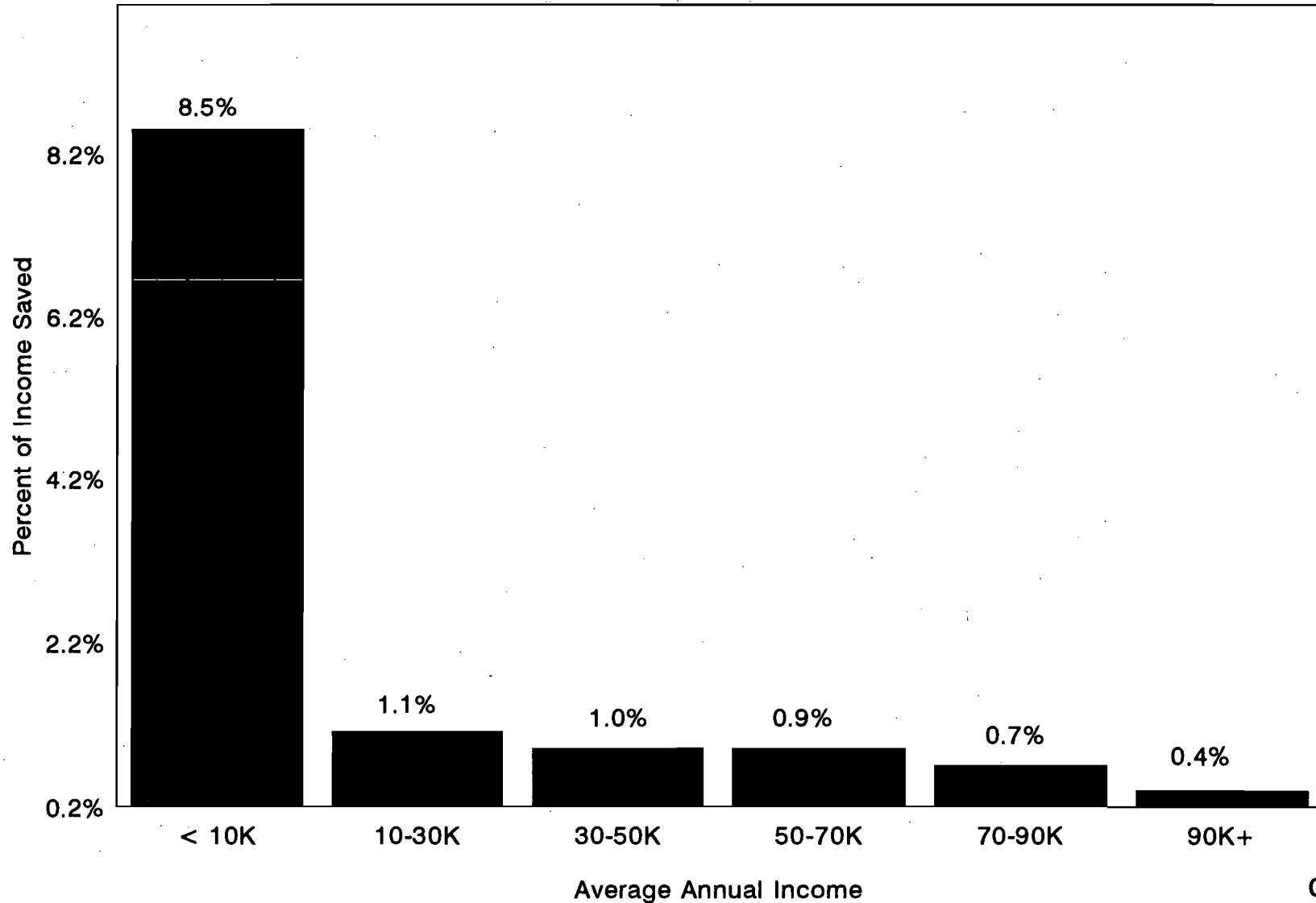


Chart IV-E

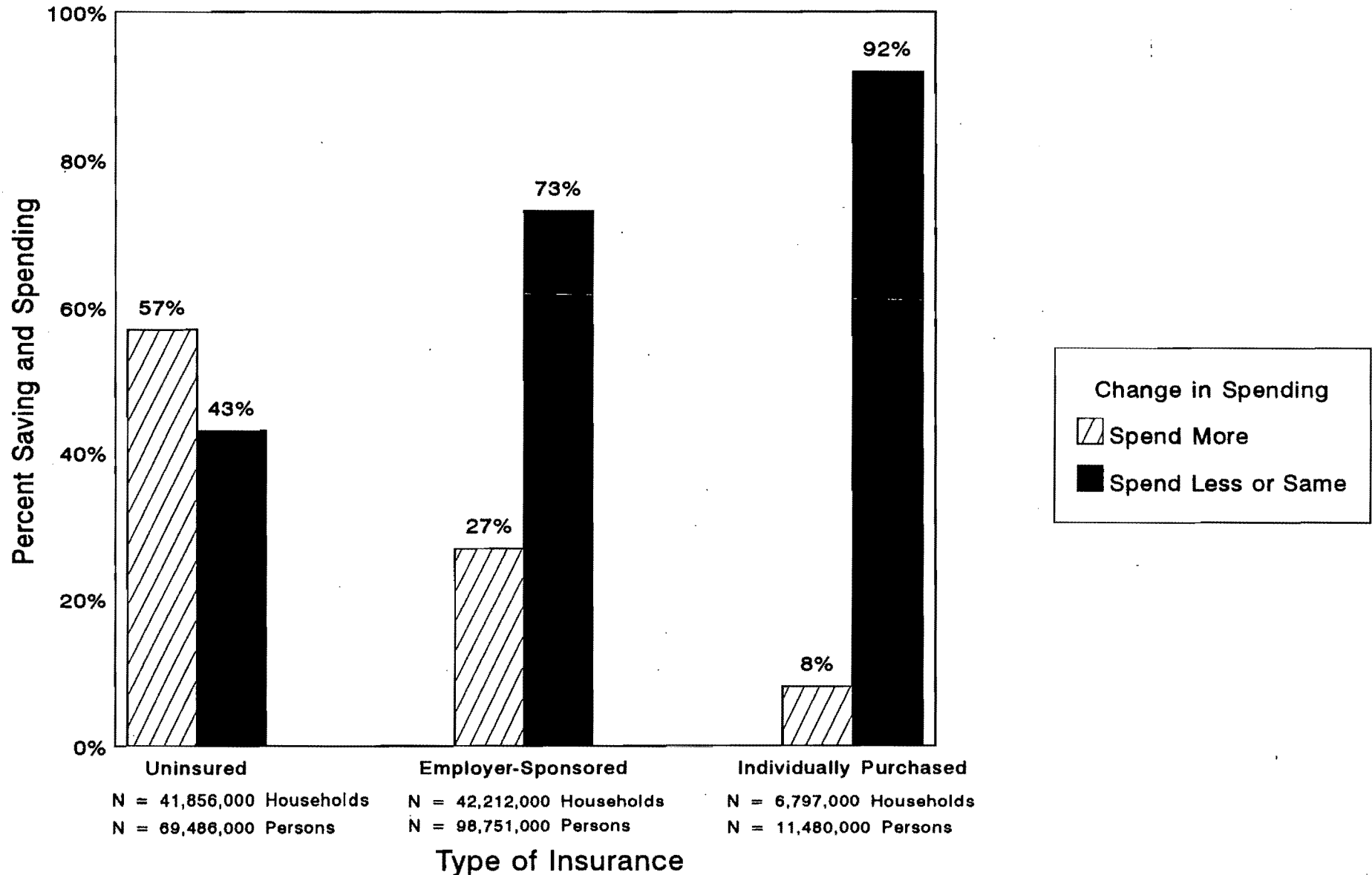
FAMILIES' EXPENDITURES UNDER THE HEALTH SECURITY ACT Year 2000

In the year 2000, under the Health Security Act:

- Of those families which are currently uninsured at least part of the year, 43 percent will spend the same or less for health care than they would if there were no comprehensive reform. [Chart IV-F]
- Of those families which currently have employer-sponsored insurance, 73 percent will spend the same or less for health care than they would if there were no comprehensive reform. [Chart IV-F]
- Of those families which currently purchase their insurance individually, 92 percent will spend the same or less for health care than they would if there were no comprehensive reform. [Chart IV-F]

FAMILIES' EXPENDITURES UNDER THE HEALTH SECURITY ACT

Change in Health Care Spending: Year 2000



SOURCE: HHS and Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premium and out-of-pocket spending in regional alliances. Uninsured includes 31.8 million persons uninsured part-year.

Chart IV-F

FAMILIES' EXPENDITURES UNDER THE HEALTH SECURITY ACT

By Current Insurance Type: Year 2000

Under the Health Security Act:

Employer-Sponsored Insurance

- 38 percent of all families which currently have employer-sponsored insurance will experience savings of up to \$1,000 in overall health care spending (premiums and out-of-pocket expenditures) in the year 2000. [Chart IV-H]
- 30 percent of all families which currently have employer-sponsored insurance will experience savings of more than \$1,000 in overall health care spending in the year 2000. [Chart IV-H]
- On **average**, families which experience savings in overall health care spending will enjoy a **decrease of \$109 per month** (\$1,309 for the year) in the year 2000. [Chart IV-G]
- 5 percent of all families which currently have employer-sponsored insurance will experience no change in overall health care spending (premiums and out-of-pocket expenditures) in 2000. [Chart IV-H]

- Families which will be spending more on overall health care expenditures will spend on average an additional \$31 per month (\$367 for the year) in the year 2000. [Chart IV-G]

Individually Purchased Insurance

- The vast majority (85.9 percent) of families which currently purchase health insurance individually will experience savings of more than \$1,000 on overall health care spending (premiums and out-of-pocket expenditures) in 2000. [Chart IV-I]
- On **average**, families which experience savings in overall health care spending will enjoy a **decrease of \$375 per month** (\$4,501 for the year) in the year 2000. [Chart IV-G]
- Families which will be spending more on overall health care expenditures will be spending an average of an additional \$75 per month (\$903 for the year) in 2000. [Chart IV-G]

Currently Uninsured

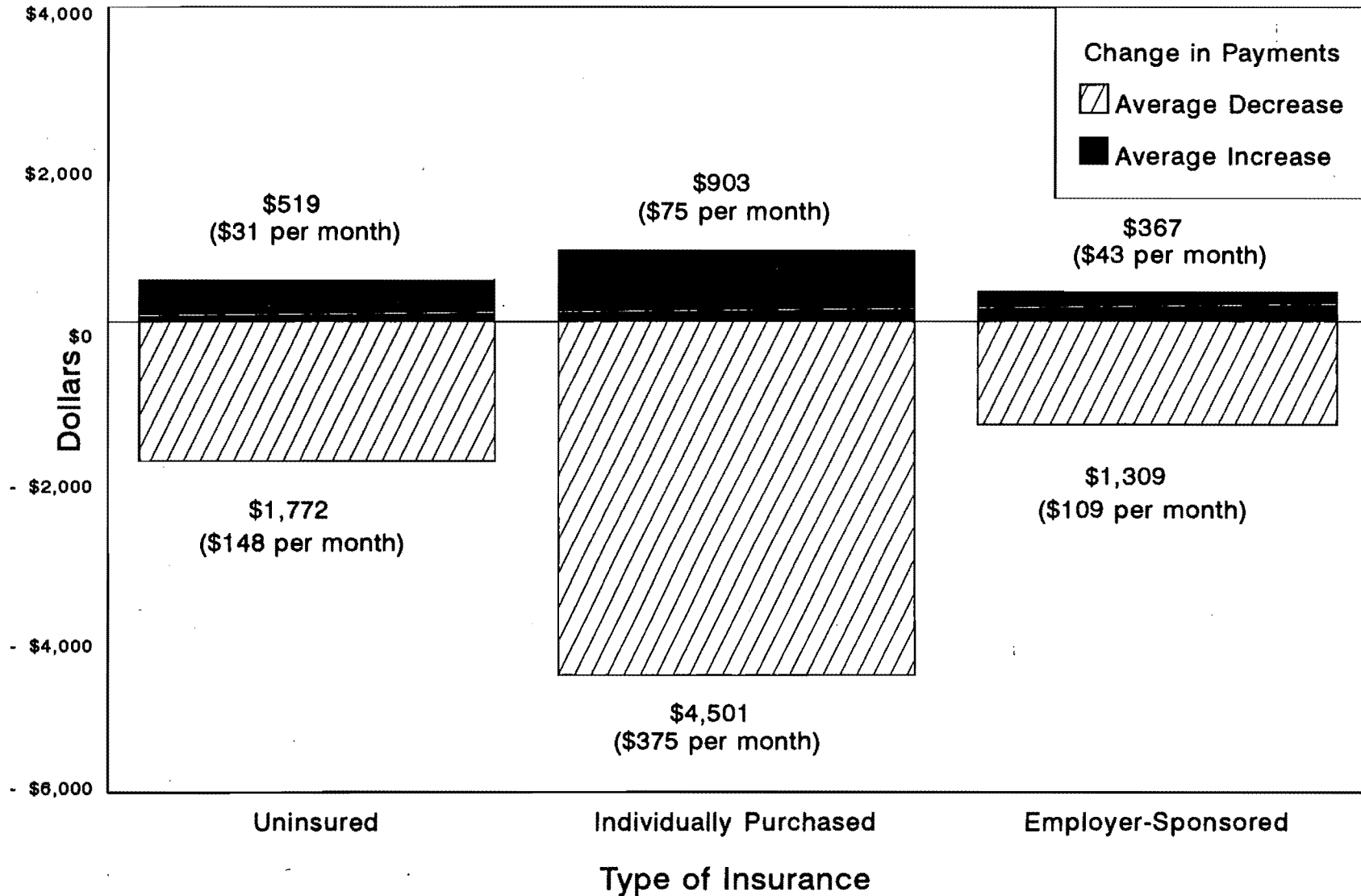
- 28 percent of all families which are currently uninsured at least part of the year will experience some savings in overall health care

spending in the year 2000, due largely to reductions in high out-of-pocket expenditures. The **average decrease** will be **\$148 per month** (\$1,772 for the year) in 2000. [Charts IV-G and IV-J]

- 15 percent of all families which are currently uninsured at least part of the year will experience no change in overall health care spending in 2000. [Chart IV-J]
- Families which will be spending more on overall health care expenditures will be spending an average of an additional \$43 per month (\$519 for the year) in 2000. [Chart IV-G]

FAMILIES' EXPENDITURES UNDER THE HEALTH SECURITY ACT

Average Annual Saving and Spending by Current Insurance Type: Year 2000



SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premium and out-of-pocket spending in regional alliances. Uninsured includes 31.8 million persons uninsured part-year.

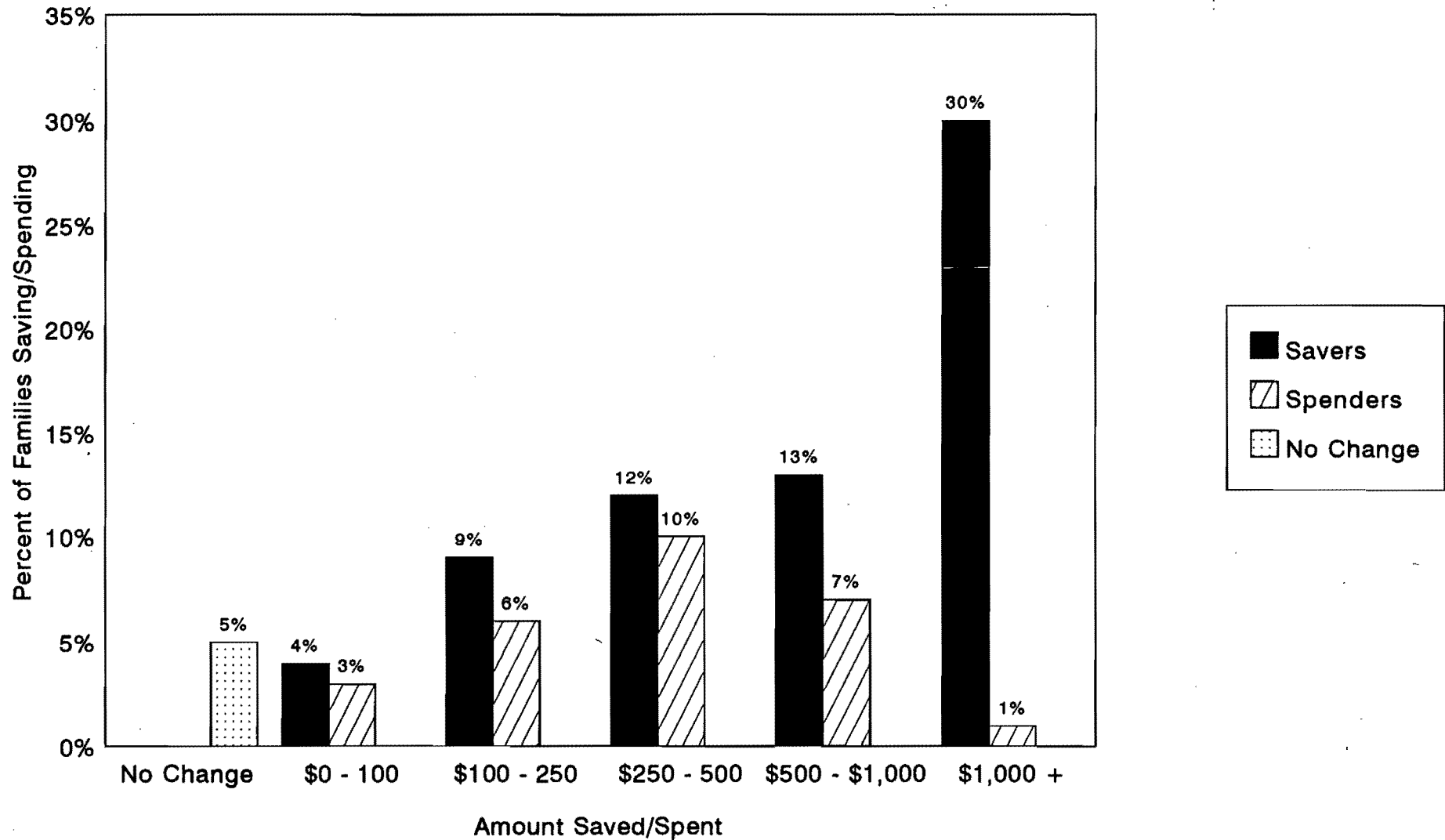
Chart IV-G

FAMILIES' EXPENDITURES UNDER THE HEALTH SECURITY ACT

Average Annual Percent Change in Spending

Families which Currently have Employer-Sponsored Insurance: Year 2000

N = 42,212,000 Families



SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premium and out-of-pocket expenditures for those in regional alliances. Totals may not add to 100% due to rounding.

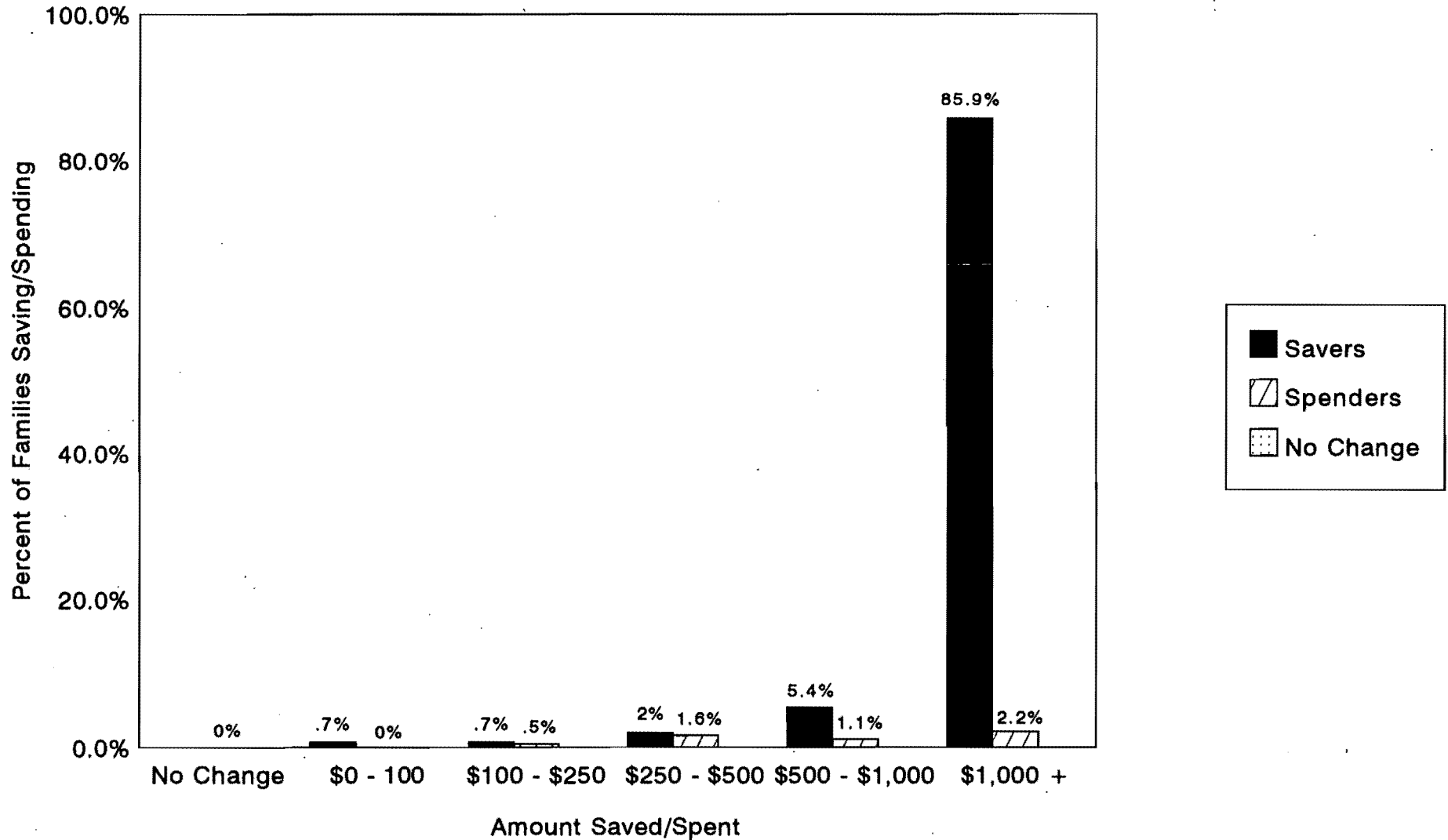
Chart IV-H

FAMILIES' EXPENDITURES UNDER THE HEALTH SECURITY ACT

Average Annual Percent Change in Spending

Families which Currently Purchase Insurance Individually: Year 2000

N = 6,797,000 Families



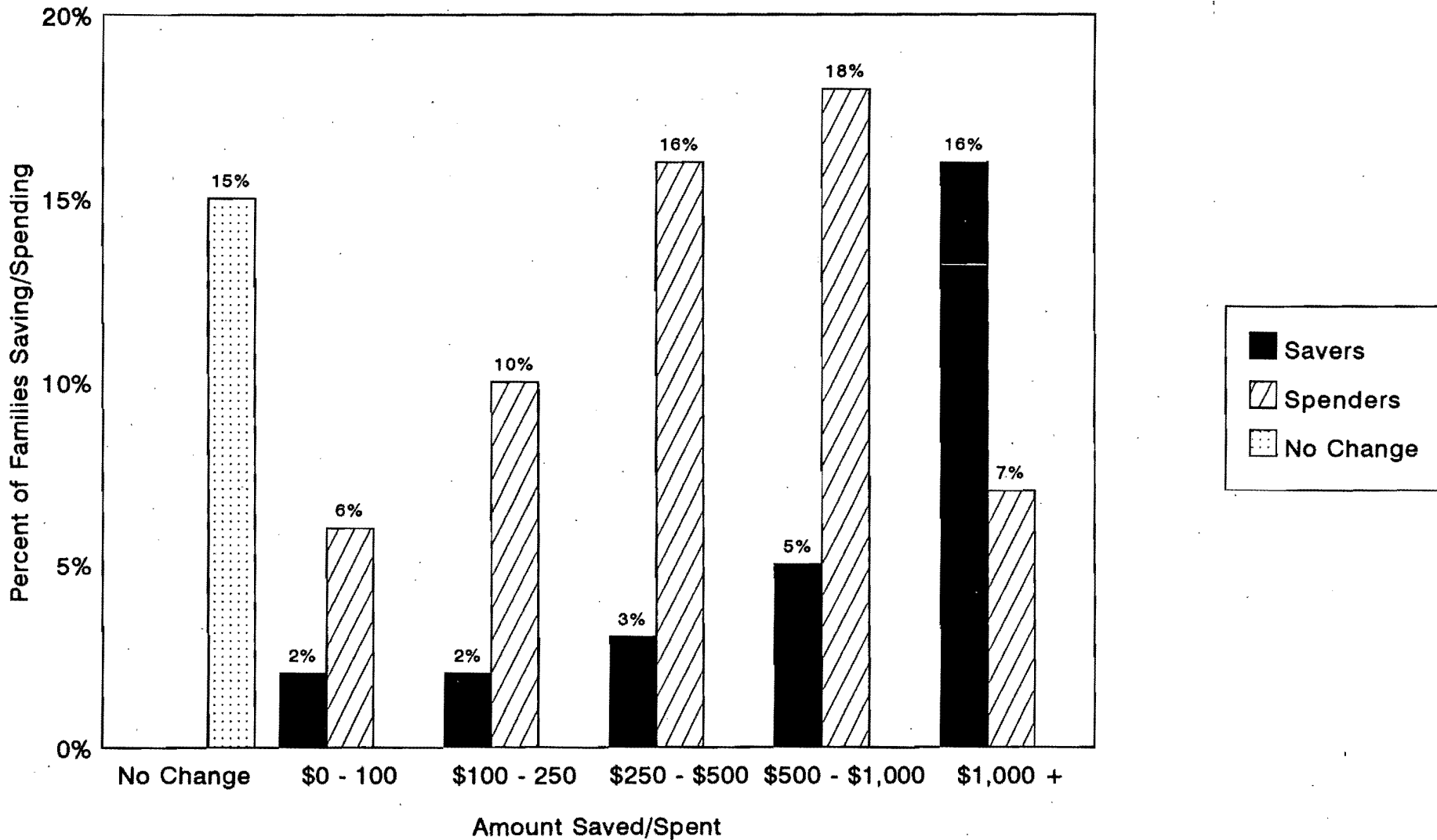
SOURCE: Center for Intramural Research, AHCPH.
Includes premium and out-of-pocket expenditures for those in regional alliances.
Totals may not add to 100% due to rounding.

Chart IV-1

FAMILIES' EXPENDITURES UNDER THE HEALTH SECURITY ACT

Average Annual Percent Change in Spending
Families which are Currently Uninsured: Year 2000

N = 41,856,000 Families



SOURCE: HHS and The Urban Institute's TRIM2 Model, benchmarked to HCFA's National Health Accounts. Includes premium and out-of-pocket expenditures for those in regional alliances. Totals may not = 100% due to rounding. Uninsured includes 31.8 million persons uninsured part-year.