

The Economic Case for Comprehensive Health Care Reform



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History of Health Insurance

- Insurance is a social vehicle for spreading the *risk* of financial loss among a large group of people, thus making a loss manageable for any one person of that group.
 - Homeowners Insurance
 - Automobile Insurance
 - Disability Insurance
 - Health Insurance

History of Health Insurance

- The larger the group, the more viable the insurance pool.
- Employer sponsored insurance became norm
 - Employers wanted to ensure workers loyalty to their company
 - WW II tight labor markets with government wage controls exempted fringe benefits
 - Government allowed money spent by employers on health insurance to be free of income tax

History of Health Insurance

- Popularity of employer based coverage led to for-profit insurers entering the marketplace after WW II

The legal duty of a for-profit company is to make a profit for their shareholders

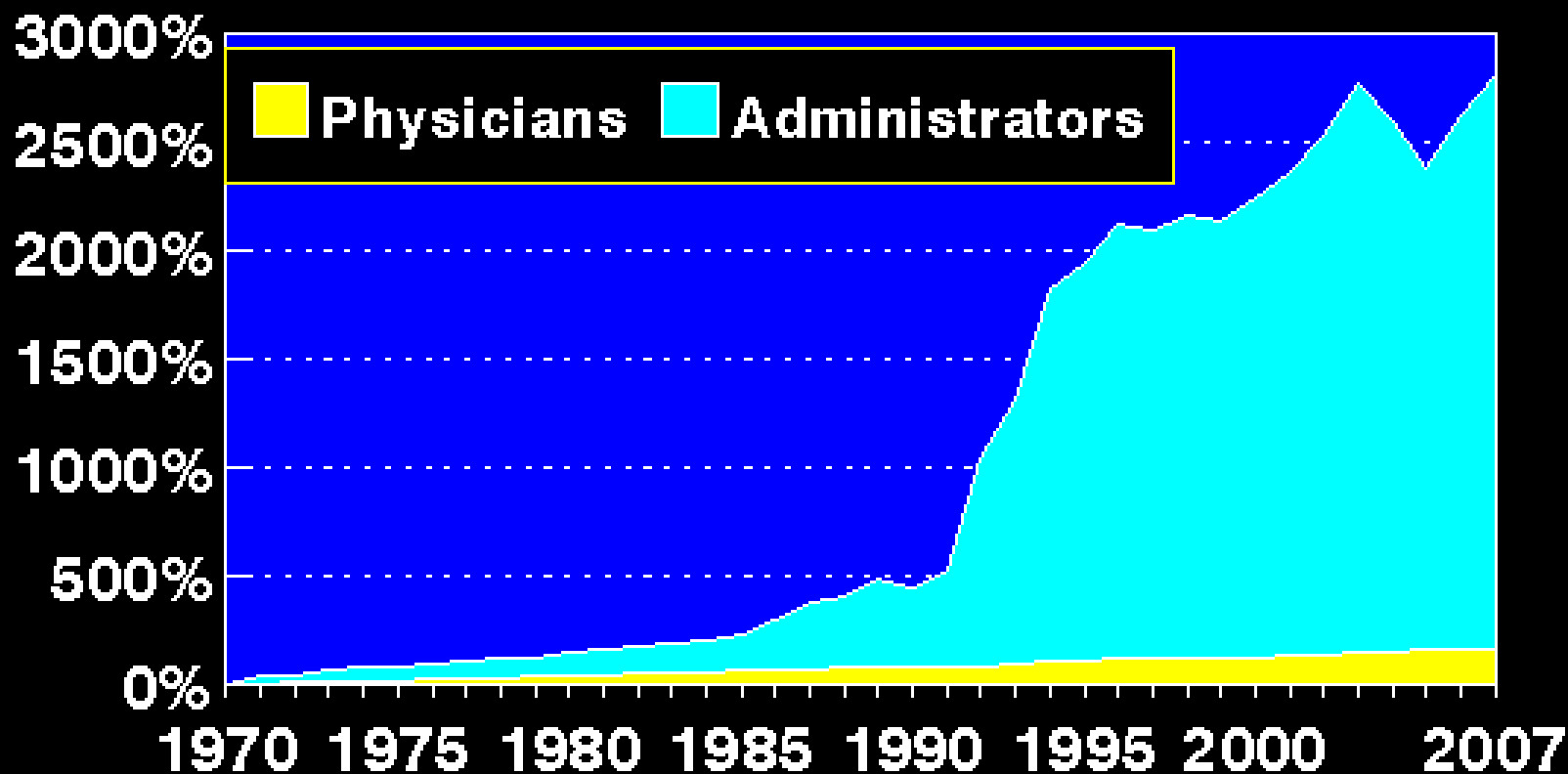
- By 1980 most (>70%) full time workers at large companies had health insurance through their employers.

The Business of Health

- To control costs and maintain profits, health insurers began the shift from spreading risk to avoiding risk
- Onset of Experience Rating:
 - Insurers increase premiums based upon the claims made by enrollees
 - Insurers avoid high-risk individuals and groups
 - “Cherry-picking” begins

GROWTH OF PHYSICIANS & ADMINISTRATORS 1970-2007

GROWTH SINCE 1970



The Business of Health

- Cherry picking led to populations who could not find insurance
- Medicare was enacted in 1965 because the elderly could not find insurers willing to provide coverage
- Medicaid was enacted in 1965 as a targeted program for the needy who could not afford to pay premiums
- Cherry picking continues to lead to populations who can not find insurance



2007: 45.7 Million Uninsured

47 Million
Uninsured

2007 Colorado:
801,000 uninsured
16.4% of population

Government
Insurance

2006: 80.3 M
2007: 83.0 M

↑ 2.3 Million

Is it possible to provide access to Health Care for All Colorado AND Control Costs?

✓YES!

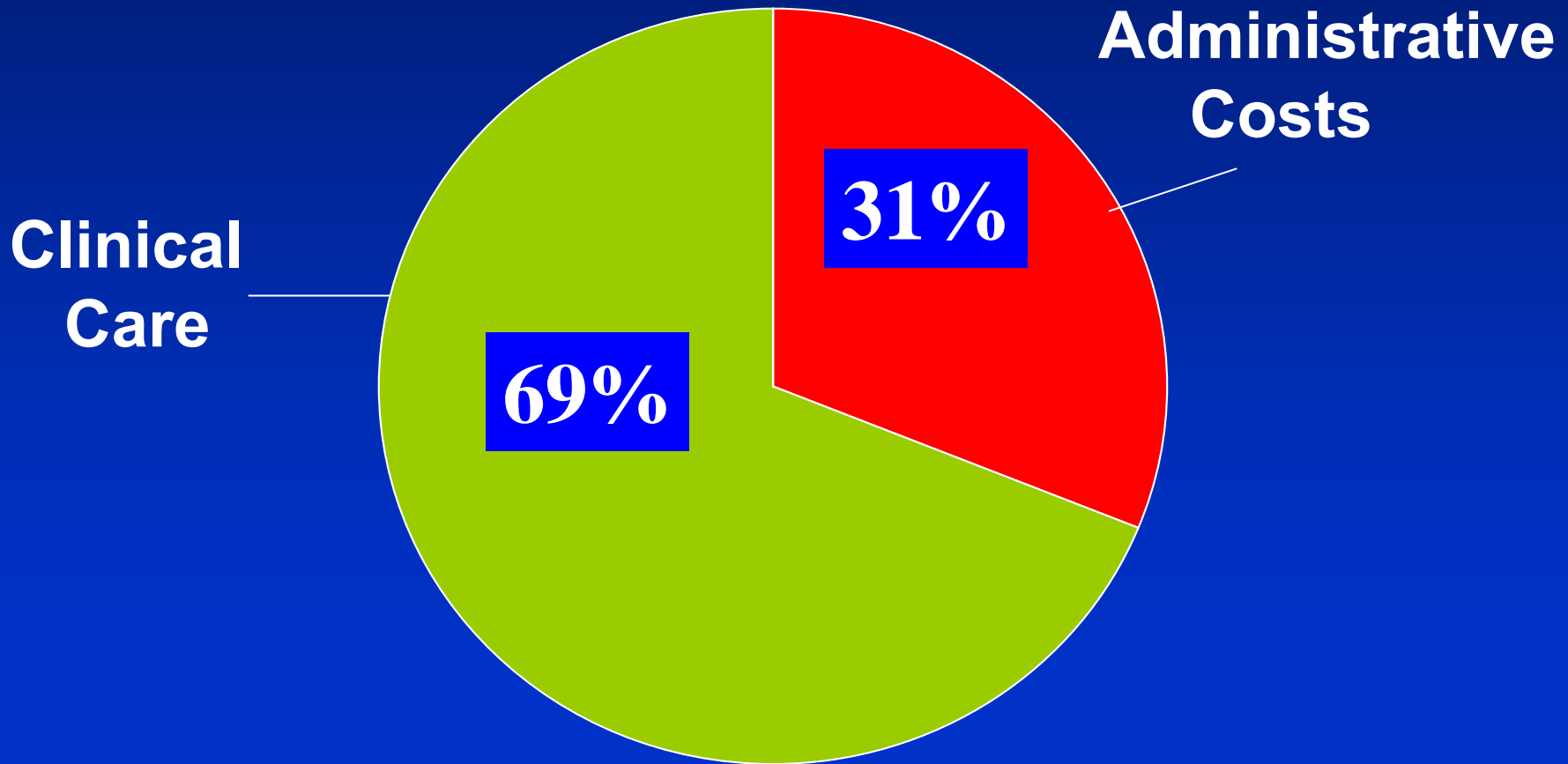
The Creation of a single risk pool of all Colorado residents would make comprehensive health care available and affordable to all.

Colorado's Blue Ribbon Commission on Health Care Reform: Lewin Analysis

	Better Healthcare for Colorado	Solutions for a Healthy Colorado	A Plan for Covering Colorado	Colorado Health Services Program
Change in Spending	\$ 600 Million	\$271 Million	\$1,289 Million	↓ \$ 1,395 Million
Coverage Ceiling	\$ 35,000	\$ 50,000	None	None
Remaining Uninsured	487,000	138,000	108,600	0

Comprehensive Reform: Efficiency

U.S. Health Care Administrative Costs



Colorado Health Services Plan Health Cost Savings

- Care utilization cost increase: **\$1.774 billion**
- Insurer administrative savings: **\$1.856 billion**
- Providers administrative savings: **\$669 million**
- Hospitals administrative savings: **\$322 million**
- Negotiated bulk rate savings
(Prescriptions, Durable Medical Goods): **\$322 million**
- Total Colorado savings: **\$1.395 billion**

Social Insurance

Not “Socialized Medicine”

- Individuals pay an income-based health insurance premium.
- Employers pay a payroll based premium.
- Hospitals and health providers remain private and independent.
- Residents have free choice of health providers, regardless of employment type.

Potential Financing Mechanisms

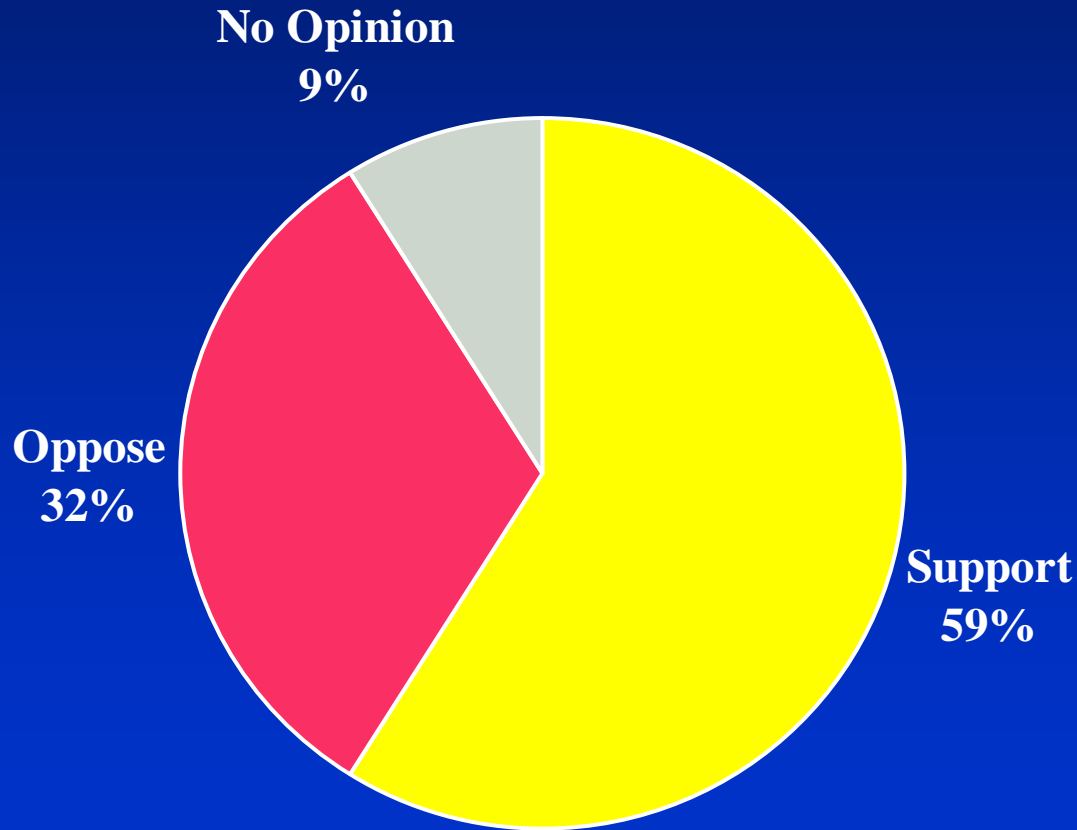
- Lewin Analysis: Colorado
 - 8.1% personal premium (overall ↓\$187 million)
 - 6 % employer premium (overall ↓ \$2.3 billion)
 - Alcohol and Tobacco Tax
- Rep John Conyers: HR 676
 - 3.3% Payroll tax on employers and employees
 - Stock Transfer Tax
 - Income tax surcharge on the richest 5%
- Ezekiel J. Emanuel: Healthcare, Guranteed
 - VAT on purchases
- FAIR Tax – Progressive national retail sales tax

Guaranteed Health Care-

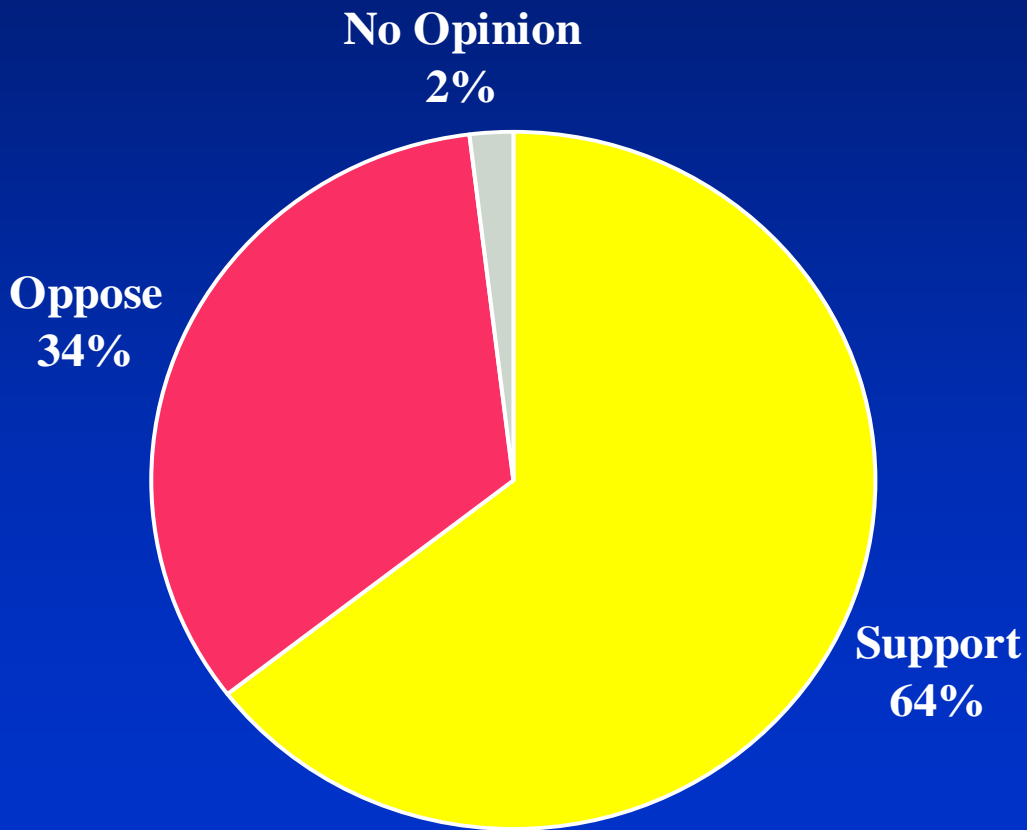
How do we know it can be done?

- Every other industrialized nation has a healthcare system that ensures medical care for all
- All spend less than we do; many spend less than half
- Most have lower death rates, more accountability and higher satisfaction

National Health Insurance: U.S. Physicians



The United States should adopt a universal health insurance program in which everyone is covered under a program like Medicare that is run by the government and financed by taxpayers



Winston Churchill



“The Americans will always do the right thing... after they've exhausted all the alternatives.”