Health Insurance – Concurrent Session 3

Health Care Reform in the USA and Lessons for India

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Waves of Reforms…Oceans of Opportunities

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AGENDA

- Introductions
- Key Messages
- US Update:
  - Pre-Reform Health Care Market
  - Health Care Reform and Market Implications
- Trends and Lessons for India
- Q&A

Key Messages

- The US market is a combination of government and private systems
- Current challenges include:
  - Access: 50M uninsured
  - Escalating cost
  - Uneven quality
- Health Care Reform will expand coverage, but do little to address cost or quality
- Reform may drive movement from employer-based to individual coverage under health care exchanges with worst case market estimates of up to 26% by 2019
- General global trends are moving towards cost sharing, personal responsibility and wellness to reduce the demand for services and improve productivity and well being

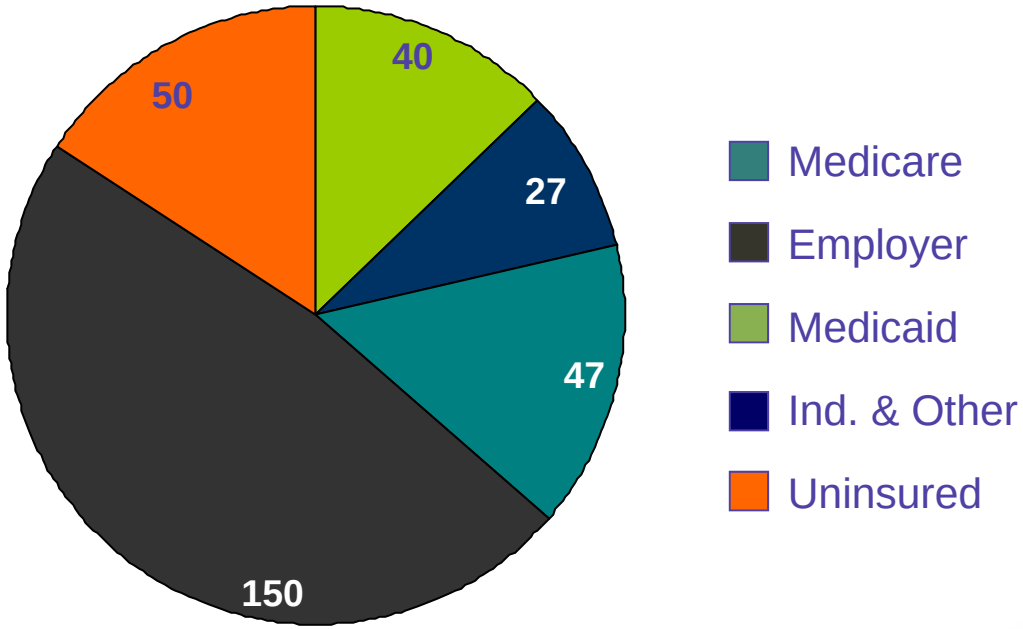
Pre-Reform Health Care Market

Pre-reform – Key Characteristics

- The US market is a combination of government and private systems
  - Age 65+: Federal (Medicare)
  - Safety net for poor: Federal / State (Medicaid)
  - Private: Largely employer-based
    - Employer-based cover represent ~150 million of the ~177 million with private sector primary cover
- Doctors and hospitals are largely private
  - Hospitals are a mix of not-for-profit and for-profit
- Current challenges:
  - Access: 50M uninsured
  - Escalating cost
  - Uneven quality

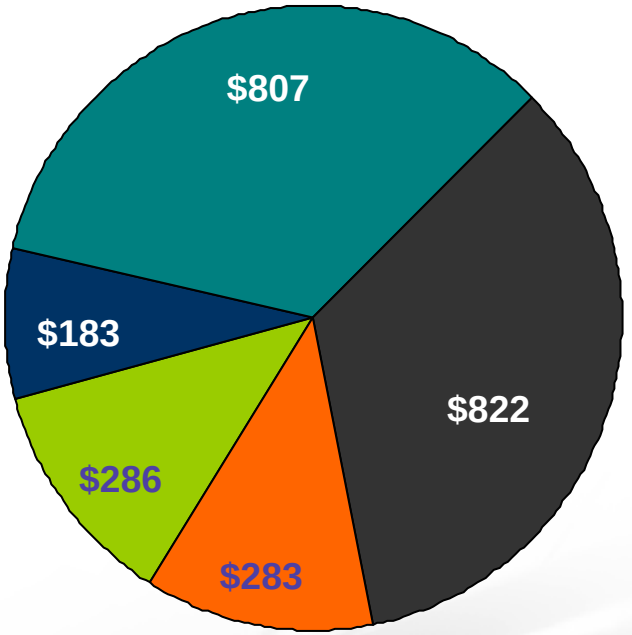
Health Insurance by Program

Millions of People



Sources: Congressional Budget Office; Centers for Medicare & Medicaid Services

Billions of Dollars



Source: Centers for Medicare & Medicaid Services, 2008

Of those covered, 67% have private coverage and 33% have government coverage.

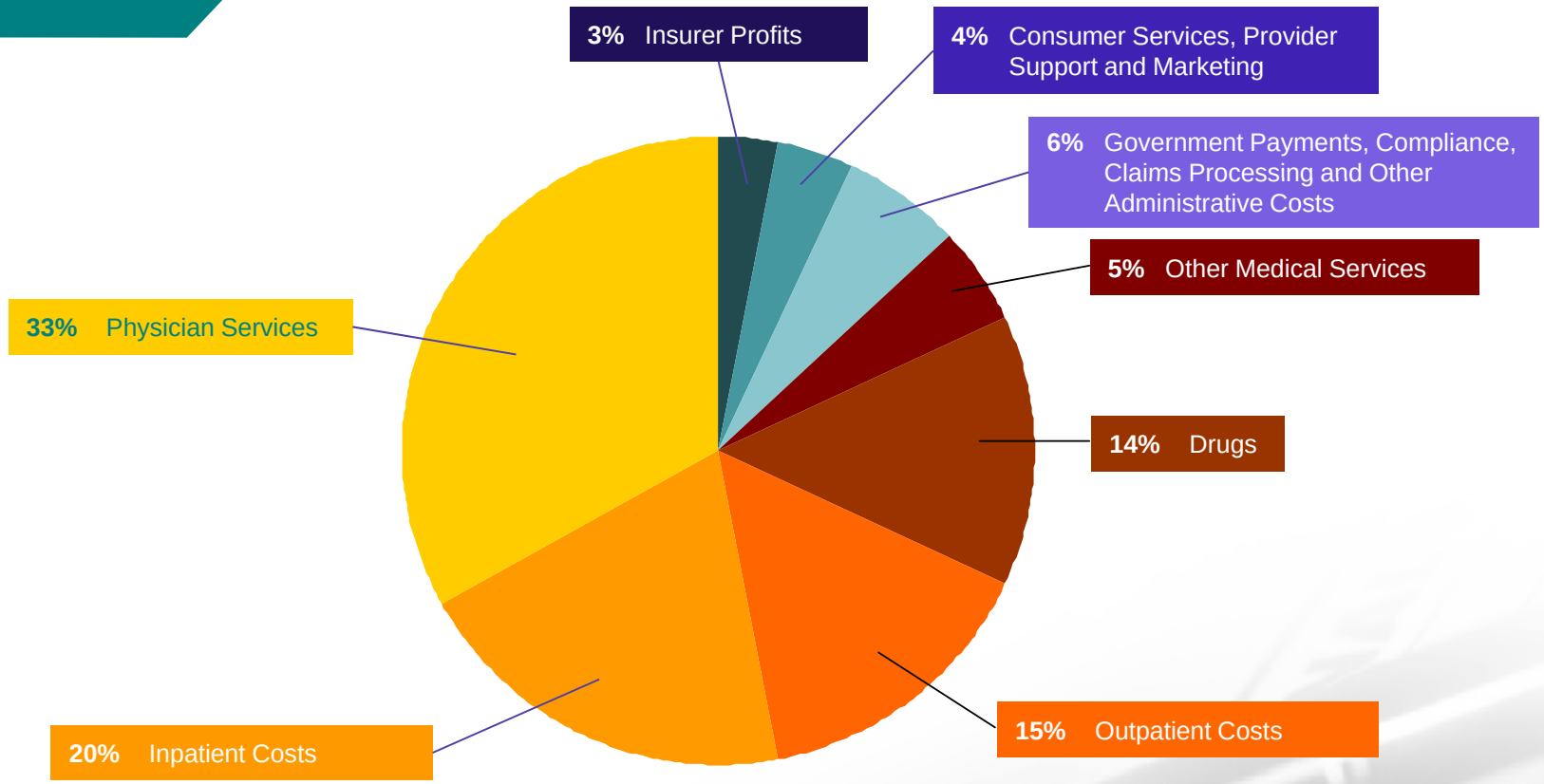
Tax policy encourages employer-based health benefits.
Tax deductible for employers and tax-free for employees.

Health Insurance Structure

Attribute	Commercial			Medicaid	Medicare
	Individual	Employer – Insured	Employer – Self-Funded		
Regulator	State	State	Federal / State	Federal / State	Federal
Who Pays	Individual	Employer / Individual	Employer / Individual	Federal / State	Federal
Responsibility	Individual	Employer / Individual	Employer / Individual	Government provided	Government provided
Hospital & Physician Pricing	Negotiated by Insurer	Negotiated by Insurer	Negotiated by Insurer	Set by State Government	Set by Federal Government
Program Type	Managed care	Managed care	Managed care	See any doctor / managed care	See any doctor
Access	Excellent	Excellent	Excellent	Poor	Very Good
Participation	Low	Varies by Employer	Varies by Employer	Fair	100%

Government sets rates for Medicare and Medicaid.
Insurers negotiate rates for private insurance.

Health Insurance Premium Spending



87% of premiums are spent on medical care.
Only 13% is spent on administration and other expenses.

Health Care Reform and Implications

Primary Objective

- Reform is primarily designed to:
  - Reform insurance (eliminate medical underwriting & benefit maximums)
  - Increase access (expand coverage to more people)
- Increases Medicaid enrollment
  - Coverage to 133% of federal poverty level
- Establishes Health Care Exchanges where small groups and individuals can shop for insurance
  - Federally provided subsidies for <400% federal poverty level
- Cost and quality largely unaddressed
  - Some pilots

Principles & Highlights

INSURANCE REFORM

2010 & 2011: Changes in Plan Design / Benefits

- Gradual elimination of benefit maximums
- 100% coverage for preventive care

2014: Individual & Small Group (1 – 50) Exchanges

- Coverage available regardless of health conditions
- Limits on cost differences based on age

Principles & Highlights

INCREASED ACCESS

2014:

- Most individuals will be required to buy health insurance
- Low income individuals will receive subsidies
- Employers with 50 or more employees must offer coverage or pay a fine
- Expansion of Medicaid (government coverage for the poor)

Shift in Market Composition

Effects on Insurance Coverage (Millions of non-elderly people, by calendar year)		2010	2014	2019
Pre-Reform	Medicaid & other government programs for the poor	40	35	35
	Employer	150	161	162
	Non-group & Other	27	28	30
	Uninsured	50	51	54
	TOTAL	**267**	**274**	**282**
Change (+/-) due to Health Care Reform	Medicaid & other government programs for the poor	*	10	16
	Employer	*	4	-4
	Non group & Other	*	-2	-5
	Exchanges	0	8	24
	Uninsured	*	-19	-32
Changes to Uninsured Population with Health Care Reform	Number of Non-elderly People Uninsured	50	31	23
	Insured Share of the Non-elderly Population – Including All Residents	81%	89%	92%
	Insured Share of the Non-elderly Population – Excluding Unauthorized Immigrants	83%	91%	95%

Reform will lower the uninsured from 50M to 23M and increase Medicaid enrollment.

Source: Congressional Budget Office

Market Implications

MARKET SEGMENTS

- **Medicare** profit margins squeezed (insurers & doctors / hospitals)
  - But number covered still growing as “baby boomers” turn 65
- **Medicaid** grows by 50%
  - State budget challenges
- **Individual** (on & off exchange) grows by 50% - 100%
  - Rules of competition change
- **Employer** is still largest for foreseeable future
  - Cost pressures remain
  - Employers requiring more individual responsibility & accountability

Market Implications

STAKEHOLDERS

- **Insurers** – changing market offers risk & opportunity
  - Movement among individual, group and government programs
  - More direct consumer involvement in purchasing decisions
- **Doctors**
  - Shortage in some specialties
  - Continued move away from solo practitioner
  - Self Employed: 2002 75% ➔ 2009 49%
- **Hospitals** – continued consolidation (hospital mergers and hospitals merging with clinics and other health care professionals)
  - Technology requirements / complexity drive scale
  - Physician practices control supply chain
  - Accountable Care Organizations to manage all care for groups of patients
  - Fees: reduced & based more on results

Trends and Lessons for India

Current Market Assessment

- Underinsured population with unequal access to care
- Socio-economic and health trends increase demand
- Long-term need for cost containment and trend management
- Existence of tax benefits tied to individual and group insurance
- Need for harmonious balance of public and private funding

Strong long-term outlook

- Government stated desire to promote private health insurance
- Government push to PSU carriers to utilize disciplined pricing strategies
- Movement towards health insurance reform and standardization
- Public and private partnership approach to BPL Schemes

Recent beneficial Structural changes

- No clear guidance on governments perspective on universal healthcare
- PSU product pricing strategy is still not aligned with actual loss ratios
- Limited insurer ability to affect health care cost and quality
- Fraud is a perpetual problem
- A still evolving regulatory framework

Continued unattractive mass market dynamics

The market has a lot of potential, however a more cohesive public and private partnership approach needs to be taken to drive sustainable change.

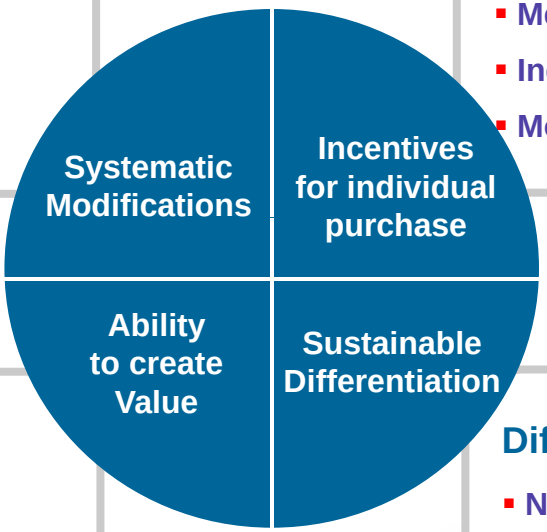
Trends and Lessons For India

Systematic Demand Drivers

- One Size Fits All Product & Clinical Delivery
- Expansion of Private Facilities
- Lack of Preventive Care Benefits
- Employer Reduction in Coverage

Individual Demand Drivers

- Individual Wealth Accumulation
- Medical Inflation and Uncertainty
- Increase Focus on Health & Longevity
- More Demand for Quality Care



Value Creation

- Product / Service Design
- Health & Wellness Tools and Services
- Provider Network Development
- Clinical Mgmt. and Health Coaching

Differentiation

- Network Management
- Consumer Engagement & Informatics
- Distribution

Consumer empowerment is key to a sustainable healthcare model.

Sustainable Solutions via Partnering

MANAGING DEMAND FOR SERVICES

- Creating Awareness
  - Wellness
  - Health Management
  - End-to-End Care Management
  - Chronic Condition Management
- Cost-sharing
- Personal Responsibility
- Empowerment through informatics

PUBLIC / PRIVATE PARTNERSHIP

- Using public/government sector to control the supply of services and prices
- Using the private sector to create competition between insurers and providers around access, quality, & value
- Using social insurance system to support/subsidize focus segments.
- Using the private sector for core & supplemental products to augment the social insurance system

Questions?