

Introduction to Payers

Public and private entities provide insurance

Three main payer constituents

1

Medicare

- Federally-funded insurance for seniors (65+) and disabled
- Part A funded through payroll deductions
 - No premium; \$1,100 deductible, copays only for extended inpatient stays
- Parts B, C, D have monthly premiums, deductibles, copays

2

Medicaid

- Nation's principal health care insurance safety net
- Federal-state partnership
- Federal government funds 57% of Medicaid costs overall
- Beyond cost-sharing, states design and administer programs within federal rules
- Cover primary care, acute hospital care, lab and x-ray, nursing home care, home health, family planning, immunizations

3

Commercial Insurance

- Can be employer-sponsored or self-funded
- With employer-sponsored insurance (ESI), employers purchase insurance for employees from commercial insurance companies (e.g., BlueCross, Aetna, etc.)
- With self-funded insurance, individuals purchase insurance for self and family
- Through the ACA¹, individuals can also purchase insurance through federal or state-run exchanges

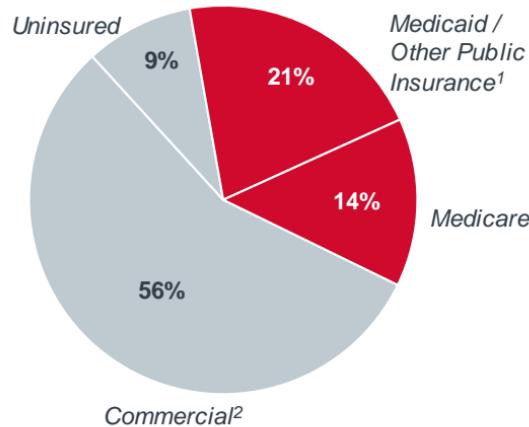
1) Affordable Care Act

Majority of Americans have commercial insurance

But hospitals receive most revenue from public payers

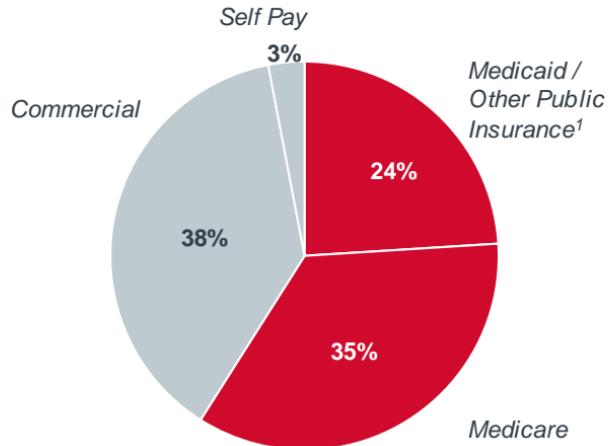
Health insurance coverage

2016, % of patients covered



Hospital payer mix

2014, % of total hospital payments

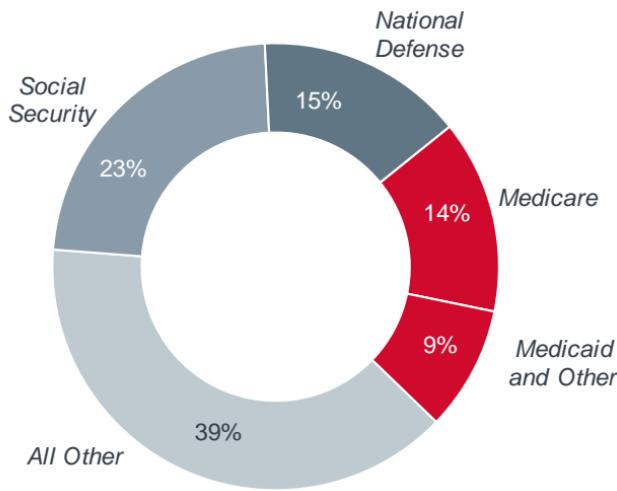


1) Includes Medicaid, Children's Health Insurance Program (CHIP), other state programs, military-related coverage (Tricare), and those enrolled in both Medicare and Medicaid (dual eligibles).

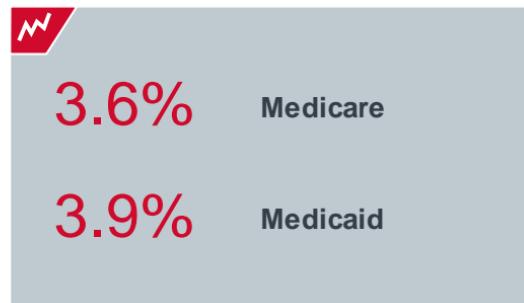
2) Includes employer-sponsored insurance and those covered by non-group insurance

Government health care expenditures expected to rise

Share of federal spending allocated to health care
2017



Cost growth for government insurance
2015-2016

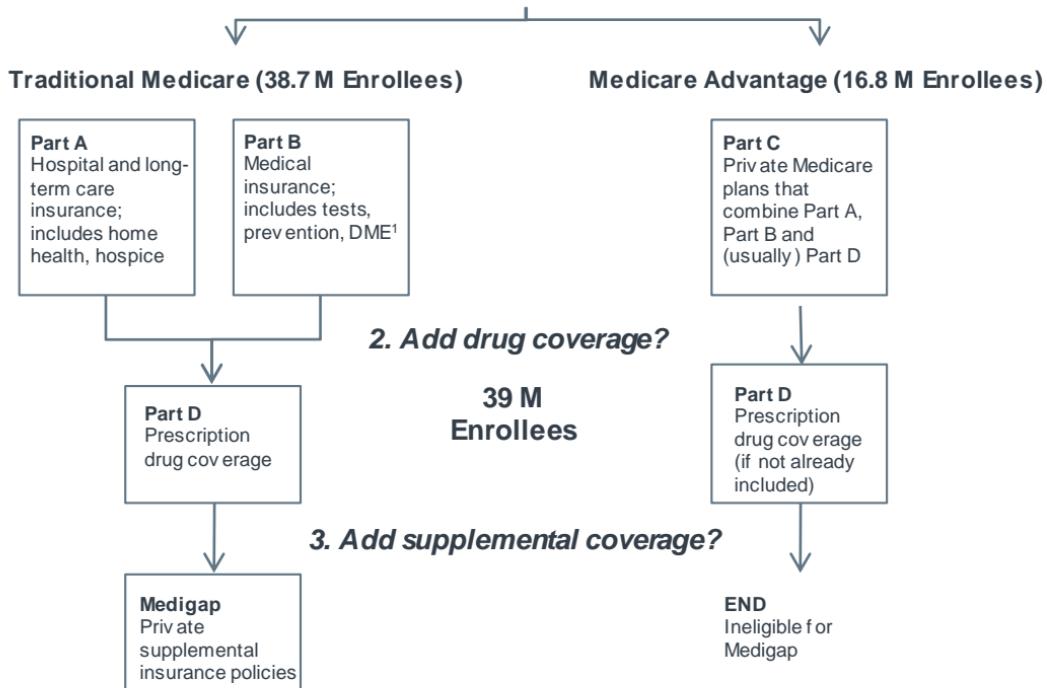


Source: "Fiscal Year 2017 Budget of the U.S. Government," Office of Management and Budget, 2017, available at <https://www.govinfo.gov/content/pkg/BUDGET-2017-BUD/pdf/BUDGET-2017-BUD.pdf>; "NHE Fact Sheet, 2016," Centers for Medicare and Medicaid Services, 2018, available at <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>; Advisory Board research and analysis.

Medicare includes four programs for elderly Americans

Medicare Coverage Options

1. What kind of coverage?



Source: "An Overview of Medicare," Kaiser Family Foundation, April 1, 2016, available at <http://kff.org/medicare/issue-brief/an-overview-of-medicare/>; Advisory Board research and analysis.

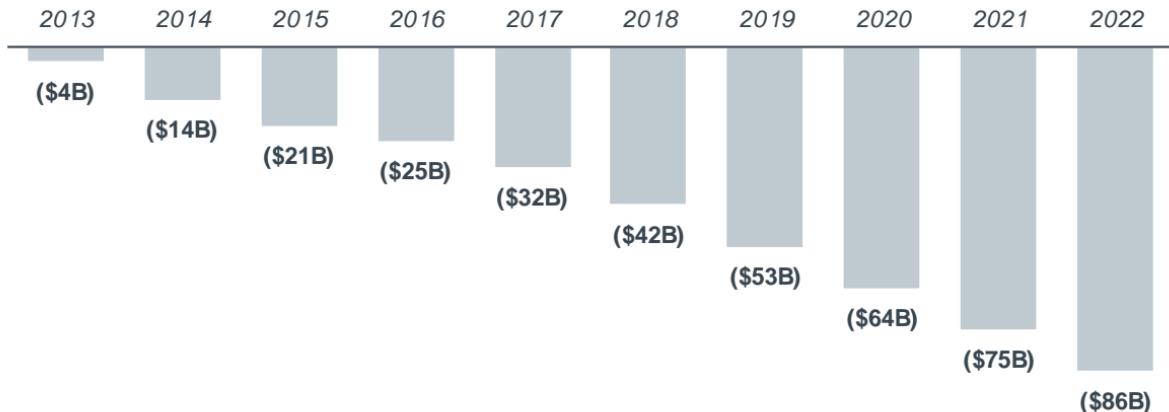
1) Durable medical equipment

Medicare on the chopping block

Payment cuts threaten hospitals with large Medicare patient cohorts

ACA's Medicare fee-for-service payment cuts

Reductions to annual payment rate increases



\$415B in total fee-for-service cuts, 2013-2022

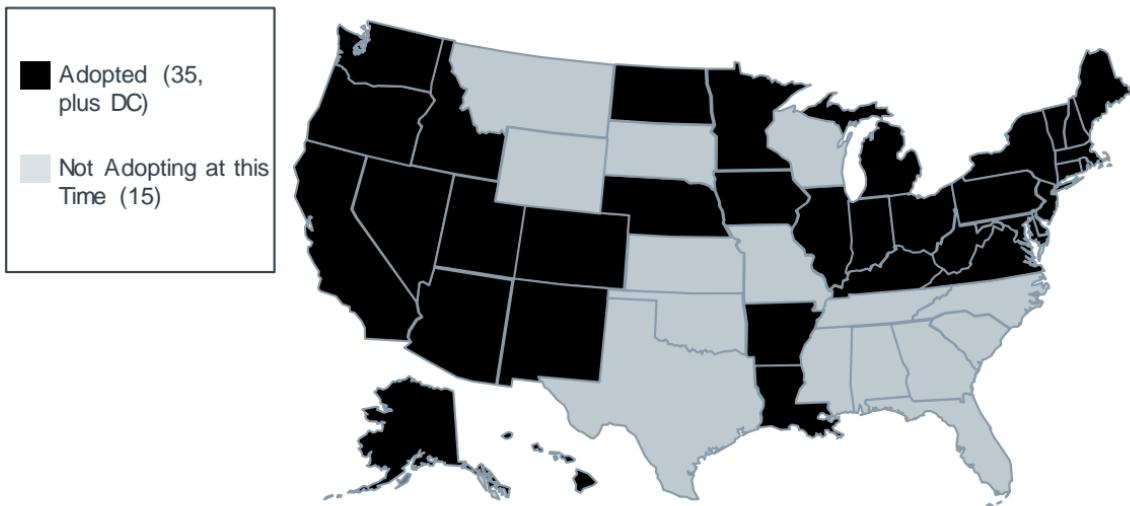
Source: "Letter to the Honorable John Boehner Providing an Estimate for H.R.6079, The Repeal of Obamacare Act," Congressional Budget Office, July 24, 2012, available at: www.cbo.gov; Advisory Board research and analysis.

Medicaid: the nation's health care safety net

More than half of all states have expanded Medicaid

Where the states stand on Medicaid expansion

(as of November 2018)



Source: Advisory Board, "where the states stand on Medicaid expansion," 2018, available at: <https://www.advisory.com/daily-briefing/resources/primer/s/medicaidmap>; Advisory Board research and analysis.

Two ways to secure commercial health insurance

Individuals receive insurance from employers or purchase own policies

1

Employer-Sponsored



- Employers purchase insurance for employees from commercial insurance companies
- Workers can typically choose among several options, trading off choice vs. cost
- Expenditures are tax-deductible for employers
- Largest non-wage component of total compensation in US

2

Self-Insured



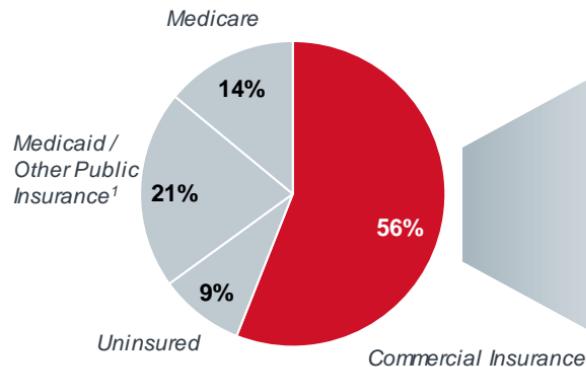
- Individuals purchase insurance for self and family
- More expensive, on average, than employer-sponsored options
- Current models expose individuals to significant annual price increases
- ACA¹ restricts insurers from denying coverage or raising premiums based on health status
- To keep coverage affordable, the government offers a range of subsidies

1) Affordable Care Act

Most commercial insurance is employer-sponsored

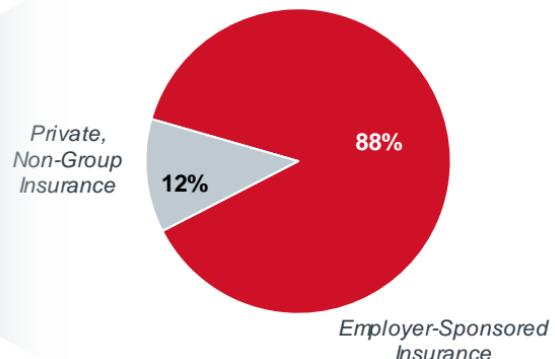
More than half of Americans covered through commercial carriers

2016



Majority of commercial coverage through employers

2016



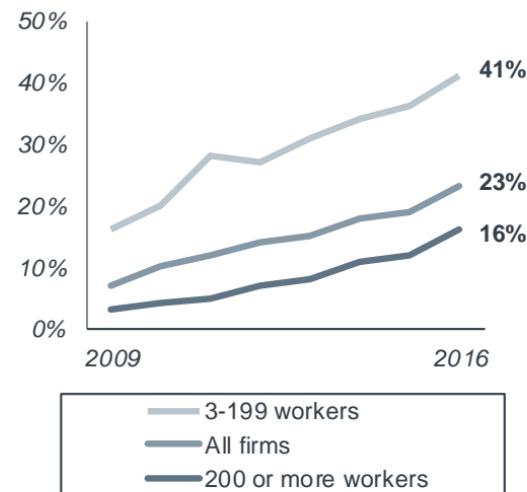
1) Includes Medicaid, Children's Health Insurance Program (CHIP), other state programs, military-related coverage (Tricare), and those enrolled in both Medicare and Medicaid (dual eligibles).

Source: "Health Insurance Coverage of the Total Population," Kaiser Family Foundation, 2016, available at <http://kff.org/other/state-indicator/total-population/>; Advisory Board research and analysis.

To control costs, employers raise deductibles

Cost sharing has not had the intended impact

Percentage of workers by annual deductible of \$2,000 or more By firm size, 2009-2016



Not quite the silver bullet employers were hoping for

The New York Times

“The Big Problem with High Health Care Deductibles”

Modern Healthcare

“Why consumerism is no panacea for our healthcare problems”

Two commonly cited shortfalls

- 1 Decreases utilization, but insufficient to drive price shopping
- 2 Window of impact above HSA/HRA¹ and below deductible too limited

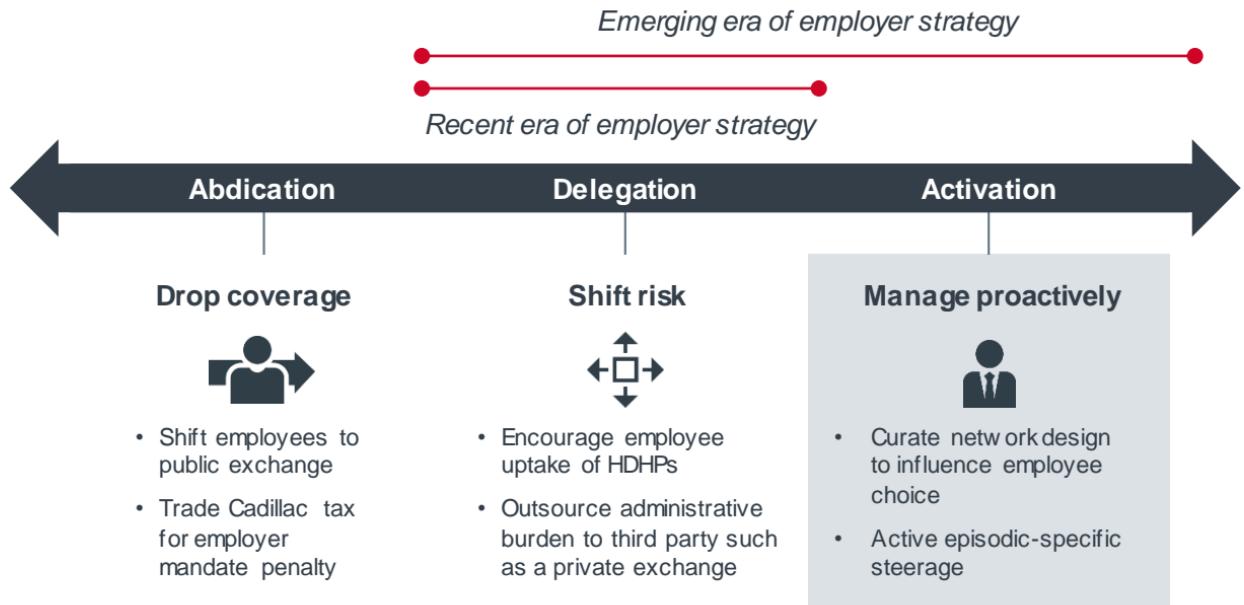
1) Health savings account or health reimbursement account.

Source: Gaba C, “Healthcare Coverage Breakout for the Entire U.S. Population in 1 Chart,” ACASignups.net, March 28, 2016; Katz-Sangor M, “The Big Problem with High Health Care Deductibles,” The New York Times, February 5, 2016; Meyer H, “Blog: Why Consumerism is No Panacea for Our Healthcare Problems,” Modern Healthcare, March 8, 2016; Health Care Advisory Board interviews and analysis.

Employers switching to more proactive approach

Embracing activation in addition to delegation

Spectrum of options for controlling health benefits expense



Employers trying out private exchanges

Private exchange characteristics



Customized Networks

Offers customized provider networks designed to save employers five percent of medical plan cost



More Employee Options

Offers more health, dental, vision benefit options than traditional employer-sponsored plan



Decision Tools and Guidance

Provides access to benefits advisors, including support team to provide guidance during enrollment process

Factors influencing move to private exchange models

1

Logistical difficulty of benefit renegotiations

2

Internal politics of benefit changes

3

Attractiveness of other options

Commercial payers insure exchange enrollees

Exchange enrollees present care challenges

Profile of Exchange Enrollees, as of 2016

1 Non-Disabled Adults



Adults age 19-64 account for 84% of exchange enrollees, compared to 70% in the current non-group market

2 No Usual Source of Care



Nearly 40% lack formal source of care; more than 25% received no health care in the past year

3 Undiagnosed Chronic Disease



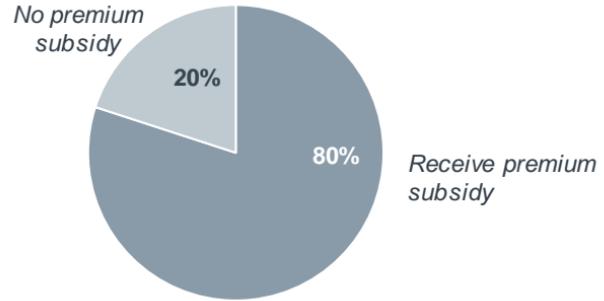
Self-reported health status may miss undiagnosed chronic conditions, requiring extra care

4 Less Educated, Language Barriers



Over 75% do not hold a college degree, nearly 20% have limited English proficiency

Exchange enrollment, 2018

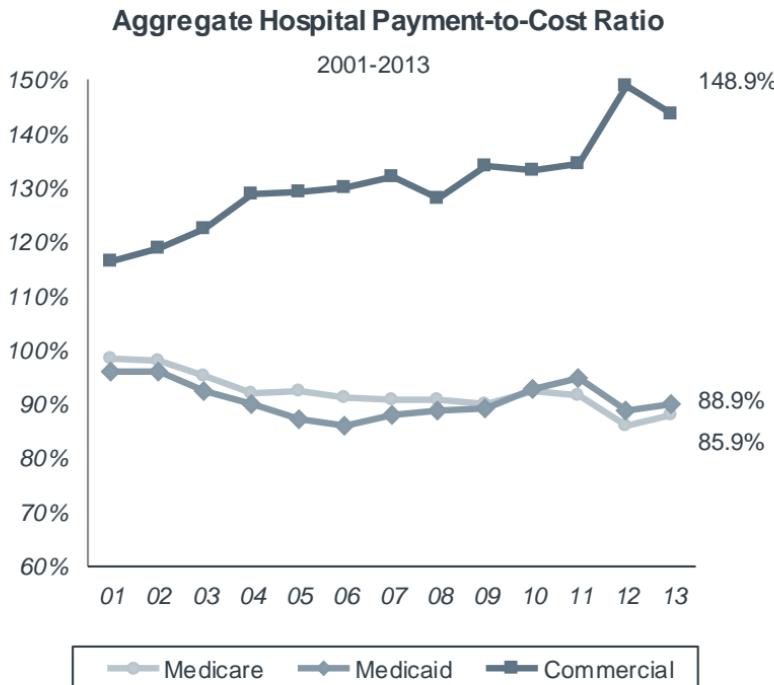


11.8M

Enrollment on federally facilitated and state-run exchanges, 2018

Source: "Baseline Projections for Selected Programs – Federal Subsidies for Health Insurance," Congressional Budget Office, 2016, available at <https://www.cbo.gov/about/products/base-line-projections-selected-programs#6>; Livingston, Shelby, "Final 2018 ACA exchange enrollment comes up slightly short of 2017," Modern Healthcare, 2018; Kaiser Family Foundation, <https://www.kff.org/health-reform/state-indicator/marktplace-enrollees-eligible-population/?currentTab=frame-0&sortMethod=%7B%22old%22%22Location%22%22sort%22%22asc%22%7D>. Advisory Board research and analysis.

Providers utilize private payers to cross-subsidize public payers



Source: "Trendwatch Chartbook 2015," American Hospital Association, 2015, available at <http://www.aha.org/research/reports/tw/chartbook/2015/15chartbook.pdf>; Advisory Board research and analysis.



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