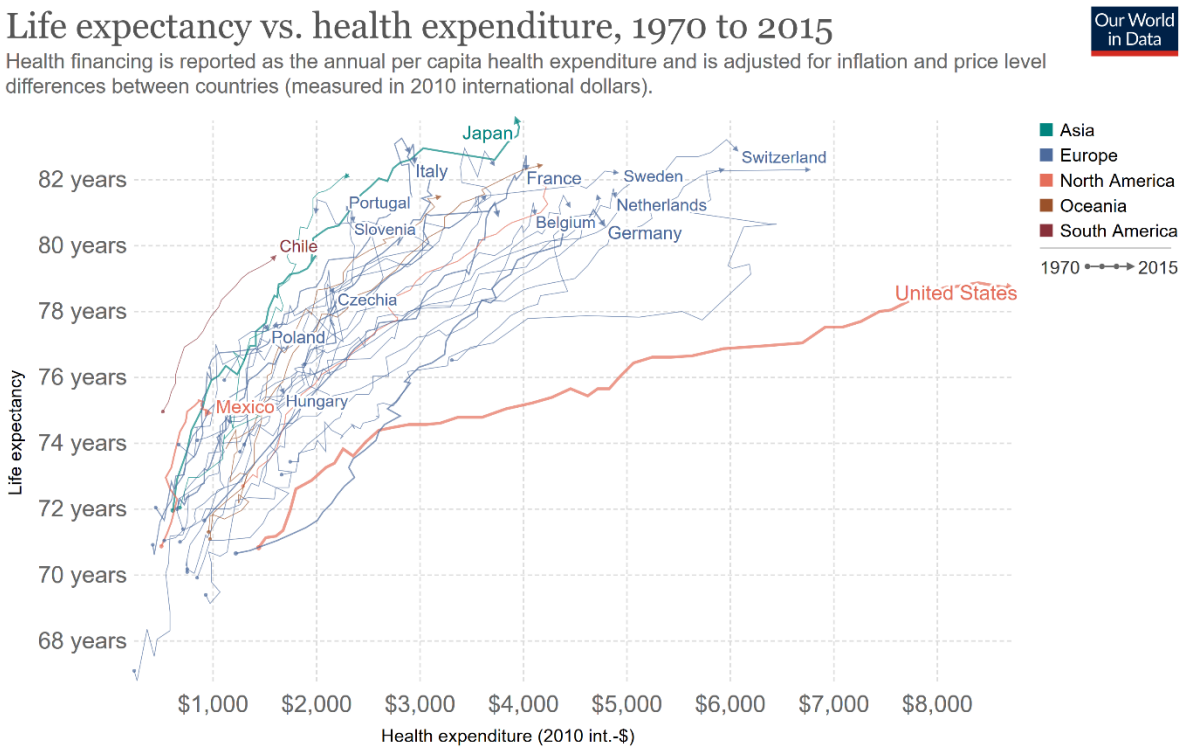
A Better Model for Healthcare in Maine - Business Impacts

February 2023

Why reform the financing of healthcare in United States?

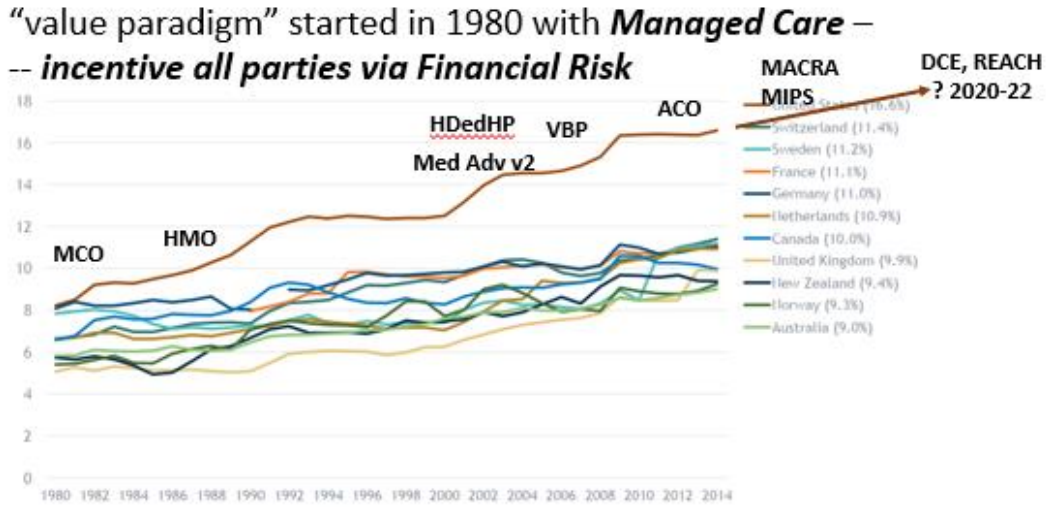


Source: Data compiled from multiple sources by World Bank; Health Expenditure and Financing - OECDstat (2017)
OurWorldInData.org/the-link-between-life-expectancy-and-health-spending-us-focus • CC BY

We underperform our peers.

Where are we loosing value?

Will continuing the current 40-year financial paradigm in healthcare be any different? More of the same?



-can we call this a failed cost control model?

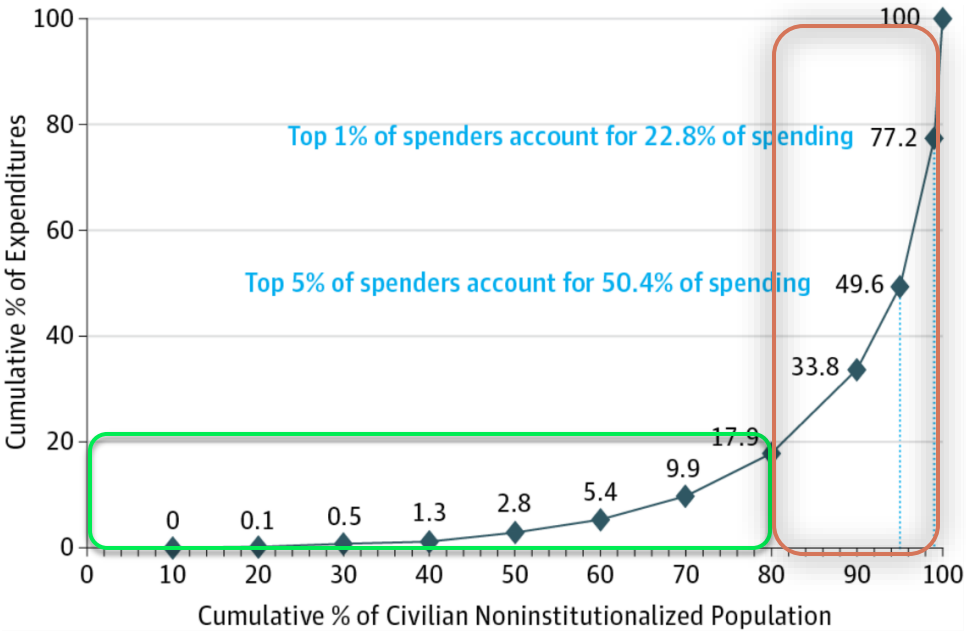
-and business would be expected to continue with the HR and administrative burden of seeking employee health insurance with its exaggerated costs?

Why the difference with our peer nations?

All the healthcare systems in peer nations include five basic characteristics – though each has their own nuances and history of development. They achieve global cost containment, universal coverage and spend less than we do, for similar, if not superior systemwide care. These five principles are:

1. One payer, that pays providers of care directly, with no sub-contracting of funding to competing risk-bearing entities (no complexity of the financial middlemen – so admin of 5%, not our current 20%).
2. Budgets for institutional providers of care, including hospitals, nursing homes, and community health care organizations.
3. A simplified, standardized fee schedule for individual (and mostly independent) providers.
4. Negotiated prices for drugs and durable medical equipment. (with a 40-50% discount versus USA)
5. Universal coverage without direct linkage of a person to employment.

Predictable Distribution of Healthcare Expenditures in a Population



2014 Medical Expenditure Panel Survey, Agency for Healthcare Research and Quality.

Human illness is:

-unfortunate

-inevitable

-unavoidable

-predictable in a population

-and the healthy pay for the sick at an 80:20 ratio

-better viewed as a public good or public utility.

Why is employment and healthcare linked in the USA?

An accident from WWII during wage and price controls. Kaiser Steel looking for workers in 1942 offers health insurance.

Other countries use employment as collection point for assessments - BUT *do not* link healthcare coverage directly with employment.

Is there fiscal and administrative relief for business in HC reform?

Can we fund universal coverage, without the HR admin burden to employers, and at a better cost?

Could we also decrease workmen's comp premiums by 50% (via the healthcare component)?

Can we delink the direct involvement of employment and HC insurance?

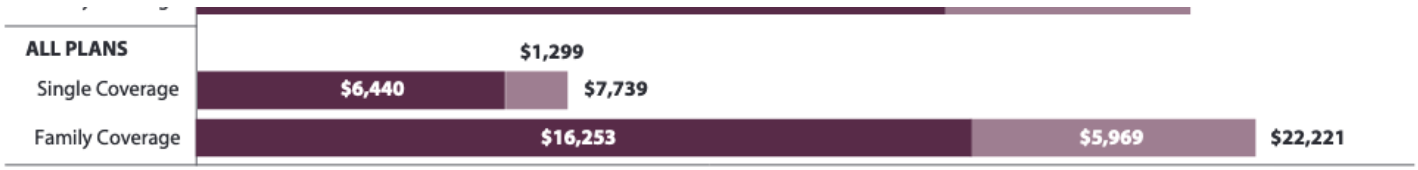
What would be effects across the spectrum of business in Maine?

Cases that we have seen or friends we know:

A small company – no benefits, three employees, all single, no coverage. 1) owner healthy. 2)employee A with Diabetes (owner's uncle). 3) employee B with asthma (owner's nephew). None qualify for Medicaid. Considered HDHP ACA. Rather pay OOP cash for medications.

A family of four – employed breadwinner with company HC benefits. One adult with Rheumatoid Arthritis on medications.

Typical plan parameters with costs for a 4-member family plan– Employer and Employee HC costs – KFF, Milliman Index



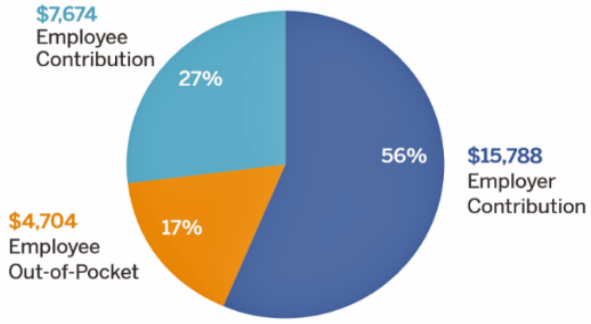
* Estimate is statistically different from All Plans estimate within coverage type (p < .05).

SOURCE: KFF Employer Health Benefits Survey, 2021

What would a small business pay for a tax for healthcare for themselves and their employees?

And does there need to be the high OOP costs?

Can we do better?



State Based plans modeled with funding options for business and employees

ColoradoCare - 2016 ballot initiative – a simple funding proposal

-a single percentage – 10%- assessment at wages/income

-Employer 6.67% (2/3) - Employee 3.33% (1/3)

-nonpayroll (1099) income tax of 10%

(Deductible from Federal tax, Exempts SSI, pensions, minimal copays)

ColoradoCare - 2016 Examples

-~$30,000/yr income – single worker @ Small Business – no benefits

CCare – Employer = $2000/yr, Employee = $1000/yr

With copays of only $5 for medical visits and Rx's for asthma and diabetes meds.

OR obtain on own, a HDHP plan via ACA at ~$200/mo (with the tax subsidized premium)

~$75,000/yr income – family of 4 – with benefits

CCare – Employer = $5000, Employee = $2500

With copays of only $5 for medical visits and Rx's for arthritis meds(?)

verses current HC benefits thru employer with HDHP

~150,000/yr combined employment income – two-person family – 2 jobs($100K,$50K)

CCare – Employers split = $10,000, Employees split = $5000/yr

Plus "other gains"on possible rentals, personal businesses, 1099 income, etc.

NY Health Act 2015

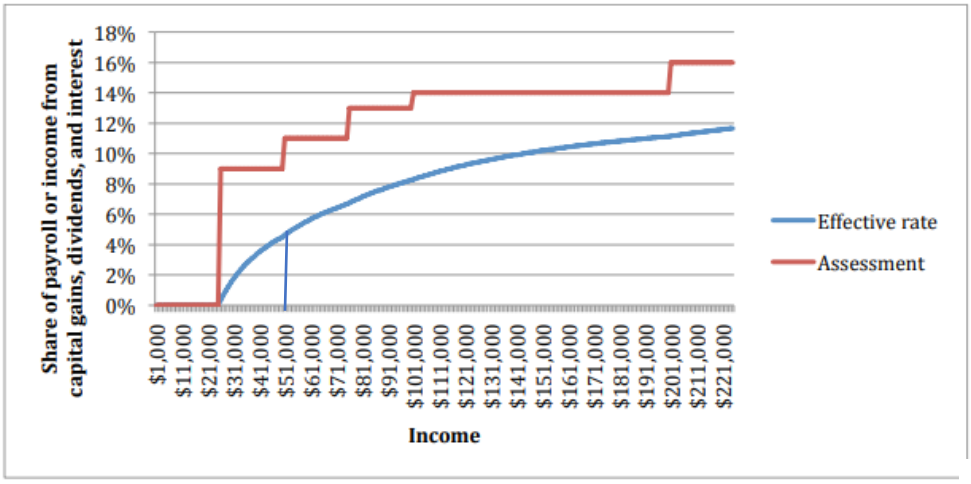


Figure 10. Assessment rate and average assessment as share of income.

80% employer, 20% employee split

initial $25K exempt

Example of$50,000 income with an effective rate ~4.5%

Total premium tax of $2,250

Employer 80 % - $1,800/yr (effective rate of 3.6%)

Employee 20% - $450/yr (rate of 0.9%)

http://www.infoshare.org/main/Economic_Analysis_New_York_Health_Act_-_GFriedman_-_April_2015.pdf

A Maine study from 2019

Sliding scale premiums would ensure that all Maine residents contribute based on ability to pay.

- Below 138% of FPL – no premium
- 139% to 399% of FPL – 2 to 5% of AGI
- 400% to 499% of FPL – 5 to 6% of AGI
- 500% to 599% of FPL – 6 to 7.5% of AGI
- Families above 600% of FPL – 7.5% of AGI (capped at full annual premium)

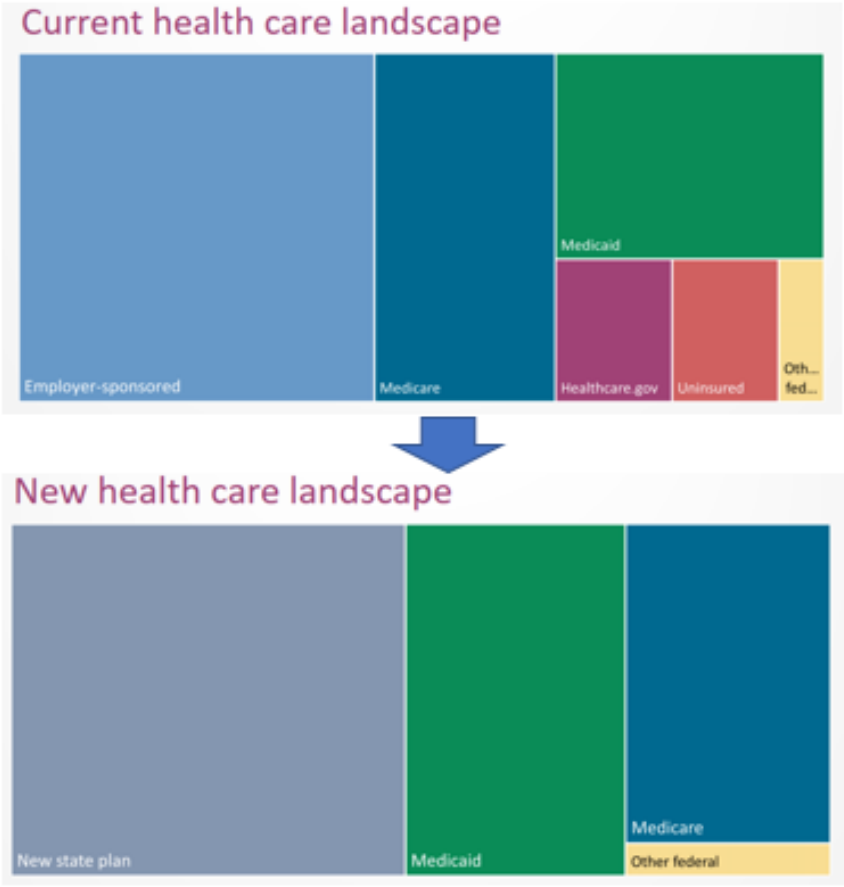
Full annual premium: $6000 per adult, $3500, per child, $3000 for 65+

Fee structure for employers:

- Fewer than 10 employees – 3% of payroll
- 10-99 employees – 4.5% of payroll
- 100+ employees – 10% of payroll

https://maineallcare.org/fiscal-study-2019/

A State Coverage Plan – Broadly imagined by coverage categories



Administering these areas of coverage paid at uniform rates

A state entity offering HC coverage to all residents.

A public/governmental agency

It coalesces all available Federal funds and raises additional funds within state.

Then negotiates with and pays providers.

Is its own plan and ERISA compliant.

Workman's Comp's healthcare portion is included in coverage – so WC coverage costs could decrease by 50%.

Paying uniform and competitive rates (Medicare based)

How would these changes effect the business community in Maine?

In Maine per SBA -> 117,000 list no employee 30,000 1-19 employees 3,300 20-499 employees 50 >500 employees

Per KFF -> 30% of business with < 50 employees provide HC insurance. 96% with HC coverage for businesses >50

Envisioning how a *certain type of business* could reset priorities and operate.

Imagine a new budget and priorities for a town in Maine