

## EXECUTIVE SUMMARY

# Impact of Congressional Health Reform Options on Family Health Insurance Premiums and Levels of Uninsured: 2010-2019

January 8, 2010

Dynamic Report – Subject to Change Pending Legislation

Steve Parente, Ph.D.  
University of Minnesota  
HSI Network LLC

Roger Feldman, Ph.D.  
University of Minnesota

For more information contact:

Steve Parente, Ph.D., [sparente@hsinetwork.com](mailto:sparente@hsinetwork.com), 612-281-8220

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# Impact of Congressional Health Reform Options on Family Health Insurance Premiums and Levels of Uninsured: 2010-2019

*Independent Assessment by HSI Network LLC  
Dynamic Report*

## Summary Snapshot:

As of January 8, 2010, both the US House and the Senate have health insurance proposals moving toward passage. Both bills are quite similar in fundamental market reforms, subsidy levels and government engagement in the insurance market. This report uses the ARCOLA micro-simulation model to generate preliminary estimates of family premiums from 2010 to 2019. At present, equivalents to the five proposed levels of health insurance coverage in the Senate bill exist. Very little in the bills specify how year over year inflation will be controlled in these plan designs. However, each of the designs has been modeled in the ARCOLA model with actual claims since 2005. From that work, it is possible to estimate the likely cost increases, absent changes in brokers' fees. These results are presented below. In addition, the premium of a catastrophic/high deductible health plan (HDHP), a variant of the plan proposed by congressional leaders, is also estimated. These limits will cap the level of out-of-pocket expenditure and raise the premium of that plan design if enacted.

## Health Reform Premium & Uninsured Estimates

HSI Network LLC, January 8, 2010

Preliminary

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Family Premium</b>										
<i>Individual insurance (purchase price to consumers)</i>										
Premium	\$16,515	\$18,167	\$19,983	\$21,981	\$24,180	\$26,598	\$29,257	\$32,183	\$35,401	\$38,942
Gold	\$14,040	\$15,163	\$16,376	\$17,686	\$19,101	\$20,629	\$22,280	\$24,062	\$25,987	\$28,066
Silver	\$11,770	\$12,594	\$13,475	\$14,419	\$15,428	\$16,508	\$17,664	\$18,900	\$20,223	\$21,639
Bronze	\$8,480	\$8,989	\$9,528	\$10,100	\$10,706	\$11,348	\$12,029	\$12,751	\$13,516	\$14,327
Catastrophic	\$6,240	\$6,490	\$6,749	\$7,019	\$7,300	\$7,592	\$7,896	\$8,211	\$8,540	\$8,881
D-Catastrophic	\$6,240	\$6,490	\$6,749	\$8,774	\$10,529	\$11,160	\$11,607	\$12,071	\$12,554	\$13,056
<i>Group insurance (employee out of pocket cost)</i>										
Premium	\$6,540	\$7,129	\$7,770	\$8,469	\$9,232	\$10,063	\$10,968	\$11,955	\$13,031	\$14,204
Gold	\$4,320	\$4,666	\$5,039	\$5,442	\$5,877	\$6,347	\$6,855	\$7,404	\$7,996	\$8,636
Silver	\$2,140	\$2,290	\$2,450	\$2,622	\$2,805	\$3,001	\$3,212	\$3,436	\$3,677	\$3,934
Bronze	\$1,060	\$1,124	\$1,191	\$1,262	\$1,338	\$1,419	\$1,504	\$1,594	\$1,689	\$1,791
Catastrophic	\$840	\$882	\$926	\$972	\$1,021	\$1,072	\$1,126	\$1,182	\$1,241	\$1,303

Premium increases are fastest for the more generous plans. This will impact the affordability of these plans. These premiums do not factor in subsidies that would be provided by health reform options to eligible individuals, nor do they consider the premium for a separate federally-administered 'public option' plan. Presumably, a public plan would face the same underwriting circumstances as the rest of the private insurance market.

Using these premium projections, we estimated the levels of uninsured in the United States from 2010 to 2019. The results are presented below. Five options are considered: 1) status quo; 2) Senate Democratic leadership bill; 3) House Democratic leadership bill; 4) market-based option developed by members of the Senate as a bipartisan alternative (see previous analysis by Parente, Feldman and Pauly at [ehealthplan.org](http://ehealthplan.org)); and 5) House GOP reform introduced by Rep. Dave Camp (R-MI). The results show that the status quo will yield a worsening level of the uninsured. The House and Senate bills are most effective at reducing the levels of the uninsured, though the per capita costs for these reductions are higher than the market-based alternative. The CBO estimates the cost of the House and Senate bills to be approximately \$900 billion over ten years. The market-based health reform proposal was estimated by HSI to cost \$430 billion over ten years. Keep in mind that the HSI Arcola model projects higher costs for health reform than the CBO. The House GOP bill has the least impact on the uninsured of all the options, but it is also the least costly.<sup>1</sup>

## Health Reform Premium & Uninsured Estimates

HSI Network LLC, January 8, 2010

Preliminary

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Uninsured Level (in millions, including non-US citizens)</b>										
Status Quo	50.0	51.5	53.0	55.2	57.4	59.7	62.7	65.8	68.4	70.5
Senate	50.0	51.5	53.6	55.7	33.4	23.4	21.1	21.3	22.1	22.8
House	50.0	51.5	54.1	34.1	21.5	21.0	21.7	22.7	23.7	24.6
Market-Based	50.0	51.5	46.4	44.0	35.2	35.9	36.3	34.5	34.8	35.9
GOP House	50.0	51.5	46.4	44.0	44.5	44.9	45.8	47.2	48.6	50.1

## Summary

The legislation to produce health reform is a public policy achievement by Congressional Democrats that is unprecedented in modern US politics. The real origin of the drive for reform was the 2008 Presidential campaign, when both candidates put clear and sweeping proposals on the table – also a first in modern politics. The option that most suits the country’s pattern of incremental improvement in the level of insurance is most likely the market-based reform initiative. It is also the option most prudent in a time of economic uncertainty with respect to fiscal challenges. The Democratic options make substantial reductions in the uninsured. However, they offer little chance of ‘bending the cost curve’ since the primary drivers of health care inflation for those under age 65 are medical technology and the fact that most consumers don’t pay the actual cost of insurance because job-based coverage is subsidized. Unless deficit financing is an acceptable strategy in the medium term to policy makers, we think the market-based reform is the best option.

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<sup>1</sup> The 2010 uninsured estimates were updated based on the CBO Status Quo estimates published in December, 2009.

## **ARCOLA™ Technical Documentation**

The ARCOLA™ model is a micro-simulation model designed to estimate the impact of health policy proposals at federal and state levels. The model predicts individual adult responses to proposed policy changes and generalizes to the US population with respect to health insurance coverage and the financial impact of the proposed changes.

This model was first used for the Office of the Assistant Secretary (OASPE) of the Department of Health and Human Services (DHHS) to simulate the effect of the Medicare Modernization Act of 2003 (MMA) on take-up of high-deductible health plans in the individual health insurance market (Feldman, Parente, Abraham et al, 2005; Parente et al, Final Technical Report for DHHS Contract HHSP233200400573P, 2005). The model was later refined to incorporate the effect of prior health status on health plan choice – a necessary step if one wants to predict enrollment more accurately. The latest model also used insurance expenditures from actual claims data to refine premiums and then predict choices again with the new premiums. The model then iterates the choice model until premiums and choices converge, and then finds an equilibrium state. A subsequent change to the model permitted state-specific predictions of policy changes as well as total federal health policy impact.

### Model Components & Data Sources

There are three major components to the ARCOLA™ model: 1) Model Estimation; 2) Choice Set Assignment and Prediction; and 3) Policy Simulation. Often, more than one database was required to complete the task. Integral to this analysis was the use of consumer directed health plan data from four large employers working with the study investigators.

The model estimation had several steps. As a first step, we pooled the data from the four employers offering CDHPs to estimate a conditional logistic plan choice model similar to our earlier work (Parente, Feldman and Christianson, 2004). In the second step we used the estimated choice-model coefficients to predict health plan choices for individuals in the MEPS-HC. In order to complete this step, it was necessary first to assign the number and types of health insurance choices that are available to each respondent in the MEPS-HC. For this purpose we turned to the smaller, but more-detailed MEPS Household Component-Insurance Component linked file, which contained the needed information. The third step was to populate the model with appropriate market-based premiums and benefit designs. The final step was to apply plan choice models coefficients to the MEPS data with premium information to get final estimates of take up and subsidy costs.