

# Health Insurance Issues: Virginia Small Business Commission Meeting

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# Health Insurance Affordability



⌘ The availability of affordable health insurance is related to:

☑ The number of uninsured Virginians

☒ 1 million (14%) Census

☒ 11.5% at some point during year or

☒ 6.3% all year (VA Dept. of Health '04)

☒ See [www.insuremorevirginians.org](http://www.insuremorevirginians.org)

☑ The cost and demand for health care services

# Employer Based Health Insurance



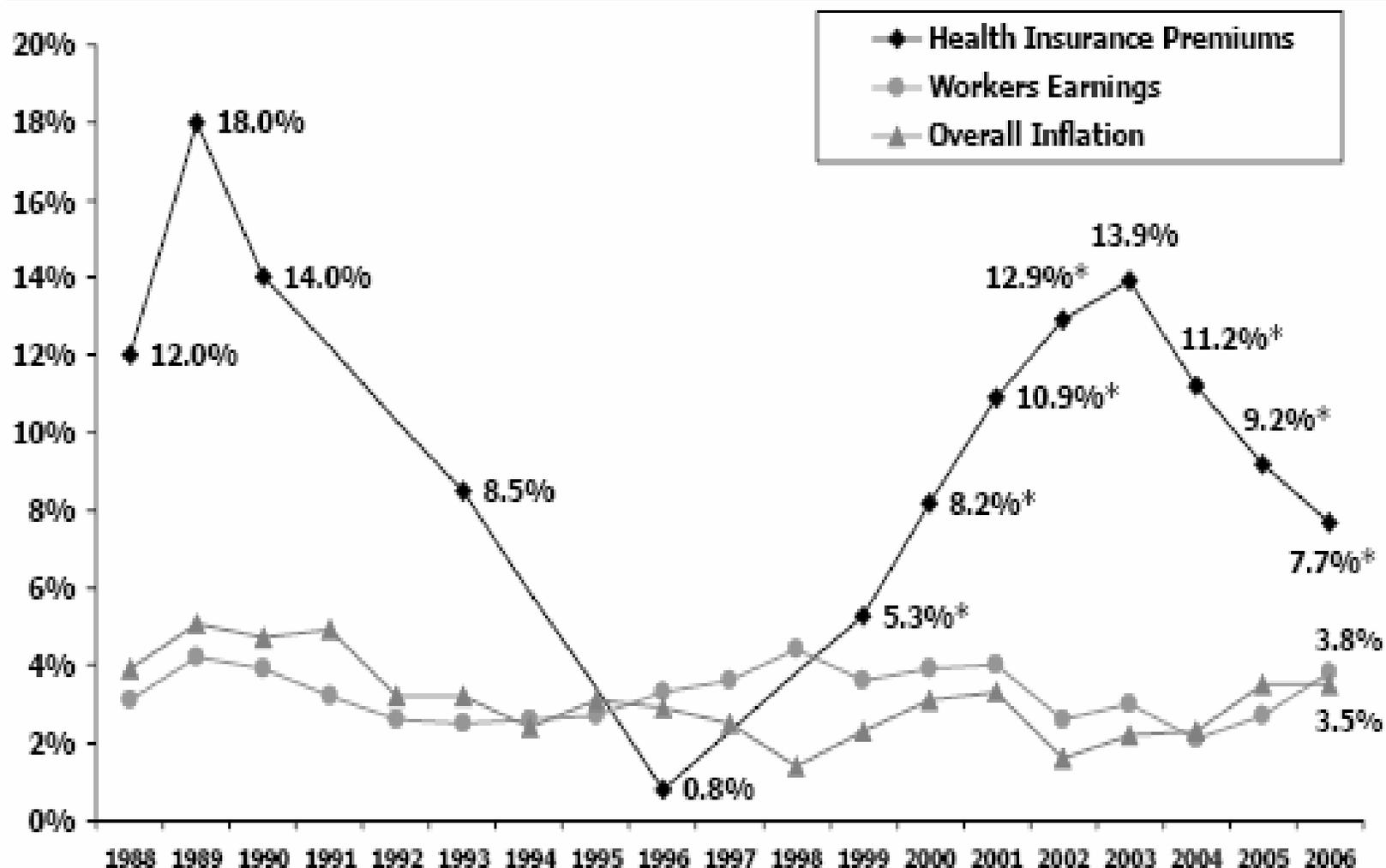
- ⌘ The employer based health insurance system remains the backbone of health coverage for most Virginians--
- ⌘ But there are challenges
- ⌘ And there are opportunities to improve

# Rising Health Care Costs



- ⌘ Annual average premium increases of 14, 11, and 9 percent over the previous three years. (Kaiser Family Foundation/HRET)
- ⌘ Average projected increases for 2006 around 7.7 percent, but still double the overall inflation rate. (Hewitt Associates)

# Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2006



# Three Major Things Drive Costs



- ⌘ One We Can't Do Anything About -  
Demographics
- ⌘ Another We Don't Want to Do Anything About -  
Medical Advances
- ⌘ Others We Can Address
  - ☑ Mandates and Regulation
  - ☑ Litigation Costs
  - ☑ Waste, Fraud and Abuse

# Mandated Benefits



- ⌘ VA is 2<sup>nd</sup> in nation in the number of mandated health care benefits
- ⌘ The Bureau of Insurance reports ('04) that mandates make up at least 20-28% of group policy costs.
- ⌘ If you add mandated providers the % rises 3-5%.

# Effects of Rising Costs



- ⌘ Employers are increasing employee contributions to health care costs
- ⌘ Higher premium contributions, co-pays, co-insurance
- ⌘ Some employers are dropping coverage
- ⌘ Some employers are increasing use of part-time employees...i.e. no benefits

## EXHIBIT E

Percentage of Firms Offering Health Benefits, by Firm Size, 1999–2006

	1999	2000	2001	2002	2003	2004	2005	2006
3–9 Workers	56%	57%	58%	58%	55%	52%	47%	48%
10–24 Workers	74	80	77	70*	76	74	72	73
25–49 Workers	86	91	90	86	84	87	87	87
50–199 Workers	97	97	96	95	95	92	93	92
All Small Firms (3–199 Workers)	65%	68%	68%	66%	65%	63%	59%	60%
All Large Firms (200 or More Workers)	99%	99%	99%	98%	98%	99%	98%	98%
<b>ALL FIRMS</b>	<b>66%</b>	<b>69%</b>	<b>68%</b>	<b>66%</b>	<b>66%</b>	<b>63%</b>	<b>60%</b>	<b>61%</b>

# Policy Options and Marketplace Developments



- ⌘ High Deductible Health Plans
- ⌘ Health Savings Accounts
- ⌘ Consumer Driven Health Care
- ⌘ Mandate-Lite

# High Deductible Health Plans



- ⌘ In 2003, Virginia enacted legislation to allow HMOs to offer products featuring co-payments and deductibles.
- ⌘ Either HSAs or HDHPs are now offered by 7% of employers

# Health Savings Accounts



- ⌘ Created in Medicare legislation signed into law by President Bush on December 8, 2003.
- ⌘ Must be coupled with a high deductible health plan. Preventive care subject to first dollar coverage.
- ⌘ Employer and employee may contribute.
- ⌘ Contributions to HSAs are tax-free to employees.

# Consumer Driven Health Care



- ⌘ In general, consumer driven plans combine a high deductible health plan with an employer-funded annual allowance that workers use to pay their medical expenses.

# Mandate-Lite



- ⌘ Delegate Danny Marshall (R-Danville) introduced legislation to enable 'Consumer Choice Benefit Plans,' based on a law that took effect in Texas in September of 2003.
- ⌘ Texas, W.VA, N.Y plans demonstrate modest savings from benefit reductions, enhanced by the use of higher co-payments and deductibles.

# Concluding Observations



- ⌘ The creation of HDHPs and HSAs are beginning to promote consumer directed care in Virginia
- ⌘ Policymakers hope that as employees get more “skin in the game” health care costs will moderate.
- ⌘ Marginal change in the marketplace is beginning to take place