

## Health Care Reform Summary

<b>Section 1: Projected Health Expenditures for Massachusetts Residents in 1999</b>		
This section portrays the projected cost of health care for residents of Massachusetts in the baseline year (1999) before any reforms have been implemented.		
<b>Expenditures assuming no reform</b>	<b>Amount (\$Millions)</b>	<b>Share of Resident Spending</b>
1) Hospital Care	\$11,934	33.1%
2) Physician Services	\$5,387	14.9%
3) Dental Services	\$1,227	3.4%
4) Other Professional Services	\$2,622	7.3%
5) Home Health Care	\$1,704	4.7%
6) Prescription Drugs & Medical non-durables	\$3,210	8.9%
7) Vision Products and Other Medical Durables	\$323	0.9%
8) Nursing Home Care	\$4,264	11.8%
9) Other Personal Health Care	\$1,011	2.8%
10) Personal Health Care Total	\$31,683	87.9%
11) Program Administration and Net Cost of Private Health Insurance	\$1,970	5.5%
12) Government Public Health Activities	\$871	2.4%
13) Research	\$1,533	4.3%
14) Construction (not included in total to avoid double counting)	\$698	1.9%
15) Total	\$36,057	100.0%

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**Section 2: Sources of Projected Massachusetts Health Expenditures in 1999 (for Residents and for Non-resident Workers)**  
**Expenditures assuming no reform**

In this section, we divide the total health expenditures for residents between public and private sources. We also add health expenditures for non-residents working in the state.

	Amount (\$Millions)	Share of Beneficiary Spending	Share of Resident Spending
<b>1) Public</b>			
A) Medicare (less privately paid premiums)	\$7,295	19.8%	20.2%
B) Medicaid	\$5,112	13.9%	14.2%
C) Other government expenditures	\$3,232	8.8%	9.0%
D) Publicly funded health research	\$869	2.4%	2.4%
<b>E) Total public</b>	<b>\$16,507</b>	<b>44.8%</b>	<b>45.8%</b>

<b>2) Private</b>			
A) Private health insurance & other private health spending	\$12,744	34.6%	35.3%
B) Out of pocket expenditures	\$6,418	17.4%	17.8%
C) Workers Compensation privately funded medical portion	\$221	0.6%	0.6%
D) Medicare privately paid premiums (subtracted from 1a)	\$166	0.5%	0.5%
E) Payments for health insurance for non-residents working in-state (note 2)	\$790	2.1%	2.2%
<b>F) Total private</b>	<b>\$20,340</b>	<b>55.2%</b>	<b>56.4%</b>

**3) Total public and private (including out of state worker health expenditures)** **\$36,847**

The Medicare projection has been adjusted to reflect the Census projected reduction in the number of Massachusetts residents over age 65 through 2005. The Medicaid projection shows a growth rate triple the average of recent years. This should account for recent expansions of the program in Massachusetts.

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<b>Section 3: Net Cost of Universal Coverage</b>			
In this section, the additional costs incurred for universal coverage, and the savings resulting from universal coverage and delivery system reforms are itemized.			
	<b>Single Payer Without Cost Sharing</b>	<b>Single Payer With Cost Sharing</b>	<b>Universal Coverage HMO/PPO/POS</b>
<b>4) Additional costs associated with universal coverage (\$ millions)</b>			
A) Cost of increased utilization due to universal access to comprehensive benefits			
i) Bringing currently uninsured to average health service use rates (note 3)	\$974	\$974	\$974
ii) Additional utilization resulting from reduction or elimination of patient cost sharing	\$2,785	\$446	\$446
a) Increased use of hospital services (note 4)	\$486	\$0	\$0
b) Increased use of physicians services (note 5)	\$710	\$0	\$0
c) Increased prescription drug utilization (note 6)	\$226	\$0	\$0
d) Increased use of nursing home services (note 7)	\$379	\$343	\$343
e) Increased use of home care services (note 8)	\$425	\$103	\$103
f) Increased use of dental care (note 8a)	\$286	\$0	\$0
g) Increased use of other professional services (note 8b)	\$203	\$0	\$0
h) Increased use of medical durables (note 8c)	\$17	\$0	\$0
i) Increased use of other personal health care (note 8d)	\$53	\$0	\$0
iii) Total increased spending (sum of i and ii)	\$3,760	\$1,420	\$1,420
B) Cost of increased use of assistive tech, rehab svcs and attendant care (note 20)	\$187	\$187	\$0
C) Cost of coordination, increased health data collection, and analysis services (note 21)	\$213	\$213	\$0
<b>D) Total additional costs for Massachusetts beneficiaries (Aiii + B + C)</b>	<b>\$4,159</b>	<b>\$1,820</b>	<b>\$1,420</b>
<b>E) Subtotal (2 F + 4D -- health spending requiring public or private funding)</b>	<b>\$24,499</b>	<b>\$22,160</b>	<b>\$21,760</b>
<b>F) Total expenditures for full coverage for all benefits (1E + 4D)</b>	<b>\$41,007</b>	<b>\$38,667</b>	<b>\$38,267</b>
G) Increase over current expenditures for Massachusetts residents (Section 1, line 15)	13.7%	7.2%	6.1%
H) Increase over current expenditures for Massachusetts beneficiaries (Section 2, line 3)	11.3%	4.9%	3.9%

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	Single Payer Without Cost Sharing	Single Payer With Cost Sharing	Universal Coverage HMO/PPO/POS
<b>5) Savings associated with universal coverage and delivery system reforms (\$ millions)</b>			
A) Savings due to reduction in workers comp medical payments (Note 9)	\$11	\$11	\$0
B) Savings from more appropriate treatment for ambulatory sensitive conditions (Note 10)	\$142	\$58	\$58
C) Savings from cost controls			
i) Savings from utilization management (Note 11)	\$632	\$257	\$0
ii) Savings from capital planning and cap on capital spending (Note 12)	\$237	\$237	\$0
D) Savings from bulk purchasing discounts			
i) Prescription drug savings (Note 13)	\$507	\$466	\$0
i) Durable medical equipment savings (Note 13 b)	\$34	\$34	\$0
E) Savings due to simplification of administration			
i) Private health insurance overhead savings (note 14)	\$1,131	\$355	\$0
ii) Hospital administrative savings (note 15)	\$1,854	\$481	\$0
iii) Physicians administrative savings (note 16)	\$555	\$144	\$0
v) Nursing home administrative savings (note 17)	\$90	\$23	\$0
vi) Dental care administrative savings (note 17b)	\$14	\$4	\$0
<b>F) Total savings</b>	<b>\$5,207</b>	<b>\$2,070</b>	<b>\$58</b>
<b>6) Total cost of health care for Massachusetts beneficiaries after savings</b>	<b>\$35,800</b>	<b>\$36,597</b>	<b>\$38,209</b>
A) Increase (decrease) over projected Mass. resident spending without reform	(\$257)	\$541	\$2,153
B) Percent Increase (decrease) over projected Mass. resident spending without reform	-0.7%	1.5%	6.0%
C) Increase (decrease) over projected Mass. beneficiary spending without reform	(\$1,047)	(\$250)	\$1,362
D) Percent Increase (decrease) over projected Mass. beneficiary spending without reform	-2.8%	-0.7%	3.7%

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<b>Section 4: Financing Universal Coverage</b>			
This section shows potential funding sources for universal coverage alternatives.			
	<b>Single Payer Without Cost Sharing</b>	<b>Single Payer With Cost Sharing</b>	<b>Universal Coverage HMO/PPO/POS</b>
<b>7) Out-of-state funding that can finance part of the cost of reform (\$ millions)</b>			
A) Federal share of increased spending resulting from Medicaid expansion (note 18)	\$0	\$0	\$0
B) Federal funds generated by higher Medicaid use (note 18)	\$185	\$0	\$0
C) Federal funds generated by higher Medicare use (note 19)	\$540	\$0	\$0
D) Estimated employer contributions for residents working out-of-state (note 1)	\$447	\$447	\$0
<b>E) Total additional costs paid for through non-state sources (no cost sharing)</b>	<b>\$1,171</b>	<b>\$447</b>	<b>\$0</b>
<b>8) Net cost of Massachusetts health care after increased out-of-state financing</b>			
A) Increase (decrease) over projected Mass. resident spending without reform	(\$1,428)	\$94	\$2,153
B) Percentage Increase (decrease) over projected Mass. resident spending from existing revenue sources without reform	-4.0%	0.3%	6.0%
A) Increase (decrease) over projected Mass. beneficiary spending without reform	(\$2,219)	(\$697)	\$1,362
B) Percentage Increase (decrease) over projected Mass. beneficiary spending from existing revenue sources without reform	-6.0%	-1.9%	3.7%

	<b>Single Payer Without Cost Sharing</b>	<b>Single Payer With Cost Sharing</b>	<b>Universal Coverage HMO/PPO/POS</b>
<b>9) Source of health spending after reform (\$ millions)</b>			
A) Existing public spending for health care	\$16,507	\$16,507	\$16,507
B) Additional public spending for health care after reform	\$16,955	\$14,607	\$0
C) Private insurance and other private payments for health care	\$0	\$0	\$15,471
D) Out-of-pocket (patient cost sharing) spending for health care	\$1,166	\$5,037	\$6,231
i) Patient cost sharing for Hospital and Physician services (notes 4 & 5)	\$0	\$2,928	\$2,928
ii) Patient cost sharing for nursing homes (note 7)	\$443	\$443	\$1,148
iii) Patient cost sharing for home care (note 8)	\$0	\$741	\$296
iv) Patient cost sharing for prescription drugs (note 6)	\$0	\$202	\$906
v) All other patient cost sharing including medical non-durables	\$723	\$723	\$953
<b>E) Total private health spending after reform</b>	<b>\$1,166</b>	<b>\$5,037</b>	<b>\$21,702</b>

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	Single Payer Without Cost Sharing	Single Payer With Cost Sharing	Universal Coverage HMO/PPO/POS
<b>10) Cost of health care to be paid by public or private insurance under universal coverage reform (\$ millions) (line 8 less public spending and out-of-pocket spending)</b>	<b>\$16,955</b>	<b>\$14,607</b>	<b>\$15,471</b>
<b>Source of spending replaced by above amount</b>			
A) Existing private health insurance spending	\$13,922	\$13,922	\$13,922
B) Existing out-of-pocket health spending replaced by public or private insurance	\$5,252	\$1,381	\$187
C) Total existing health spending replaced by public or private insurance	\$19,174	\$15,303	\$14,109
D) Change in revenues needed to purchase full coverage of health services	(\$2,219)	(\$697)	\$1,362

<b>11) Increased cost (savings) to Massachusetts residents</b>			
<b>A) Additional (reduced) health spending (\$ millions)</b>	<b>(\$2,219)</b>	<b>(\$697)</b>	<b>\$1,362</b>
B) Percentage Increase (decrease) over existing private health spending	-11.6%	-4.6%	9.7%

<b>12) Funding for reform</b>			
<b>A) Complete Public funding for reform (note 22A)</b>			
i) New expenditures by single payer authority (\$ millions)	\$16,955	\$14,607	
ii) Personal income tax rate	5.0%	4.0%	
iii) Funds raised at above rate (\$ millions)	\$6,341	\$5,073	
iv) Payroll tax rate (paid by employers)	9.7%	8.7%	
v) Funds raised at above rate (\$ millions)	\$10,614	\$9,534	
vi) Total funds raised (\$ millions)	\$16,955	\$14,607	

<b>B) Partial Public funding for reform (note 22B)</b>			
Assumes a maintenance of effort requirement for all private insurers while financing some or all former out-of-pocket expenditures publicly			
i) New expenditures by single payer authority (12A-10A) (\$ millions)	\$3,033	\$685	
ii) Personal income tax rate	1.5%	0.3%	
iii) Funds raised at above rate (\$ millions)	\$1,902	\$380	
iv) Payroll tax rate (paid by employers)	1.0%	0.3%	
v) Funds raised at above rate (\$ millions)	\$1,131	\$304	
vi) Total funds raised (\$ millions)	\$3,033	\$685	

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<b>13) Changes in Area of Expenditure</b>				
	Resident Spending Prior to Reform (\$Millions)	Beneficiary Spending		
		Single Payer Without Cost Sharing	Single Payer With Cost Sharing	Universal Coverage HMO/PPO/POS
1) Hospital Care	\$11,934	\$10,179	\$11,526	\$12,505
2) Physician Services	\$5,387	\$5,824	\$5,525	\$5,671
3) Dental Services	\$1,227	\$1,564	\$1,288	\$1,292
4) Other Professional Services	\$2,825	\$2,962	\$2,759	\$2,760
5) Home Health Care	\$1,704	\$2,405	\$2,083	\$1,897
6) Prescription Drugs & Medical non-durables	\$3,210	\$3,097	\$2,912	\$3,379
7) Vision Products and Other Medical Durables	\$323	\$323	\$306	\$340
8) Nursing Home Care	\$4,264	\$4,777	\$4,806	\$4,831
9) Other Personal Health Care	\$1,011	\$1,117	\$1,064	\$1,065
10) Personal Health Care Total	\$31,683	\$32,248	\$32,270	\$33,740
11) Program Administration and Net Cost of Private Health Insurance	\$1,970	\$1,095	\$1,871	\$2,013
12) Government Public Health Activities	\$871	\$890	\$890	\$890
13) Research	\$1,533	\$1,567	\$1,567	\$1,567
14) Construction (not included in total to avoid double counting)	\$698	\$698	\$698	\$698
15) Total	\$36,057	\$35,800	\$36,597	\$38,209

<b>Change in Area of Expenditure compared to existing resident spending</b>			
	Single Payer Without Cost Sharing (\$Millions)	Single Payer With Cost Sharing	Universal Coverage HMO/PPO/POS
1) Hospital Care	(\$1,755)	(\$408)	\$571
2) Physician Services	\$437	\$138	\$284
3) Dental Services	\$336	\$61	\$65
4) Other Professional Services	\$137	(\$66)	(\$65)
5) Home Health Care	\$701	\$379	\$193
6) Drugs and other Medical non-durables	(\$113)	(\$298)	\$169
7) Vision Products and Other Medical Durables	(\$0)	(\$17)	\$17
8) Nursing Home Care	\$513	\$542	\$567
9) Other Personal Health Care	\$106	\$53	\$53
10) Personal Health Care Total	\$565	\$587	\$2,057
11) Program Administration and Net Cost of Private Health Insurance	(\$875)	(\$99)	\$43
12) Government Public Health Activities	\$19	\$19	\$19
13) Research	\$34	\$34	\$34
14) Construction (not included in total to avoid double counting)	\$0	\$0	\$0
15) Total	(\$257)	\$541	\$2,153

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<b>14) Spending on actual services</b>				
	<b>Prior to Reform</b>	<b>Single Payer Without Cost Sharing</b>	<b>Single Payer With Cost Sharing</b>	<b>Universal Coverage HMO/PPO/POS</b>
1) Hospital Care	\$8,376	\$8,475	\$8,449	\$8,921
2) Physician Services	\$4,031	\$5,023	\$4,313	\$4,295
3) Dental Services	\$1,128	\$1,478	\$1,192	\$1,188
4) Other Professional Services				
5) Home Health Care				
6) Drugs and other Medical non-durables				
7) Vision Products and Other Medical Durables				
8) Nursing Home Care	\$3,668	\$4,270	\$4,233	\$4,169

<b>Change in spending on actual services (compared to existing resident spending)</b>			
	<b>Single Payer Without Cost Sharing</b>	<b>Single Payer With Cost Sharing</b>	<b>Universal Coverage HMO/PPO/POS</b>
1) Hospital Care	\$99	\$72	\$544
2) Physician Services	\$992	\$282	\$264
3) Dental Services	\$350	\$64	\$59
4) Other Professional Services			
5) Home Health Care			
6) Drugs and other Medical non-durables			
7) Vision Products and Other Medical Durables			
8) Nursing Home Care	\$602	\$566	\$502

<b>Change from current resident administration spending</b>			
	<b>Single Payer Without Cost Sharing</b>	<b>Single Payer With Cost Sharing</b>	<b>Universal Coverage HMO/PPO/POS</b>
1) Hospital Care	(\$1,854)	(\$481)	\$27
2) Physician Services	(\$555)	(\$144)	\$20
3) Dental Services	(\$14)	(\$4)	\$5
4) Other Professional Services			
5) Home Health Care			
6) Drugs and other Medical non-durables			
7) Vision Products and Other Medical Durables			
8) Nursing Home Care	(\$90)	(\$23)	\$66