



Joint Colloquium of the IACA, PBSS and IAAHS Sections of the International Actuarial Association

Westin Copley Place Hotel, Boston, U.S.A. – 4-7 May 2008

Current Issues and Recent Developments in the US and Canadian Medical Care Systems

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Agenda

1. Introduction
2. The current status
3. Medicare Part D
4. The Massachusetts experience
5. The future?

Introduction

Everyone has an opinion on US health insurance!

We work in the field of managed care – what works, what doesn't work, what it saves, what it costs.

I am involved in healthcare reform through two boards of directors: Massachusetts Healthcare Connector Authority and Freelancers Insurance Company.

I have lived and worked in 4 different countries with different systems, most recently (again) the UK, where I spent 6 months working with the NHS.

The current status

What you hear: “45 million uninsured.”

What you don't hear:

- Access to healthcare *services*;
- Failure to seek eligible coverage;
- 7 to 10 million are illegal immigrants;
- Very difficult to identify, find and cover.

The current status

What you hear: “It will cost \$65 billion (Obama) to \$100 billion (Clinton) to cover the uninsured.”

What you don't hear:

- No-one knows;
- Previous (state-level) attempts have not been promising;
- Many residents choose not to insure.

The current status

What you hear: “Government can control healthcare cost increases.”

What you don't hear:

- Yeah; right!

The current status

What you hear: “We need to increase the pooling of risk.”

What you don't hear:

- The large-employer market is a highly-efficient risk-pool mechanism, which a number of reformers (including the current White House) propose to eliminate;
- There are some problems with small group and individual markets, often the result of some well-intentioned reform attempt;
- Recurrent proposals for a government-run reinsurance mechanism.

The current status

What you hear: “Health Insurance is Unaffordable.”

What you don't hear:

- Healthcare is very expensive in the US. You don't hear a lot about why this is so.
- The US system is clearly focused on saving lives and performing miracles (which it does regularly) rather than saving money.

The current status

What you hear: “The US System is wasteful. Look at its administrative costs.”

What you don't hear:

- ...much specific about waste. For example, it is thought that introducing (very expensive) Electronic Medical Records will help to cut waste (not clear exactly how, though).
- ...much about choice. Other systems would like to introduce more choice and make patients more proactive and responsible, but struggle to figure out how to do so.

The current status

What you hear: “Obesity will make the system unsustainable.”

What you don't hear:

- Americans like to pick a scape-goat every few years. Back in the 17th Century, it was the witches of Salem. We have practically driven smokers into extinction (without apparently having a noticeable effect on healthcare cost increases).
- Now it's the turn of the overweight, those who eat certain foods, and those who don't exercise.
- Barack Obama, at a debate in Iowa in December, claimed: "if we went back to the obesity rates that existed in 1980, that would save the Medicare system a trillion dollars."

Two recent examples of change in the US

1. Medicare Part D
2. Massachusetts Healthcare finance Reform

Medicare Part D

US Medicare should be a cautionary example to all those who think that Government is the solution to whatever ails the system.

- Medicare's actual cost is orders of magnitude more than it was ever projected to cost. There is little dispute that, in its current form, it is financially unsustainable.
- Because the system is *politically* directed, rather than left to the market, it requires changes at the political level. That's one reason it took 40 years to pass a drug benefit.

Medicare Part D

The program design (heavily criticized) incorporates some elements that may point the way to future market-based reforms:

- The benefit design combines income transfer with catastrophic coverage;
 - It leaves the determination of drug prices to the market;
 - The program has consistently cost less than its projected cost;
 - The law that enabled the benefit contained provisions for Health Savings Accounts – another market-based reform.
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- As an aside: Congressional Budget office (Economists) estimates of program costs have generally been closer to the actual cost than the Government Actuary's.

Massachusetts Experience

Background:

- Low rate of uninsurance (< 9% of non-elderly);
- Estimated uninsured between 300,000 and 600,000 (hard to get accurate numbers);
- Existing source of funding (Safety net hospital payments and uncompensated care pool);

Massachusetts Experience

The reform:

- **Mandate: every citizen had to demonstrate coverage (either government, employer or personal) or pay fine. First year fine: \$295.**
- **Commonwealth Care program (for citizens under 300% of federal poverty – about \$60,000 single);**
- **Free for lowest-paid (up to 150%) and sliding scale contributions above that. Overall package costs participants less than the “average” employer plan;**
- **Access to private insurance market above 300% of FPL;**

Massachusetts Experience

Even this design allows an “out” for some citizens:

- Affordability schedule;
- Waiver program;

Massachusetts Experience

Commonwealth care program has been broadly successful:

- Approaching 200,000 covered lives;

Jury is out on Commercial program:

- Relatively low participation rate;

From Tax-payer perspective a mixed bag:

- Considerably more expensive than early estimates.
- Commercial program increases modest for 2008-9;
Commonwealth care program increases around 15% (before cost-sharing and other design changes).

Massachusetts Experience

Unhappiness:

- Advocates for the uninsured are unhappy because this group has to bear a share of costs. Their share actually decreased slightly in the latest pricing;
- The (formerly) uninsured unhappy because they cannot always have access to providers of choice;
- Older people unhappy over age-rated premiums;
- Public officials unhappy because health insurers cannot control costs;
- Doctors/hospitals unhappy because reimbursements are not generous.

The future

