



Health Insurance

Market-based or Washington-based?

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A National Problem & Moral Obligation

Saving Lives, Improving Health & Saving Money

Nationally 16%, totaling over 46 million Americans, have no health insurance coverage.

Uninsured adults have a 25% greater rate of dying than adults with insurance.

Uninsured trauma victims are less likely to be admitted to the hospital or receive the full range of needed services. They are 37% more likely to die of their injuries.

The Institute of Medicine states that there are 18,000 excess deaths each year because people do not get the care they would if they were insured.

A Health Affairs report projected that by 2013 the number of uninsureds will rise from the current 46 million to 56 million lives.

Who Do You Trust?

Distrust Business if:

- 1. CEO are overpaid greedy businessmen**
- 2. Businesses make money off of underpaid workers**
- 3. Business does not care about customers**
- 4. It only about profits and the almighty dollar**

Distrust Government if:

- 1. Government programs are filled with waste, fraud, and abuse**
- 2. Bureaucrats are insensitive**
- 3. Government is bloated and inefficient**
- 4. Political control of individuals stems from consolidation of power**

Reality – The American Health Insurance System is 45% Government & 55% Private

The current system is dysfunctional with no “good guys”

THE WORST OF BOTH WORLDS

A costly government healthcare that locks citizens into restrictive limited choices, and

A private market that is overburdened with state and federal laws and regulations.

Real Insurance Reform Will Play Out at the State Level

Three states, Maine, Massachusetts and Vermont, have enacted and are implementing reform plans that seek to achieve near universal coverage of state residents.

Many other governors and legislators have announced comprehensive reform proposals or have established commissions charged with developing recommendations on how to expand coverage. As of June 2008, 3 states had enacted and 13 states were moving toward comprehensive reform.

California
Colorado
Connecticut
Illinois
Iowa
Kansas

Massachusetts
Minnesota
New Mexico
New York
Oregon
Pennsylvania

Washington
Wisconsin
Vermont
Maine
GEORGIA

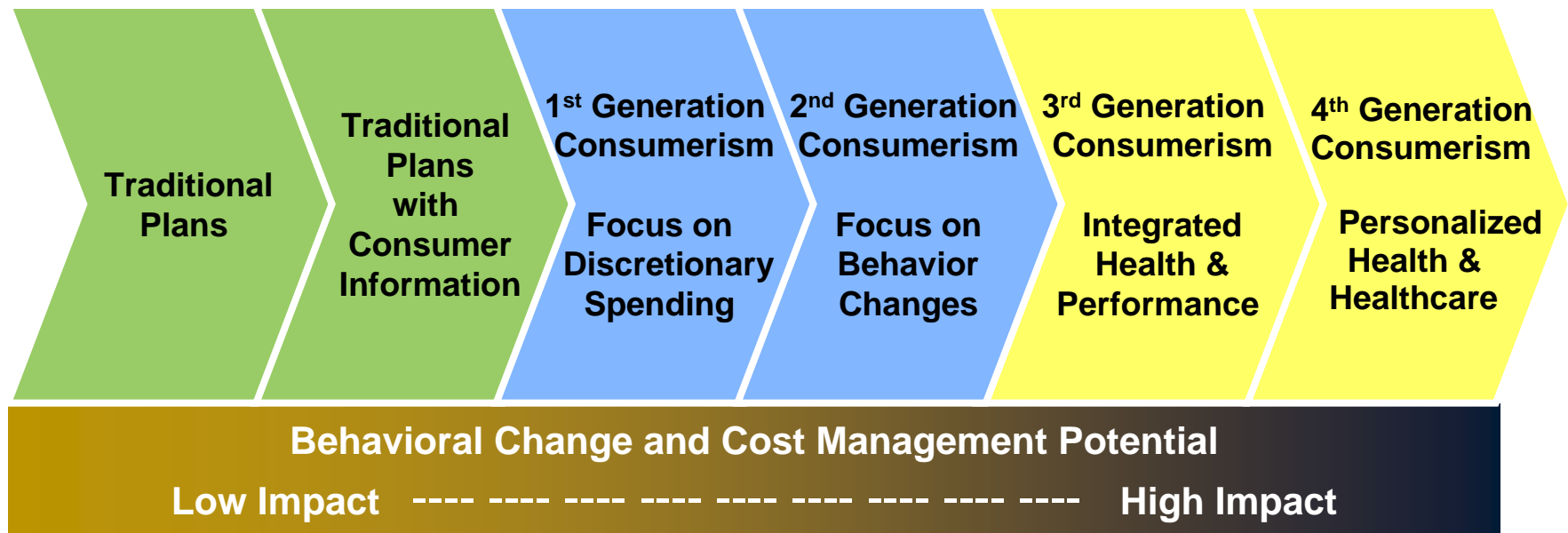
Employers are Leading the Way to Healthcare Consumerism

Healthcare Consumerism is about transforming a health benefit plan into one that puts economic purchasing power—and decision-making—in the hands of participants.

It's about supplying the information and decision support tools they need, along with financial incentives, rewards, and other benefits that encourage personal involvement in altering health and healthcare purchasing behaviors.

The Evolution of Healthcare Consumerism

Future Generations of Consumerism



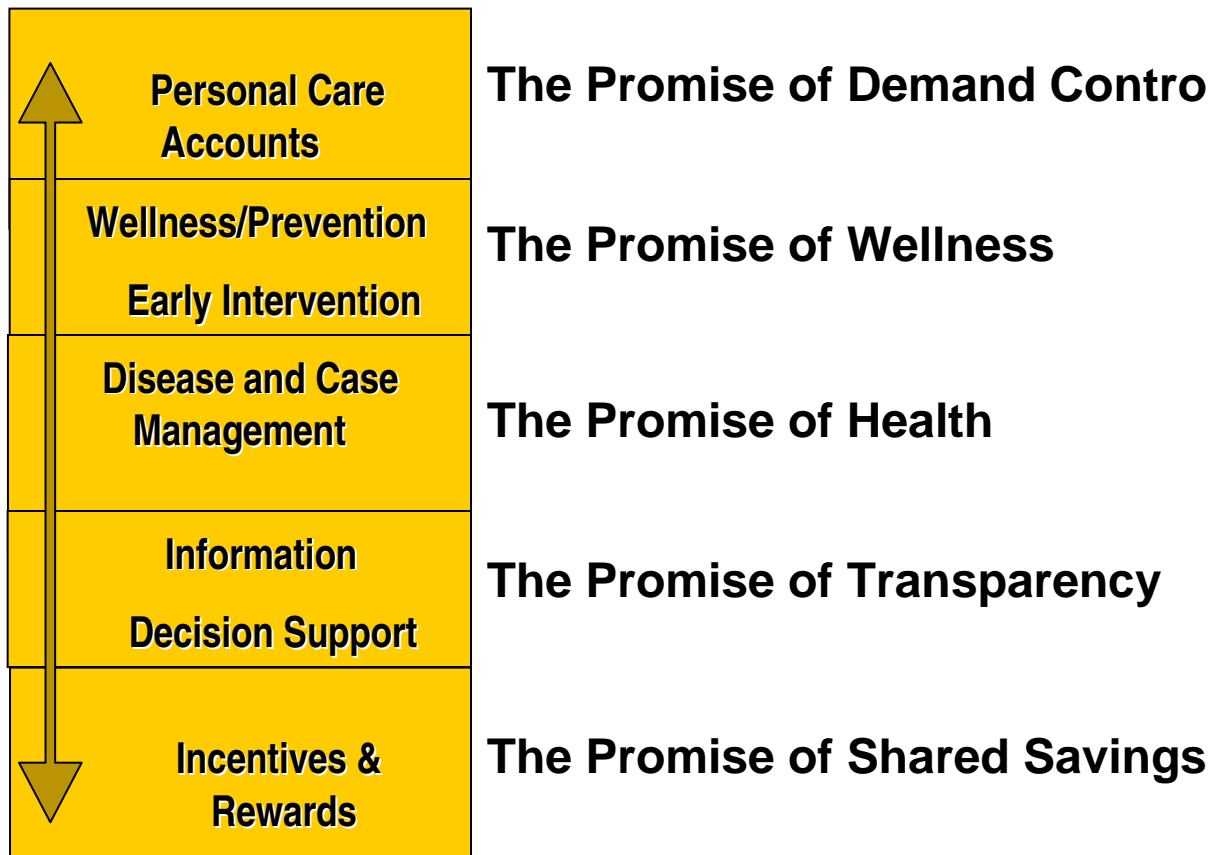
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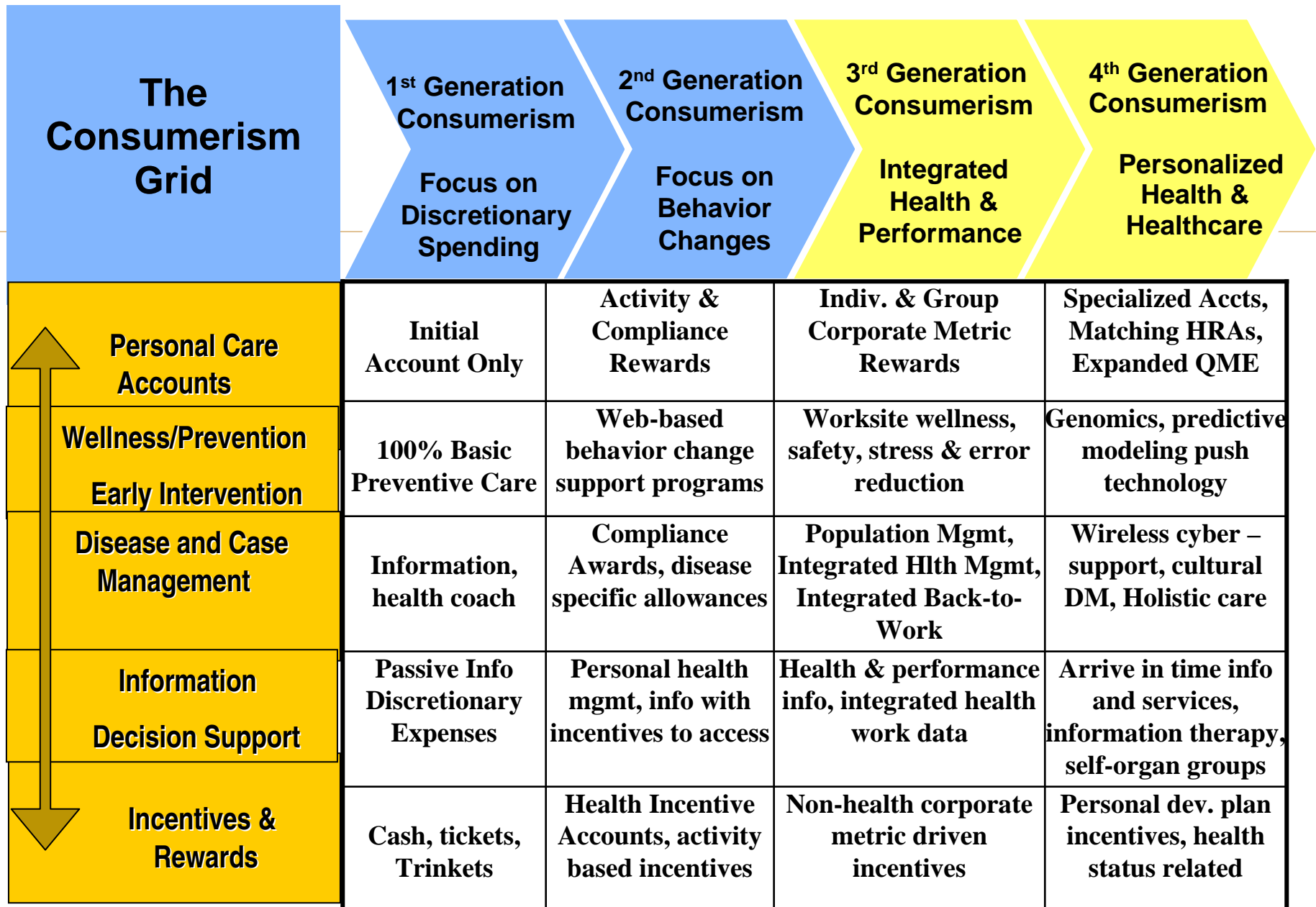
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The Promises of Consumerism

Major Building Blocks of Consumerism



It is the creative development, efficient delivery, efficacy, and successful integration of these elements that will prove the success or failure of consumerism.

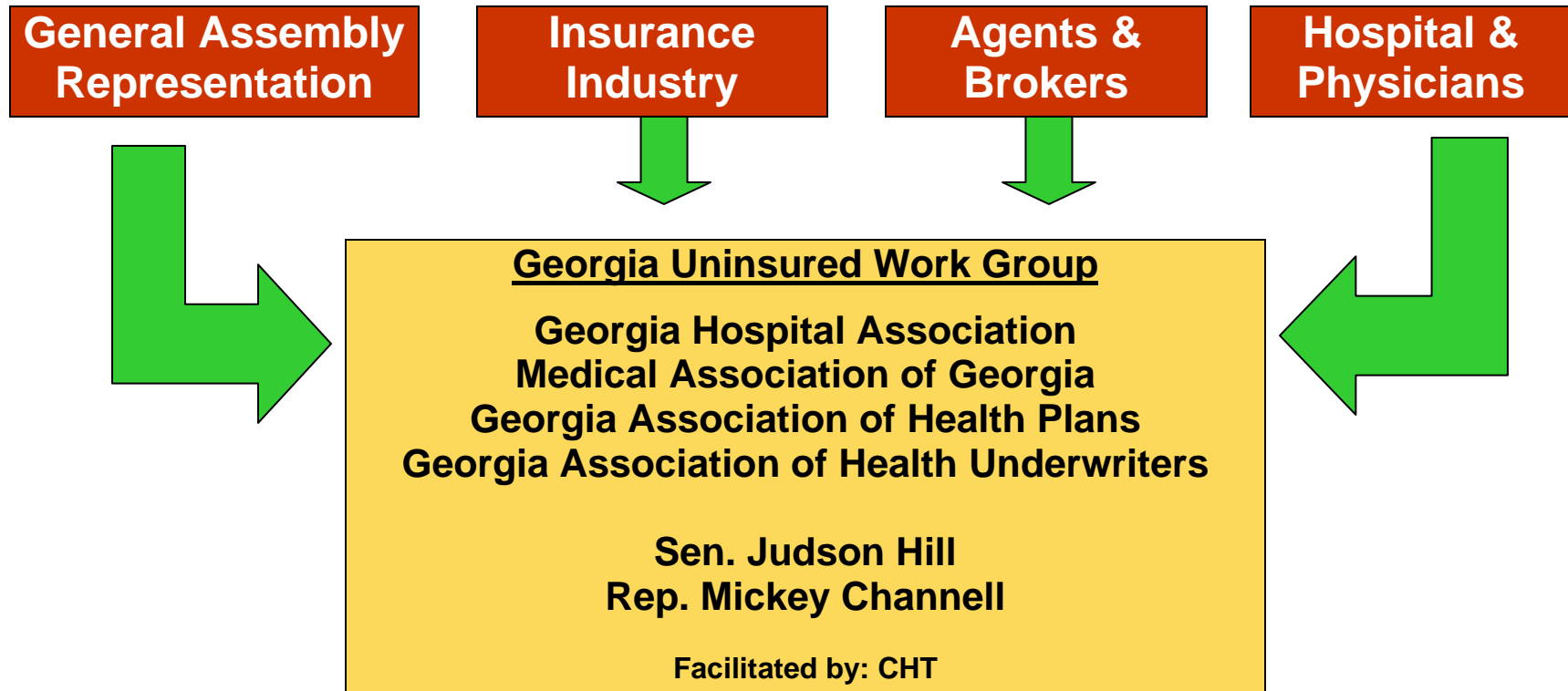


The GEORGIA MODEL

Developing a 9 Million Payer System

Legislative Changes Passed
in 2008 for Building
Market-Based Solutions

The Georgia Uninsured Work Group: A Collaboration of Key Stakeholders to Address the Uninsureds in Georgia

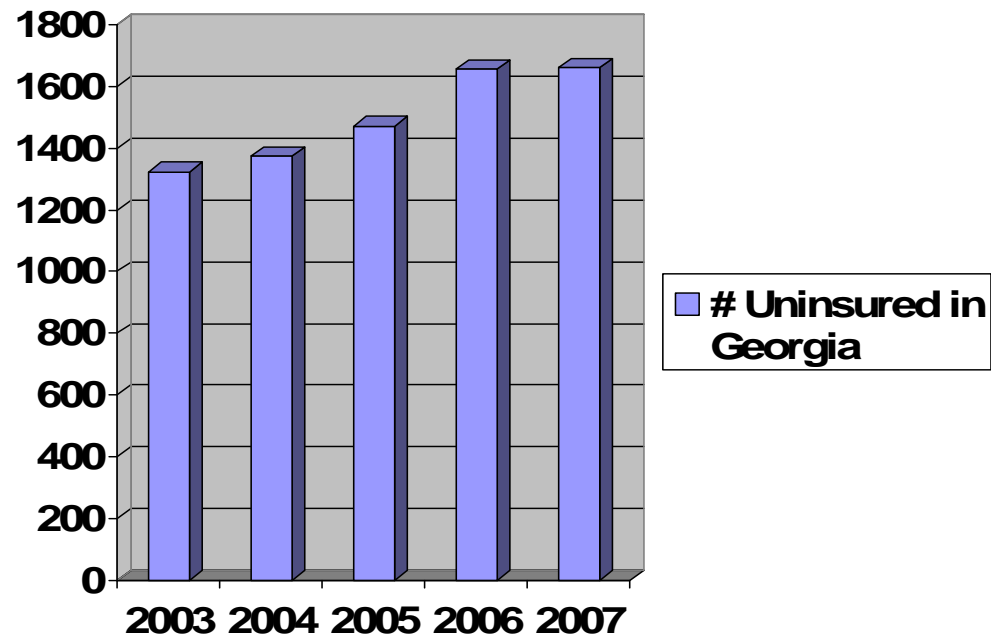


The Key to Collaboration

WG: “No one benefits from the uninsured and all stakeholders would benefit from free market solutions to the problem.”

WG: “There is no other issue as important or as impactful that directly touches each and every Georgian as the need to address health, healthcare, and health insurance.”

Level & Growth of Uninsureds In Georgia



Uninsured in Georgia By Year					
Year	2003	2004	2005	2006	2007
# Uninsured	1,321,000	1,372,000	1,469,000	1,654,000	1,659,000

The Need For Change

- **About 18 percent (1.7 million) of Georgia's 9 million citizens are uninsured for healthcare at any point in time.**
- **Georgia has the 5th highest rate of uninsured citizens without Medicare, Medicaid, SCHIP, Tri-care or private health insurance.**
- **More than 70% of employers with fewer than 10 employees do not offer health insurance.**
- **Nearly 40% of employers with 10-24 employees do not offer health insurance.**
- **Approximately 20% of those without insurance protection are uninsured because their employer drops coverage or because of gaps in coverage while changing jobs.**
- **Many Georgians are only a pink slip away from losing their jobs and their health insurance**

Basic Principles

- 1. Market-based** - allow a creative open competitive entrepreneurial market
- 2. Increased Competition** - best solution to lower prices, better services, higher quality, greater convenience, and more choices.
- 3. Personal Responsibility** - means taking ownership for good and bad health and healthcare decisions.
- 4. Ownership** - possession of financial assets, choices of how to spend personal funds, and the right to information
- 5. Portability** - coverage regardless of employment status and/or job changes
- 6. Transparency** - meaningful and accurate information that is easily available and understood by consumers.
- 7. Use of Technology** - to lower costs, improve efficiency and effectiveness of coverages, and appropriately identify and distribute information.

Segmenting the Uninsureds

Uninsured Georgians By Segment		
	Percent	Estimated Number
Uninsured Not Needing Financial Assistance	30%	510,000
Uninsureds Needing Financial Assistance	35%	595,000
Uninsureds Eligible for Gov't Programs	20%	340,000
The Uninsurables	15%	255,000
	100%	1,700,000

The WG determined that segments #1 and #2 above were the largest targets with over 1.1 million lives. The segments represented areas where consensus solutions could potentially reach more than 500,000 uninsured Georgians

WG Developed a Strategy Emphasizing HSAs and Healthcare Consumerism

**Healthcare Consumerism
is about
Behavioral Change**

Key Success Factors:

- 1. Must work for the sickest among us**
- 2. Must work for “non-techies”**

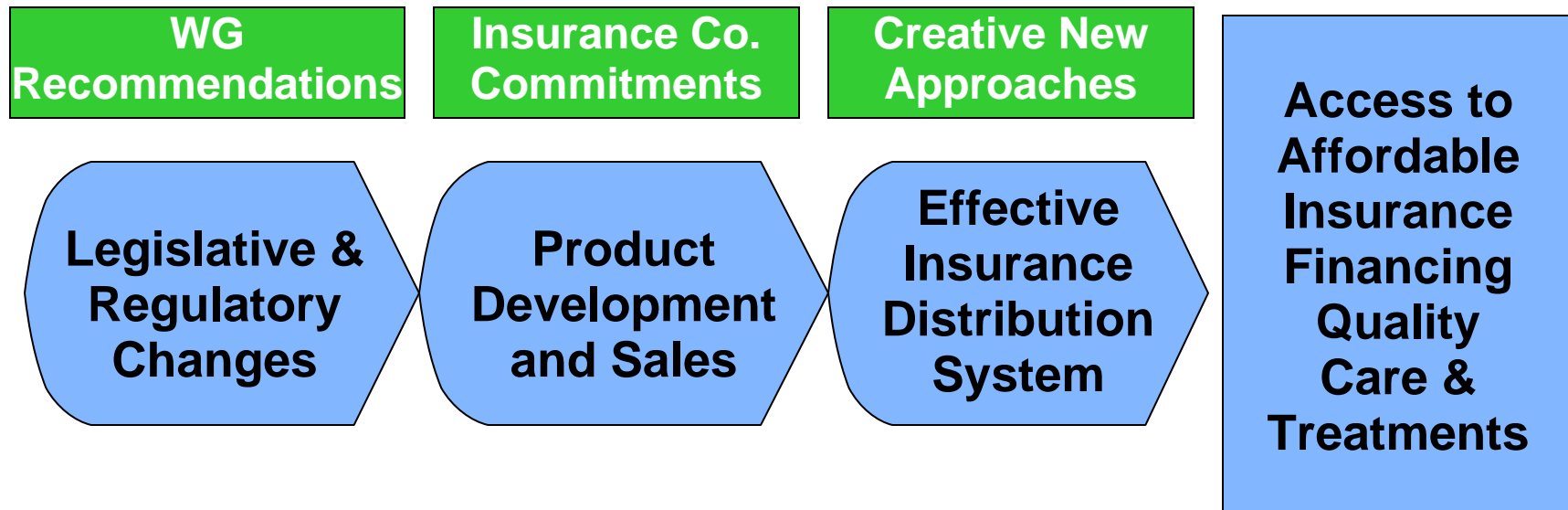
Consumer Empowerment with Market-based Health Insurance

**The WG Strategy Builds on
the Successes and Potential of Health Savings
Accounts and Healthcare Consumerism**

25-40% of HSA eligible plans have been sold to individuals that were previously uninsured. Premiums are typically 30-40% less than traditional health insurance policies.

Many who previously thought they could not afford health insurance now find that coverage is available within their budget.

Key Roles and Responsibilities to Affordable Health Insurance for All Georgians

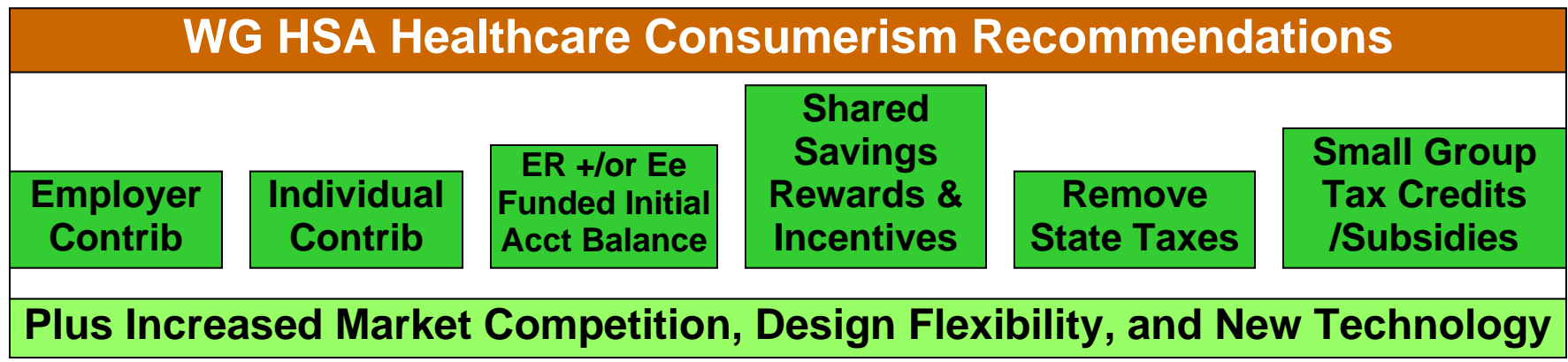
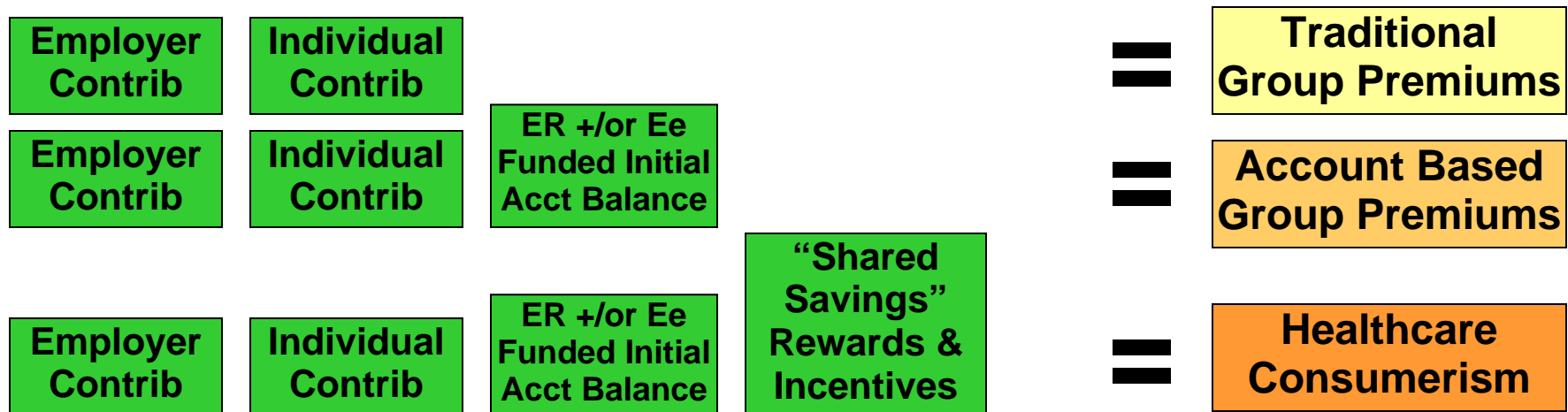


Affordability Redefined With New Generation Products

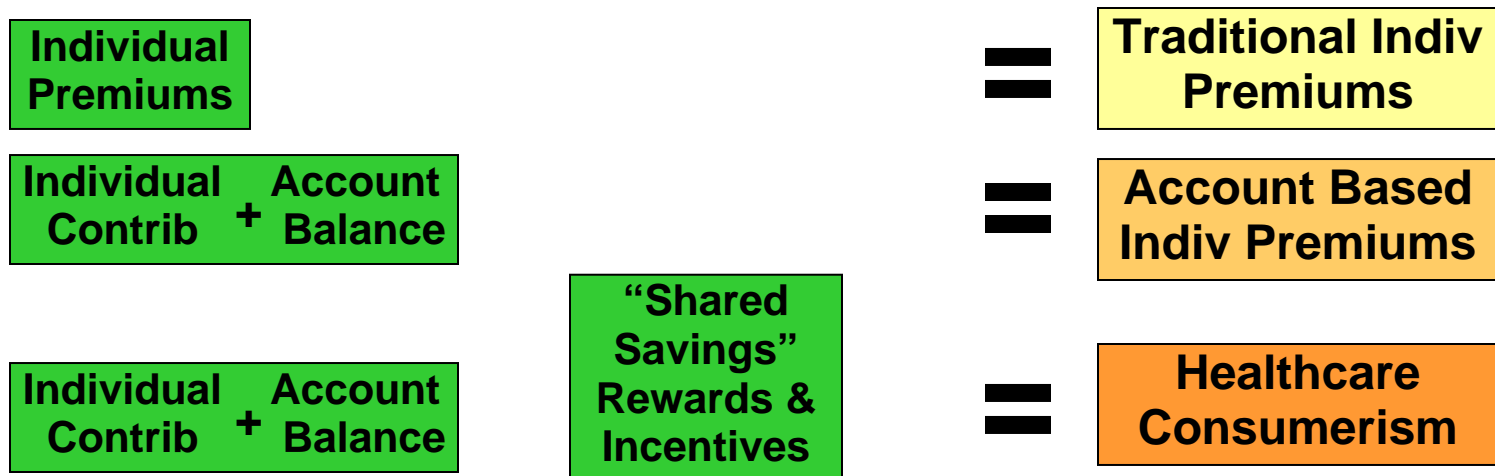
Affordability is no longer only the amount of money one pays in insurance premiums.

One can now cover a significant portion of a policy's cost by participation and rewards from wellness activities. Others, if ill or suffering from a chronic condition, can lower their costs with rewards and incentives for adherence to their physician's orders for care and treatment.

WG Recommendations Redefine Affordability (Group Plans)



WG Recommendations Redefine Affordability (Individual Plans)



WG HSA Healthcare Consumerism Recommendations



Georgia Legislation Signed into Law May 7, 2008

HSA Insured Product Shared Savings NOW Legal in Georgia

Examples of Direct Deposits into HSAs are now legal for:

- 1. Completion of a Wellness Assessment**
- 2. Participation in Wellness Programs (e.g. weight loss, smoking cessation, exercise programs)**
- 3. Engagement in Disease Management Program**
- 4. Adherence to Physician orders**
- 5. Compliance with Medication prescriptions**
- 6. Healthy Outcomes**

Employers with Fully Insured Group Plans:

If employers are willing to offer HSA eligible group plans, the new Georgia law helps working uninsureds with:

1. HSA “dividends” for wellness, prevention, and treatment compliance.

These shared savings were previously illegal under Georgia rebate laws. Under federal law, up to 20% of a policy’s cost can be returned through rewards and incentives for healthy outcomes. Additionally, unlimited “dividends” can be provided for healthy activities.

2. Elimination of all state and local “sales taxes” for HSA eligible plans.

Georgia has the third highest insurance taxes in the country. The average state tax is 2.25% with added local insurance taxes the added cost burden is as much as 7% of premium. These “sales taxes” are all eliminated for HSA eligible plans.

3. A \$250 “Small Group Tax Credit” per HSA eligible plan enrollee

The average HSA eligible plan annual premium for a single employee is about \$2500. The tax credit represents a 10% offset to the cost of the health insurance.

4. More flexible HSA eligible plan designs

Previous Georgia law prohibited some plan design options that would offer better coverage at lower premiums. These barriers have been eliminated for HSA eligible plans. The estimated savings are between 1-2%.

Overall, the new Georgia law can further lower the net cost of HSA eligible group insurance by 20 to 40%, or more.

Employers without Group Plans: New Ga. Law Supports small employers willing to subsidize buying individual health insurance:

1. Buying Insurance with tax advantaged HRAs

Under the new Georgia law, HRAs are allowed that encourage employers to allocate business tax-deductible funds directly to employee accounts. Employees will receive tax-free a 100% of the employer contributions without any state or federal income taxes, and without any payroll taxes (e.g. Medicare, or FICA Social Security taxes).

2. Using HRAs funds to pay for health and healthcare expenses.

If an employee does not want to use HRA funds to purchase health insurance, employer HRA allocations can be used by the employee to pay for and any medical expenses (e.g. prescription drugs, office visits, tests, lab work etc.). Unused HRA dollars can be “left on account” to accumulate into future years for times of medical need.

HRAs provide an income tax savings of 21-31% and federal payroll tax savings of 15.3%. Overall, allowing HRAs increases the effective value of employer contributions by 60-85% versus a pay increase of the same amount.

Individual Health Plans: New Ga. Law supports portable individual health insurance that is independent of the employer.

1. Georgia inc. tax ded. for the premiums of HSA eligible plans.

This deduction lowers the net cost of HSA eligible plans by 6%. (Georgia's marginal income tax rate is 6% for singles with income over \$7,000).

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Overall, the new Georgia law can lower the net cost of HSA eligible individual health insurance by 15 to 35%, or more.

Health Insurance For All Georgians

It is true that these solutions outlined will reach only a piece of the uninsureds in Georgia.

Reaching 500,000 Georgians with affordable insurance is a good start.

The collaborative approach is working. A framework for a comprehensive approach is in place. The WG has established a foundation for reaching all Georgians without insurance.

The WG will continue to meet with dedicated effort, a spirit of collaboration and an expanded circle of interested parties to find solutions for the remaining segments of the uninsureds.

Remember

Real Change

Requires

Real Change