



Health Net®

CRITICAL ISSUES FOR HEALTH REFORM

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Health Net®

REALITY

- **45.7 MILLION UNINSURED IN THE US**
- **26.8 MILLION ARE EMPLOYED**
- **9.1 MILLION ARE CHILDREN UNDER THE 18 YEARS OF AGE**

SOURCE: Robert Woods Johnston Foundation – March '09

REALITY

■ EMPLOYER AND EMPLOYEE PREMIUMS CONTINUE TO RISE

- SINGLE EMPLOYEE PREM. 1996 - \$439
79.3% INCREASE
2006 - \$788

- EMPLOYER PREMIUM - 1996 - \$2,120
57.1% INCREASE
2006 - \$3,330

SOURCE: Robert Woods Johnston Foundation – March 2009

Dollars adjusted to 2006 dollars using the CPI-U

REALITY

■ MEDIUM INCOME FOR FULL-TIME WORKERS HASN'T KEPT UP

1994/95 AVERAGE INCOME - \$34,199

9.5% INCREASE

2006/07 AVERAGE INCOME - \$37,460

SOURCE: Robert Woods Johnston Foundation – March 2009

Dollars adjusted to 2006 dollars using the CPI-U

BUT

■ MOST ARE HAPPY WITH THEIR OVERALL HEALTH CARE COVERAGE

- 80% SATISFIED WITH QUALITY OF CARE
- 75% HAPPY WITH OVERALL COVERAGE

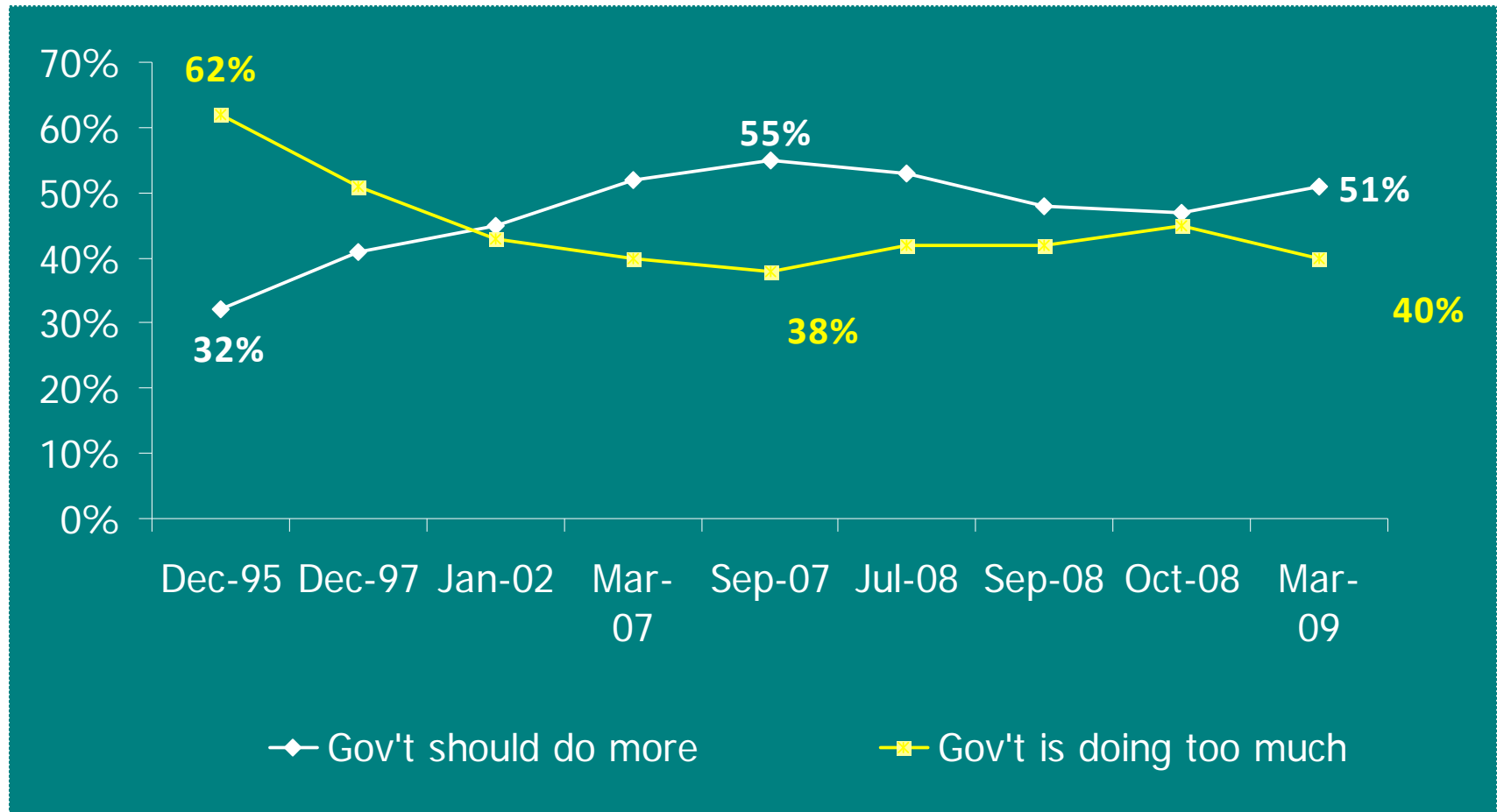
■ BUT, PEOPLE BELIEVE HEALTH CARE COSTS TOO MUCH

- 52% SATISFIED WITH WHAT THEY PAY
- 75% DISSATISFIED WITH TOAL COST OF HEALTH CARE IN US

SOURCE: CNN Poll – 3/09

POLITICAL LANDSCAPE

People want government action, but...

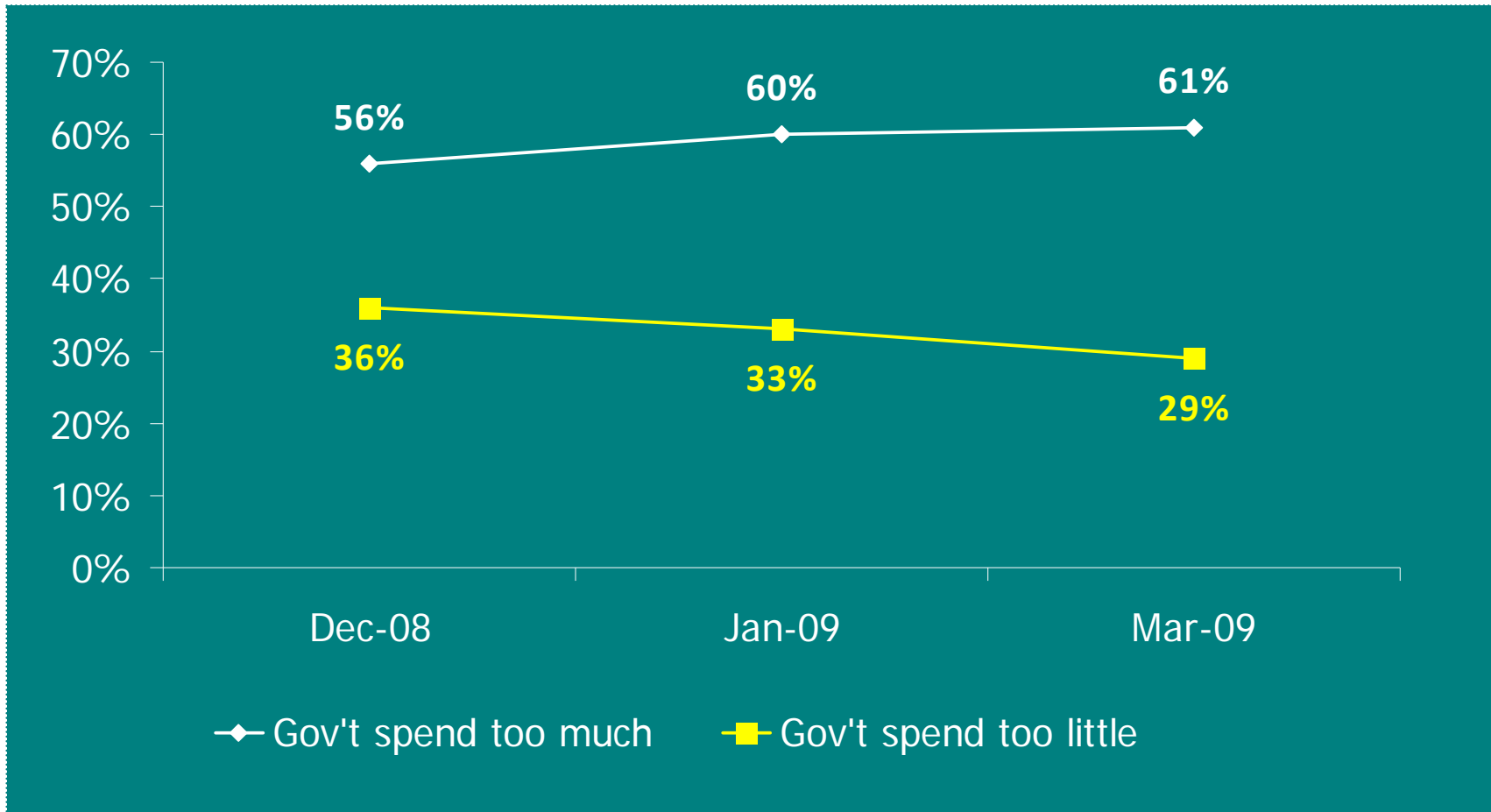


Health Net[®] Source: NBC News/Wall Street Journal, February 26 – March 1, 2009

Confidential, Restricted Distribution

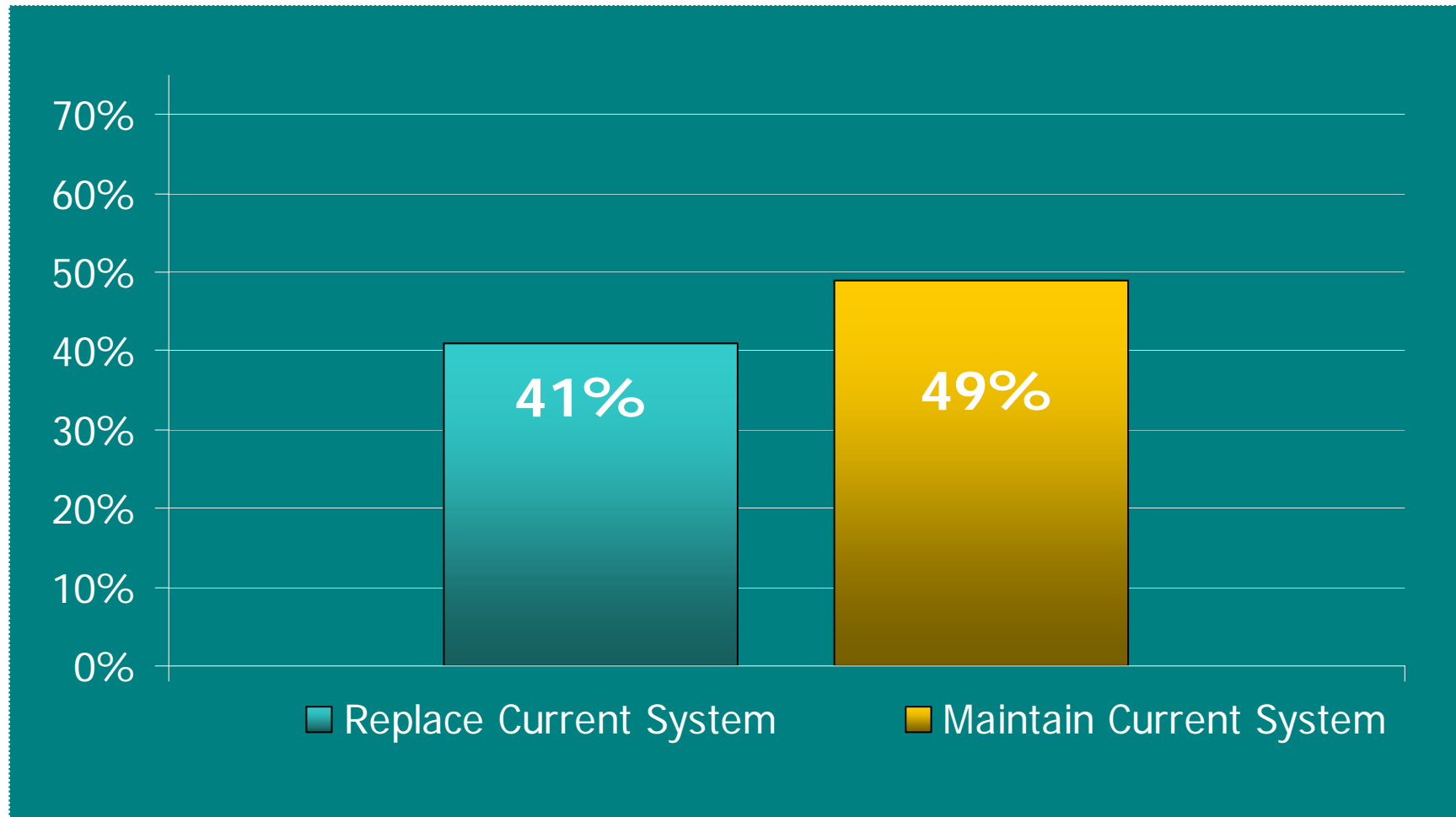
POLITICAL LANDSCAPE

...concern about spending exists.



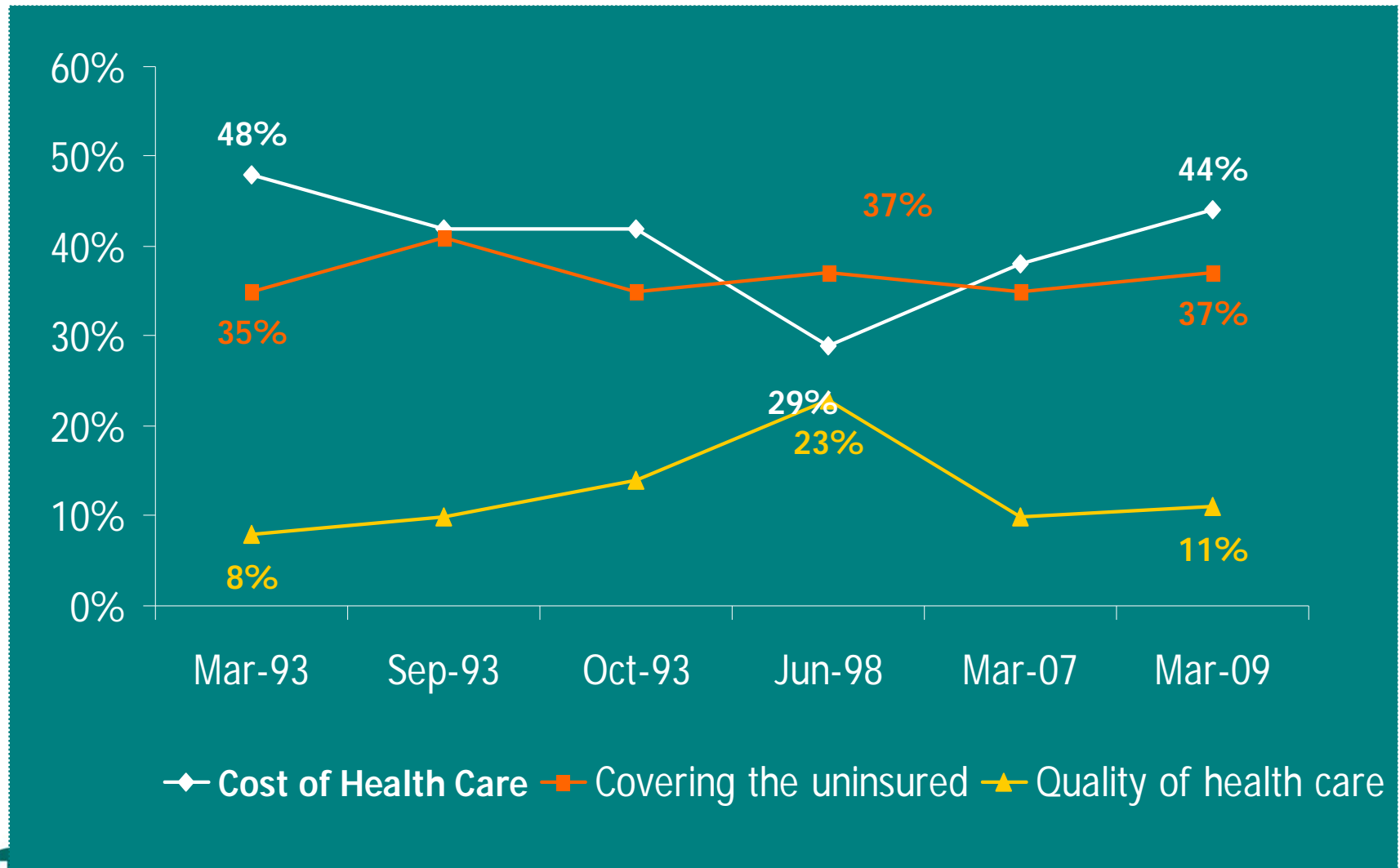
POLITICAL LANDSCAPE

Health Care Reform...Public is split



POLITICAL LANDSCAPE

Health Care Reform...Reducing health care costs are the #1 concern



Key Issues

- 1. Ensuring coverage for all by building on a sustainable, modernized system**
- 2. Addressing barriers to affordable coverage such as the use of medical underwriting**
- 3. Making Medicare solvent over the long-term**
- 4. Reducing the rate of growth of health care costs system-wide**
- 5. Delivering 21st Century health care that promotes quality, prevention and administrative efficiency**

COST PROBLEM

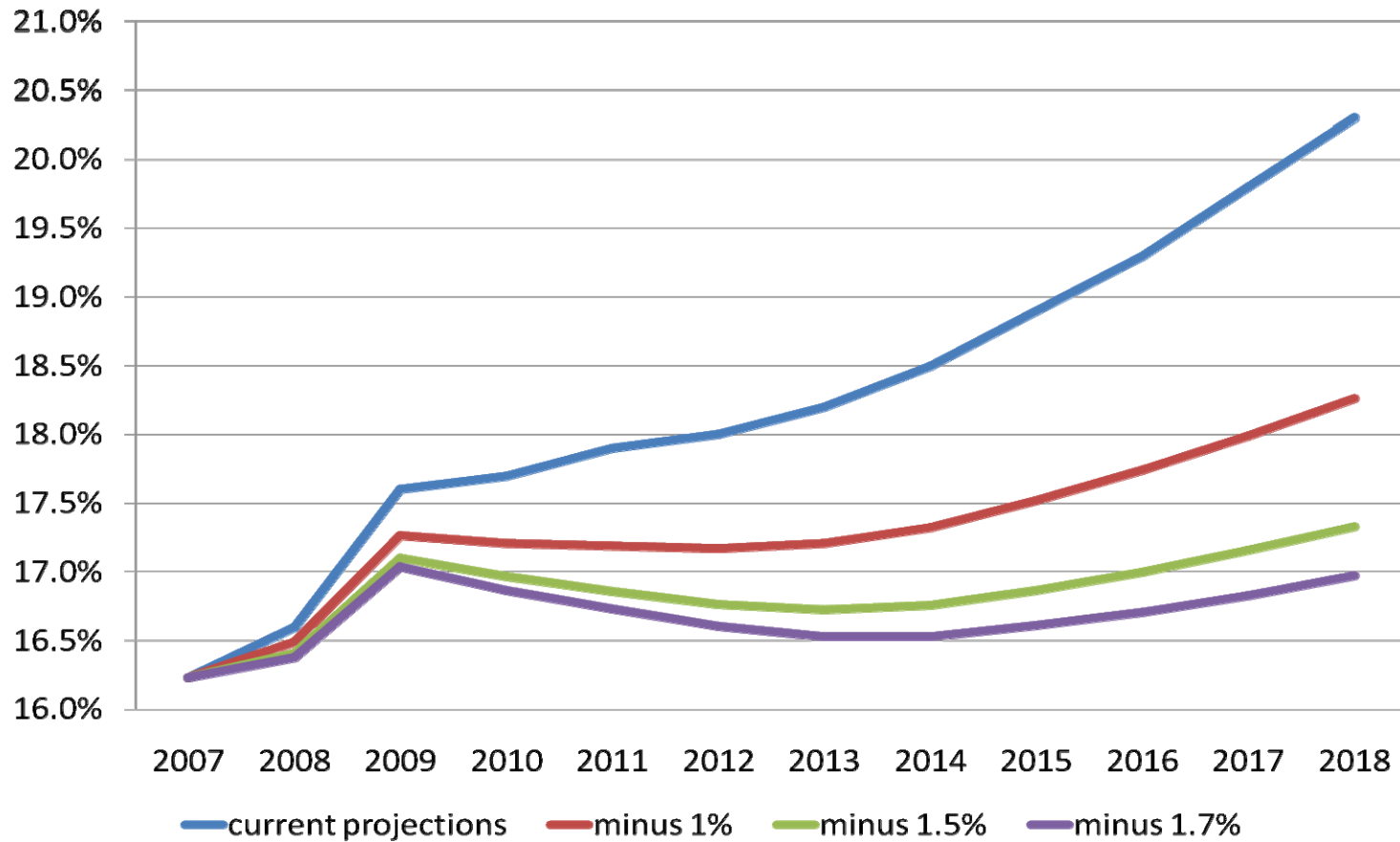
- 1. Affordability is critical to a goal of universal coverage**
- 2. Costs are putting increasing pressure on individuals and businesses**
- 3. Hinders U.S. economic competitiveness**
 - U.S. economy is on unequal footing with other countries
 - The U.S. spends more per person than other countries for outcomes that are the same or worse
 - Driven by higher input prices and service intensity
- 4. Government budgets are strained**
 - Medicare funding warning triggered for the third time
 - Cost pressures threaten Massachusetts program
 - Medicaid funding pressures at the state level

COST PROBLEM

- **Small reduction in the trend results in significant and growing savings**
 - Savings of \$2 trillion from 2009-2017
 - By 2021, see \$1 trillion savings in a single year
- **On aggregate these reductions solve the Medicare Trust Fund problem, fund coverage for the uninsured and dramatically reduce the increase in GDP attributable to health care**
- **CMS projects national health expenditures will grow on average by 6.2% over the next 10 years**
 - Set a goal to reduce growth (1 to 1.7 percentage point reduction)
- **All sectors must be enlisted to come up with a comprehensive solution to the cost problem which doesn't compromise quality or access**

BENDING THE CURVE

**Projected National Health Expenditures,
as a Percent of GDP, 2008-2018**



Projected Expenditures if Nothing is Done

National Health Expenditures in 2009 and 2018 by Category

Category	NHE 2009 (\$billions)	NHE 2018 (\$ billions)
Hospital (AGR=6.7%)	800	1345.7
Structures and Equipment (AGR=6.1%)	123	196.7
Nursing Home/Home Health (AGR= 6.0%)	210	336.5
Drugs/Medical Devices (AGR = 7.9%)	330	605.7
Admin/Net Cost of Insurance (AGR = 6.2%)	184	297.7
Research (AGR = 5.9%)	46	72.7
Professional (AGR = 6.4%)	791	1297.7

Proposed Approach

- **CMS projects national health expenditures will grow on average by 6.7% over the next 10 years**
 - **Goal to reduce growth by 1.5% per annum**

- **This small reduction in the trend results in significant and growing savings**
 - **Savings of \$2 trillion from 2009-2017**
 - **By 2021, see \$1 trillion savings in a single year**

- **In aggregate these reductions solve the Medicare Trust Fund problem, fund coverage for the uninsured, and dramatically reduce the increase in GDP attributable to health care.**

HEALTH CARE INDUSTRY PLEDGE

- **May 11, AHIP, AMA, AHA, PhRMA, SEIU and AdvaMed met with President Obama**
- **Pledged to come forward with proposal to save \$2 trillion in health care costs over next 10 years**
- **Efforts will also make significant improvements to health care delivery in US**
- **All sectors must be enlisted to come up with a comprehensive solution to the cost problem which doesn't compromise quality or access**

UNIVERSAL COVERAGE

A Strong Foundation to Cover All Americans

Small Business Coverage Reforms

**Guaranteed Coverage and
Market Reforms**

Helping Hand for Working Families

Strengthen the Health Care Safety Net

Build on Employer-Based Coverage

QUALITY

- Refocusing our health care system on keeping people healthy, intervening early, and providing coordinated care for chronic conditions
- Improving care nationwide by adopting uniform standards for quality reporting and information technology
- Investing in more research to better understand which treatments and therapies work best
- Creating accountability for consistently delivered, high-quality care based on the best evidence

CRITICAL ISSUES

- **WHAT IS THE ROLE OF GOV'T**
 - Public Plan Option
 - Federal vs. State Regulation
- **FINANCING**
 - Medicare program
 - Taxes
- **REIMBURSEMENT – PAYMENT MODELS**
 - Pay for Performance
 - Evidence based
- **HEALTH PLAN RESPONSIBILITY**
 - Guarantee Issue
 - Small Group Reform
 - Administration simplifications
- **INDIVIDUAL RESPONSIBILITY**
 - Individual Mandate
 - Incentives
- **EMPLOYER RESPONSIBILITY**
 - Employer Mandate
 - Pay or Play

Summary

1. The administration is pressing for major health reform this year
2. Reform will force major changes in the system
3. It could turn the basic tenets of health care on their head.
4. There will be major issues to deal with in all sectors of health care as reform is implemented
5. This is a unique time for positive change