

Health Care Cost Incidence Analysis DRAFT 01-23-2014

Who Pays and How Much? - current system of paying for health care in Vermont

- Create the ability to compare current law with proposals for reform
- Measure the progressivity or regressivity of the financing system and its major components
- Identify winner and losers and understand fiscal and health care coverage impacts
- Likely to require a custom micro simulation model – may have macro-simulation abilities
- Note: pre-exchange data in a post-exchange environment – will need to address this data concern and develop a method of bridging the gap

How to show the results? Capability

1. By Household

Definition of household - “insurance family” and taxpaying unit - not the same
By AGI income level, family size or type

2. Employers (as step before households and costs of goods and services - capital/labor)

Size: by number of employees and size of payroll

Type of business: NAICs code or other category

Type of health insurance offered

- fully-insured
- self-insured
- high-deductible plans and moderate deductible plans

3. Incidence Unique to Health Care

Household by health status

Insurance coverage

Employment relationship

Age

4. Representative Households/Employers

Ability to show the results for individual families and across groups of households

Ability to show results for individual businesses and across industries or types

Methodology: What is included in health care costs?

1. Premiums
 - employers
 - employees
 - direct-purchase (individual/exchange, medicare supplement...)
2. OOP (out of pocket expenses)
3. Direct Health Care Taxes (state and federal)
 - cigarette/tobacco
 - provider taxes
 - claims tax and employer assessment
 - medicare tax
 - also the General Fund portion that is used to pay for state health care programs
4. Federal tax benefits/subsidies to individuals and employers
5. Indirect Costs of Health Care included in all Goods and Services
 - (modeler will have to determine an appropriate level of aggregation)
 - health care cost included in goods businesses and households purchase - products
 - health care costs included in services
 - this would include government services such as education – the portion of property taxes that pay for government health care (schools)
 - modelers will have to determine an appropriate level of aggregation

Concepts to consider

- Changes in financing design can have behavioral impacts which impact cost, utilization, employer and employee decisions
- Financing choices can impact the economy and its participants which have distributional effects
- Tax incidence in health care represents an extremely varied set of participant data points as in any income group because of the type of coverage
- Reform could change overall progressivity and regressivity as well as variance within each household/employer group
- The winners and losers will be defined by both shifts in costs and shifts in health care benefits
- Categories will guide and define future capability for analyzing proposal for health care reform