

**Feasibility Study of a Single-Payer
Health Plan for Maine:
Preliminary Results from the
Maine Microsimulation Model**

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Purpose of the Maine Microsimulation Model

- To understand the cost, financing, and economic impact of a single-payer health insurance system in Maine
- To understand the implications of alternative plan designs
- To provide Maine with a resource for understanding alternative coverage, benefit, and financing arrangements

Preliminary Findings

- **As Maine's population ages**
 - Medicare becomes a larger payer
 - more elderly rely on Medicare alone
 - more Mainers become eligible for MaineCare
- **A single-payer system would cover 143 thousand Mainers who would be uninsured in 2004 – about 11 percent of the population.**

Preliminary Findings

- **Maine's uncompensated care burden is projected to exceed \$253 million in 2004 and \$317 million in 2008, or 4% percent of total spending.**
- **Consumers will spend an average of \$1,450 out pocket in 2004, and \$1,870 in 2008 – about 18 percent of total health care costs.**
- **Employers will spend \$3,664 per covered worker in 2004, and nearly \$3 billion overall.**

Preliminary Findings

- A single-payer system – with universal coverage and standardized benefit design – increases total spending in 2004 by 12 to 16 percent.
- Consumer out of pocket costs decline to 1-5 percent of total health care spending.
- With health care cost management, the net cost of a single-payer system declines to 5-9 percent above baseline in 2008.

Preliminary Findings

- Net of baseline public-sector spending in Maine, a single payer system must finance 49-55% of total health care costs – \$4.4 - \$5.5 billion in 2004.
- By 2008, the net financing needs of a single payer system decline to 46-52% of total health care costs – \$5.0-5.9 billion.
- The net cost of a single-payer health plan likely would require
 - A diversified financing strategy
 - Probably, reliance on a payroll tax

Preliminary Findings

- **A single-payer system generates**
 - **Job growth in health care delivery**
 - **A small net decline in administrative jobs**
- **Considering both direct and indirect effects, a single-payer system could increase Maine employment by as much as 5 thousand jobs.**

Current Structure of the Model

- **Population module**
 - Projects Maine population by demographic and baseline coverage characteristics
- **Cost module**
 - Projects per capita health care spending for different health plan designs, and estimates total cost by source of coverage and service type

Current Structure of the Model

- **Financing module**
 - Projects Maine's tax bases and estimates revenue streams for health care spending
- **Economic impact module**
 - Projects employment by industry and estimates changes in employment under a single-payer system

Critical Assumptions

- No gains or erosions in coverage in base case
- Underlying health care cost growth:
 - 13 - 14% private-sector, short term
 - 3.2 - 5.0% public sector, short term
- Administrative cost rates and single-payer reduction in administrative cost

Administrative Cost Assumptions

Base Case

- ◆ 12-22% for groups
- ◆ 30% for individuals
- ◆ 5- 6.4% for MaineCare
- ◆ 2.1% for Medicare
- ◆ 33.4 percent for hospitals
- ◆ 32.0 for physicians

Single Payer

- ◆ 5% plan admin
- ◆ 15% reduction in hospital admin
- ◆ 25% reduction in physician admin

Critical Assumptions

- Elimination of HMO enrollment raises health care costs overall by 5.5% (i.e., 10% for those who had been enrolled in HMOs)
- Single-payer cost management reduces the medical cost trend by 5% and the pharmacy cost trend by 10% by 2008
- Preventable health care use represents 4 percent of baseline spending for hospital care and 2 percent of baseline spending for ambulatory care among the underinsured

Critical Assumptions

- **Federal maintenance of effort**
 - Medicare
 - MaineCare federal match
 - FEHBP and CHAMPUS
 - Direct spending for services
- **State maintenance of effort**
 - MaineCare
- **Retention of fiscal obligations**
 - State employees
 - Local government employees

Critical Assumptions

- State employment projections and trend rate
- State revenue projections and trend rate
- Employment response to health care spending and administrative cost
- Employer health plan spending is redirected into wages at implementation.

Direction from the Board

- Critique of assumptions
- Sensitivity analyses
 - Administrative cost savings
 - Health cost trends, initial and out-year
 - Avoidable health care utilization
 - Employment and payroll trends