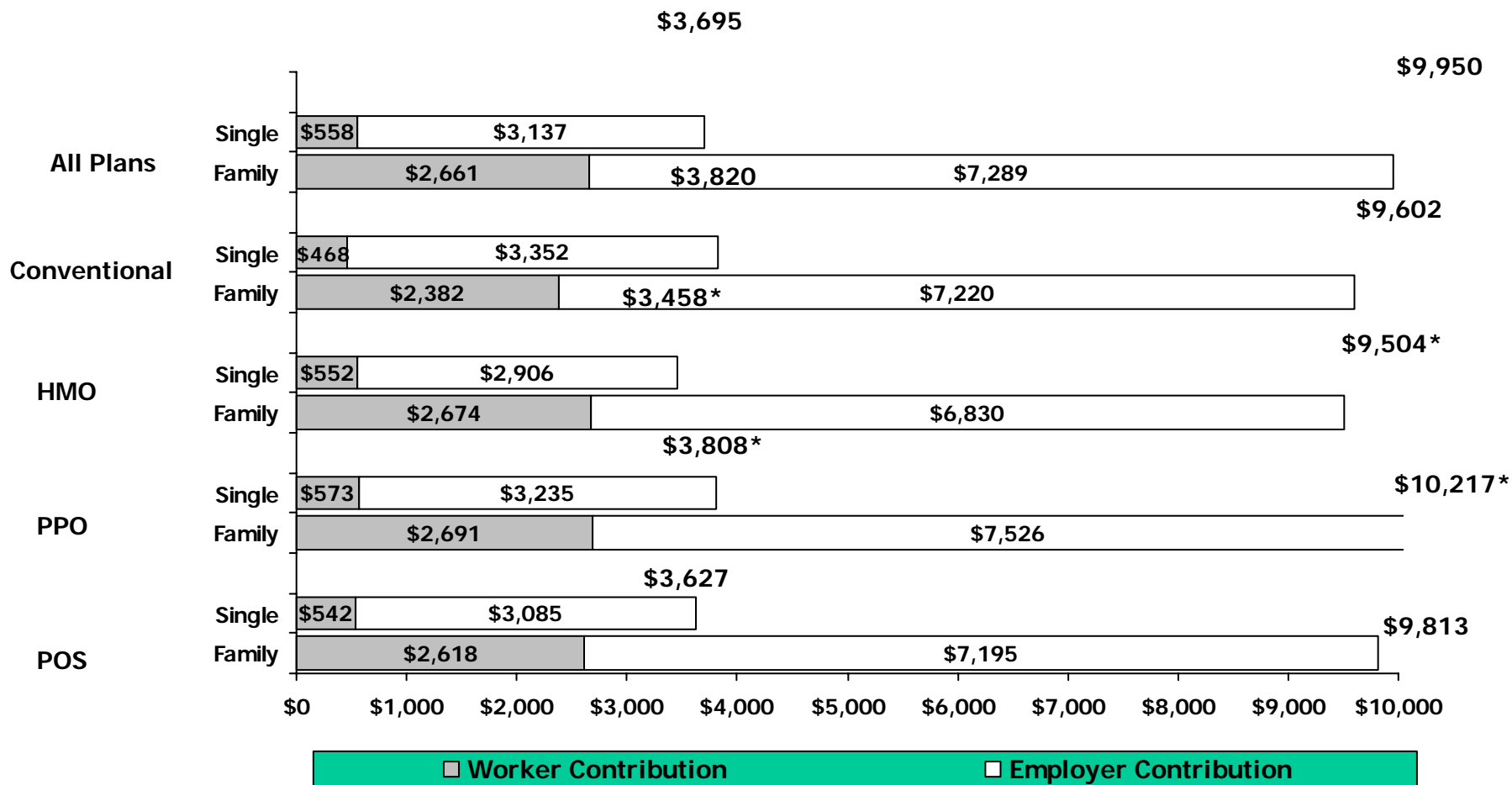


Roadmap

- Statement of the problem
- Searching for common ground
- Proposed solution

Average Annual Premium Costs for Covered Workers, by Plan Type, 2004

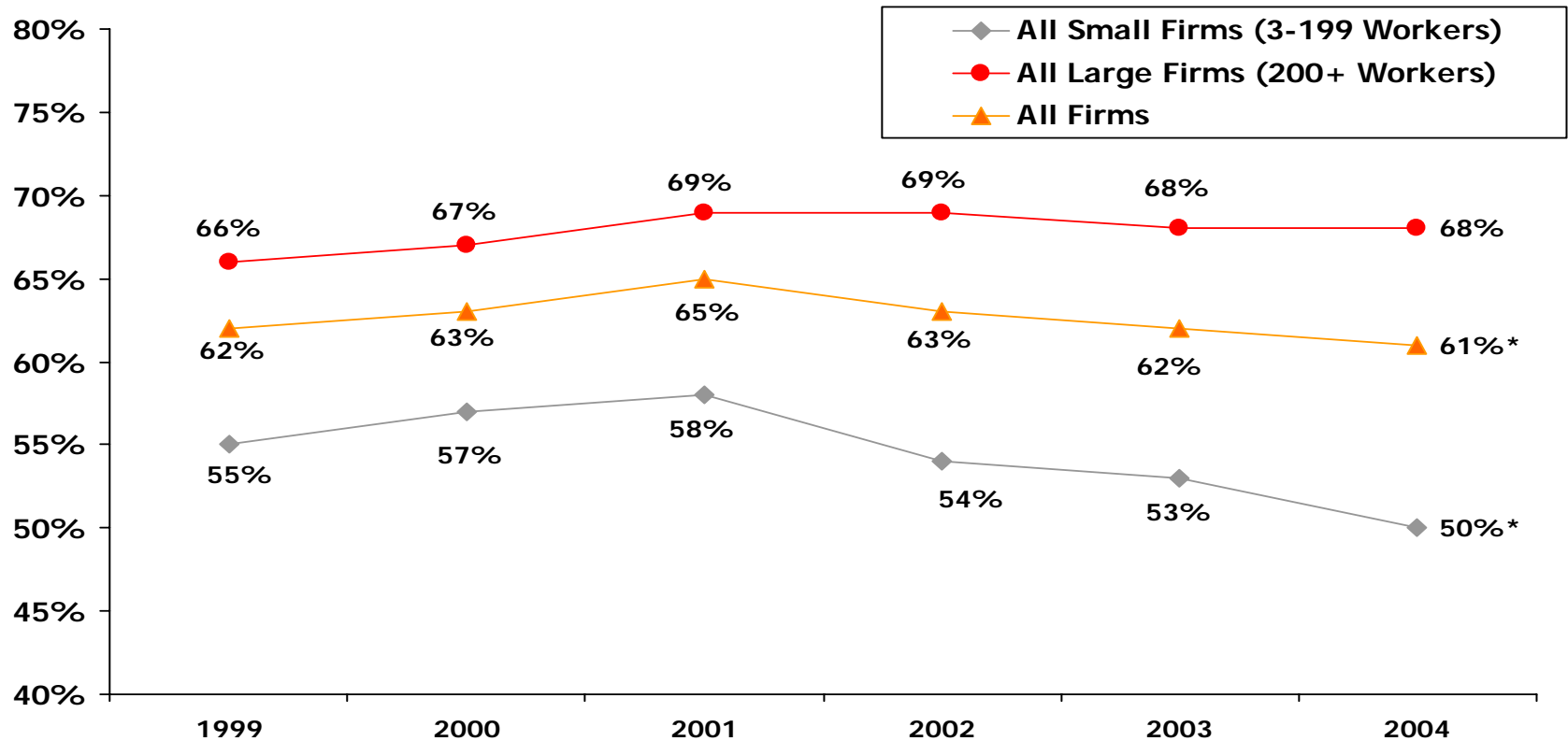


* Estimate of total premium is statistically different from All Plans by coverage type.

Note: Family coverage is defined as health coverage for a family of four.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

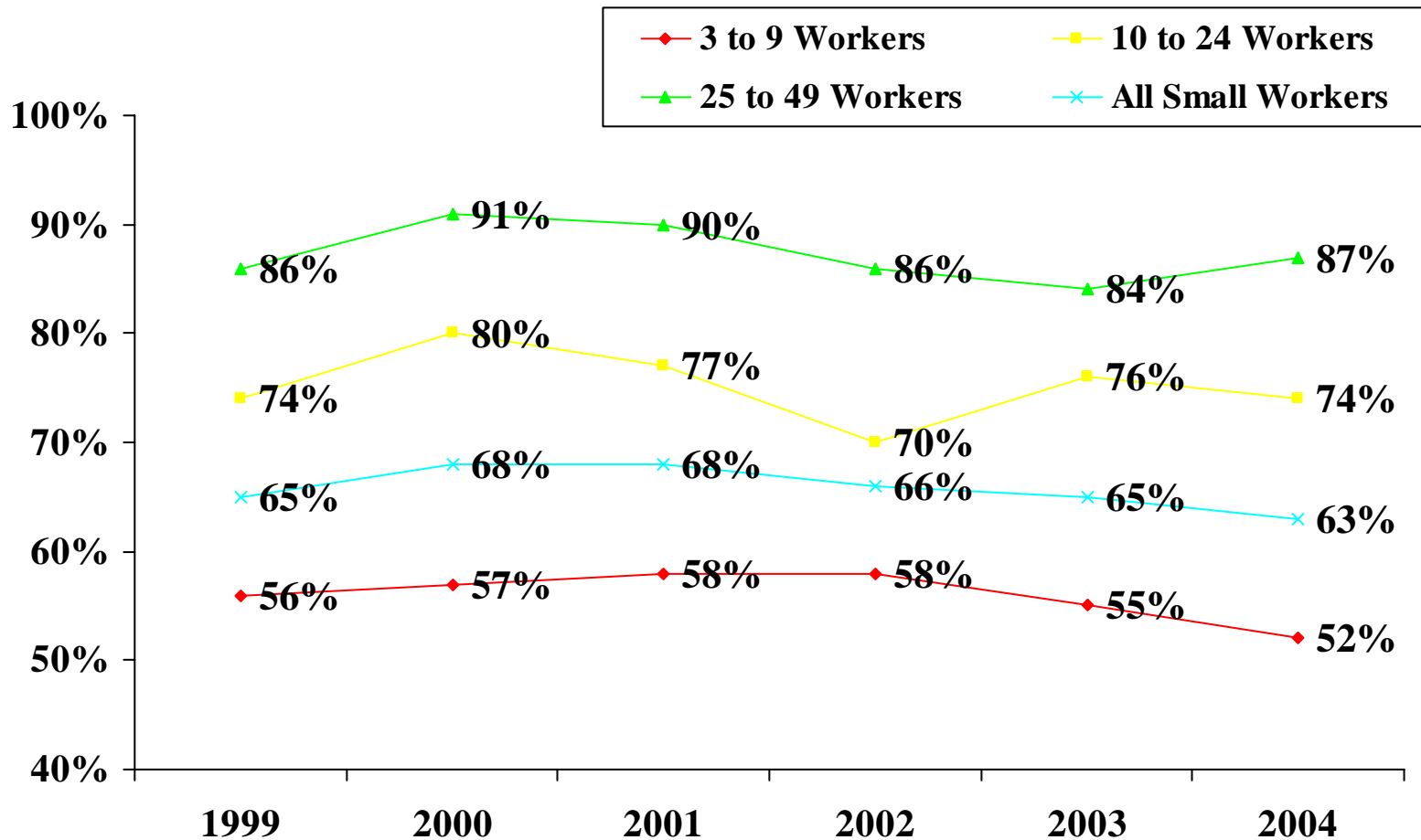
Percentage of Workers Covered by Their Employer's Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 1999-2004



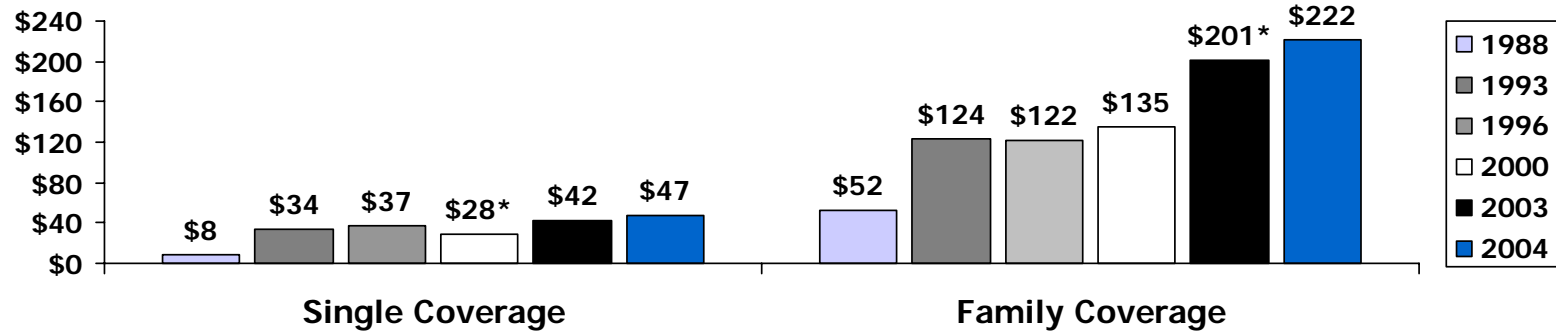
Source: KFF/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003, 2004

*Year to year estimates are not significantly different. However, there is a significant change between 2001 and 2004 for All Firms and All Small Firms at $p < .05$. Changes for All Small Firms are also significantly different at $p < .05$ between 2000 and 2004 and between 1999 and 2004.

Percentage of Firms Offering Health Benefits, 1999-2004, by Firm Size



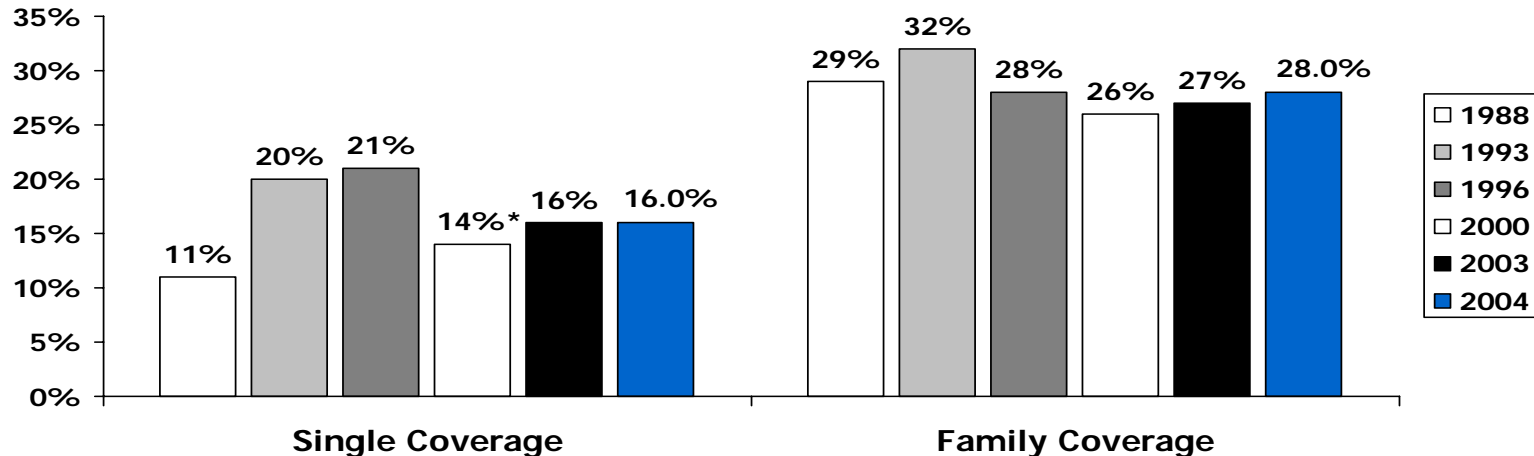
Average Monthly Worker Contribution, 1988-2004



* Estimate is statistically different from the previous year shown: 1996-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002, 2003, 2004; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996

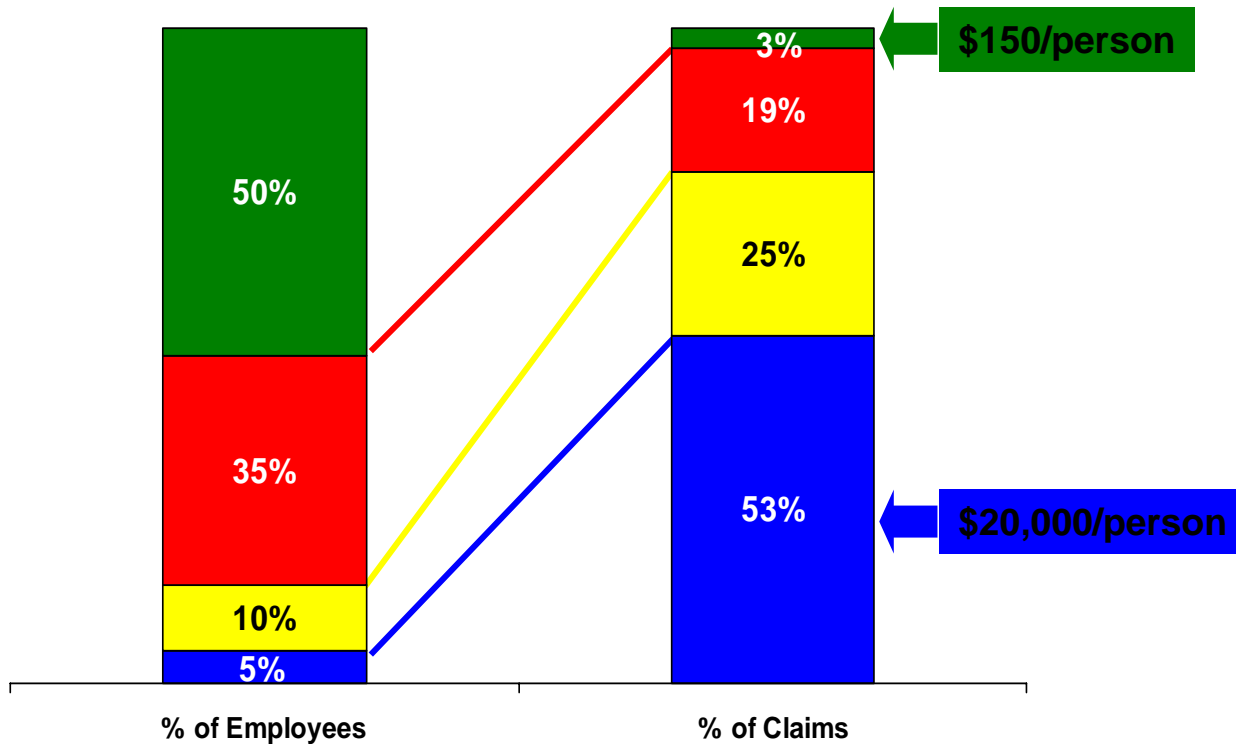
Percentage of Premium Paid by Covered Workers, 1988-2004



* Estimate is statistically different from the previous year shown: 1996-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002, 2003, 2004; KPMG Survey of Employer-Sponsored Health Benefits: 1988, 1993, 1996.

Distribution of Active Employee Claims



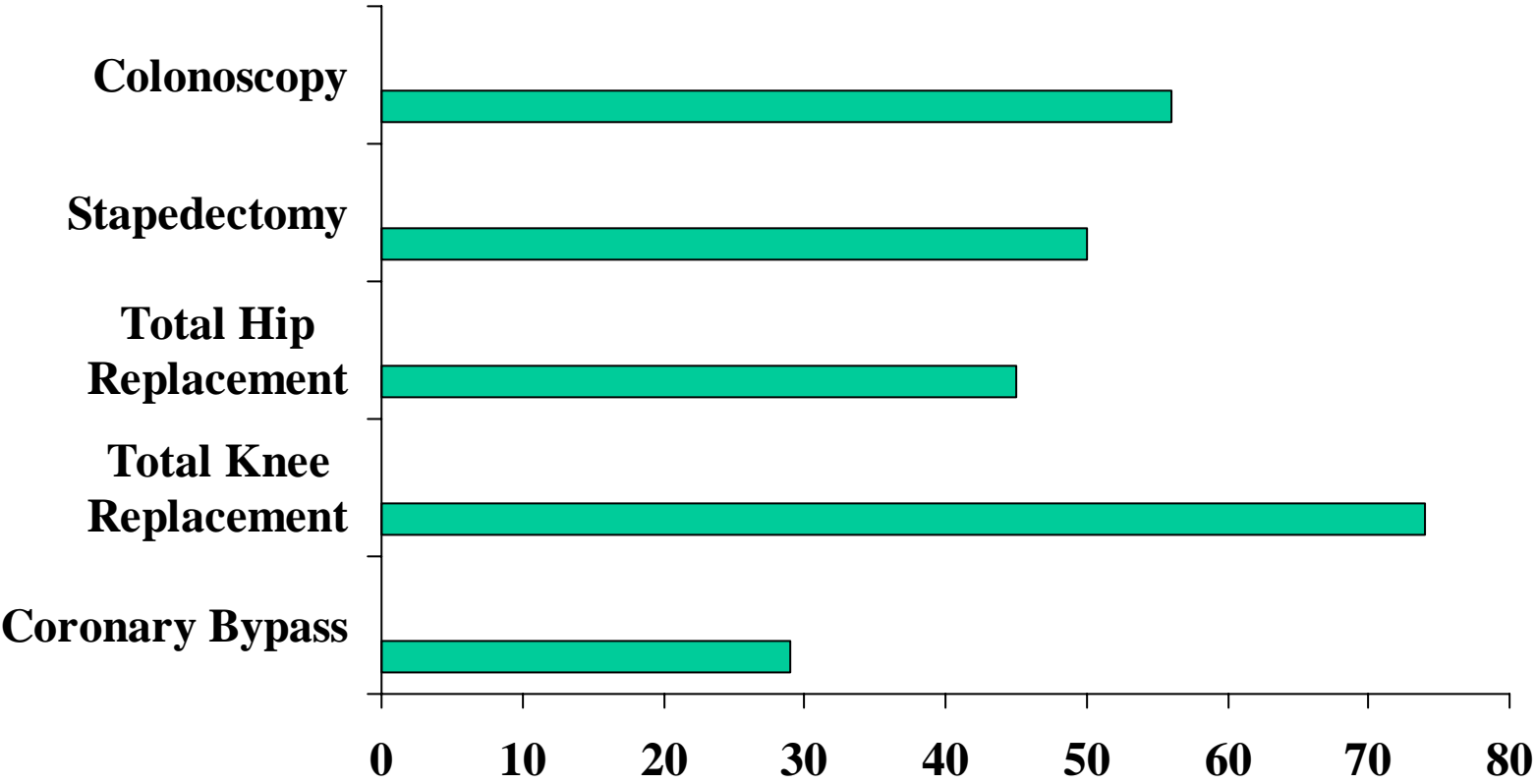
% of Employees	5%	10%	35%	50%
% of Claims	53%	25%	19%	3%
Average Claims Per Employee	\$ 20,000	\$ 5,000	\$ 1,000	\$ 150



Care Received by the Uninsured

- Four times more likely to delay care.
- Use 40 percent fewer services than the insured in similar health
- Have more avoidable hospitalizations
- Enter the hospital sicker
- Receive fewer high cost discretionary services
- Discharged from the hospital sooner
- More likely to die in the hospital
- Have 25 percent higher mortality rate than insured individuals.

Uninsured Are Less Likely to Receive Discretionary High Cost Procedures Than Privately Insured Patients



Percentage Uninsured Are Less Likely To Receive Procedure

Early Findings from Health Coverage Tax Credit

- Despite major efforts of states, only six percent of eligible persons have signed up.
- Major reason for non-participation is cost (35 percent of premium).
- Most enrolled have opted for higher cost high benefit plans.
- Medical underwriting and risk selection are concerns.

Searching for Common Ground

- Individual and family credit
 - Set at roughly 25th percentile of distribution
 - \$3000 for individual
 - \$7000 for family
- Cap on employer exclusion
- Increased revenue through hiring of more IRS agents
- Commission to evaluate current tax code

Objective – Universal Coverage

- Individual mandate
 - All persons who fail to join will be randomly assigned to a plan
 - Must join plan or show insurance coverage when filing income tax.
- Open FEBHP or state government plan to all persons for individual insurance and small group market.
- Rules of competition designed for plans to compete on price and quality, not favorable selection.

Improving Efficiency

- Must address means to control high-cost cases
- Tax credits for providers who use electronic medical records
- Tax credits for employers who pay for performance
- Increased research for technology assessment
- Lower administrative costs through standardization – provider credentialing, claims administration, and quality standards.