

# Expenditure & Revenue Analysis Work Group Meeting #11

Joint Task Force on Universal Care

May 13, 2022, 1-4 pm

# Meeting Goals



Economic Analysis with Dr. Liu



Final Expenditure Estimates



Final Revenue Estimates



# Updated Revenue and Expenditure Estimates

May 13, 2022

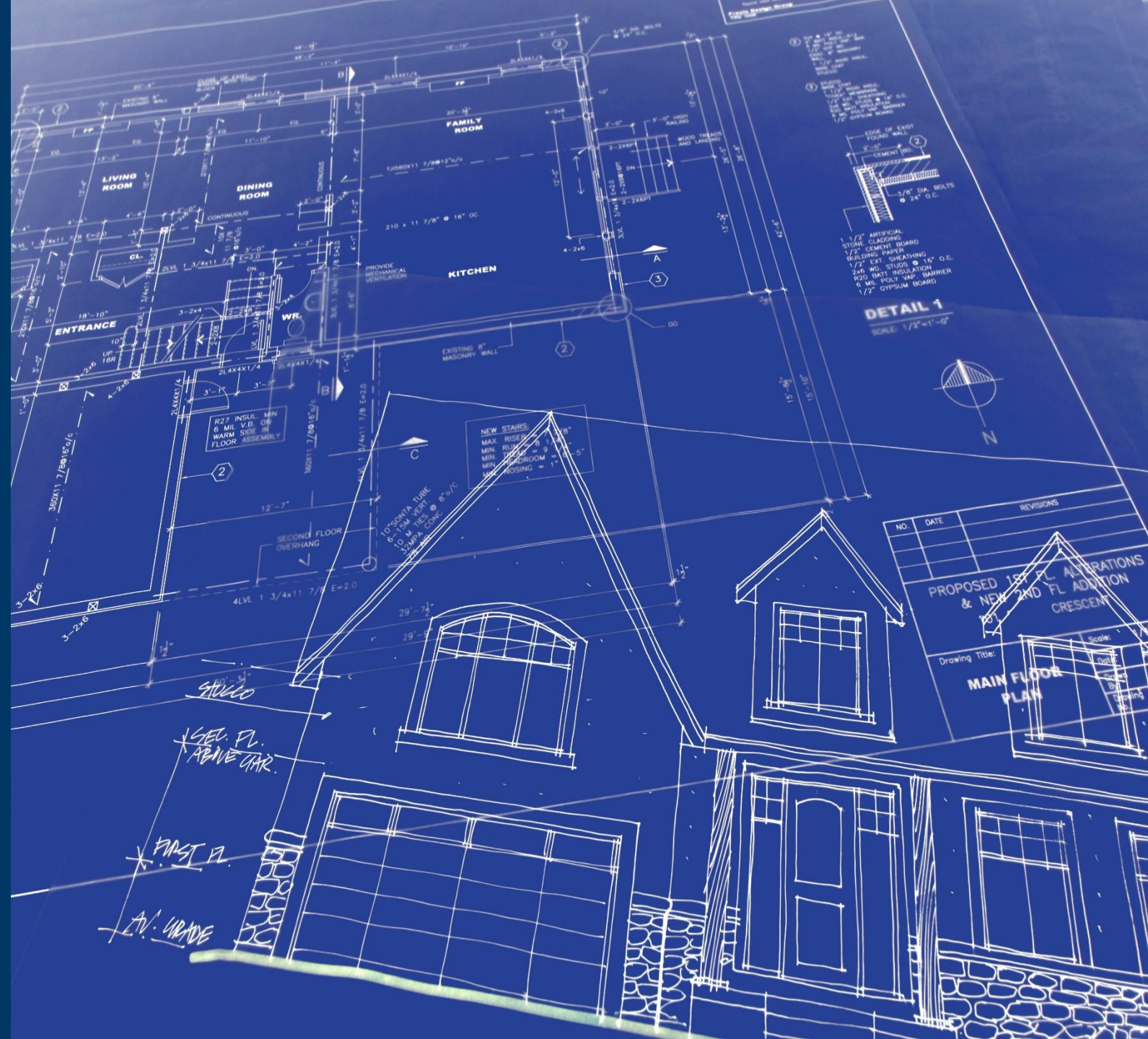


**CBIZ Optumas**

Consultants • Actuaries • Economists

# Updates

- Policy Adjustments
- Refined Assumptions
- Scenario Modeling



# Adjustments

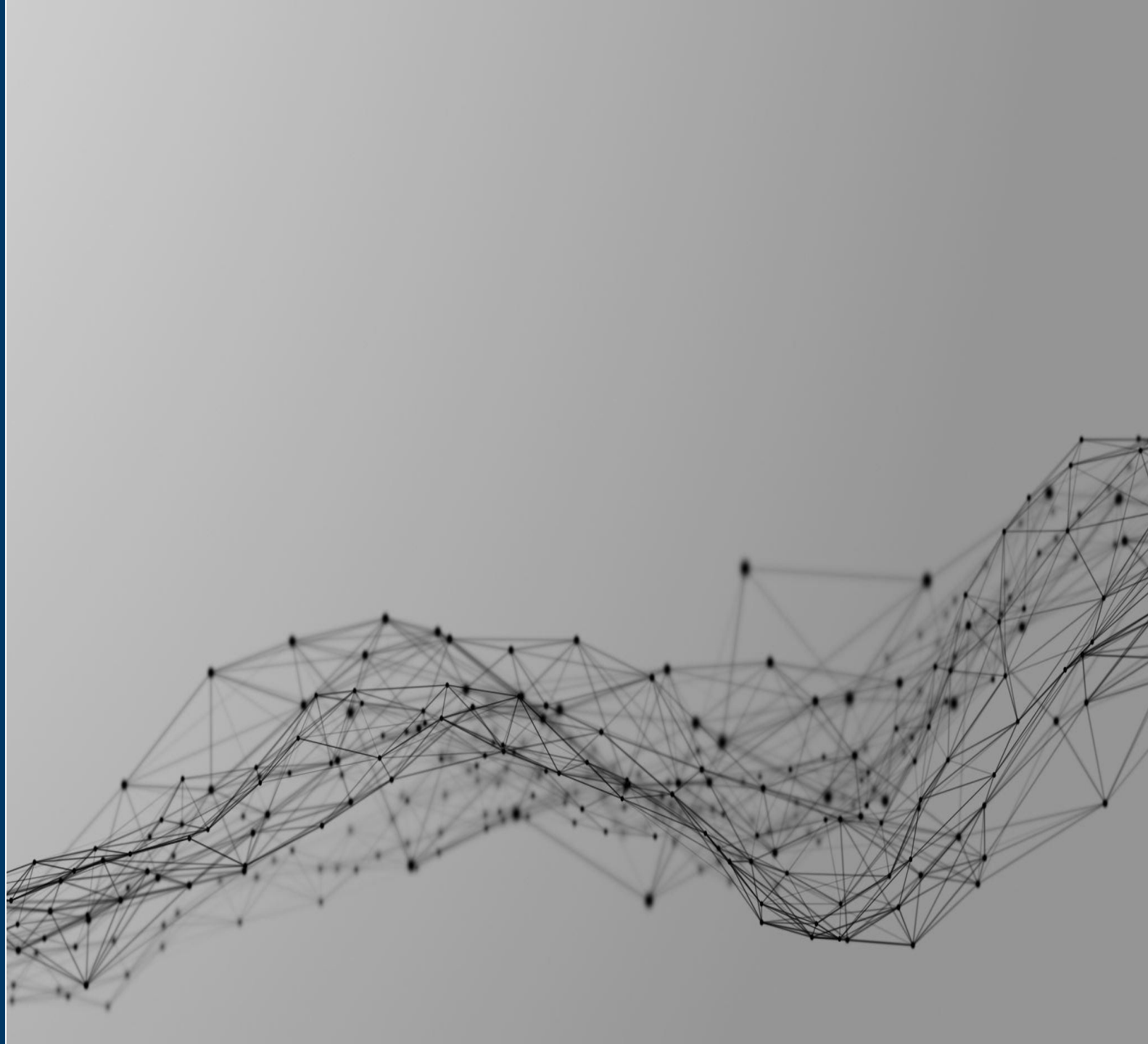
Adjustment	Approximate Impact on Revenue
4% Provider rate reduction (administrative efficiency capture)	\$2.16 billion decrease
Intermediate level of dental benefit	\$0.75 billion increase
Insurance premium tax revenue backfill (non-Medicaid)	\$0.44 billion increase
Medicare Part B premium capture	\$1.96 billion decrease
Medicare Part D premium capture	\$0.14 billion decrease
PEBB/OEBB removal of non-GF revenue capture	\$1.63 billion increase
Medicare revenue source assumption adjustment	\$0.97 billion increase
Medicaid Eligible But Not Enrolled (EBNE) adjustment	\$0.08 billion decrease
Exchange premium assistance EBNE adjustment	\$0.30 billion decrease
Medicaid base expenditure adjustment	No significant impact
ACA 1332 federal fund capture adjustment	\$0.84 billion decrease
Administrative rate at 4% of premium (optional scenario***)	\$1.16 billion decrease
Removal of non PEBB/OEBB public employee revenue capture	\$3.04 billion increase
CHIP revenue preservation	\$0.20 billion decrease
<b>Total Net Change</b>	<b>\$1.15 billion increase</b>

Due to compounding effects and other cumulative smaller adjustments, the sum of adjustments shown here will not equal the total model change between version.

\*\*\*Not reflected in summaries that follow but will be shown in LRO tax scenarios. Excluded from total.

# Results

- Status Quo Expenditures
- Status Quo Revenue
- 2026 Universal Health Care



# Status Quo Expenditures

Coverage Type	2019 Expenditures	2026 Expenditures	2026 Enrollment
Individual - Exchange	\$1.00	\$1.39	156
Public Employees Other Than PEBB/OEBB	\$2.84	\$3.96	423
Employee/Other Individual	\$8.66	\$12.08	1,356
PEBB	\$0.97	\$1.36	145
OEBB	\$0.73	\$1.02	140
Employees That Live in a Border State and Their Dependents	\$1.93	\$2.69	287
Medicare	\$9.42	\$15.80	825
Medicaid	\$9.94	\$14.59	905
CHIP	\$0.45	\$0.66	136
Out of Pocket	\$1.54	\$2.06	n/a
Uninsured	\$1.21	\$1.61	315
General Assistance (Charity Care)	\$0.12	\$0.16	n/a
Community Behavioral Health (non-Medicaid)	\$0.56	\$0.74	n/a
<b>Total Expenditure</b>	<b>\$40.88</b>	<b>\$58.12</b>	<b>4,729</b>

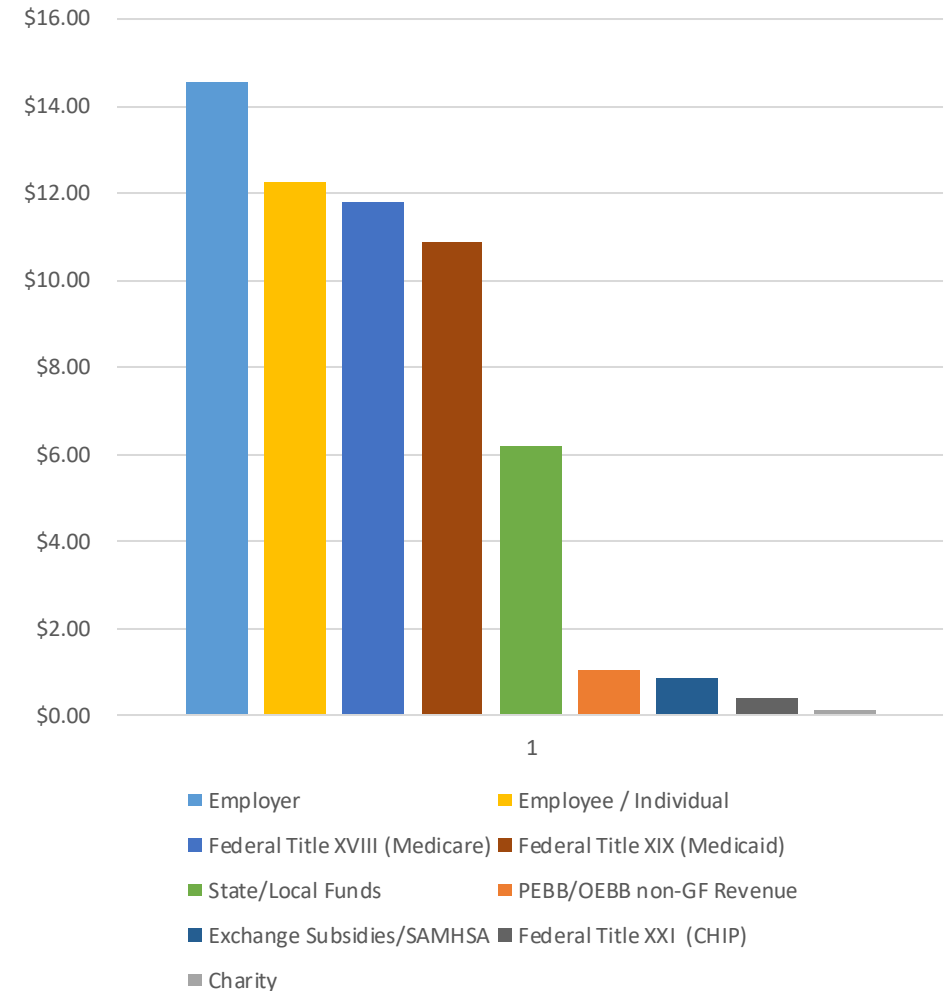
Expenditures in billions; caseload in hundred thousands.

Due to dual eligibility across programs, figures may be higher or lower than public reported to avoid duplication; per capita calculations will be skewed as a result.

Medicare OOP is included in the Medicare total; OOP for programs and services not covered by the UHC plan are excluded.

# 2026 Status Quo Revenue

Funding Source Type	Revenue (billions)
Employer	\$14.54
Charity	\$0.16
Employee / Individual	\$12.25
Federal Title XVIII (Medicare)	\$11.78
Federal Title XIX (Medicaid)	\$10.86
Federal Title XXI (CHIP)	\$0.43
Exchange Subsidies/SAMHSA	\$0.87
State	\$6.18
PEBB/OEBB non-GF Revenue	\$1.06
<b>Total Expenditures</b>	<b>\$58.13</b>



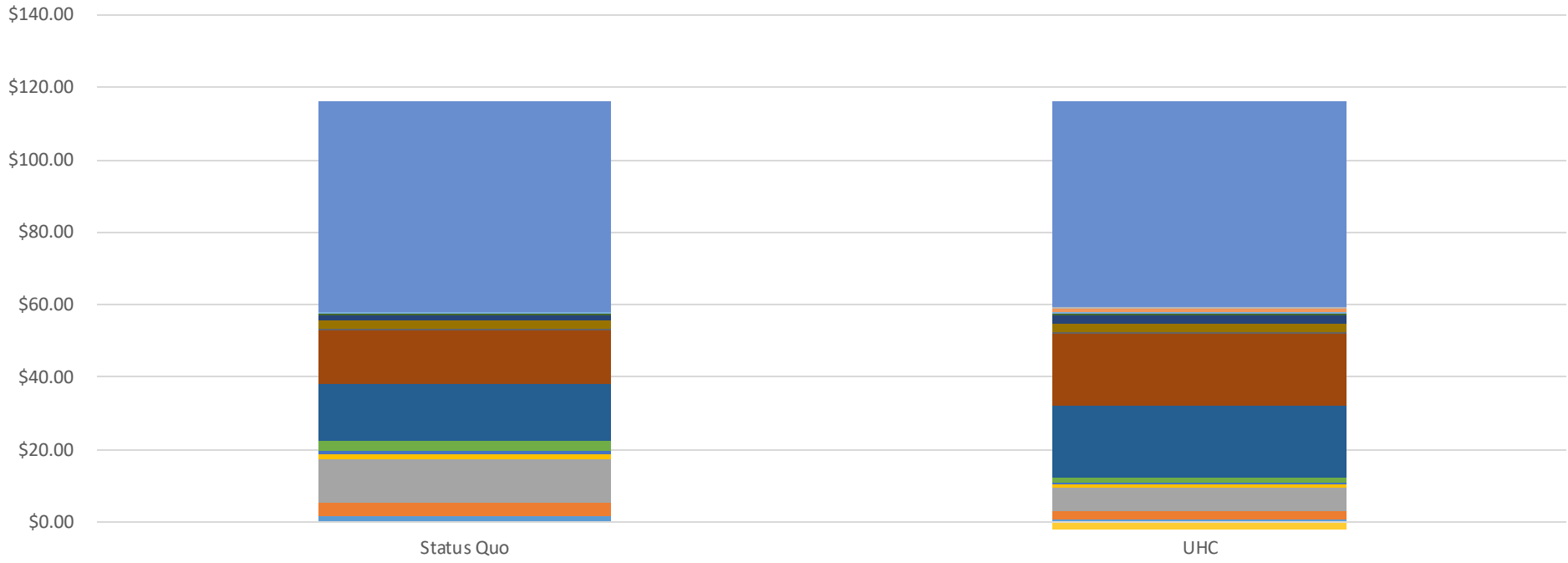
2019 revenues are not an input into the model and were not calculated



# 2026 UHC Projected Expenditures Comparison

Coverage Type	2026 Status Quo	2026 UHC	Difference
Individual - Exchange	\$1.39	\$0.76	(\$0.63)
Public Employees Other Than PEBB/OEBB	\$3.96	\$2.16	(\$1.80)
Employee/Other Individual	\$12.08	\$6.65	(\$5.43)
PEBB	\$1.36	\$0.74	(\$0.62)
OEBB	\$1.02	\$0.55	(\$0.47)
Employees That Live in a Border State	\$2.69	\$1.49	(\$1.20)
Medicare	\$15.80	\$19.87	\$4.07
Medicaid	\$14.59	\$19.96	\$5.37
CHIP	\$0.66	\$0.35	(\$0.31)
Out of Pocket	\$2.06	\$2.02	(\$0.04)
Uninsured	\$1.61	\$2.65	\$1.04
General Assistance	\$0.16	\$0.16	(\$0.00)
Community Behavioral Health	\$0.74	\$0.74	(\$0.00)
Incremental Additional Dental	\$0.00	\$0.75	\$0.75
Insurance Premium Tax Revenue Backfill	\$0.00	\$0.44	\$0.44
Provider Efficiency Capture (4% Rate Reduction)	\$0.00	(\$2.16)	(\$2.16)
<b>Total Expenditure</b>	<b>\$58.12</b>	<b>\$57.13</b>	<b>(\$0.99)</b>

# 2026 UHC Projected Expenditures Comparison



- Individual - Exchange
- PEBB
- Medicare
- Out of Pocket
- Community Behavioral Health
- Provider Efficiency Capture (4% Rate Reduction)
- Public Employees Other Than PEBB/OEBB
- OEBB
- Medicaid
- Uninsured
- Incremental Additional Dental
- Employee/Other Individual
- CHIP
- General Assistance
- Insurance Premium Tax Revenue Backfill
- Total Expenditure

# 2026 UHC Projected Revenue Comparison

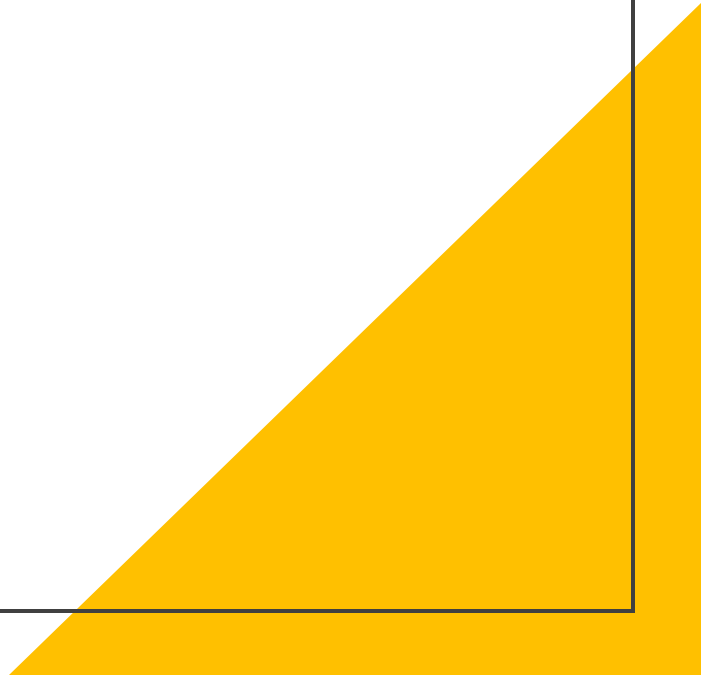
Funding Source Type	Status Quo	UHC	Difference
Employer premium contribution	\$14.54	\$0.00	(\$14.54)
Charity	\$0.16	\$0.00	(\$0.16)
Employee / Individual	\$12.25	\$2.10	(\$10.15)
Federal Title XVIII (Medicare)	\$11.78	\$11.78	\$0.00
Federal Title XIX (Medicaid)	\$10.86	\$12.86	\$2.00
Federal Title XXI (CHIP)	\$0.43	\$0.43	\$0.00
Exchange Subsidies/SAMHSA	\$0.87	\$1.17	\$0.30
Household contribution and employer payroll tax	\$6.18	\$28.69	\$22.51
PEBB/OEBB non-GF Revenue	\$1.06	\$0.10	(\$0.96)
<b>Total Expenditures</b>	<b>\$58.12</b>	<b>\$57.13</b>	<b>(\$0.99)</b>

Figures in billions

Small differences between sums and totals are present due to rounding.

# Final Revenue Estimates

- Staff update: public employer benefits
- LRO Final Estimates
- Workgroup decisions
  - (1) Household contribution rate
  - (2) Administrative load assumption



Status quo

Single payer

Current model:  
Private employer  
payroll tax

\$18k  
benefits

\$10k  
taxes

Current model:  
Redirect public  
contributions

\$18k  
benefits

\$18k  
benefits

Status quo

Single payer

Current model:  
Private employer  
payroll tax

\$18k  
benefits

\$10k  
taxes

Current model:  
Redirect public  
contributions

\$18k  
benefits

\$18k  
benefits

New proposal:  
Public employer  
payroll tax

\$18k  
benefits

\$10k  
taxes

Results in ~\$4B  
revenue gap at  
current rates

# The Problems with Redirection

- Public employers funded through **multiple funding streams** and policy mechanism/legal authority to redirect is unknown
- Based on **historical rates**: funding streams may not continue at the same rates (or at all)
- Public vs. private employer **contribution variance**:
  - Public employer contribution rate: ~20-30%
  - Private employer contribution rate: 9-11%

# Alternative Approaches?

## Phased-in transition to payroll tax?

- Redirection issues still apply
- ~\$4B funding gap remains

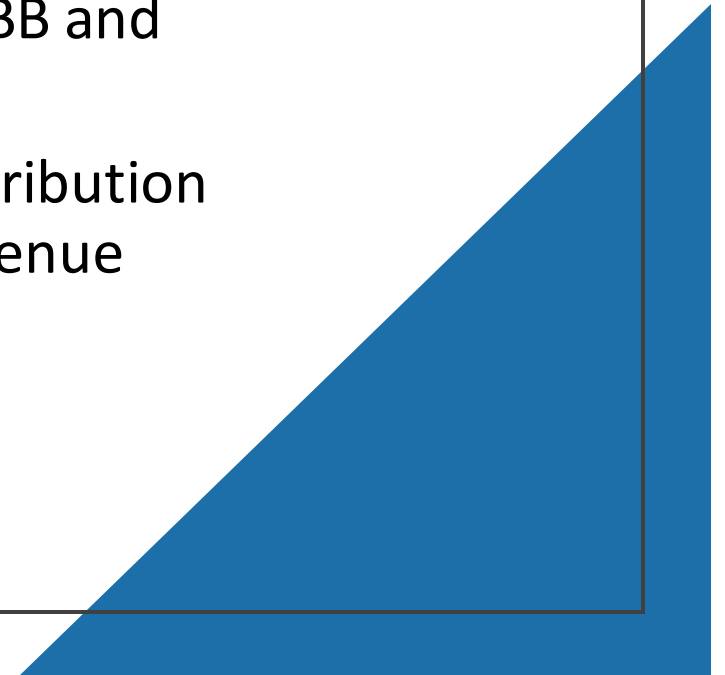
## Public employers pay a higher payroll tax rate?

- Assumes revenue streams that fund public benefits will currently continue
- Disparate economic impact for private v. public
- Increases risk of ERISA preemption



# Bridging the Gap

- Apply payroll tax evenly to all employers, including local government, state, and schools.
- Assume redirection of general fund contributions to PEBB and OEBS premiums (1.19B).
- Increase Household Contribution rates by ~3B to reach revenue target.



Two remaining  
decisions



# Decision #1: administrative Load

## 6% Administrative Load

- Optumas assumes an administrative load (cost to administer single payer system) 6%.
- 6% of overall health care expenses would total ~\$3.5B in 2026 dollars.
- This estimate is grounded in the actuarial analysis of projected costs.

## 4% Administrative Load

- Members have requested an analysis of costs based on the assumption of lower administrative rate. :
- If the administrative load were 4%, the total Single Payer administrative cost: \$2.3
- Assumption is aspirational. Does not result from actuarial analysis.
- May not provide adequate funding to achieve other sources of savings (e.g. fraud, waste, and abuse)

Difference in new revenue needed = ~1.2B

# Decision #2: Household Contribution Rates

- With Cap

- Household contributions increase with income, with a cap.
- Contributions are capped at the cost of projected premium amount in 2026\$.
  - Nobody would pay more than an estimated cost of their coverage.
- This revenue strategy would align more closely with the concept of a premium.
  - People would pay a “share” of cost of their health care, based on income.

- Without Cap

- Household contributions increase with income, with no cap.
- Contributions for people with high income could be much higher than the cost of a health care premium.
- This revenue strategy would align more closely with a progressive income tax policy.

# Revenue for Universal Health Care

Income Tax Proposals

Payroll Tax Proposals



# Revenue Discussion

- Income tax proposals
- Payroll tax proposals





# Income Tax Overview

- Both income tax scenarios would raise approximately \$8.5 billion in tax year 2026
  - Estimates are static estimates
- Scenarios illustrate different rate structures and potential tax liability for taxpayers of varying income levels
  - Tax rates/brackets are based on quasi federal poverty level (QFPL) for a tax return
- Insurance premium tax cap vs. no cap





# UHC Income Tax: Rates / Brackets

## “Quasi” Federal Poverty Level (Q\_FPL)

- Based on income and number of individuals reported on tax return (differs from FPL which is a household computation)

HH Size	2022 Poverty			
	100% FPL	200% FPL	300% FPL	400% FPL
1	13,590	27,180	40,770	54,360
2	18,310	36,620	54,930	73,240
3	23,030	46,060	69,090	92,120
4	27,750	55,500	83,250	111,000
5	32,470	64,940	97,410	129,880
6	37,190	74,380	111,570	148,760
7	41,910	83,820	125,730	167,640
8	46,630	93,260	139,890	186,520

Tax Rate Scenarios		
Inc. as % of Q_FPL	Premium Cap	No Cap
<150%	0%	0%
150-200%	0%	0%
200-250%	1%	1%
250-300%	2%	2%
300-400%	3.5%	3.5%
400%+	15.5%	9.3%

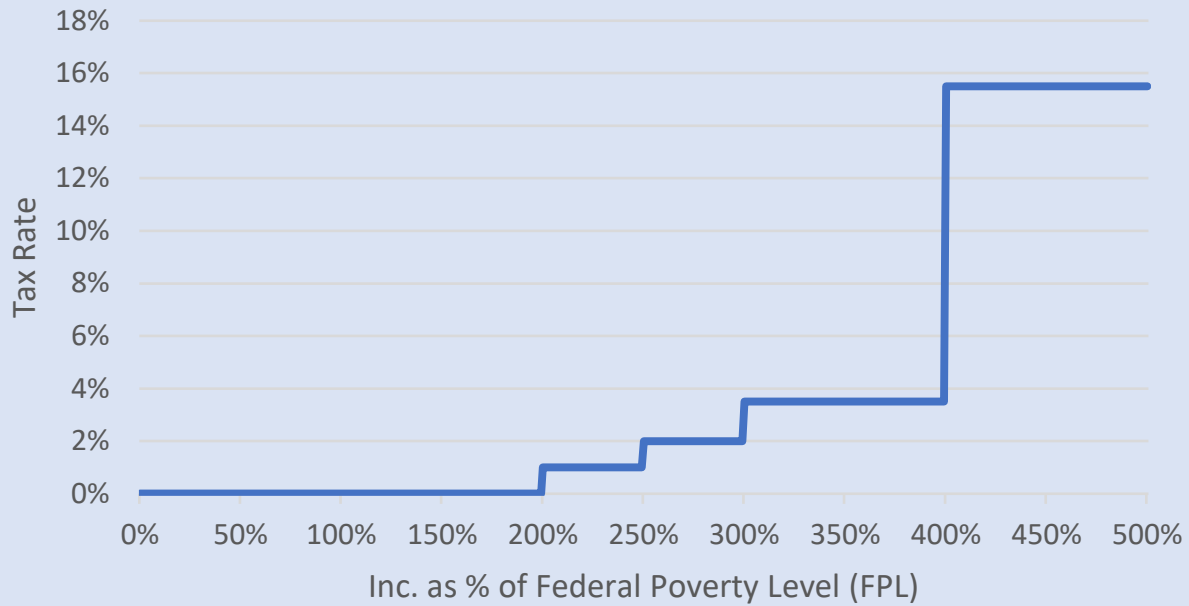




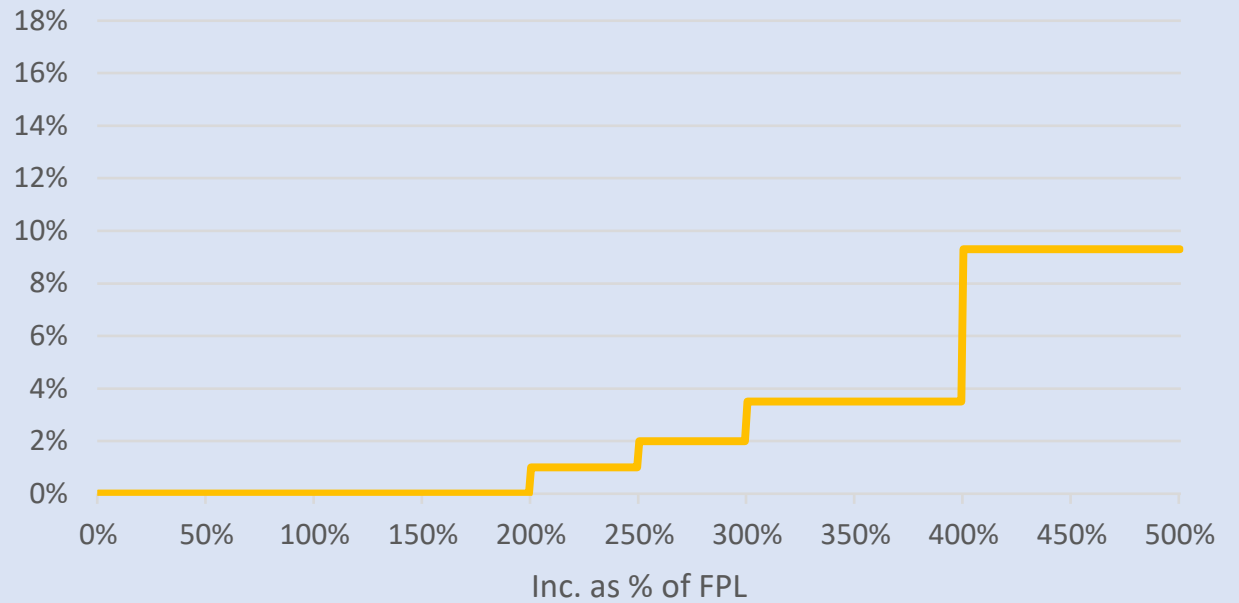


# UHC Income Tax Rates / Brackets

Rate Proposals w/ Premium Cap



Rate Proposals w/out Premium Cap

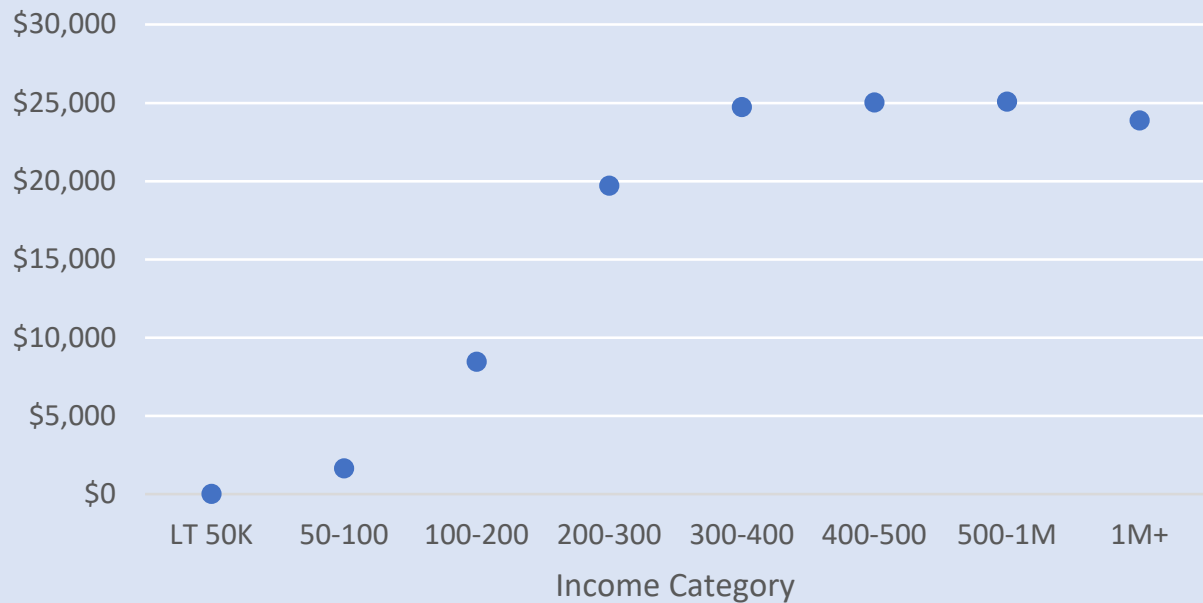




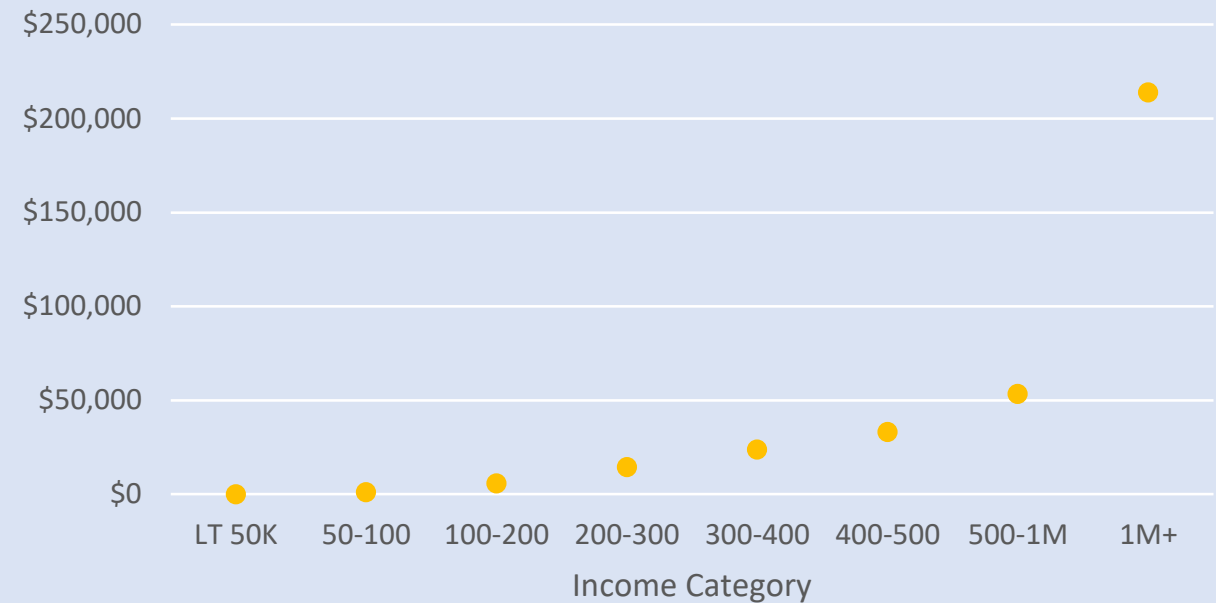
# Average Tax Liability

- Note the difference in vertical axis
- Effect of premium cap on higher income taxpayers

Average Tax Liability w/Premium Cap



Average Tax Liability w/out Premium Cap





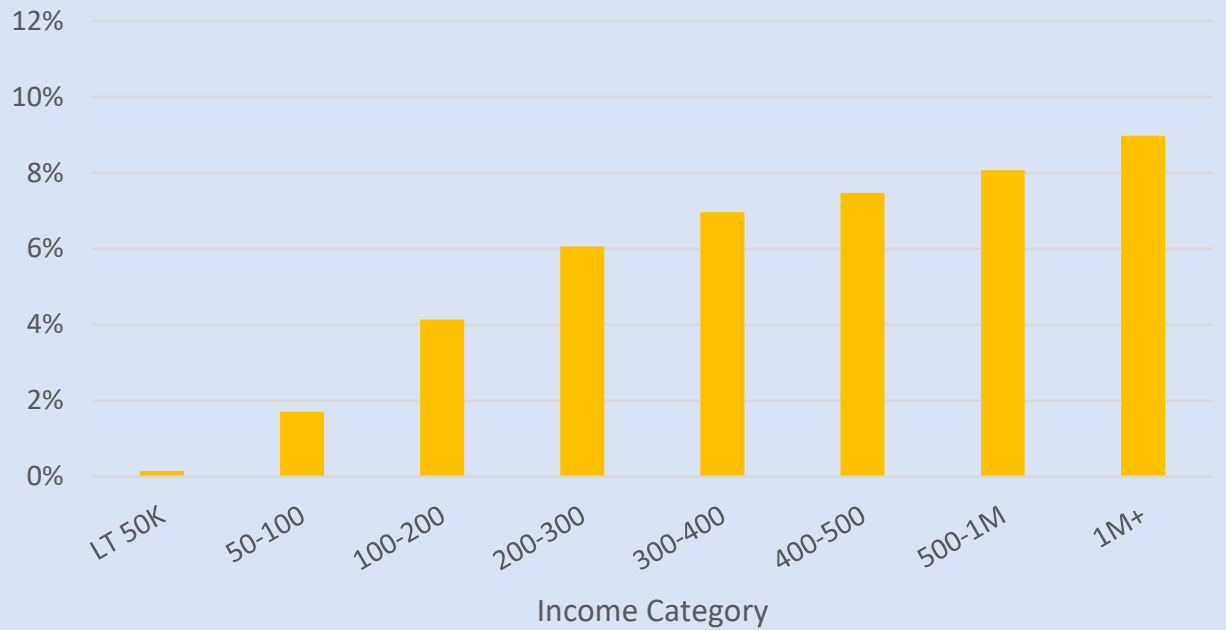
# Progressivity

$$\text{Effective tax rate} = \frac{\text{Tax Liability}}{\text{Income}}$$

Effective Tax Rates - w/Premium Cap



Effective Tax Rates - No Premium Cap





# Income & UHC Tax Liability

- Effect of premium cap on tax is visibly evident

Share of Income and Share of UHC Tax w/Premium Cap



Share of Income and Share of UHC Tax w/out Premium Cap





# Payroll Tax & PIT Totals

Payroll Bracket	Option 1	Option 2
< 160K	7.25%	8.00%
160K+	10.50%	11.00%
Payroll Revenue	\$12.85 B	\$14 B
PIT Revenue	\$8.5 B	\$8.5 B
<b>Total Revenue</b>	<b>\$21.35 B</b>	<b>\$22.5 B</b>

- **Payroll tax** is levied on private, public and self-employed (marginal rates)
- Estimates are for 2026 and are static



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# Public Comment



# Next Meetings



Task Force

Thursday,  
May 19



Specialty Interest  
Workgroup

Monday,  
May 23



ERA

All done!