

Table 1

Distribution of People and Expenditures
at Different Levels of Cost Sharing

	People	Proportion of People	S/Person w/ Some Claims	Proportion of Dollars	S per person in the Relevant Range
Total with some charges	488,135		\$2,281		
Subject to deductible	488,135	1.000	\$371	0.163	\$371
Subject to coinsurance	262,217	0.537	\$1,331	0.583	\$2,478
Above MOOP	19,990	0.041	\$579	0.254	\$14,141

Based on data from 2003, assuming a \$500 per person deductible, with a 20% coinsurance rate thereafter until a maximum out of pocket expenditure of \$2500 (including the deductible) has been reached, then no cost sharing. Excludes out-patient pharmaceuticals.

Table 2

Percent Distribution of Number and Cost of Episodes

	Percent of Episodes	Cost / Episode	Percent of Cost
Major (typically a hospitalization)	4%	\$6,161	34%
Chronic (except for acute exacerbations)	21%	\$862	28%
Minor acute	61%	\$394	34%
Preventive	13%	\$182	4%

Table 3
Distribution of People and Expenditures at Different Levels of Cost Sharing by Type of Episode

	People	Proportion of People	\$/Person w/ Some Claims in Category	Proportion of Dollars	\$ per Person in the Relevant Range
Major					
Total with some charges	488,135				
Total with some charges in category	48,301	0.099	\$8,954.31		
Subject to deductible	26,626	0.055	\$195.48	0.022	\$354.61
Subject to coinsurance	45,178	0.093	\$4,426.11	0.494	\$4,732.07
Above MOOP	13,189	0.027	\$4,332.73	0.484	\$15,867.40
Chronic Care Management					
Total with some charges	488,135				
Total with some charges in category	222,941	0.457	\$989.49		
Subject to deductible	187,779	0.385	\$195.38	0.197	\$231.97
Subject to coinsurance	133,668	0.274	\$639.70	0.646	\$1,066.94
Above MOOP	13,035	0.027	\$154.40	0.156	\$2,640.79
Minor Acute Care					
Total with some charges	488,135				
Total with some charges in category	417,367	0.855	\$911.48		
Subject to deductible	385,886	0.791	\$234.79	0.258	\$253.95
Subject to coinsurance	218,456	0.448	\$605.11	0.664	\$968.18
Above MOOP	14,678	0.030	\$6.23	0.007	\$2,035.30
Preventive					
Total with some charges	488,135				
Total with some charges in category	242,872	0.498	\$203.02		\$203.02
Subject to deductible	178,805	0.366	\$107.02	0.527	\$145.37
Subject to coinsurance	104,907	0.215	\$89.77	0.442	\$332.53
Above MOOP	6,104	0.013	\$6.23	0.031	\$247.95

Excludes some claims that could not be assigned to a "location." This will be corrected in a revised run.

Table 4: Incentives Under Different Payment and Coverage Schemes

	Conventional Insurance, \$250-500 Deductible, Coinsurance; FFS payments to providers	HSA-Style \$1000-2500 Deductible. Maximum OOP \$5,000/year; FFS payments to providers	Episode Based Insurance			
			<u>Major Acute/ Interventional Episodes:</u> bundled payment from the “Pool” Additional payments could supplement	<u>Chronic Illness Management:</u> Monthly Risk-Adjusted Payment by “Pool”, some copayments	<u>Minor Acute Episodes:</u> Insurers can use deductibles, other payments; Subsidy for low income	<u>Preventive care:</u> Partly covered by the “Pool”; payment is to providers for delivery
Emergent hospitalization	Minimal incentives for patient to decline, but significant OOP cost. No provider efficiency incentives	Large deductible may reduce some admissions. Larger OOP. No provider efficiency incentives	No patient incentives to avoid admission. Strong efficiency incentives for providers.	NA	NA	NA
Major interventions / schedulable	Modest incentives for patient to decline. No provider efficiency incentives	If deductible has not been met, incentives to avoid or postpone. No provider efficiency incentives. Possible unit-price shopping.	No patient incentives to avoid admissions. Strong efficiency incentives for providers.	NA	NA	NA
Chronic Illness	Patient payments may reduce use and adherence. No provider efficiency incentives. Insurers will seek to avoid these patients.	Large deductible may substantially reduce adherence. Potential for price shopping. Patients may hit max OOP every year. Insurers will avoid or charge high premiums.	NA	Most costs are covered by the Pool. Residual patient payments may affect some use. Moderate provider efficiency incentives. Pool can’t avoid coverage.	NA	NA
Minor Acute Care	Deductible impact probably varies with the time of year. Copayment has some impact.	Substantial patient incentives on use. Unit-price shopping.	NA	NA	Flexibility in benefit/coverage design. Episode focus may offer benchmarks for price shopping.	NA
Preventive	If not covered separately, then often strong disincentives to use	If not covered separately, then often strong disincentives to use	NA	NA	NA	Payment to providers gives incentives to encourage use.