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## **Take it to the Finish Line: The Urgent Need for Health Care Reform**

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President Obama has called for a bi-partisan health care summit on February 25 as Congress has reached a stalemate in passing comprehensive health reform. Both the U.S. Senate and House have passed bills, and must negotiate a compromise. It appears that the Senate bill will likely be the basis for reform as the process goes forward. While the Senate health care reform proposal may not be everything that everyone wants, it contains many significant improvements.

***What does the Senate bill do to give Americans peace of mind in knowing that they will have affordable choices for insurance no matter where they live, how old they are, where they work or whether they are healthy or sick?***

The Senate bill builds on the coverage people have, and allows them to keep it if they are satisfied. It improves Medicare and allows individuals to purchase long term care insurance through a deduction in their paycheck. It expands eligibility for Medicaid for those in low paying jobs, provides affordable private insurance choices for people who do not have employer-sponsored insurance, and provides help for small businesses to provide insurance for their owners and employees. Here are some highlights:

### **1. Makes the rules fairer in the private insurance market for individuals and small groups**

***Insurance companies will not be allowed to:***

- Drop people who get sick (rescissions)
  - Turn sick people down or charge them more because of a pre-existing condition
- The bill also provides almost immediate insurance options for those with a pre-existing condition

***Insurance companies will:***

- Have some limits on annual and lifetime caps of benefits (protecting us from bankruptcy)
- Have limits on the amount they charge for premiums based on age, family size and geographic location
- Have hard limits on out of pocket costs (co-insurance, co-pays)
- Not be allowed to charge women more than they charge men for the same premium
- Be required to report the amount of the premiums they collect that is spent on actual medical care and refund money to consumers if they spend less than 80-85 percent on medical care.

***Creates a health insurance exchange that will:***

- Establish a benefit package (that excludes abortion) that includes treatment for mental illness and substance abuse
- Be a way for individuals and small businesses to compare prices and benefits among plans, comparing “apples to apples” so they can choose a plan that fits their needs
- Require insurance companies to offer plans that meet the new rules
- Not replace employer sponsored benefits. Only those who are uninsured or whose employer-sponsored insurance is unaffordable (more than 9.8 percent of income) will be eligible to purchase insurance through the exchange.

## **2. Provides affordable insurance options**

- Expands Medicaid to adults with incomes up to 133 percent of federal poverty level
- Provides federal money for 100 percent of the Medicaid expansion for several years, and as much as 90-95 percent of the costs in the following years
- Provide subsidies to those who purchase insurance through the exchange on a sliding scale with incomes up to 400 percent of FPL
- Allows young adults to stay on their parents' insurance up to age 26 or 27

## **3. Improves current services**

- Provides free preventive care to those insured through Medicare and Medicaid
- Begins to close the “donut hole” in Medicare
- Increases health care staff in underserved areas, particularly rural areas
- Includes dozens of projects to explore ways to improve care, better coordinate care and provide incentives for using evidence based practice
- Sets up programs to test alternatives to tort litigation
- Promotes in-home and community based care for seniors and individuals with a disability
- Provides grants for wellness programs and to reduce health care disparities

## **4. Reflects shared responsibility between individuals, employers and state and federal governments**

- Individuals pay according to their ability and are required to purchase insurance
- Individuals are penalized if they don't purchase coverage unless they have a hardship exemption
- Employers (more than 50 employees) are required to do their part in providing insurance for their employees. Large employers are fined \$750/employee who receives a subsidy
- Small businesses and self-employed workers may purchase insurance through the insurance exchange (will give them lower rates since they are part of a large pool)
- Some small businesses get a tax credit to help provide insurance for their employees

## **5. Reins in health care costs and lowers the federal deficit**

Proposed health care reform (\$871 billion over 10 years) is “budget neutral” and lowers the deficit by \$132 billion over 10 years. Financing includes a variety of strategies including savings from within the health care system, new fees and changes in the tax system.

### ***Some ways the legislation finds savings from within the health care delivery system:***

- Simplifies health insurance administration
- Slows the growth of Medicare provider payments by about 1 percent a year (about half of the cost of reform is financed by this)
- Reduces payments to hospitals for preventable readmissions and for hospital-acquired conditions
- Gains savings by cuts in the prices of brand name drugs sold to seniors
- Allows generic drugs to be manufactured sooner
- Eliminates overpayments to Medicare Advantage plans

### ***New fees and tax changes include:***

- Taxing indoor tanning services by 10 percent
- Increasing the Medicare Part A (hospital insurance) payroll tax by 0.9 percent for those with income over \$250,000/year for a couple and \$200,000 for an individual
- Taxing very high cost insurance plans (the insurance companies pay the tax), valued at over (\$8,500 for individuals and \$23,000 for family coverage; average costs are \$4,800 and \$13,000 respectively)
- Limiting flexible spending accounts and increasing the tax on distributions from a health savings account that are not used for health care
- Increasing the threshold for itemized deductions for unreimbursed medical expenses from 7.5 percent to 10 percent of income