Expanding Health Care Coverage:

Proposals to Provide Affordable Coverage to All Americans

Senate Finance Committee

May 14, 2009

Introduction

- **Goals of proposed policy options**
  - To expand affordable health care coverage to all Americans
  - To foster a competitive insurance market by reforming the individual and small group markets so that health plans compete on price and quality rather than the ability to segment risk and discriminate against individuals with pre-existing health conditions
  - To make purchasing health insurance coverage easier and more understandable
  - To provide targeted tax credits to low-income individuals and small businesses to make coverage more affordable
  - To expand public programs to cover the most vulnerable populations

Agenda

- Insurance market reforms
- Making coverage affordable
- Public health insurance option
- Public program expansions
- Shared responsibility
- Prevention and wellness

Insurance Market Reforms:
Options for Individual and Micro-Group (2-10) Market

- **Total composite rate for a single adult not to exceed 7.5:1**
- **Rating allowed for:**
  - Tobacco use not to exceed 1.5:1
  - Age not to exceed 5:1
  - Family composition
- **Geographic variation can exist between rating areas, but cannot differ within a rating area**
- **Guarantee Issue**
- **No pre-existing conditions provisions**
- **Guaranteed Renewability rate assuming same rate adjustment factors used at issue**

Insurance Market Reforms:
Options for Small Group Market

- **Applies to remainder of small group as defined by states**
  - Includes groups of 11 to 50 (but could also include self-employed and/or groups up to 100 depending on current state law)
- **Same rating rules as individual and micro-group market**
- **Beginning 1/1/2013, Federal rating rules phased in as determined by the state**
  - Phased in by states over three to ten years with Secretary approval

Insurance Market Reforms:
Options for Exchange

- **Functions**
  - Standardize enrollment application, format for insurance options, marketing
  - Call center support for customer service
  - Enrollment in multiple locations
  - Rate schedule for brokers
  - Web portal that directs individuals to options in zip code
  - Establish procedures (through SSA, IRS or Medicaid offices) for enabling:
    - enrollment of individuals and small businesses;
    - eligibility determinations (and appeals) for low-income tax credits;
    - appeals and waivers related to personal responsibility requirement
- **Eligibility**
  - Micro-group can purchase through Exchange immediately
  - Remainder of small group market (as defined by states) can purchase through exchange once rating rules are fully phased in by state
- **Options**
  - Single Exchange that directs individuals to state-level information
  - Multiple, competition exchanges approved by the Secretary

Insurance Market Reforms:
Transition

- **Grandfathered plans –**

  "If you like what you have, you can keep it."

- **Plans may continue to offer coverage in a grandfathered plan only to those who are currently enrolled**

- **No subsidies offered for grandfathered plans**

- **Transition Rules for Rating Requirements**
  - Federal rating rules for non-group and micro-group markets (other than for grandfathered plans) will take effect on January 1, 2013
  - Federal rating rules for the remainder of the small group market (as defined by the state) would be phased in over a three-to-ten year period, as determined by each state with approval from the Secretary

Making Coverage Affordable:
Options for Benefits

- **Four Benefit Categories**
  - Lowest, low, medium and high
  - No policies issued (*except* grandfathered policies) that do not comply
  - All insurers must offer coverage in each of the four categories

- **All plans must provide**
  - Primary care and first dollar coverage for preventive care; emergency services; medical / surgical care; physician services; hospitalization; outpatient services, day surgery and related anesthesia, diagnostic imaging and screenings, including x-rays; maternity and newborn care; prescription drugs; radiation and chemotherapy; mental health and substance abuse services
  - No lifetime limits on coverage or annual limits on benefits

Making Coverage Affordable:
Options for Tax Credits

- **Tax credits up to 400 percent of poverty to help offset cost of private insurance premiums**
  - Eligible low-income individuals – including employees of small and large businesses who decline employer coverage– can use the credit to purchase coverage through the Exchange
- **Subsidy is completely phased out above 400 percent of poverty**
- **Additional options**
  - Tie premium subsidy for lower-income individuals to more generous plan and cap premiums based on income
  - Tie premium subsidy for all eligible individuals to the low-cost option and provide a cost sharing subsidy to reduce out-of-pocket expenses on services

Making Coverage Affordable:
Options for Small Business Tax Credits

- **Based on a firm's size and average employee earnings**
  - Firms at or below 10 full-time employees with average employee earnings below $20,000 get a credit equal to 50 percent of the average total premium cost paid by the employer for employer sponsored insurance in firm's state
  - Full-time employees = 30 hours or more
- **Phases out by firm size and average wages**
- **Completely phased out for firms with more than 25 workers and average employee earnings of $40,000**

Public Health Insurance Option

- **Option A – four alternatives**
  1) **Medicare-Like Option:** Administered by HHS, where government sets payment rates based on current Medicare rates and providers participate on a mandatory basis
  2) **"Level-Playing Field" Option:** Payment rates set above Medicare and providers participate on a voluntary basis
  3) **Third-Party Administrator Model:** Administered through multiple regional TPAs that would report to the Secretary; TPAs would be required to establish networks of participating medical providers and payments for participating providers would be negotiated by the TPAs; plans required to adhere to solvency requirements
  4) **State-Run Option**

- **Option B**
  - **No public option**

Role of Public Programs:
Medicaid Options

- **Expand Medicaid to parents, all children, and pregnant women at or below 150% FPL** (≈ $33,000/yr for a family of 4) **and temporarily increase federal funding**
- **Access to coverage – three alternatives**
  1) Medicaid in its current structure
     - Also expand Medicaid to cover everyone at or below 115% FPL
  2) Medicaid through the Exchange
     - Also expand Medicaid to cover everyone at or below 115% FPL
  3) Coverage through Medicaid and the Exchange
     - Parents, children, and pregnant women access Medicaid through current structure
     - Everyone else at or below 115% FPL gets a subsidy to buy coverage
- **Other Medicaid improvements**

Role of Public Programs:
Additional Options

- **Options for people 55-64 years old**
- **Options for the Medicare 24-month disability waiting period**
- **Children's Health Insurance Program (CHIP)**
  - No changes until after 9/30/13
  - Then, CHIP will be offered through the Exchange and will provide additional benefits for low-income children not eligible for Medicaid
- **Eliminating health care disparities**
  - Collect uniform data on race, ethnicity, gender, and disability
  - Provide states the option of covering non-pregnant legal immigrant adults during their first five years in the U.S.
  - Promote maternal and child health

Shared Responsibility:
Options for Individual Requirement

- **Individual responsibility to have health coverage**
- **Exemptions from the requirement**
  - Religious exemption (as defined in Medicare)
  - Undocumented aliens
- **Fine for non-compliance based on average cost of a lowest cost option**
  - Phased in over 3 years
  - Prorated for coverage for less than full year
  - Abatement if insurance is obtained
  - Examining auto-enrollment and late-enrollment fees as alternatives
- **Exemptions from fines**
  - Individuals where lowest cost premium available exceeds 10% of income
  - Individuals below 100% of poverty
  - Hardship (as determined by the Secretary of HHS)

Shared Responsibility:
Options for Employers

- **Option A – two alternatives**
  1) **Employers must offer qualified coverage to full-time employees**
     - Insurance must be actuarially equivalent to lowest coverage option and include first dollar coverage for prevention services
     - Employer must contribute 50% of the premium costs
     - Enforced through the tax code
  2) **Penalty structure for employers not offering qualified coverage**
     - Penalty phased up based on total payroll for a taxable year

- **Option B**
  - **No Employer requirement**

Prevention and Wellness:
Strengthen Coverage of Preventive Services in Medicare and Medicaid

- **Medicare**
  - Provide a Wellness Visit in Medicare every 5 years that includes development of a *Personalized Prevention Plan*
  - Remove barriers to preventive screenings and promote personal responsibility by providing incentives to encourage healthy behaviors (e.g., refunding costs associated with successfully completing programs like smoking cessation)
  - Align Medicare coverage for preventive services with scientific evidence
- **Medicaid**
  - Clarify that optional preventive services for adults in Medicaid include those rated A and B by the U.S. Preventive Services Task Force; 1% increase in federal match for states that cover all preventive services
  - Remove barriers to preventive screenings and promote personal responsibility by providing incentives to encourage healthy behaviors

Prevention and Wellness:
Additional Options

- **Short-Term Investment in Prevention for the Uninsured**
  - Capped grants available to states to provide primary prevention services such as tobacco use screening, influenza immunization, counseling on daily aspirin use, hypertension screening, and obesity screening until the Exchange is operational

- **Prevention and Wellness Innovation Grants**
  - State option to improve coordination and integration of health and human service systems (e.g., states may create an individualized plan for low-income individuals or multidisciplinary care teams to better manage and coordinate care, transition individuals from inpatient facilities to other settings, and refer individuals to social support and community resources)

- **Tax incentives for Workplace Wellness Programs**

Long-Term Care:
Options within Medicaid

- **Improve access to home and community-based services (HCBS) in Medicaid**
  - Increase FMAP by 1% for HCBS
  - Make the waiver option more flexible
  - Make the state plan option more generous
- **Facilitate community living**
  - Increase allowable resources
  - Apply spousal impoverishment rules
- **Grants to promote HCBS and innovation**
- **Money Follows the Person Rebalancing Demonstration**