# AN AMERICAN SOLUTION QUALITY AFFORDABLE HEALTH CARE

## THE HOUSE TRI-COMMITTEE HEALTH REFORM DISCUSSION DRAFT SUMMARY

The discussion draft provides quality affordable health care for all Americans and controls health care cost growth. Key provisions of the discussion draft being released today include:

- COVERAGE AND CHOICE
- AFFORDABILITY
- SHARED RESPONSIBILITY
- CONTROLLING COSTS
- PREVENTION AND WELLNESS
- WORKFORCE INVESTMENTS

## I. COVERAGE AND CHOICE

The discussion draft builds on what works in today's health care system and fixes the parts that are broken. It protects current coverage – allowing individuals to keep the insurance they have if they like it – and preserves choice of doctors, hospitals, and health plan. It achieves these reforms through creating:

- **A Health Insurance Exchange.** The new Health Insurance Exchange creates a transparent and functional marketplace for individuals and small employers to comparison shop among private and public insurers. It sets and enforces insurance reforms and consumer protections, facilitates enrollment, and administers affordability credits to help low- and middle-income individuals and families purchase insurance. Over time, the Exchange will be opened to all employers as another choice for covering their employees. States may opt to operate the exchange in lieu of the national exchange provided they follow the federal rules.
- **A public health insurance option.** One of the many choices of health insurance within the health insurance Exchange includes a public health insurance option. It will create a new choice in many areas of our country dominated by a just one or two private insurers today. The public option will operate on a level playing field. It will be subject to the same market reforms and consumer protections as other private plans in the Exchange and it will be self-sustaining -- financed only by its premiums.
- **Guaranteed coverage and insurance market reforms.** Insurance companies will no longer be able to engage in discriminatory practices that enable them to refuse to sell or renew policies today due to an individual's health status. In addition, they can no longer exclude coverage of treatments for pre-existing health conditions. The discussion draft also protects consumers by prohibiting lifetime and annual limits on benefits. The proposal also limits the ability of insurance companies to charge higher rates due to health status, gender, or other factors. Under the proposal, premiums can vary based only on age (no more than 2:1), geography and family size.

- **Essential benefits.** A new independent Advisory Committee with practicing providers and other health care experts, chaired by the Surgeon General, will recommend a benefit package based on standards set in the law. This new essential benefit package will serve as the basic benefit package for coverage in the exchange and over time will become the minimum quality standard for employer plans. The basic package will include preventive services with no cost-sharing, mental health services, dental and vision for children, and caps the amount of money a person or family spends on covered services in a year.

## II. AFFORDABILITY

To ensure that all Americans have affordable health coverage the discussion draft:

- **Provides sliding scale affordability credits.** The affordability credits will be available to low- and moderate- income individuals and families. The credits begin and are most generous for those who are just above the proposed new Medicaid eligibility levels; the credits are completely phased out at 400 percent of the federal poverty level ($43,000 for an individual or $88,000 for a family of four). The affordability credits will not only make insurance premiums affordable, they will also reduce cost-sharing to levels that ensure access to care. The Exchange administers the affordability credits with other federal and state entities, such as local Social Security offices and state Medicaid agencies.
- **Caps annual out-of-pocket spending.** All new policies will cap annual out-of-pocket spending to prevent bankruptcies from medical expenses.
- **Increased competition:** The creation of the Health Insurance Exchange and the inclusion of a public health insurance option will make health insurance more affordable by opening many market areas in our country to new competition, spurring efficiency and transparency.
- **Expands Medicaid.** Individuals and families with incomes below 133 percent of the federal poverty level will be eligible for an expanded and improved Medicaid program. Recognizing the budget challenges in many states, this expansion will be fully federally financed. To improve provider participation in this vital safety net -- particularly for low-income children, individuals with disabilities and people with mental illnesses– reimbursement rates for primary care providers will be increased with new federal funding**.**
- **Improves Medicare.** Senior citizens and people with disabilities will benefit from provisions that fill the donut hole over time in the Part D drug program, eliminate cost-sharing for preventive services, , improve the low-income subsidy programs in Medicare, fix physician payments, and make other program improvements. The proposal will also address future fiscal challenges by improving payment accuracy, encouraging delivery system reforms and extending solvency of the Medicare Trust Fund.

## III. SHARED RESPONSIBILITY

The discussion draft creates shared responsibility among individuals, employers and government to ensure that all Americans have affordable coverage of essential health benefits.

- **Individual responsibility.** Except in cases of hardship, once market reforms and affordability credits are in effect, individuals will be responsible for obtaining and maintaining health insurance coverage. Those who choose to not obtain coverage will pay a penalty based on two percent of adjusted gross income above a specified level.
- **Employer responsibility.** The proposal builds on the employer-sponsored coverage that exists today. Employers will have the option of providing health insurance coverage for their workers or contributing funds on their behalf. Employers that choose to contribute will pay a fee based on

eight percent of their payroll. Employers that choose to offer coverage must meet minimum benefit and contribution requirements specified in the proposal.

- **Assistance for small employers.** Recognizing the special needs of small businesses, an exemption from the employer responsibility requirement will be put in place for certain small businesses. In addition, a new small business tax credit will be available for those firms who want to provide health coverage to their workers, but cannot afford it today. In addition to the targeted assistance, the Exchange and market reforms provide a long-sought opportunity for small businesses to benefit from a more organized, efficient marketplace in which to purchase coverage.
- **Government responsibility.** The government is responsible for ensuring that every American can afford quality health insurance, through the new affordability credits, insurance reforms, consumer protections, and improvements to Medicare and Medicaid.

## III. PREVENTION AND WELLNESS

Prevention and wellness measures of the discussion draft include:

- Expansion of Community Health Centers;
- Prohibition of cost-sharing for preventive services in benefit packages;
- Creation of community-based programs to deliver prevention and wellness services;
- A focus on community-based programs and new data collection efforts to better identify and address racial, ethnic, regional and other health disparities;
- Funds to strengthen state, local, tribal and territorial public health departments and programs.

## IV. WORKFORCE INVESTMENTS

The discussion draft expands the health care workforce through:

- Increases to the National Health Service Corp;
- More training of primary care doctors and an expansion of the pipeline of individuals going into health professions, including primary care, nursing and public health;
- Greater support for workforce diversity;
- Expansion of scholarships and loans for individuals in needed professions and shortage areas.
- Encourages training of primary care physicians by taking steps to increase physician training outside the hospital, where most primary care is delivered, and redistributes unfilled graduate medical education residency slots for purposes of training more primary care physicians. The proposal also improves accountability for graduate medical education funding to ensure that physicians are trained with the skills needed to practice health care in the 21st century.

## VI. CONTROLLING COSTS

The discussion draft will reduce the growth in health care spending in a numerous ways. Investing in health care through stronger prevention and wellness measures, increasing access to primary care, health care delivery system reform, the Health Insurance Exchange and the public health insurance option, improvements in payment accuracy, and reforms to Medicare and Medicaid will all help slow the growth of health care costs over time. These savings will accrue to families, employers, and taxpayers.

- **Modernization and improvement of Medicare.** The discussion draft implements major delivery system reform in Medicare to reward efficient provision of health care, including testing of innovative concepts such as accountable care organizations and bundling of acute and post-acute provider payments. New payment incentives will encourage a decrease in preventable hospital

readmissions, expanding this policy over time to recognize that physicians and post-acute providers also play an important role in avoiding readmissions. The bill improves the Medicare Part D program, creates new consumer protections for Medicare Advantage Plans, and improves low-income subsidy programs and coverage or preventive services, so that Medicare is affordable for all seniors and other eligible individuals. A centerpiece of the proposal is a complete reform of the flawed physician payment mechanism in Medicare (the so-called sustainable growth rate or "SGR" formula), with an update that wipes away accumulated deficits, provides for a fresh start, and rewards primary care services, care coordination and efficiency.

- **Innovation and delivery reform through the public health insurance option.** The public health insurance option will be empowered to implement innovative delivery reform initiatives so that it is a nimble purchaser of health care and gets more value for each health care dollar. It will expand upon the experiments put forth in Medicare and be provided the flexibility to be a leader in implementing value-based purchasing, accountable care organizations, medical homes, and bundled payments. These broad authorities will ensure the public option is a leader in efficient provision of quality care, spurring competition with private plans.
- **Improving payment accuracy and eliminating overpayments.** The discussion draft eliminates overpayments to Medicare Advantage plans and improves payment accuracy for numerous other providers, following recommendations by the Medicare Payment Advisory Commission. These steps will extend Medicare trust fund solvency, and put Medicare on stronger financial footing for the future.
- **Preventing waste, fraud and abuse.** New tools will be provided to combat waste, fraud and abuse within the entire health care system.8 Within Medicare, new authorities allow for pre-enrollment screening of providers and suppliers, permit designation of certain areas as being at elevated risk of fraud to implement enhanced oversight, and require compliance programs of providers and suppliers. The new public health insurance option and Health Insurance Exchange will build upon the safeguards and best practices gleaned from experience in other areas.
- **Administrative simplification.** The discussion draft will simplify the paperwork burden that adds tremendous costs and hassles for patients, providers, and businesses today.

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## WHAT'S IN THE HEALTH CARE REFORM BILL FOR YOU?

We know our economy and fiscal future are tied to building on what works in our health care system and fixing what's broken.

Here are 12 ways health care reform will help you and your family.

### LOWER COSTS

- No more co-pays or deductibles for preventive care
- An annual cap on your out-of-pocket expenses—no longer driving Americans to financial ruin
- An end to rate increases based on pre-existing conditions, gender, or occupation
- Group purchasing power of a national pool if you have to buy your own plan
- Guaranteed, affordable oral health and vision care for kids

### GREATER CHOICE

- Keep your doctor and your plan if you like them
- More plan choices, including a high-quality public health insurance option that would compete with private companies

### STABILITY & PEACE OF MIND

- An end to coverage denials for pre-existing conditions such as heart disease, diabetes, or cancer
- Get the care you need with an end to lifetime limits
- Job and life choices will no longer be based on health care coverage

### HIGHER QUALITY

- Doctors—not insurance companies—in charge of health care decisions
- More family doctors and nurses entering the workforce, at better payment rates, helping guarantee your access to quality care

PREPARED BY OFFICES OF DEMOCRATIC LEADERSHIP AND HOUSE COMMITTEES ON WAYS AND MEANS, ENERGY AND COMMERCE, AND EDUCATION AND LABOR
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## HEALTH REFORM AT A GLANCE:
## THE HEALTH INSURANCE EXCHANGE

This discussion draft will reform the insurance marketplace to ensure that everyone can purchase quality, affordable health insurance coverage. A critical piece is a new Health Insurance Exchange (Exchange) that will lay out choices for individuals and businesses to allow them to comparison shop for coverage. This Exchange will revolutionize health care choices and will help reduce the growth in health care spending by encouraging competition on price and quality, not benefit manipulation or efforts to exclude needy patients. Recognizing that many businesses want to continue providing their own health coverage as they do today, business participation in the Exchange is simply a new option for those that are eligible – no business is required to enter.

### HEALTH INSURANCE EXCHANGE PROVISIONS IN THE DISCUSSION DRAFT:

### ABILITY TO COMPARISON SHOP

- Give people the ability to choose from a variety of plans — including a new public health insurance option — in the Exchange.
- Provide standardized benefit packages so that people will be able to comparison shop and make informed choices based on cost and quality.

### AFFORDABILITY (SEE FACT SHEET "MAKING COVERAGE AFFORDABLE" FOR MORE DETAILS)

- To ensure that health care is affordable to people of all incomes, new affordability credits will be available for people purchasing through the Health Insurance Exchange. They will assist people with incomes up to 400% of the federal poverty level ($43,000 for individuals or $88,000 for families of four) and phase-out on a sliding scale basis.
- Includes a cap on premiums and out-of-pocket spending. Regardless of income, person will be protected so no one will face bankruptcy due to medical expenses.

### TRANSPARENCY

- Bring transparency to the health care marketplace, so that families know what benefits their plan covers and what it will cost them.
- Require plans to explain their coverage in plain language, so that consumers can make informed choices about their medical care.

### STANDARDIZED BENEFITS (SEE FACT SHEET "BENEFITS" FOR DETAILS)

- Allow consumers to choose coverage among several standard benefit packages.
- Provide comprehensive health care services with different levels of cost sharing.
- Include a Premium Plus plan through which people will have options to purchase coverage for additional health care benefits that are not included in the core benefit standards.

### ADVANTAGES FOR SMALL BUSINESSES

- Health Insurance Exchange is opened to small employers first and to larger employers over time.
- Offers opportunity to small employers through the Exchange to provide their employees with broad choices for coverage and to be able to eliminate the administrative costs of maintaining their own health plan contracts.

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## HEALTH REFORM AT A GLANCE:
## SHARED RESPONSIBILITY

The House Democratic health care reform discussion draft will ensure that all Americans have access to quality and affordable health care coverage through shared responsibility among individuals, businesses and government. Under the discussion draft, individuals would be responsible for purchasing health insurance coverage and most employers would be responsible for offering coverage. Individuals, employers and the government would be responsible for contributing to the cost of coverage.

## SHARED RESPONSIBILITY PROVISIONS IN THE DISCUSSION DRAFT

### THE GOVERNMENT WOULD ENSURE AFFORDABILITY OF COVERAGE THROUGH AFFORDABILITY CREDITS

True access to quality health care cannot happen if coverage is not affordable. The House Democratic discussion draft will ensure all American can afford health care coverage on a sliding scale.

- Affordability credits will be available for individuals and families with incomes between 133 percent of poverty ($14,404 for an individual or $29,327 for a family of four) to 400 percent of poverty level ($43,420 for an individual or $88,200 for a family of four). The amount of credit is reduced as individual and family income increases.
- Only individuals and families who seek health care coverage in the exchange will receive affordability credits.
- In the fifth year after the exchange begins, childless adults who are eligible for Medicaid and had health coverage for the previous six months would have the choice of enrolling in Medicaid or gaining access to health care coverage in the exchange with the assistance of affordability credits.

### ALL AMERICANS WILL BE RESPONSIBLE FOR HAVING HEALTH INSURANCE, EXCEPT IN CASES OF HARDSHIP

The reforms in the House Democratic discussion draft will make health care coverage more affordable so that all Americans would have access to coverage that protects against catastrophic costs.

- Individuals who choose not to obtain basic health coverage will be subject to a modest penalty based on income. In no case would the penalty exceed the average cost of a health care policy in the exchange.
- Hardship waivers may be granted to individuals based on criteria such as affordability or religious objections, among other reasons.

### EMPLOYERS MAY CHOOSE BETWEEN PROVIDING COVERAGE FOR THEIR WORKERS OR CONTRIBUTING ON BEHALF OF THEIR WORKERS

Under the House discussion draft, employers have a responsibility to help make health insurance available for their employees. Businesses that do not offer health coverage to their workers have an unfair competitive advantage over businesses that cover their employees.

- Employers would contribute 72.5 percent of the cost of premiums for all full-time employees' health coverage and 65 percent for a family policy.
- Employers would have the option of providing part-time employees with health coverage by contributing a share of the expense, or contributing to the exchange in order for part time employees to seek coverage there.
- In the fifth year after the exchange begins, companies that offer health insurance would have to meet minimum coverage standards like those required of plans in the exchange.

- If an employer chooses not to offer health coverage to its employees, a penalty will be accessed based on the size of payroll. That penalty will help employees find quality, affordable coverage in the exchange.

## SMALL BUSINESSES WOULD BE PROTECTED THROUGH EXEMPTIONS FOR LOW-WAGE FIRMS AND A NEW SMALL BUSINESS TAX CREDIT WOULD HELP FIRMS PROVIDING HEALTH COVERAGE

- Employers with annual payrolls under a certain limit would be exempt from the requirement to provide health insurance to their workers. However, workers would still be eligible to get coverage through the exchange.
- Other small businesses would be eligible to receive tax credit for the health insurance offered to their workers.

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## HEALTH REFORM AT A GLANCE:
## PUBLIC HEALTH INSURANCE OPTION

The goal of health care reform is to provide quality, affordable health care for every American while preserving what works in today's system, expanding choice, and containing costs. The draft proposal provides a public health insurance option that would compete with private insurers within the health insurance exchange.

## PUBLIC HEALTH INSURANCE OPTION PROVISIONS IN THE DISCUSSION DRAFT:

### OVERVIEW

- Available in the new Health Insurance Exchange (Exchange) along with all of the private health insurance plans.

### LEVEL PLAYING FIELD

- Require public plan to meet the same benefit requirements, and comply with the same insurance market reforms as private plans.
- Establish the public plan's premiums for the local market areas that are designated by the Exchange, just as other insurers do.
- Individuals with affordability credits can choose among the private carriers and the public option.

### SELF-SUFFICIENCY

- Public plan must be financially self-sustaining, as private plans are.
- Public plan will need to build contingency funds into its rates and adjust premiums annually in order to assure its financial viability, as private plans do.

### INNOVATION AND COST CONTAINMENT

- Promote primary care, encourage coordinated care and shared accountability, and improve quality.
- Institutes new payment structures and incentives to promote these critical reforms.

### PROVIDER PAYMENTS AND PARTICIPATION

- Initially utilizes rates similar to those used in Medicare; this tie is severed over time as more flexible payment systems are developed.
- Allow immediate integration into delivery reforms also contained in the discussion draft.
- Provider participation is voluntary

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## HEALTH REFORM AT A GLANCE:
## MAKING COVERAGE AFFORDABLE

The draft proposal makes insurance premiums more affordable and reduces cost sharing for individuals and families otherwise unable to confront the high cost of health care.

It provides sliding-scale affordability credits for individuals and families with incomes above the Medicaid thresholds but below 400% of poverty. The proposal also protects individuals and families from catastrophic costs with a cap on total out-of-pocket spending. In addition, it broadens Medicaid coverage to include individuals and families with incomes below 133% of poverty.

### AFFORDABILITY PROVISIONS IN THE DISCUSSION DRAFT

#### AFFORDABILITY CREDITS

- Effective 2013, sliding scale affordability credits are provided to individuals and families between 133% to 400% of poverty. That means the credits phase out completely for an individual with $43,320 in income and a family of four with $88,200 in income (2009).
- Premiums: The sliding scale credits limit individual family spending on premiums for the essential benefit package to no more than 1% of income for those with the lowest income and phasing up to no more than 10% of income for those at 400% of poverty.
- Cost sharing: The affordability credits also subsidize cost sharing on a sliding scale basis, phasing out at 400% of poverty, ensuring that covered benefits are accessible.
- The Health Insurance Exchange administers the affordability credits in relationship with other federal and state entities, such as local Social Security offices and Medicaid agencies.

#### CAP ON TOTAL OUT-OF-POCKET SPENDING

- The essential benefit package, and all other benefit options, limit exposure to catastrophic costs with a cap on total out of pocket spending for covered benefits.

#### MEDICAID (SEE SEPARATE MEDICAID FACT SHEET FOR DETAILS)

- Effective 2013, individuals with family income at or below 133% of poverty ($14,400 for an individual in 2009) are eligible for Medicaid.
- State Medicaid programs would continue to cover those individuals with incomes above 133% of poverty, using the eligibility rules states now have in place.

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