

Health Care Reform: Draft Proposal

Insurance Market Reforms:

Insurance Market Reforms: Proposal for Small and Non-Group Market

■ Market reforms in small and non-group markets

- Guarantee issue
- No health status rating or pre-existing conditions provisions
- Adjusted community rating with rate variation capped at 7.5:1
- Small group defined as 1-50 (or up to 100 employees depending on state law)
- Individuals with current coverage in non-group market can keep what they have even if insurer modifies the plan
- Small group plans also grandfathered but subject to phased-in rating reforms

■ Exchange

- State-based Exchange facilitates enrollment for individuals and small groups (through SHOP); provides standardized enrollment application, format for insurance options and marketing; call center support and customer service
- Option for states to contemplate multiple, competing Exchanges after five years if approved by the Secretary
- Exchanges must be self-sustaining


Insurance Market Reforms: Proposal Regarding Benefits

■ Benefit options

- Four benefit categories: Bronze, Silver, Gold and Platinum
- No non-group or small group policies issued (*except* grandfathered policies) that do not comply
- Actuarial value adjusted to more accurately reflect plans offered in the market today:
 - ✓ Bronze (minimum creditable coverage) = 65%
 - ✓ Silver = 73%
 - ✓ Gold = 81%
 - ✓ Platinum = 90%

■ Other changes from previous options discussed

- Insurers must offer coverage in at least the silver and gold categories
- Added pediatric services (including dental and vision) to list of benefits that must be provided
- Added out-of-pocket limits to all benefit categories consistent with current HSA standard for out-of-pocket limits
- Permits value-based insurance design



Individual and Small Business Tax Credits

- **Tax credit for individuals to purchase non-group coverage**
 - Tax credits for individuals and families up to 300% FPL to help offset cost of private insurance premiums
 - Tax credit for premiums tied to the “Silver” plan and cost sharing subsidy also provided to reduce out-of-pocket expenses on services

- **Small business tax credit**
 - Temporary small business tax credit (up to three years) available to firms with fewer than 25 employees with average wages below \$40,000 until state Exchange is established
 - Temporary small business tax credit (five years) available to new businesses and firms newly offering health coverage through the Exchange once the Exchange is established

OPEN ISSUE:

Non-Profit Co-op Health Plans

- Congress enacts legislation establishing the Consumer Owned and Oriented Plan (CO-OP), a consumer governed non-profit corporation
- Advisory board makes recommendations to HHS Secretary who makes final decisions about approvals of business plans and distribution of funds
 - Seed money will include grants for risk capitalization used to meet solvency requirements
 - Loans for co-op start-up planning and operating costs must be repaid to the federal government
- Business plans must meet governance standards, and eligible applicants must meet the standard for non-profit, participating mutual insurer

Medicaid

■ Role of Medicaid for lowest-income populations

- Medicaid to cover **children and pregnant women** at or below 133% of poverty (FPL) (\approx \$28,200/year for a family of four)
- Medicaid to cover **parents and childless adults** at or below 100% FPL (\approx \$10,800/year)
- Phase-in coverage for parents and childless adults based on the following:
50% of poverty (FPL) in 2010, 75% FPL in 2011, 100% FPL in 2012
- Temporary increase in federal funding for expansion populations (five years) and then phase down to regular state match
- Proposals to expand access to home and community based services

Proposal for Individual Requirement

- **Individual responsibility to have health coverage**
 - Exemptions from the requirement:
 - Religious exemption
 - Undocumented workers
 - Fine for non-compliance based on percentage of the average cost of lowest cost option available
 - Exemption from fine if coverage is unaffordable – defined based on circumstance where lowest cost premium available exceeds 15% of income
 - Exemption from fine for hardship and individuals below 100% of poverty
 - Exemption from fine for Native Americans
 - State option for auto enrollment
 - Mandatory auto enrollment for employers with more than 200 employees

OPEN ISSUE:

Placeholder for Employer Responsibility

■ **“Free Rider” or “Anti-Crowd Out” Approach**

- No employer requirement to provide health coverage, BUT employers whose workers receive Medicaid or a tax credit in the Exchange must contribute:
 - 50% of the national average Medicaid costs for workers enrolled in Medicaid
 - 100% of the cost of the tax credit for workers receiving the tax credit
- Workers can only leave employer-sponsored coverage and opt into the Exchange if the coverage offered was unaffordable (defined as exceeding 12.5% of income)
- A Medicaid-eligible employee could leave employer-sponsored coverage but the employer would not have to contribute unless the coverage they were offering was unaffordable

OPEN ISSUE:

Alternatives for Employer Responsibility

	Option 1	Option 2	Option 3	Option 4
Employers	Firms with more than 25 employees	Firms with more than 100 workers	Firms with more than 200 employees	None
Qualified coverage				None
<i>Actuarial Value</i>	Equal to MCC	HIPAA creditable coverage	HIPAA creditable coverage	
<i>Contribution</i>	50% premium contribution	50% premium contribution	N/A	
Penalty	\$2,400 per worker	Linear phase-up starting at 1% of payroll for firms with more than \$750,000 in total annual payroll up to 11.0% for firms with \$10,000,000 in total annual payroll	Non-offering firm pays \$295 per employee	None
Treatment of subsidy eligible workers	Firewall	Firewall	Firewall for employees in firms over 200 employees; partial firewall for firms below 200 employees (applies to full-time employees, affordability standard based on 12.5% of base salary for single coverage)	None

Prevention and Wellness

■ Medicare and Medicaid provisions

- Establish a *Personalized Prevention Plan* under Medicare
- Align Medicare coverage for preventive services with scientific evidence
- Promote personal responsibility in Medicare and Medicaid by providing incentives to encourage healthy behavior
- 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
- Give States the option under Medicaid to develop medical homes and improve care coordination and transitional care for chronically ill enrollees
- Require Medicaid coverage for tobacco cessation for pregnant women

■ Workplace wellness programs

- Tax incentives for workplace wellness programs targeted to employers with 200 or fewer workers