

Update on National Health Reform: A Moving Target

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Outline of Presentation

- Overview of Key Proposals
- Legislative Process
- Financing Hurdles
- State Role in Health Reform
- Payment Reform
- What Next?

Overview of Key Proposals

Three Democratic Proposals

1. Kennedy: “Affordable Health Choices Act”

- Senate Health, Education, Labor and Pensions Committee (HELP committee)
- Introduced June 9th, 615 pages...

2. Baucus “Ideas” based on white papers

- Chair, Senate Finance Committee
- Hopes to co-sponsor with Sen. Grassley

3. House- Waxman Framework

- Energy and Commerce, Ways and Means, Education and Labor

Key Provisions of All Proposals

- Individual mandate with minimum credible coverage requirement
- “Play-or-pay” requirement for employers
- Premium subsidies for families and expanded eligibility for Medicaid
- Insurance exchange (national or state run)
- Public plan option
- Federal health board (*to define minimum credible coverage and run the exchange*)

Key Legislation: 1. Sen. Kennedy

“Affordable Health Choices Act”

- Senate Health, Education, Labor and Pensions Committee (HELP committee)
- Senator Dodd taking the lead
- Introduced June 9th, 615 pages....
- Mark up started yesterday in Senate

Key Provisions of Kennedy Proposal

Regulation of Private Insurance

- Guaranteed issue
- Individual mandate
- **State-based** insurance exchanges
- **No rating** on health status, gender, class of business, claims experience
- Rating on age (2:1), family structure and actuarial value of the benefit

Key Provisions of Kennedy Proposal

Medicaid provisions

- Expansion of eligibility to 150% of FPL
- Eligibility based on income (*no asset test*)
- Premium subsidies up to 500% of FPL for families to buy private insurance through the exchange

Key Provisions of Kennedy Proposal

Additional Provisions

- Pay or play (*exemptions for small employers*)
- Allow young adults up to 26 years of age to enroll in parents health plan
- Prohibits self-insurance for employers with less than 250 employees

Financing

- No provisions

Key Legislation: 2. Sen. Baucus

Senator Baucus

- Chair, Senate Finance Committee
- Plan to co-author bill with Sen. Grassley
- Three white papers released in May for public comment
- No bill introduced to date (*details from the white papers...*)

Key Provisions of Baucus Proposal

Regulation of Private Insurance

- Individual mandate
- No specifics on rating rules but will be specified in the bill
- **National** insurance exchange
- **Public plan option**
- Employer pay or play (*with small employers exempt*)

Key Provisions of Baucus Proposal

Medicaid provisions

- Expansion of eligibility to 100% of FPL for all
- Children mandate up to 250% of FPL

Medicare Provisions

- Medicare buy-in for those aged 55-64 (until nation exchange developed)
- Phase out of Medicare 2 yr waiting provisions for people with disabilities

Other Provisions of Baucus Proposal

Financing Options Proposed

- Tax Employer Sponsored Insurance
- Modifying/repealing itemized deduction for medical expenses
- Modifying/repealing the tax exemption for FSAs and HRAs
- Modifying tax exemption for non-profit hospitals
- New alcohol, sugar-sweetened beverages excise taxes

Key Legislation: 3. Rep. Waxman

House Democrat Bill Framework

- Three House committees working together:
 - Energy and Commerce
 - Ways and Means,
 - Education and Labor
- Framework released June 9th

Key Provisions of Waxman Framework

Regulation of Private Insurance

- Guaranteed issue
- Individual mandate
- Standards for “adequate coverage” including a cap on out-of-pocket spending
- Require no cost sharing on preventive services
- **No** rating on health status, gender, or occupation; rate restrictions on age

Addition Insurance Provisions: Waxman Framework

- Insurance exchange (*allows for both state and national*)
- Subsidies for families < 400% FPL to buy into the exchange through sliding scale “affordability credits”
- Pay-or-play (small employers exempt)
- Tax credits for small employers offering ESI

Other Provisions: Waxman Framework

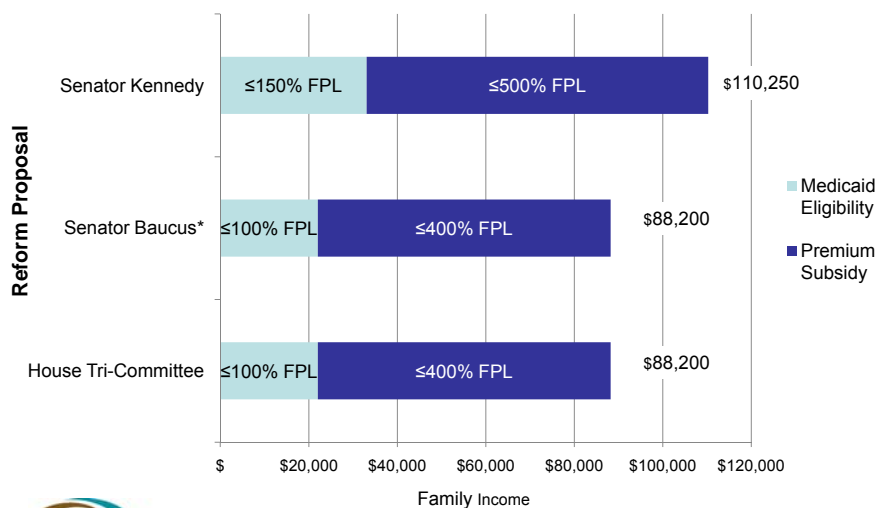
Medicare

- Revise for the physician payment system
- Increase reimbursement for primary care
- Eliminating over-payments to Medicare Advantage plans
- Prescription drug and low-income subsidy improvements

Financing

- No provisions

Coverage Expansion Under Reform Proposals (Family of Four FPL = \$22,050 in 2009)



Legislative Process

First Choice: Bipartisan Bill by August

- Both House and Senate to mark up bills by end of June
 - Kennedy bill in Finance YESTERDAY!
 - Other's scheduled to go in in next few days
- Conference in July
- Bill to President by August Recess

Second Option: Budget Reconciliation-Sept

Pros

- Can be passed on Democratic Vote (*do not need to bring republicans along...*)

Cons

- Five-year sunset provisions
- Can do only spending and budget reductions – NO POLICY (*eliminate all the insurance policy provisions*)
- Program would sunset after five years (e.g. CHIP)

Financing Hurdles

Health Care Is the Budget Problem

When I headed the CBO....

"the health care challenge was 'Don't make the [budget] situation worse.' Now, it's 'Do health care reform so we can make the budget situation better.'"

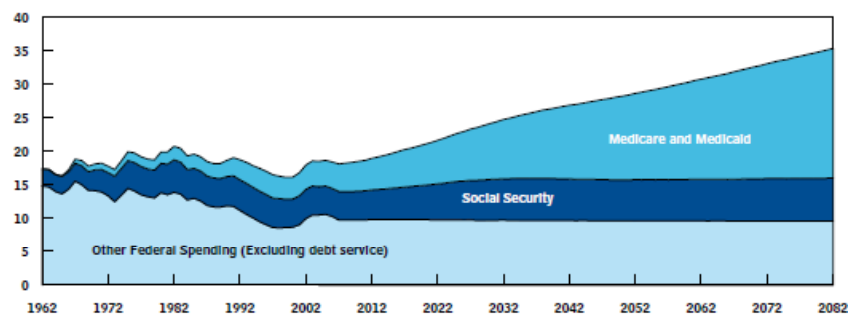
–Robert Reischauer, former CBO Director during the Clinton care debate



Projected Federal Spending

Projected Federal Spending Under One Fiscal Scenario

(Percentage of gross domestic product)



Source: Congressional Budget Office.

Note: The figure, from the December 2007 *Long-Term Budget Outlook*, portrays CBO's "alternative fiscal scenario," which deviates from the agency's baseline projections to incorporate some changes in policy that are widely expected to occur and that policymakers have regularly made in the past.



President Obama's Proposal

Source	Amount (billions- 10 yrs)
FY 2010 Budget	\$635
Medicaid and Medicare savings	\$309
Revenues	\$326
Additional Medicare/Medicaid savings	\$313
Productivity adj. to Medicare payment updates	\$110
Reduce hospital disp. share as coverage increases	\$106
Better prices for Part D drugs	\$75
Other	\$22
Total	\$948

Estimated cost of reform = \$1-2 Trillion

CBO – “Scoring” Reform Elements

The Budgetary Treatment of Various Aspects of Health Insurance Proposals

	Individual Mandate; Health Insurance Is Largely Governmental (Tightly Constrained)	Health Insurance Is Largely Private (Loosely Constrained)
Subsidies	In budget (Outlays or revenue losses)	In budget (Outlays or revenue losses)
Play-or-Pay Payments	In budget (Revenues)	In budget (Revenues)
Individual Mandate Penalties	In budget (Revenues)	In budget (Revenues)
Risk Adjustment Transactions	In budget (Revenues and outlays)	In budget (Revenues and outlays)
Transactions of Public Plans	In budget (Revenues and outlays)	In budget (Net outlays)
Premiums Paid Directly to Insurers	In budget (Revenues and outlays)	Not in budget
Premiums Paid for Employer- Sponsored Insurance	In budget (Revenues and outlays)	Not in budget
Premiums Paid to Exchanges		
Exchanges are governmental	In budget (Revenues and outlays)	In budget (Net outlays)
Exchanges are not governmental	In budget (Revenues and outlays)	Not in budget

Source: Congressional Budget Office.

Note: Different segments of the health insurance market could be treated differently in the budget if they are regulated differently.

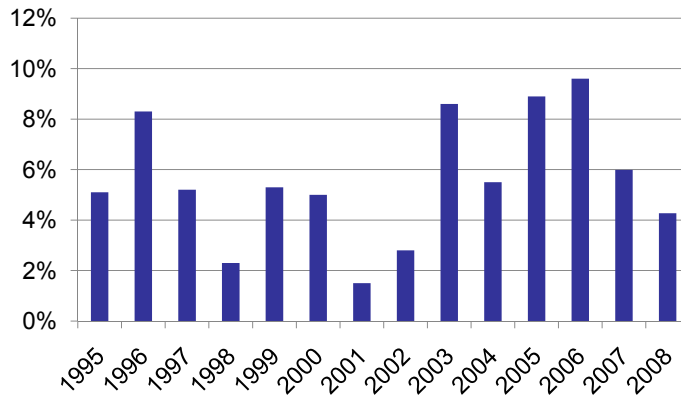
State Role in Health Reform

State Role in Reform: Implementation!

- Medicaid/SCHIP expansions
- State insurance exchange and regulation
- Premium subsidies for small employers and families
- Possible public plan implementation at the state level
- Implementation of insurance regulations

Concern about State Revenues

Annual % Change in 2nd Quarter State and Local Tax Revenue



Source: Quarterly Summary of State and Local Government Tax Revenue, U. S Census Bureau.

State Revenues Continue to Decline

- Total 2009 first-quarter tax revenue declined in 45 of 47 early-reporting states
 - Personal income tax **fell 15.8%**
- States face \$183.3 billion in budget shortfalls between FY 2009 and FY 2011
- States have already addressed \$46.2 billion in budget gaps in the first half of FY 2009

State infrastructure is stressed!! Cost of implementation not addressed.....

Payment Reform

Payment Reform

- No discussion of payment reform
- HIT stimulus funds cited as mechanism to increase efficiency
- Proposals include mostly blunt adjustments to payments and payment formulae
 - *i.e. no significant reform of payment policy*
- Obama does mention potential use of MedPAC
 - (see handout)
http://www.medpac.gov/documents/Mar09_FactSheet.pdf

MedPAC Recommendations

- Bundled payments for all services provided in a hospitalization episode
- Financial disincentives for certain hospital readmissions
- Measuring physician resource use and confidentially sharing the results so that future payment structure can be tied to resource use



MedPAC Recommendations

- Use accountable care organizations (ACOs) to promote quality by offering bonuses and penalties related to cost and quality targets
- Restructure Medicare benefits, including supplemental coverage to better align cost sharing with quality targets
- Reduce payments to Medicare Advantage and incentivize innovation



MedPAC Recommendations

Direction for payment and delivery system reform

Current fee-for-service payment systems

- Ambulatory surgical centers
- Clinical laboratory
- Durable medical equipment
- Home health care
- Hospice
- Hospital acute inpatient
- Inpatient rehabilitation facility
- Long-term care hospital
- Outpatient dialysis
- Outpatient hospital
- Physician
- Psychiatric hospital
- Skilled nursing facility

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Recommended tools

- Disclosure of financial relationships
- Comparative effectiveness
- Linking payment to quality
- Reporting resource use
- Bundling individual services within a payment system (e.g., dialysis)
- Creating pressure for efficiency through updates
- Reducing unnecessary readmissions
- Gain sharing
- Price accuracy (e.g., primary care adjustment)

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Potential system changes

- Medical home
- Payments "bundled" across existing payment systems (e.g., hospital and physician around hospitalization)
- Accountable care organization

What Next?

- Day-to-day developments
- Kennedy bill only one introduced
- Not a lot of time to get consensus
- Big hurdles
 - Public Plan (*Obama wants*)
 - Financing
- Possibility – a high-level framework for reform with phased in time frame to allow for recovery of economy, development of the details, including financing options

Original Timeline from Washington

Senate

Senate Finance Committee and Senate Health, Education, Labor and Pension (HELP)

- **June 16:** Senate HELP Committee markup of Affordable Health Choices Act (will run for 1-3 weeks)
- **June 17: Senate Finance Comm. expected to release proposed draft of reform bill**
- **June 19 or 22:** Senate Finance Comm. expected to release final version of reform bill
- **June 23:** Senate Finance Comm. mark up of bill begins

House

The Way and Means Committee, Energy and Commerce Committee, and Education and Labor.

- **By June 19th: House to release proposed draft on healthcare reform.**
- **Week of June 22:** Hearings in all three health subcommittees on the draft proposal
- **Week of July 6:** Full committee meeting to discuss healthcare reform bill

Senate and House want to have the bills on the floor before August recess. During recess, staff will work to reconcile the differences so that members can complete a conference agreement when they return in Sept/Oct and send the agreement to the President by mid-October.

Revised Timeline (Post-CBO Report)

Senate

Senate Finance Committee and Senate Health, Education, Labor and Pension (HELP)

- ~~June 16~~ **June 17:** Senate HELP Committee markup of Affordable Health Choices Act (will run for 1-3 weeks)
- ~~June 17~~ **June 19 or June 22/23: Senate Finance Comm. expected to release proposed draft of reform bill**
- ~~June 19 or 22~~ **DELAYED:** Senate Finance Comm. expected to release final version of reform bill
- ~~June 23~~ **LIKELY DELAYED (possibly until after July 4th Recess):** Senate Finance Comm. Mark-up of bill begins

House

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