National Health Care Reform: The Proposals & the Politics

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Outline of Presentation

• Drivers of Reform
• Key Players in Health Reform
• Proposals Status
• High Level Policy Overview
• Cost Estimates of Proposals
• Legislative Process – Next Steps
• Outlook for Reform
• Impact on Community Health Centers
What is Driving Health Care Reform?

Cost

Access

Quality Could be better!

U.S. Health Care Costs

• The U.S. will spend roughly $2.5 trillion on health care in 2009
  – $8,160 per person
• Since 2000, inflation-adjusted costs have been growing at 5.5% per year, considerably faster than overall economic growth
National Health Expenditures Per Capita, 1986-2010


“Status Quo” 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.
Increase in number of uninsured
15.4% of the population in 2008

![Chart showing the increase in number of uninsured from 2000 to 2008.](www.shadac.org)

Drop in Employer-Sponsored Coverage

![Chart showing the drop in employer-sponsored coverage from 2000 to 2008.](www.shadac.org)


Quality: Regional Variation

Quality: Misuse, Overuse, Underuse

- 2.5-fold variation in Medicare spending across counties cannot be explained by local prices, age, race and underlying health of the population (Wennberg J, et al.)
- Medicare beneficiaries in higher-spending, higher-utilization regions do not receive “more effective” care (Fisher ES, et al.)
- 54.9 % of American adults receive only half of their recommended health care (McGlynn EA, et al.)
Key Players in Health Reform

President Barack Obama

- Reform one of highest domestic priorities
- Vocally supporting action across the nation
- So far, has left details to Congress
  - Iraq war, Iran Nuclear, Afghanistan war, competing for his time
- Sticking points: Universal coverage, lower costs, improve quality, protect consumer choice, public plan option (maybe), budget neutrality
Administration

Director, Office of Health Reform
Nancy Ann DeParle

White House Chief of Staff
Rahm Emanuel

HHS Secretary
Kathleen Sebelius

Director Office of Management and Budget
Peter Orszag

Director Congressional Budget Office
Douglas Elmendorf

Committees

Senator Finance Chair
Sen. Max Baucus, D-MT

Chair House Education and Labor
Rep. George Miller, D-CA

Chair House Ways and Means
Rep. Charles Rangel, D-NY

Senate Health, Education, Labor and Pensions (HELP) Chair
Sen. Chris Dodd, D-CT

Chair House Energy and Commerce
Representative Henry Waxman, D-CA
Other Legislative Players

Speaker of the House
Nancy Pelosi (D-CA)

Senate Majority Leader
Harry Reid (D-NV)

Senator
Olympia Snowe
R-ME

Blue Dog Democrats

Special Interest Groups

President
America's Health Insurance Plans
Karen Ignagni

President-elect
American Medical Association
J. James Rohack

President
American Federation of Labor and Congress of Industrial Organizations
Richard Trumka

President
National Federation of Independent Business
Dan Danner

President of the
Service Employees International Union
Andy Stern

AARP CEO
A. Barry Rand
Proposals Status: House

House – HR 3200

• America’s Affordable Health Choices Act

• Jurisdiction held by 3 committees
  – Education & Labor (Miller, D-CA)
  – Ways & Means (Rangel, D-NY)
  – Energy & Commerce (Waxman, D-CA)
House – HR 3200

Passage

• In Energy & Commerce, “Blue Dogs” fought to limit government intervention and cost
• Final Energy & Commerce version included amendments required by “Blue Dogs”:
  – Cost of Medicaid expansion shared with states
  – Reduction in subsidies to population between 133-400% FPL
  – More small employers exemptions from mandate
  – Public plan must negotiate provider rates, and follow same insurance reforms

House – HR 3200

Passage (continued)

• Committee Votes
  – Passed Education & Labor by party line vote of 26-22
  – Passed Ways & Means by party line vote of 23-18
  – Passed Energy & Commerce by party line vote of 31-28
Proposal Status: Senate

Senate

- Jurisdiction held by 2 committees
  - Health, Education, Labor and Pensions (HELP) Committee (Harkin, D-IA; Formerly Kennedy, D-MA)
  - Finance Committee (Baucus, D-MT)
Senate

- Passed HELP Committee by a party line vote of 13-10
- Passed Finance Committee with a vote of 14-9 and a historic vote in favor by Republican Olympia Snowe (R-ME)
- Also, Senate Budget Committee passed a Budget Resolution in April with a vote of 53-43
  - Reform must be budget neutral over 10 years
  - Any bill that goes through Senate must follow this
## Provisions At a Glance

<table>
<thead>
<tr>
<th>Provision</th>
<th>HELP</th>
<th>Finance</th>
<th>House Tri-Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Plan</td>
<td>✓</td>
<td>Co-ops</td>
<td>✓</td>
</tr>
<tr>
<td>Insurance Exchange</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Individual Mandate</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Employer Mandate</td>
<td>✓</td>
<td>Free Rider Penalty</td>
<td>✓</td>
</tr>
<tr>
<td>Guaranteed Issue</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Medicaid Expansion</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Premium Subsidy</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>

## Agreement Across Proposals

![Map of Agreement Across Proposals]
Agreement Across Proposals

Market Regulation

- Insurance exchange
  - Pool model for individuals, small employers and those without ESI
- Individual Mandate
  - With hardship waivers
- Insurance Market Reforms
  - No rating on health status, gender, or occupation; rate restrictions on age
  - Guaranteed issue
  - No annual/lifetime benefit cap

Agreement Across Proposals

Benefits/Quality

- Standards for “adequate coverage” or “minimal benefit package”
- Require no cost sharing on preventive services
- Wellness initiatives, focus on prevention
- Delivery System Reform, “Medical home”
- Money toward comparative effectiveness research
- Workforce development grants
  - Targeted towards nurses, primary care and rural areas
Agreement Across Proposals

Access

• Expand Medicaid to across-the-board eligibility floor, most likely up to 133% FPL
• Subsidies for families < 400% FPL to buy into the exchange through sliding scale “affordability credits”
• Employer Participation
  – “Pay or Play” Mandate or weaker “free rider” penalty
• Tax credits for small employers offering employer sponsored insurance

Agreement Across Proposals

Revenue/Savings

• Savings
  – Medicaid and Medicare
  – Medicare Advantage plans

• New Revenue:
  – Tax “Cadillac” plans
  – Individual and employer penalties for violating mandate
Disagreement Across Proposals

- Public Option
  - Necessary in areas where there is high market consolidation?
  - Will it act like Medicare and set rates or will it negotiate for rates?
- Size of Expansions and Tax Credits
  - The lower the subsidy, the lower the cost and perception of government intervention
- Assumptions about “affordability”
Disagreement Across Proposals

• Federal Role
  – House wants Fed to play a strong role, Senate wants state to play a larger role
  – Locus of exchange, insurance regulation, financing Medicaid expansions

• Tort Reform
• New Revenue
  – Tax insurers? Tax the wealth? Sugary beverage tax?

Disagreement Across Proposals

• Payment Reform
  – Increase primary care rates relative to specialty care?
  – Cut Medicare payments attributable to avoidable hospital readmissions?
  – Tie Medicare hospital money to quality?
  – Medicare regional rate re-alignment?

• Abortion
  – Prevent insurance purchased with federal subsidies from covering abortions?
## Impact on the Number of Uninsured 2019 Projections

<table>
<thead>
<tr>
<th>Senate HELP</th>
<th>Senate Finance</th>
<th>House HR 3200</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Uninsured reduced to 36 million</td>
<td>• Uninsured reduced to 25 million</td>
<td>• Uninsured reduced to 17 million</td>
</tr>
</tbody>
</table>

Currently there are **46 million** uninsured with projections to reach **53 million** by 2019 if no plan is enacted.

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### Show Me The Money!

[Image of a ship with text:]

THIS IS CAPTAIN GOV.  REMOND, TONIGHT AFTER SHAKT CHAR, W.H.E.L. IS ROLLING OUT OUR NEW NATIONAL HEALTH INSURANCE PLAN.

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www.shadac.org 35

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House – HR 3200

- $1.042 Trillion over 10 years
- Net $239 billion deficit increase
- Permanent reductions in annual Medicare FFS rate updates
- Setting payment rates in the Medicare Advantage program based on per capita spending
- Changes to Medicare Part D
- Tax on insurance plans with relatively high premiums
- Cancels scheduled 21% physician payment cut

Senate Finance

- $829 billion over 10 years
- Net deficit reduction of $81 billion
- Permanent reductions in annual Medicare FFS rate updates
- Setting payment rates in the Medicare Advantage program based on average of the bids
- Reduction in DHS payments by $45 billion
- Excise tax high premium health plans
- Fees on manufacturers and importers of drugs and devices
Senate HELP

- $645 billion over 10 years
- $1 Trillion with Medicaid expansion
- Some Savings due to reduction in uninsured
- No authority to make changes to Medicare and Medicaid

Legislative Process – Next Steps
Path to the President: Overview

- Combine committee bills, introduce on floor
  - House must combine 3 bills, need simple majority
  - Senate must combine 2 bills, need 60 votes or reconciliation
  - Leaders will need to make compromises
- Pass bill in each Chamber
  - Amendments will be proposed and rhetoric will fly
- Combine bills in conference committee
  - What leadership will be chosen?
- Vote on chamber floor for combined bill
  - No additional amendments allowed

House – HR 3200

Next Steps

- As amended by Energy & Commerce it has advanced to the full House, where versions will be merged via House Rules Committee
  - Pelosi, White House and other House Leaders will give input
- Merged version will be scored by CBO
- Then House will take up various amendments
- Once that process has concluded, full House vote
- Passage requires simple majority
House – HR 3200

Questions

• Will “Blue Dog” amendments survive?
• Do they have the votes for a more “liberal” version?
• Will House moves toward the Senate version, under pressure from White House (making it more conservative)?
• How will the CBO score the bill?

Senate

Next Steps

• Bills will be merged on the Senate Floor, per Senate Rules Committee
  – Heavy input by Reid and White House, key meetings already being held
• Then CBO will score the merged bill
• Full Senate will address the merged legislation
• Then Senate will take up various amendments (uphill battle)
• Once that process has concluded, full Senate vote
• Need 60 votes to cloture, 51 to pass bill
Senate
Reconciliation

• Reconciliation: Bill may pass the Senate with simple majority of 51

• Key problems with Reconciliation:
  – Byrd Rule: Can only take up “budget” matters to “reconcile” legislation with Senate Budget Resolution
  – Senate Parliamentarian decides what
  – Laws are time-limited to 10 year budget window; then sunset
    • Example: SCHIP – created in 1997, nearly lost in 2007
    • Example: “Bush tax cuts”

Senate
Problems with Reconciliation

• Lack of bipartisanship
• Reconciliation version could be too far right for the House, because some Democrats are excluded to get nominal Republican support
• Reconciliation version could be too far left for the House, because moderate Democrats and all Republicans are excluded
• Limited to “budget” matters, would exclude major aspects of reform (e.g. insurance market reforms)
Senate Questions

- Will a comprehensive reform bill be able to secure 60 votes?
- Will it cancel scheduled 21% physician payment cut?
- How will the CBO score the bill?
- Will some type of public option survive?
- Can Democrats count on Sen. Snowe’s support?
- What is achievable through Reconciliation?
  - Is reform possible when limited to finance only?
  - Is reform stable if it sunsets?

Conference Committee

- The versions that pass the House, and Senate respectively, will not be identical
- A Conference Committee will be formed to reconcile the two versions, and it will be scored by CBO
- This version will return to the respective Chambers for a final vote
- If those versions pass, the bill goes to the President
Outlook for Reform...

Democrats can’t achieve 60 votes in Senate, rely on reconciliation

- Vastly limited reform:
  - Coverage expansions, including subsidies
  - Medicare payment reform
  - Tax “high cost benefit plans”
  - Reduce DSH (Medicaid and Medicare)
  - Pay for comparative effectiveness studies
  - Create tax credits for small businesses and others
  - Workforce development grants
- This would exclude, mandates, insurance market reform, creation of exchange
- The less-controversial initiatives could be included in a companion bill
Democrats Achieve 60 Votes

- Most likely a “moderate” version of reform
  - Coverage expansions with low federal price tag
  - No public option, unless with limited trigger
  - Establish federal benchmark for qualifying plans
  - Individual mandate (softened)
  - Employer mandate (softened)
  - Insurance market reforms
  - Some Medicare spending reductions
  - Likely need both high income surcharge and excise tax

My Two Cents

- Timeline will continue to push out
- A high-level framework will be passed, but will be phased in over time to allow for recovery of economy
- Reform is not likely to bend the cost curve
- Issues like payment reform will be tackled in the next phase
- Quality will also be dealt with in next phase
Impact on Community Health Centers

Impact on CHCs - New Money

• Increases in funding to CHCs
• Increased funding for National Health Service Corps (recruitment, loan repayment)
• Grants for community-based enrollment initiatives (HELP)
• Prevention and Wellness grants
• Grants for state, local, and tribal health departments to support core public health infrastructure and activities (House)
• New grant for community-based residency training program
Impact CHCs – Coverage Expansion

- Increased FMAP to states through 2019 (Senate Finance)
- Requires single, streamlined online application (Senate Finance)
- Undocumented immigrants are not eligible for federal benefit, some verification required
- New eligibility rules and categories might pose major confusion in short term

Impact on CHC - Exchange

- Exchange may facilitate and centralize enrollment, CHC knowledge will be crucial
- Exchange plans must consider “Essential community providers” in-network (HELP)
- Insurers in state exchanges required to pay FQHC PPS payment rate (Senate)
- Undocumented immigrants can’t purchase insurance through exchange (HELP)
Impact on CHCs – Payment Changes

- Maintained or expanded payment for teaching hospitals including FQHCs
- Increased funding for primary care services
- Remove cap on Health Center Medicare payments (MATCH Act)
- Likely reduction in DHS payments

Impact on Health Centers (HC) – Massachusetts Example

- Despite reduction in uninsured, caseloads rose
- % of low-income adults uninsured fell, but less than statewide drop
- % of statewide uninsured receiving care at HC rose
- Overall revenues rose slightly
- Insurance expansion helped patients get care
- Many newly insured were previously their uninsured patients
- Some newly insured had higher needs when coverage started
- Greater role in enrollment, new procedures & systems meant increase in administrative burden
- Faced challenges recruiting and retaining clinicians due to increased demand


www.shadac.org
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