



COLORADO CENTER
on LAW & POLICY

Justice and Economic Security for all Coloradans

FACT SHEET: UPDATE ON HEALTH INSURANCE REFORM

October 12, 2009

Goals

- Stable costs, coverage and quality
- Consumer Choice
- Control of health care decisions.

Major players

House (America's Affordable Health Choices Act of 2009 - H.R. 3200): Energy and Commerce Committee, Education and Labor Committee, Ways and Means Committee

Senate: Finance (America's Healthy Future Act of 2009); Health, Education, Labor and Pensions (HELP) (Affordable Health Choices Act)

Timeline

House completed committee amendments and will merge the three committee bills for a floor vote in October.

Senate HELP completed its bill in July and the Finance committee passed its bill on October 13. The two bills will be merged for a floor vote which is anticipated in late October.

CCLP Core Values for Reform

Affordability: Because an individual mandate will be created through health reform, all persons required to purchase coverage must have access to truly affordable coverage. Affordability considerations must apply to both premiums and out of pocket expenses. At and below 200% FPL, families have little or nothing left in their budgets to pay for health care and families up to 500% FPL may require some assistance. When families spend more than 5% of income on health care, they begin making undesirable trade offs, sacrificing long term savings, education, or even child care. Increasing coverage is extremely important, but we should carefully balance individual and family financial considerations. Additionally, we must be ever mindful of the careful balance between affordable coverage and benefits adequacy so that we are achieving reform that is genuinely meaningful.

Public Program Expansion: Because individuals and families at incomes below 200% FPL have little, if anything, left in their family budget to contribute to health care, it is vitally important to expand Medicaid to income thresholds higher than what is possible under current policy and to include everyone, not just certain segments of the population. In most states, individuals without dependent

children have been completely left out of the eligibility structure for Medicaid, as have most poor parents. An expansion of Medicaid to **all** lawful residents under 133% FPL is important to reducing health disparities among income groups and to help drive down costs by ensuring that people are receiving primary preventive care.

Private Insurance Market Reforms: Health reform must eliminate health status rating and gender rating, and denials for pre-existing conditions. Federal reform of the health insurance industry is necessary because it will equalize policy across states and reduce disparities.

Public Option: A strong public option that competes with private insurance options will help to increase competition and drive down costs in the exchange. The nonpartisan Congressional Budget Office (CBO) scored the Public Option with rates based on Medicare rates as saving \$110 billion over ten years. The alternative to the public option that has been presented, not for profit cooperatives (co-ops) are not a viable alternative because they could not create large enough risk pools to be able to compete on cost with large insurance companies, and they would take a considerable amount of time to start up. Coops are not projected to create savings in the same way the public option could. The CBO actually stated that it did not think all of the \$6 billion in start up money would be used because “[coops] seem unlikely to establish a significant market presence in many areas of the country or to noticeably affect federal subsidy payments.”¹

Core Issues in the Health Reform Bills

- Private Market Reforms
 - Same: Both the House and Senate Committee plans require insurers to sell policies to anyone who applies and prohibit exclusions for pre-existing conditions and charging more for health status.
 - Different: Both House and Senate Committee plans allow private insurance costs to vary based on age and geography, the Senate Finance Committee ratio for age is 4:1 while the House ratio is 2:1. (Meaning older people can be charged up to four times or two times more than younger)
- Shared Responsibility
 - Same: The House and Senate both will create an individual mandate for all lawful U.S. residents to have health coverage.
 - Different: The House will require employers to either provide health coverage or pay a penalty based on total payroll. The Senate does not have an employer mandate but does impose a penalty on employers who have lower income workers receiving subsidies through the Exchange.
- Affordability and the Subsidy Structure
 - Same: Both the House and Senate create subsidies on a sliding income scale basis for families and individuals who make up to 400% of FPL (about \$80,000 a year for a family of four) to help pay for health insurance premiums in the Exchange for people who do not have employer sponsored coverage. Both the House and Senate prohibit lifetime maximums on coverage dollars and cap individual and family total out of pocket expenses.

¹ CBO Score, Senate Finance Committee Bill.

- Different: The Senate requires higher cost sharing than the House for both premiums and for out of pocket expenses. For example, a family of three at 150 percent of the poverty line (\$27,465), would pay \$1,236 per year in premiums under the Senate Finance bill, while premiums for this family would be \$824 under the House bill, and \$275 per year under the Senate HELP bill. These premium expenses do not take into account the added costs from deductibles and copayments. Each bill caps these expenses at a different level. In the Senate Finance bill the cap is \$3,867 for this family of three.
- Expand public programs
 - Same: The House and Senate both include Medicaid expansions up to 133% FPL for parents and adults without dependent children, which effectively eliminates categories of eligibility in the Medicaid program.
 - Different: The Senate Finance Committee proposal would offer new populations a lesser benefits package, and would not expand Medicaid until the second half of 2013, six months after other aspects of health reform have been implemented.
- Establish Insurance Exchange
 - Same: Both the House and the Senate create versions of insurance market exchanges, which are essentially regulated marketplaces for shopping and purchasing insurance.
 - Different: The Senate sets up state-based exchanges while the House creates a national exchange with the possibility of allowing states to opt out. While state-based exchanges allow states to maintain greater control, they limit the potential for risk pooling.
- Public Option
 - Different: The House and Senate HELP Committee create a public option that will allow for greater choice and competition against private plans on the exchange that will help control costs. The Senate Finance Committee creates co-ops, which are non-profit, consumer run organizations that are also designed to offer more choice in the insurance market. However, co-ops would have less of a competitive advantage because of their smaller size and likely inability to garner enough of a market share to truly help drive down costs.
- Immigrants
 - Same: No bill provides subsidies or Medicaid coverage for undocumented immigrants. All bills require documentation of identity and citizenship to gain access to public programs or to subsidies in the Exchange.

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