



# WVAHC *Reform News*

West Virginians for Affordable Health Care

Volume 4

Summer 2009

Issue 2

## The President and Congress Consider Health Care Reform

President Obama and Congress are considering comprehensive health care reform. And while there have been a number of bumps in the road, what is often overlooked is how close they are on a number of fronts, including real insurance reform, expanding coverage to virtually every American, payment reform, and delivery reform. Four major issues stand in the way of passing a reform package: whether to require employers to participate, how to structure a public plan option, cost containment issues, and how to finance the reform package.

Here's what we know as the WVAHC newsletter is being distributed.

**Insurance reform.** Democrats and Republicans — and even the insurance industry — have agreed to end pre-existing condition limitations. For years the insurance companies sold policies that would provide health coverage for everything but the one condition people need coverage for the most, a pre-existing condition. If any reform package passes Congress, and WVAHC believes that one will pass this year, it almost certainly will contain an end to pre-existing condition limitations.

While eliminating pre-existing limitations has drawn the most press, there are other significant insurance reforms. These include prohibiting insurance companies from establishing a life-time or annual monetary limit on policies, or charging women discriminatory premiums, plus guarantee issuance, and guarantee renewal. Guarantee issuance means that if I show up at an insurance company, they have to sell me a policy, and they

cannot cancel my policy if I get sick and use the policy (guarantee renewal).

Finally, insurance companies cannot consider a person's health status (other than tobacco use) when setting the monthly premium. Eliminating what is called "medical underwriting" will be a significant benefit to those with mild health conditions (high blood pressure, high cholesterol levels, etc.), as well as cancer survivors and others who in the past were charged exorbitant premiums. Insurance companies spend millions of dollars each year using pre-existing condition limitations and other measures to shift cost to the government and other insurers. With these reforms, Congress may require insurance companies to use more of the premiums they collect on claims and less on administrative costs or profits.

**Expanding health insurance.** Both the Senate and the House are proposing to expand health insurance coverage to virtually every American, using a four-pronged strategy. First, expand Medicaid to low-income adults. Many people are surprised to learn that most low-income adults are not already covered by Medicaid, but in general low-income adults are not currently covered. The House bill would raise adult eligibility up to 133% of federal poverty level (FPL) and the Senate Finance Committee is considering increasing eligibility to either 133% or 115% of FPL. Covering adults up to 133% of FPL would cover an estimated 80,000 low-income West Virginians, about one-third of all uninsured in the state. Importantly, the House proposal would not require any additional state resources for this expansion, while the Senate Finance Committee is

(Continued on Page 2)

## The President and Congress Consider Health Care Reform

(continued from page 1)

considering using all federal dollars for the first five years and then requiring the states to pick up 20 percent of the additional cost over each of the next five years.

Second, both the House and the Senate are considering requiring all but small businesses to offer insurance to their employees, although the Senate Finance Committee, which has not released their bill at press time, **may** decide not to include an employer responsibility provision. The Senate Health, Education, Labor and Pension (HELP) Committee and the House bill differ on their approach to employer responsibility. The House would cover more businesses and provide greater penalties for non-compliance. It is uncertain whether the reform package will require businesses to provide coverage to their employees or pay into a fund to cover the uninsured.

Third, both the House and Senate versions would require individuals who are not covered by private or public insurance to purchase insurance. Both the House and Senate version would provide significant subsidies to low- and even middle-income individuals and families. Individuals and families that have incomes higher than Medicaid eligibility limits would qualify for subsidies on a sliding scale up to 400% of

FPL, which is about \$73,000 a year for a single mother and two children. Both the House and Senate would use tax penalties to enforce the individual mandate. Importantly, the House allows an exemption from the individual mandate for financial hardship, while the Senate Finance Committee's proposal would limit the hardship exemption to low-income individuals and families. These subsidies for individuals and families are the main reason that the reform package is so expensive. Some estimates put the price tag at over \$700 billion over ten years for the subsidies.

Fourth, both the Senate and the House would establish a health exchange that would give individuals and small businesses one place where they could receive objective information on various insurance policies and an option to purchase a policy that best fits their needs. The House would require a "public plan option" in their version of the exchange that would compete with private insurance companies. The Senate HELP Committee also adopted a public plan option, but it is unlikely that the Senate Finance Committee will endorse this concept.

**Payment reform.** The current "fee-for-service" system pays doctors and hospitals a fee for every service or procedure they perform. The more services they provide, the more payment they receive. This payment system has led to a situation where Medicare payments vary by as much as 30 percent between different cities across the country, *without any improvements in health*. In fact there is some evidence that patients in the higher-priced locations actually experience worse outcomes than patients in the lower cost cities. There is strong agreement that the payment system needs to be reformed. Both the House and the Senate fund pilot projects for "bundling" of hospital claims for Medicare and Medicaid. Under this approach hospitals would be paid for the patient's hospital stay and also their recovery time after discharge from the hospital to ensure that the patient is not readmitted for the same condition within a month. The high readmission rate in the US adds billions of dollars to health care and is obviously not beneficial to the patient. Additionally, the House bill increases payments to primary care providers who accept Medicaid.

(continued on page 3)



### West Virginians for Affordable Health Care

*Perry Bryant*  
Executive Director

Office: 304-533-7941 • Fax: 304-344-1242  
1544 Lee Street  
Charleston, West Virginia 25311

[pbryant@wvahc.org](mailto:pbryant@wvahc.org)  
[www.wvahc.org](http://www.wvahc.org)

## The President and Congress Consider Health Care Reform

(continued from page 2)

**Delivery system reform.** Both the House and Senate bill fund pilot projects for establishing patient-centered medical homes (PCMHs). This is an investment in primary care by paying primary care providers to give improved patient education and coordinate care among specialists and hospitals. The care coordination is particularly important for patients with chronic illnesses, where we spend 75 percent of our health care dollars.

*With so much agreement, why couldn't the House and Senate pass their version of the reform bills before the August recess?* There are four difficult issues that the House and the Senate have yet to resolve. As mentioned earlier the Senate Finance Committee has still not released their bill, and may or may not include an employer responsibility provision. If the Senate Finance Committee adopts an employer responsibility provision, that basic debate will be over. There will still be debate on how small a business will need to be in order to be exempt from this provision, and what will be the consequences for non-compliance. If the Senate Finance Committee doesn't adopt an employer responsibility provision, which appears increasingly likely, there will be a real dispute between the Senate versus the House and the President.

Other issues are even more difficult. For example, how should a public plan option be structured? The original House bill provides the public plan some significant advantages over commercial insurance plans during the first three years of its existence. The public plan can use Medicare rates to reimburse doctors and hospitals. And physicians that accept Medicare patients must accept patients covered by the public plan unless the health provider specifically opts out. Allowing the public plan to use Medicare rates was removed from the house bill by conservative Democrats. The public plan would be financed by premiums paid by the members, not federal dollars, and the public plan is authorized to develop innovative payment reform. Participation in the public plan is limited at first to uninsured individuals and small businesses, but may be expanded to large employers over time.

It is unlikely that the Senate Finance Committee will adopt a vigorous public plan option. Consistent

rumors are that Senator Backus (Chairman of the committee and a Democrat from Montana) and Senator Chuck Grassley (ranking minority member and a Republican from Iowa) will propose a compromise with a co-op structure where a non-profit organization would run a state-level public plan. It is highly unlikely that the co-op would be allowed to use Medicare rates, and it is likely to be held to the same standards as commercial insurance companies.

Two other major issues remain: cost containment and financing. The cost containment debate centers on two proposals. One, should Congress make a portion of very rich insurance benefits subject to income tax? Currently, employer sponsored health care benefits are not considered income or subject to income tax. The Congressional Budget Office (CBO) believes that subjecting at least some portion of rich benefits to income taxation (perhaps those that exceed \$25,000 a year), is a means of reducing overall health expenditures. The other proposal that the CBO views as important is the establishment of an independent agency to reform Medicare payments. This independent agency is similar to a proposal that has been proposed by Senator Rockefeller for years, but is vigorously opposed by hospitals and the American Medical Association.

Financing may become the most difficult issue to resolve. President Obama campaigned on the promise not to raise taxes on those earning less than \$250,000 a year, and has consistently said that he will not tax the middle class to fund health care reform. The House proposal paid half of the projected reform cost of \$1 trillion over a ten year period through cuts in Medicare and Medicaid (e.g., reducing the over-payment to Medicare Advantage private insurance companies, requiring additional rebates from drug companies, cutting extra payments to hospitals that take a high rate of Medicaid patients, etc.). The other half of the House proposal is funded by adding a surcharge on those making more than \$280,000.

As with the public plan option, it is unlikely that the Senate Finance Committee will adopt a financing proposal that taxes the rich to the same degree as the House proposes to do.

(continued on page 4)

# The President and Congress Consider Health Care Reform

(continued from page 3)

Given this uncertainty, does WVAHC believe that the President and Congress will be able to resolve these differences and pass a reform package? Yes, but it is likely to be a package that makes concessions in the public plan option. If you have thoughts and suggestions about what President Obama and our Congressional delegation should do, please write or call them with your recommendations. Their contact information is:

The Honorable Barack Obama, President  
United States of America  
1600 Pennsylvania Avenue, NW  
Washington DC 20500  
202-456-1414

The Honorable Robert C. Byrd  
United States Senator  
Hart Office Building, Room 311  
2<sup>nd</sup> and C Streets, NE  
Washington, D.C. 20510  
202-224-3954 (DC) • 304-342-5855 (Charleston)

The Honorable John D. Rockefeller  
United States Senator  
Hart Office Building, Room 531  
2<sup>nd</sup> and C Streets, NE  
Washington, D.C. 20510  
202-224-6472 (DC) • 304-347-5372 (Charleston)

The Honorable Alan B. Mollohan  
West Virginia's 1<sup>st</sup> Congressional District  
2302 Rayburn House Office Building  
Independence Ave. and S. Capitol St., SW  
Washington, D.C. 20515  
202-225-4172 (DC) • 304-292-3019 (Morgantown)

The Honorable Shelley Moore Capito  
Congresswoman, West Virginia 2nd District  
Rayburn House Office Building, Room 2443  
Independence Ave. and S. Capitol St., SW  
Washington, D.C. 20515  
202-225-2711 (DC) • 304-925-5964 (Charleston)

The Honorable Nick Joe Rahall  
Congressman, West Virginia 3rd District  
Rayburn House Office Building, Room 2307  
Independence Avenue and S. Capitol Street, SW  
Washington, D.C. 20515  
202-225-3452 (DC) • 304-252-5000 (Beckley)