

Health Care Reform and Coverage Initiatives: The Federal Level

William Scanlon, Ph.D.
Health Policy R&D

Association of American Medical Colleges

Washington, DC: November 5, 2007

Reform Targets

- Coverage
- Value
 - Effectiveness
 - Efficiency

Federal Initiatives Sources

- President Bush
- Congressional Bills
 - At least 200 submitted in 110th Congress
- Presidential Candidates

Federal Initiatives Status

- Active Consideration or Implemented
 - State Children’s Health Insurance
 - Medicare
 - Health Savings Accounts/ High Deductible Plans
- Proposed
 - Public Program Expansions
 - Tax Preference Reforms
 - Group Purchasing Arrangements
 - Insurance Regulation Reform
 - Mandates—Individual and Employer
 - Value/Efficiency Promotion

State Children's Health Insurance Program

Children's Health and Medicare
Protection Act (CHAMP)
(HR 3162)

Newly Covered SCHIP/Medicaid
(2012)

- 7.5 million
- 2.4 million previously insured
- 5.0 million uninsured

Cost (2008-2012)
- \$47 billion

Financing*

- Tobacco Tax--\$26 billion
- Medicare Payments--\$57 billion

Children's Health Insurance
Program Reauthorization Act
of 2007 (S1893/HR976)

Newly Covered SCHIP/Medicaid
(2012)

- 5.8 million
- 2.0 million previously insured
- 3.9 million uninsured

Cost (2008-2012)
- \$35 billion

Financing

- Tobacco Tax--\$36 billion

*Includes increased Medicare expenditures

Source: CBO

State Children's Health Insurance Program

An Income at 250% Federal Poverty Level
Is Effectively:

Decatur AL	310 %	FPL
Cedar Rapids IA	284 %	FPL
Charlottesville VA	250 %	FPL
Columbus OH	250 %	FPL
Boston MA	216 %	FPL
New York NY	187 %	FPL
San Francisco CA	162 %	FPL

Public Program Expansions

Incremental Options

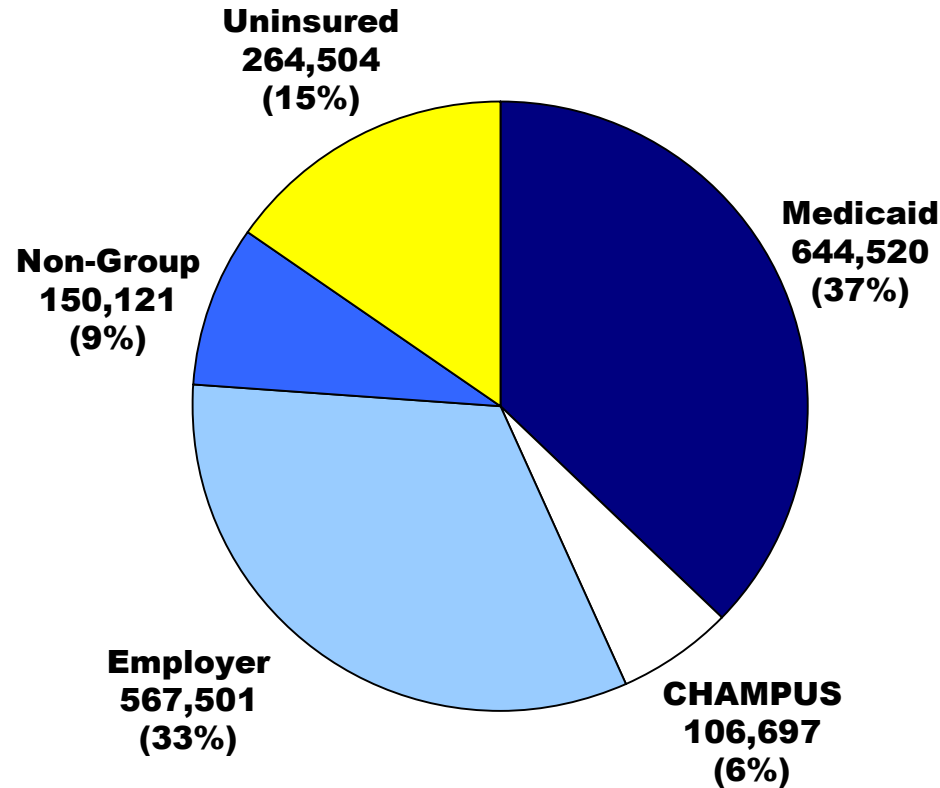
- SCHIP as an Entitlement Program
 - “Kids Come First Act”--Sen. Kerry (S95) and Rep Waxman (HR1111)
 - 100 percent federal financing in exchange for covering kids up to 300% FPL and allowing buy in by those with higher incomes
- Coverage of All Children
 - “MediKids Program”-Rep. Stark (HR2357)
 - Open to all children; financed by premiums with 75% subsidy for low income families

Public Program Expansions

Incremental Options

- Eliminate Medicare Disability Waiting Period
 - Sen. Bingaman (S2102) and Rep. Greene (HR154)
- Medicare for 55-64 Year-Olds
 - “Medicare Early Access Act” Rep. Stark (HR2072—109th Congress
 - Available to persons not eligible for other insurance; Premiums 75 percent subsidized

Disabled People in the Waiting Period for Medicare in 2007, by Source of Coverage



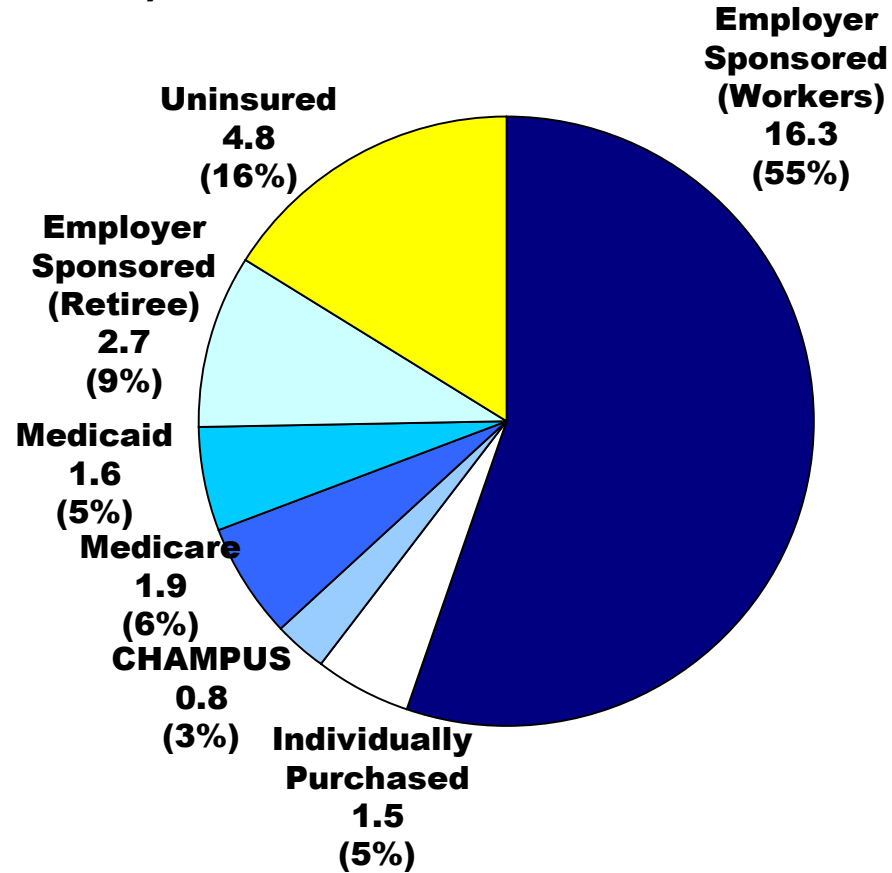
Total people currently in waiting period = 1,733,343

Note: Number of people in the waiting period was estimated using the number of SSDI awards to disabled workers, widowers and adult children in 2004 and 2005 from the Social Security Administration Annual Statistical Supplement (2005 and 2006).

Source: The Lewin Group for The Commonwealth Fund.

Sources of Coverage for Persons 55-64

Current (millions)



All adults ages 55-64 = 29.5 million

Public Program Expansions

Universal Options

- “United States National Health Insurance Act”—Rep. Conyers (HR676)
- “Medicare for All Act”—Sen. Kennedy (S1218) and Rep. Dingell (HR2034)

Influencing Private Coverage

Changing Tax Preferences

Eliminate Exclusion of Employer Paid Premium

- Supporters
 - President Bush
 - “Ten Steps to Transform Health Care in America Act” ---Sen. Enzi (S1783)
 - “Healthy Americans Act”—Sen. Wyden (S334)
 - Rudy Giuliani and John McCain
- Bush, Enzi and Giuliani Substitute Tax Deductions
 - \$7,500 for individual/ \$15,000 for family
 - Applies to employer sponsored or individual insurance
- McCain Substitutes Tax Credits
 - \$2,500 for individual/\$5,000 for family
- Wyden Substitutes Premium Subsidies

Influencing Private Coverage

Changing Tax Preferences

Health Savings Accounts and High Deductible Plans

- Authorized by Medicare Modernization Act (2003)
 - Min, deduction—individual \$1,100 and family \$2,200
 - Max. out of pocket—Individual \$5,500 and family \$11,000
 - Tax deferred HAS contribution
 - Individual \$2,850 and family \$5,650
 - Tax-free withdrawals for qualified expenses
- Proposals to increase use
 - Link HSAs and Flexible Spending Accounts
 - Increase annual contribution limits
 - Make insurance premiums a qualified expense

Influencing Private Coverage

HIPAA Guarantees and Rate Restrictions

“Ten Steps to Transform Health Care in America Act” ---
Sen. Enzi (S1783)

- Merge individual and group market rules affecting guaranteed issue, guaranteed renewal, pre-existing condition exclusions, and premium variation
- States to establish minimum allowable ranges for premiums and prohibit variation based on health and limit variation based on age

Influencing Private Coverage

Small Business Assistance

Small Business Health Plans Act— Rep. Allen (HR2132)

- Guaranteed access to insurance with FEHBP-like benefits through a pool at either state or national level
- Premium assistance to employers based on number of workers, wage levels, and profit margin
- Reinsurance for 75% of costs of individual exceeding catastrophic threshold (initially \$100K)

Influencing Private Coverage Private Group Purchasing Entities

Small Business (formerly Association) Health Plans

- Sponsors
 - “Small Business Health Fairness Act”—Rep. Johnson (HR241)
 - “Ten Steps to Transform Health Care in America Act”—Sen. Enzi (S1783)
- Key components
 - Fully insured plans
 - Comprehensive benefit option must be offered
 - State regulation harmonized

Influencing Private Coverage Public Group Purchasing Entities

- Regional Insurance Entities
 - “Healthy Americans Act”—Sen. Wyden (S334)
 - Regional Health Market (Edwards);
- National Insurance Entities
 - Open FEHBP (Clinton and Richardson)
 - Universal Health Mart (Dodd)
 - National Health Insurance Exchange (Obama)

Influencing Private Coverage Mandates

- Individual
 - “Healthy Americans Act”—Sen. Wyden (S334)
 - “Ten Steps to Transform Health Care in America Act”---Sen. Enzi (S1783)
 - Clinton
 - Edwards
 - Obama (Children<25)
- Employer
 - “Healthy Americans Act”—Sen. Wyden (S334)
 - Clinton (large employers)
 - Dodd
 - Edwards
 - Obama
 - Richardson

Increasing Value Activity at Federal Level

- Quality measurement
- Effectiveness research
- Delivery reform incentives
- Pay for reporting/performance
- Quality reporting
- Health information technology adoption and integration

The Health Reform Context, Then and Now

<u>HEALTH COSTS/UNINUSURED</u>	<u>THEN</u>	<u>NOW</u>
Increase in Premiums	14% (1990)	6.1% (2007)
Increased RX Spending	14.7% (1990)	5.8% (2005)
Growth in Uninsured	1.3 mil (1990)	2.2 mil (2007)
Increase in Medicaid Spending	27.1% (1991)	2.8 % (2006)
<u>ECONOMY</u>		
Unemployment	5.6 % (1990)	4.6 % (2006)
Inflation	5.4 % (1990)	3.2 % (2006)
Change in 1 st Q State Tax Collections	-1.3% (1991)	5.8 % (2007)
Federal Budget Deficit	\$269 bil (1991)	\$158bil (2007*)
<u>POLITICS</u>		
Control of Government	One party until '95	Divided Govt.
Presidential Leadership	#1 priority	
<u>THE PUBLIC</u>		
% Saying Health System needs Major Change	54% (1991)	55% (May 2007)
% Picking Health as one of top two issues	50% (1991)	27% (Aug 2007)
Wofford/Thornburg vs. Today		

Source: Donna Shalala, IOM Oct. 2007

The Health Reform Context, Then and Now

<u>HEALTH COSTS/UNINSURED</u>	<u>THEN</u>	<u>NOW</u>
Increase in Premiums	14% (1990)	6.1% (2007)
Increased RX Spending	14.7% (1990)	5.8% (2005)
Growth in Uninsured	1.3 mil (1990)	2.2 mil (2007)
Increase in Medicaid Spending	27.1% (1991)	2.8 % (2006)
<u>ECONOMY</u>		
Unemployment	5.6 % (1990)	4.6 % (2006)
Inflation	5.4 % (1990)	3.2 % (2006)
Change in 1 st Q State Tax Collections	-1.3% (1991)	5.8 % (2007)
Federal Budget Deficit	\$269 bil (1991)	\$158bil (2007*)
<u>POLITICS</u>		
Control of Government	One party until '95	Divided Govt.
Presidential Leadership	#1 priority	
<u>THE PUBLIC</u>		
% Saying Health System needs Major Change	54% (1991)	55% (May 2007)
% Picking Health as one of top two issues	50% (1991)	27% (Aug 2007)
Wofford/Thornburg vs. Today		

Source: Donna Shalala, IOM Oct. 2007

Additional Information

- **An Analysis of Leading Congressional Health Care Bills, 2005-2007: Part I Insurance Coverage**

www.commonwealthfund.org/publications/publications_show.htm?doc_id=469753

- **An Analysis of Leading Congressional Health Care Bills, 2005-2007: Part II, Quality and Efficiency**

www.commonwealthfund.org/publications/publications_show.htm?doc_id=511249

Thank you