

HELP COMMITTEE APPROVES A HEALTH CARE REFORM BILL

Senate Health, Education, Labor, and Pensions (HELP) committee passed health care reform out of committee

On Wednesday, July 15th, the Senate HELP committee passed their version of a health care reform bill. The Affordable Health Choices Act (the Act) passed on a party-line vote of 13-10. Major provisions as they impact employer-sponsored health plans include:

- Mandates of covered benefits,
- Individual and employer mandates for coverage,
- Establishment of an insurance purchasing exchange, and
- The establishment of a public plan option.

Following is a summary of the major provisions of the Act as they impact employer-sponsored health plans:

- Health insurance mandates:
 - Benefit plan mandates:
 - Preexisting exclusions are prohibited.
 - Annual and lifetime maximums on benefits are prohibited.
 - Dependent children allowed coverage to age 26.
 - Incentives are required for preventive care and high quality care (e.g. case management, chronic disease management, wellness initiatives, child health measures).
 - Maximum cost shares are imposed for CDC recommended immunizations, certain child preventive services, and certain preventive care services.
 - Premium rates are allowed to vary only on geographic region, family composition, value of the benefits, tobacco use, and age (by a factor of not more than two to one). Rate variations based on claims experience, gender, and class of business are specifically prohibited.
 - Guaranteed issue for individual and group policies.
- Employer pay or play mandate
 - Employers with 25 or more employees are required to provide:
 - Health insurance that at least meets the minimum set of benefits required of plans qualified for the Gateway (described below). AND
 - Pay at least 60% of the premium cost.

- Penalty for employers that do not provide such coverage is \$750/year for each full-time employee and \$375/year for each part-time employee. The per employee penalty is waived for the first 25 employees.
- Tax credits will be available for up to three years for small employers (50 or fewer full-time employees) that cover at least 60% of the premium cost.
- Individual mandate for coverage.
 - An individual must be covered by a health insurance plan that provides at least the minimum set of benefits required of plans qualified for the Gateway (described below).
 - Those without coverage will be subject to a penalty of no more than \$750 per year.
 - Exemptions are made for religious beliefs and for certain low income individuals (if the premium paid is greater than 12.5% of the individual's adjusted gross income).
 - Premium credits on a sliding scale provided for low/moderate income individuals (up to 400% of the poverty line).
- Insurance exchange established in each state, called an Affordable Health Benefit Gateway (the Gateway).
 - The Gateway will help qualified individuals and qualified employers (those with fewer than 50 employees) to purchase affordable health insurance.
 - Health plans must be qualified in order to be sold through the Gateway.
 - Qualified plans offered would offer a minimum set of benefits including, but not limited to ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance abuse services, prescription drugs, rehabilitative and abilitative services and devices, laboratory services, preventive services, and pediatric services.
 - The Gateway will be financially self-sustaining via a surcharge applied to health insurance plans participating in the Gateway.
 - Navigators, authorized by the state Gateway, will act to assist employers and individuals in obtaining coverage via the Gateway.
 - Insurers will still be able to sell insurance outside of the Gateway.
- A public plan option called the Community Health Insurance Plan will be established.
 - The Community Health Insurance Plan is to be administered by a non-profit entity in the same manner as Medicare program contracting.
 - The Community Health Insurance Plan provides the minimum set of benefits required of plans qualified for the Gateway.
 - The Secretary of Health and Human Services will negotiate provider reimbursement rates, which may not be higher than the average reimbursement rate of other Gateway qualified plans.

Other provisions of the Act beyond the scope of employer-sponsored health plans include:

- Improvements in health care quality and health system quality.
- National strategy to prevent disease and promote health. Including encouraging employer-sponsored wellness programs via more flexibility under HIPAA and increased premium rewards for participation.
- Increased use of information technology.
- Support for prevention and public health research.
- Improvements in the health care workforce.
- Health care fraud and abuse prevention.
- A voluntary national insurance program for Community Living and Assistance Services and Support (CLASS) for adults with functional impairments, financed

through payroll deductions. This program features automatic enrollment with opt-out provision.

The Congressional Budget Office (CBO) estimates the Act to cost \$615 billion over ten years, though the Act contained no financing details. The CBO director has stated that the Act would not reduce the federal government's spending on health care.

The next step for this bill is to be merged with the Senate Finance Committee bill still being drafted, followed by an eventual vote by the full Senate.

Meanwhile, the Senate Finance Committee continues negotiations and development of their reform bill. This committee is taking a more bipartisan approach and is engaging both parties in negotiating the draft legislation.

While cognizant of Obama's requested deadline of legislation passed prior to the August recess, the Senate Finance Committee has not set a date for release of their bill. Moreover, Senate Majority Leader Harry Reid (D-NV) indicated that a Senate vote on a reform package will not occur until the fall.

Political maneuvering by both parties, the White House, and lobbying and industry groups has intensified over the past week as the House and Senate bills pass out of committee. We anticipate further debate on the issue and will continue to update you as information develops.

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