Health Care Reform:
Draft Proposal
Insurance Market Reforms: Proposal for Small and Non-Group Market

- Market reforms in small and non-group markets
  - Guarantee issue
  - No health status rating or pre-existing conditions provisions
  - Adjusted community rating with rate variation capped at 7.5:1
  - Small group defined as 1-50 (or up to 100 employees depending on state law)
  - Individuals with current coverage in non-group market can keep what they have even if insurer modifies the plan
  - Small group plans also grandfathered but subject to phased-in rating reforms

- Exchange
  - State-based Exchange facilitates enrollment for individuals and small groups (through SHOP); provides standardized enrollment application, format for insurance options and marketing; call center support and customer service
  - Option for states to contemplate multiple, competing Exchanges after five years if approved by the Secretary
  - Exchanges must be self-sustaining
Insurance Market Reforms: Proposal Regarding Benefits

- Benefit options
  - Four benefit categories: Bronze, Silver, Gold and Platinum
  - No non-group or small group policies issued (except grandfathered policies) that do not comply
  - Actuarial value adjusted to more accurately reflect plans offered in the market today:
    - Bronze (minimum creditable coverage) = 65%
    - Silver = 73%
    - Gold = 81%
    - Platinum = 90%

- Other changes from previous options discussed
  - Insurers must offer coverage in at least the silver and gold categories
  - Added pediatric services (including dental and vision) to list of benefits that must be provided
  - Added out-of-pocket limits to all benefit categories consistent with current HSA standard for out-of-pocket limits
  - Permits value-based insurance design
Individual and Small Business Tax Credits

- **Tax credit for individuals to purchase non-group coverage**
  - Tax credits for individuals and families up to 300% FPL to help offset cost of private insurance premiums
  - Tax credit for premiums tied to the "Silver" plan and cost sharing subsidy also provided to reduce out-of-pocket expenses on services

- **Small business tax credit**
  - Temporary small business tax credit (up to three years) available to firms with fewer than 25 employees with average wages below $40,000 until state Exchange is established
  - Temporary small business tax credit (five years) available to new businesses and firms newly offering health coverage through the Exchange once the Exchange is established
OPEN ISSUE: Non-Profit Co-op Health Plans

- Congress enacts legislation establishing the Consumer Owned and Oriented Plan (CO-OP), a consumer governed non-profit corporation

- Advisory board makes recommendations to HHS Secretary who makes final decisions about approvals of business plans and distribution of funds
  - Seed money will include grants for risk capitalization used to meet solvency requirements
  - Loans for co-op start-up planning and operating costs must be repaid to the federal government

- Business plans must meet governance standards, and eligible applicants must meet the standard for non-profit, participating mutual insurer
Medicaid

- **Role of Medicaid for lowest-income populations**
  - Medicaid to cover **children and pregnant women** at or below 133% of poverty (FPL) (≈ $28,200/year for a family of four)
  - Medicaid to cover **parents and childless adults** at or below 100% FPL (≈ $10,800/year)
  - Phase-in coverage for parents and childless adults based on the following:
    - 50% of poverty (FPL) in 2010, 75% FPL in 2011, 100% FPL in 2012
  - Temporary increase in federal funding for expansion populations (five years) and then phase down to regular state match
  - Proposals to expand access to home and community based services
Proposal for Individual Requirement

- Individual responsibility to have health coverage
  - Exemptions from the requirement:
    - Religious exemption
    - Undocumented workers
  - Fine for non-compliance based on percentage of the average cost of lowest cost option available
    - Exemption from fine if coverage is unaffordable – defined based on circumstance where lowest cost premium available exceeds 15% of income
    - Exemption from fine for hardship and individuals below 100% of poverty
    - Exemption from fine for Native Americans
  - State option for auto enrollment
  - Mandatory auto enrollment for employers with more than 200 employees
OPEN ISSUE:
Placeholder for Employer Responsibility

- "Free Rider" or "Anti-Crowd Out" Approach
  - No employer requirement to provide health coverage, BUT employers whose workers receive Medicaid or a tax credit in the Exchange must contribute:
    - 50% of the national average Medicaid costs for workers enrolled in Medicaid
    - 100% of the cost of the tax credit for workers receiving the tax credit
  - Workers can only leave employer-sponsored coverage and opt into the Exchange if the coverage offered was unaffordable (defined as exceeding 12.5% of income)
  - A Medicaid-eligible employee could leave employer-sponsored coverage but the employer would not have to contribute unless the coverage they were offering was unaffordable
**OPEN ISSUE:**
Alternatives for Employer Responsibility

<table>
<thead>
<tr>
<th></th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
<th>Option 4</th>
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</thead>
<tbody>
<tr>
<td><strong>Employers</strong></td>
<td>Firms with more than 25 employees</td>
<td>Firms with more than 100 workers</td>
<td>Firms with more than 200 employees</td>
<td>None</td>
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<tr>
<td><strong>Qualified coverage</strong></td>
<td>None</td>
<td>None</td>
<td>None</td>
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<tr>
<td><strong>Actuarial Value</strong></td>
<td>Equal to MCC</td>
<td>HIPAA creditable coverage</td>
<td>HIPAA creditable coverage</td>
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<tr>
<td><strong>Contribution</strong></td>
<td>50% premium contribution</td>
<td>50% premium contribution</td>
<td>N/A</td>
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<tr>
<td><strong>Penalty</strong></td>
<td>$2,400 per worker</td>
<td>Linear phase-up starting at 1% of payroll for firms with more than $750,000 in total annual payroll up to 11.0% for firms with $10,000,000 in total annual payroll</td>
<td>Non-offering firm pays $295 per employee</td>
<td>None</td>
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<tr>
<td><strong>Treatment of subsidy eligible workers</strong></td>
<td>Firewall</td>
<td>Firewall</td>
<td>Firewall for employees in firms over 200 employees; partial firewall for firms below 200 employees (applies to full-time employees, affordability standard based on 12.5% of base salary for single coverage)</td>
<td>None</td>
</tr>
</tbody>
</table>
Prevention and Wellness

- Medicare and Medicaid provisions
  - Establish a *Personalized Prevention Plan* under Medicare
  - Align Medicare coverage for preventive services with scientific evidence
  - Promote personal responsibility in Medicare and Medicaid by providing incentives to encourage healthy behavior
  - Clarify that optional preventive services for adults in Medicaid include those rated A and B by the U.S. Preventive Services Task Force; 1% increase in federal match for states that cover all preventive services
  - Give States the option under Medicaid to develop medical homes and improve care coordination and transitional care for chronically ill enrollees
  - Require Medicaid coverage for tobacco cessation for pregnant women

- Workplace wellness programs
  - Tax incentives for workplace wellness programs targeted to employers with 200 or fewer workers