



Health Reform Update

An Ongoing Analysis Concerning the Direction of Healthcare Policy

The President Offers His Health Care Plan

The health care reform debate has been given new focus this week with the issuance of a proposed plan from the Senate Finance Committee and the emerging details of the Administration's plan, as presented by the President in his address to Congress. While there are still details to fill in and issues to be argued, the stage appears to be set for serious consideration of the various proposals now before Congress.

In his address to Congress, the President laid out his blue print for health care reform and challenged both sides to find value in his proposals and move forward to enact legislation this year. The plan, which the President estimates will cost \$900 billion over 10 years, borrows heavily from other proposals, including the recently released Senate Finance Committee plan. Of particular interest, the President, while strongly supporting the value of a public plan option, appeared to offer an opportunity for compromise on that issue.

Despite the lack of details, the President was able to provide an outline of his plan and pledged that it would provide security and stability for those who already have coverage and access to affordable and meaningful coverage for those who currently do not. Among the highlights of his proposal are:

- A mandate for larger employers to provide coverage or be taxed;
- An individual mandate that would require most Americans to be covered (either under an employer or government sponsored plan or through the purchase of individual coverage) or face penalty;
- The establishment of insurance exchanges that would allow small employers and individuals to shop for insurance with leveraged buying power;
- The establishment of high risk pools that would allow coverage of individuals with significant medical issues until the insurance exchanges are up and running (a proposal that the President stated he borrowed from Senator McCain);
- The inclusion of a public plan option or some other not-for-profit alternative that would ensure competitiveness, affordability and availability in the marketplace (this issue is discussed in more detail below);
- Tax credits to assist individuals and small employers in purchasing coverage;
- Limitations on gender and age based premium differentiations;
- A ban on pre-existing condition exclusions;
- A ban on terminations of coverage for health reasons;



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- A ban on annual or lifetime caps;
- Taxation of the most expensive health care plans offered by insurers;
- Caps on out-of-pocket expenses;
- First dollar coverage of many preventive services, such as mammograms, flu shots and diabetes testing;
- Changes to Medicare to improve quality, coordinate care and reduce costs;
- Elimination of the so-called “donut hole” in Medicare Part D prescription drug coverage by 2019, with immediate relief in the form of 50% discounts on brand-name prescription drugs that fall into the current gap in coverage;
- Exploration of the impact of medical malpractice claims on health care costs and the initiation of certain pilot programs aimed at curbing abuses. This issue has long been a priority item for most Republicans and the Bush Administration, and its inclusion in the President’s plan is seen by many as a direct attempt to foster some level of bipartisanship in the health care reform debate;
- The creation of an independent Commission of doctors and medical experts to identify fraud and waste in Medicare. The President has stated that this new Commission will not be involved in rationing care or limiting eligibility.

The President assured Congress that his plan would not add a dime to the Federal deficit and will accomplish its objectives through cost savings in existing programs (primarily, Medicare) and the new taxes on individuals, employers and insurers that are part of the new program. He has promised that a deficit trigger in the plan will require additional cost cuts if the desired savings in health care do not materialize.

The Public Plan Option

The inclusion of a public plan option in the various health care reform proposals has been the single most polarizing aspect of the current debate. Liberals view it as essential to health care reform and some of them even favor a completely government-run single payer system. Conservatives view it as an intrusion into the free marketplace and as a harbinger for government control over individual medical decisions. The current wisdom in Washington has been that no health care reform proposal could survive in the House of Representatives without a public plan option and that no measure could be passed in the Senate with one. The assessment of the prospects of a public plan option in the Senate was initially based on the need to garner 60 votes in order to cut off debate under the Senate’s rules. There has been some talk, of late, in using a tool in the Senate rules called “reconciliation,” which would allow a straight majority vote where certain budget deficit matters are involved. Whether



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such a tactic could work in a meaningful way where many aspects of the various health care reform proposals are not deficit related remains to be seen.

The President, however, appeared to offer some room for compromise on the public plan option. While expressing strong support for a public plan option, he clearly indicated that its value was in keeping the marketplace for health care coverage competitive and as a check on insurers. He indicated that others might have different ways to accomplish these objectives and he urged Congress to be willing to give those alternatives a fair hearing. He referred specifically to the so-called “trigger” option, which would only include a public plan option if certain cost saving goals were not met and the non-profit cooperatives that are part of the Senate Finance Committee’s proposal. He also raised the possibility of a “fall back approach” where a public plan option would only ripen if and where affordable coverage is not otherwise available in a given marketplace.

Given the President’s comments on the public plan option, it is likely that there will be serious effort made in the Senate to achieve some level of bipartisan support for a health care reform measure based on the work of the Senate Finance Committee. Whether these efforts can succeed will be the developing story in the coming weeks.

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