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STATEMENT OF

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

SENATE FINANCE COMMITTEE

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Mr. Chairman and Members of the Committee:

I am pleased to come before you today to talk about the comprehensive benefit package under the Health Security Act. The Act represents the President's commitment to the American people for health security through a guaranteed comprehensive benefit package.

I do not need to remind you that 58 million Americans are unisured for some time each year and that millions more have health insurance that does not meet their needs:

- 81 million Americans with those pre-existing conditions; people who are paying more or can't get insurance at all or they can't even change their jobs because they or someone in their family has one of those pre-existing conditions.

- Sixty nine percent of policies don't cover pre-existing conditions;

- Less than 40% of privately insured individuals have coverage for routine preventive services, and even in HMO's where preventive care is almost universally covered, more than 50% impose cost sharing on these services.

THE HEALTH SECURITY ACT: COMPREHENSIVE BENEFITS DEFINED IN STATUTE

Mr. Chairman, we all agree that the nation must address these inadequacies in our current insurance system. I am pleased to come before you today to talk about how the President's plan provides services and benefits that will enable all Americans to stay healthy, prevent disease, and do this at an affordable cost. The Health Security Act guarantees all Americans will have coverage for a comprehensive set of benefits defined in statute.

We consider it essential to the ultimate success of health care reform to not only define the benefit package in statute, but also to assure that the package is comprehensive.

Defining the benefit package in statute eliminates the confusion that exists today and prevents patients from discovering, just as they need coverage the most, that they have reached their lifetime limit or that a particular illness or condition is not covered. Just as important, it is impossible to estimate the costs of the benefit package to employers, individuals and the government without clearly defined benefits or cost sharing.

In addition to being clearly defined, the benefit package must be comprehensive to avoid the perpetuation of uncompensated care and the cost shifting that exists today. Comprehensive coverage also encourages the use of cost-effective preventive care, instead of the present system, which encourages individuals to wait until their illnesses are severe and costly before seeking treatment.

Second, without a standard comprehensive package, plans may offer benefits designed to attract healthy customers, perpetuating their ability to compete based on adverse selection of "cherry picking", rather than forcing them to compete by providing high quality health care at an affordable price.

Finally, we must ensure access to comprehensive benefits to avoid the creation of a two-tiered system where the wealthy may be able to afford a good benefit package, while the middle class and poor may be forced to purchase only catastrophic coverage with high out-of-pocket expenditures. Certainly those with the means to do so will always be able to purchase "deluxe" coverage - for private hospital rooms, plastic surgery, and other benefits beyond the guaranteed package. Health Security, however, requires that everyone has coverage for medically necessary and appropriate care.

RANGE OF BENEFITS

The Health Security Act provides a benefits package which defines a broad range of health services, prohibits plans from excluding anyone due to pre-existing conditions, and has no lifetime limit on the benefits. The Act does not specify classes of providers, rather it provides coverage for a range of services.

Services covered include hospital services and services of health professionals. Health professional services are defined to include those services that are lawfully provided by a physician, or those services which could be performed by a physician and which are provided by another person who is legally authorized to provide those services in the state.

Other services covered include emergency services; clinical preventive services; mental illness and substance abuse services; family planning and pregnancy related services; hospice care; home health care; extended care; outpatient laboratory services; outpatient prescription drugs; outpatient rehabilitation services; durable medical equipment; vision care including routine eye examinations, diagnosis and treatment for defects in vision and eyeglasses and contact lenses for children under age 18; dental care; and health education classes.

This range of benefits is not, however a "cadillac" package. It is comparable to the average coverage enjoyed by individuals with employment based private health insurance. As noted by the Congressional Budget Office, certain benefits are more generous, such as the coverage of clinical preventive services, while others may be less so.

COST SHARING

It is important to note that the comprehensive benefits package provides cost sharing options for consumers which are standardized to ensure simplicity in choosing among health plans. These options serve to protect consumers from the devastating costs of catastrophic illnesses through limits on out-of-pocket expenditures. They also promote personal responsibility and the appropriate use of health services through copayments and co-insurance requirements for all individuals. Low income individuals will be eligible for assistance with these cost sharing requirements, but they are not waived.

CLINICAL PREVENTIVE SERVICES

Prevention is the cornerstone of the Health Security Act. The comprehensive benefits package includes a wide array of preventive services not covered by the majority of today's insurance plans - immunizations, well-child care, mammography, pap smears and other screenings and early detection measures - which will prevent health problems or help resolve them before they become serious illnesses.

- The plan offers periodic clinician visits - for children, adolescents, and adults - which provide occasions for preventive monitoring and counseling appropriate to each person's age, gender and developmental circumstances. These preventive services will be fully covered with no cost sharing.

- Our first investment in healthy children is good prenatal care for mothers. To remove any financial barriers to these critical services, the Health Security Act provides for complete prenatal care with no cost-sharing.

- Children will receive a full range of prevention

services, including immunizations, well-baby checkups with no cost sharing to ensure that all children get off to a healthy start.

- For women, the Act will cover a schedule of preventive screenings, tests and checkups with no cost-sharing. Certain preventive services will be targeted to groups that have a high risk for particular diseases.

- All women receive clinician visits, including clinical breast exams, at regular intervals with no cost-sharing. All women will also receive routine screening mammograms every two years, beginning at age 50, with no cost sharing.

- Additionally, women of any age can receive clinical services, including clinical breast exams, and mammograms at any time when they are medically necessary of appropriate with cost sharing as specified by their plan.

MENTAL ILLNESS AND SUBSTANCE ABUSE SERVICES

For the first time, all persons with mental and substance abuse disorders, and their families, will have access to specialized services. The proposal gives health plans the flexibility to provide appropriate types, mix, and level of services for each individual.

The substance abuse and mental illness benefits will provide important services for persons with these disorders. The Health Security Act represents a meaningful improvement over today's typical insurance policy that covers only a narrow range of services, and that encourages expensive inpatient care over more cost-effective alternatives.

The beginning benefit covers services that are important both to reforming the system and to caring for Americans with mental or substance abuse disorders. Distinctly different from typical insurance policies of today, the Act does not limit intensive treatment to inpatient coverage in hospitals but broadens it to residential settings and intensive nonresidential care, such as partial hospitalization and intensive day treatment programs.

Also important in this mix is that the Act includes coverage for diagnosis, medication management, crisis services, and somatic treatment services comparable to that of other health services. Health plans will also have the flexibility to use case management services.

The beginning benefit adopts a flexible benefit design. Under the Act's flexible benefit structure health plans are encouraged to move to a managed benefit. Benefits such as intensive nonresidential services (e.g., partial hospitalization and intensive day programs), outpatient psychotherapy, and substance abuse counseling are available as substitution for the more expensive inpatient and residential settings. This new structuring is consistent with the intent of the Administration's 2001 mental health and substance abuse benefit which will rely on health plan management of the benefit rather than specific limits.

The President is committed to making mental health and substance abuse services an integral part of a national system of health care. The benefit proposed for 2001 is a dramatic step toward eliminating the historic discrimination against mental illness and substance abuse.

PROTECTING LOW-INCOME CHILDREN

Under the Health Security Act, low-income families will be

members of the same health plans with the same health card as other families in their area, and health plans will receive the same premium payment regardless of the income status of the family. Families who today receive health care through Medicaid will join the alliance and receive assistance in paying premiums to ensure that their insurance is affordable. Eligible low-income families will also receive assistance with cost-sharing.

Every American, including those who are so poor that they currently qualify for health coverage under Medicaid, will be able to receive the federally guaranteed benefit package. However, we recognize that some children who are covered under Medicaid currently receive some services that go beyond the new array of benefits. In an effort to ensure that there is no gap in service for low-income children, the plan includes a new, capped, federal program for poor children with special needs.

This "wrap around" program will have federal eligibility criteria, roughly structured on current Medicaid criteria, and it will cover a federally determined set of services for eligible children under age 19. Basically, the services will include Medicaid services that are not included in the comprehensive benefit package, such as hearing aids, transportation, and some therapies.

PROTECTING INDIVIDUALS WITH DISABILITIES

Comprehensive coverage of preventive care and medical treatment goes a long way toward easing the threat of disease that faces all children and families in America. But families who have relatives with chronic health problems or severe disabilities face special challenges.

Outlawing pre-existing condition exclusions and removing lifetime

limits on benefits will help these families enormously. But many of them need more -- they need long-term supports to help them keep their loved-ones at home, in the family, in the community. Families are not looking to be replaced by a service system -- but they need some reinforcement. They need a real choice beyond institutionalizing their relative or bankrupting the whole family to keep their children at home. The plan offers real hope, in the form of a major new expansion in community-based long-term care.

The new long-term care program, which represents a significant increase in spending for community-based long-term care, will provide a range of community supports to people with severe disabilities, regardless of their age or income. This new program will be financed jointly by states and the federal government. However, it will differ from Medicaid in that federal match rates will be higher, federal funding will be capped, people will not have to be poor to qualify, and the program will be highly flexible.

In addition, the Medicaid long-term care program will continue for low income children both institutional services, including ICFs/MR; and community-based services, including personal care, home health, and Medicaid home and community-based waivers.

OTHER INVESTMENTS

The President recognizes that insurance alone can not meet the needs of all Americans. To help improve access to appropriate care and to help prevent disease and promote health, the Health Security Act includes several new investment proposals.

First, the Act includes two new grant programs to support school health education programs and to fund school health services.

Under the Act, $50 million in FY 1995 will be authorized to support the planning and implementation of comprehensive school health education programs for children in kindergarten through grade 12.

In addition, the Act authorizes $100 million in FY 1996 rising to $400 million per year by 1999, to help fund school health services including preventive health services, mental health and social service counseling, substance abuse counseling, care coordination and outreach, management of simple illness and injuries and referral and follow-up for more serious conditions. These funds will be targeted to adolescents and communities most in need of support.

In addition, new funding will be authorized to help support public health initiatives of special importance to the health of children including immunizations, lead poisoning screenings, health education and violence prevention.

Finally, the Health Security Act invests in primary care and enabling services such as transportation and outreach services and in the training of primary care doctors including pediatricians, obstetricians and family physicians to ensure that children and expectant mothers will not lack appropriate medical care.

CONCLUSION

Mr. Chairman, the Health Security Act was designed to guarantee all persons legally residing in the United States access to comprehensive medical care. The President has taken a bold step in spelling out that guarantee by defining a standard package of benefits in legislation. This package is balanced to provide access to the full range of medically necessary or appropriate services while ensuring affordability through the appropriate use

of cost sharing and the emphasis on acute and post acute services. This guaranteed benefit package is essential to the success of health care reform in terms of improved health for all Americans at a cost this Nation can afford.