DINGELL

PHOTOCOPY
PRESERVATION

DINGELL

PHOTOCOPY
PRESERVATION

file Drigotti

SUMMARY OF STAFF DRAFT OF NEW HEALTH BILL

Introduction

This is a new proposal. It is designed to achieve the following goals:

- ensure affordable private health insurance coverage for all Americans that can't be taken away;
- protect federal taxpayers from the crippling burdens of deficit spending; and
- retain desirable elements of current system while expanding health care choices to employers and individuals.

Major Elements of Bill:

- Individuals are required to pay a greater share of out-of-pocket expenditures than under the President's bill.
- Employers are generally required to pay a smaller share of health costs than under the President's bill.
- There is enormous relief for small business. More than 75% of all American businesses --namely, small businesses-- are exempt from paying the required employer share. Those small businesses not covering them are required only to make a modest contribution to partially covering the costs of their employees' coverage.
- Concerns over a compulsory, bureaucratic, and monopolistic system are addressed directly there are no mandatory alliances.
- The private insurance market continues and is subject to genuine insurance reforms.
- Individuals and employers may continue to buy directly from insurers or, if desired, through voluntary alliances. In either case, insurance can be bought through agents.
- The bill is designed so that there is no increase in the federal deficit.
- The bill is designed to remove the $70 billion deficit shortfall in the President's bill.
- Federal spending is explicitly capped and specific provision is made for automatic reductions in federal spending if caps would be breached so that there is no deficit spending.

ENERGY AND COMMERCE COMMITTEE STAFF DRAFT

MAJOR ELEMENTS OF NEW HEALTH BILL

EMPLOYER RESPONSIBILITY

Employers With 10 or Fewer Employees:

Employers with 10 or fewer employees are exempt from the required employer share.

Some employers may still choose to pay the required employer share for all their employees. For those employers:

- The employer is subject to all of the provisions (below) applicable to employers with 11 to 75 employees, including the special subsidies; and
- Employees do not pay more than 3.9 percent of income for their share of the premium.

Other employers may choose not to pay the required employer share for all their employees. For those employers:

- There is a minimum employer contribution of 1 percent of payroll for firms with 1-5 employees;
- For employers with 6-10 employees, the amount would gradually increase to 2 percent over time; and
- Employees must purchase standard benefits package but are subsidized for the foregone employer share with monies which would have been directed to the exempt employers.

Employers with 10 or fewer employees who don't fully contribute to employer share, but who do contribute more than 1 percent of payroll, receive no direct subsidies, but retain tax deductibility.

Special Rule for Small Family Farmers:

Farmers with 10 or fewer employees would have special protections and a simplified method for making employer contributions:

- Seasonal employees (up to a maximum of 75 employees) are not counted for purpose of determining the "10 or fewer employees" test;
- The Secretary of Health and Human Services (HHS)

will provide for a simplified method of meeting the minimum employer contribution -- taking into account non-hourly, piecework payments; and

- The Secretary of HHS will establish a fund to use payments for migrant and seasonal workers to support county governments and migrant and rural clinics in geographic areas where payments are made.

Employers With 11 to 75 Employees:

- Must provide community-rated standard benefit package to employees.
- Receive special subsidies which are greatest for small firms with low average wages; subsidies occur through a reduction in the required portion of the premium that the employer must pay, ranging from a cap of approximately 20 percent of premium for smallest, low-wage firms to the cap that applies to employers with 76 to 1000 employees (see below).
- Employers may provide for coverage for all employees either inside or outside the alliance:
  - If inside the alliance, employees may choose from among all available alliance plans.
  - If outside the alliance, the employer must provide employees a choice from among at least 3 plans, including a fee-for-service plan.
- Required employee contribution is generally 20 percent with subsidies for low-income employees.

Employers with 76 to 1000 Employees:

- Must provide community-rated standard benefit package to employees.
- May not self-insure.
- Employer pays no more than 7.9 percent of an average premium taking into account all workers in the payroll system.
- Required employer share is limited to 80 percent of an average premium, but <u>is reduced</u> by the following:

  (1) credit for other employer contributions for 2-worker families (which generally reduces

contribution to approximately 66 percent); and

(2) subsidy resulting from a 7.9 percent payroll cap limitation.

- Employers may provide for coverage for all employees either inside or outside the alliance--
  - If inside the alliance, employees may choose from among all available alliance plans.
  - If outside the alliance, the employer must provide employees a choice from among at least 3 plans, including a fee-for-service plan.
- Required employee contribution is generally 20 percent with subsidies for low-income employees.

Employers with more than 1000 Employees:

- Must provide at least the standard benefit package.
- Must provide employees with choice of at least 3 plans, including a fee-for-service plan.
- Responsible for 80 percent of the premium (may contribute more).
- Must cover all employees and subsidize low-income employees as in H.R. 3600.
- May self-insure or buy insurance privately.
- May not participate in the voluntary alliances described below until 8 years after full implementation of the bill in all states.
- Must contribute 1 percent of payroll to carry fair share of responsibilities.
- Bill retains appropriate ERISA protections.

BENEFITS PLAN

- Reduce standard benefits package contained in H.R. 3600:
  - Increase cost-sharing to reduce actuarial value of benefits to approximately federal Blue Cross standard option (plus preventive services). This reduces value of package from 60th percentile of all group plans as in H.R. 3600 to 35th percentile).
  - Specifically, increase individual catastrophic limit from $1,500 to $2,500.

STRUCTURE OF SYSTEM FOR OBTAINING INSURANCE COVERAGE

- There are no mandatory alliances.
- There will be no competition over risk selection.
- There are basic reforms for all insurance, including portability, no pre-existing condition limitations, guaranteed issue and renewal, solvency and reinsurance requirements, and improved consumer protections, etc.
- Community rating required for <u>all</u> individuals and employers of 1000 employees or less.
- States arrange for **Voluntary Alliances** to make insurance products available to individuals and employers, collect premiums and enroll individuals and employers:
  - Single alliance available in every area;
  - No alliance competes with another;
  - Alliances will establish reasonable limitations on which qualified plans may offer through the alliance;
  - All three types of plans, including fee-for-service, will be available through the alliance;
  - Individuals may purchase inside the alliance or outside the alliance;
  - Employers may purchase inside the alliance or outside the alliance;
  - No requirement for insurers selling inside the alliance to sell outside the alliance;

  - No requirement for insurer that sells outside the alliance to sell inside the alliance, but state may require that insurers selling outside the alliance must also offer to sell inside the alliance;
  - Insurers selling outside the alliance must make all products available to individuals as well as groups;
  - Insurers that sell both inside and outside the alliance use the same community rate, but may provide a limited administrative-only discount provided in statute for plans sold inside the alliance; and
  - Agents may sell insurance outside the alliance; states may also provide an option for individuals and employers to purchase, through agents, insurance which is sold inside the alliance.

- For insurance sold outside the alliance, information and enrollment for all products are made available to individuals and employers through a method of central enrollment (as well as through existing mechanisms).

Requirements for Health Plans:

- Qualified health plans are required to:
  - Offer a standard benefit package.
  - Report outcome, quality measures and other data for consumer report card.
  - Contract with essential community providers and academic health centers (as required under H.R. 3600).
  - Market broadly and without discrimination.
  - Adhere to required grievance procedures.

Administration:

- Pursuant to federal rules, states are responsible for:
  - Coordination of premiums in two-worker families, including credits to employers to reduce employer share.

- Risk-adjusting premiums across health plans.

- Continued funding for Graduate Medical Education through assessments.

- Costs of Medicaid beneficiaries and non-workers spread among all qualified plans.

COST CONTAINMENT

- The plan continues to have cost containment elements essential to make it affordable and deficit neutral through managed competition and a backstop mechanism.

- States are encouraged to establish a process for negotiation between purchasers (both employer and consumer), and providers and insurers to achieve the limitations on growth in health care costs in most broadly acceptable manner.

- States are ultimately responsible for administering the cost containment plan --

  - States must approve and establish premiums to assure prospectively that the overall increase in premiums is within the allowed level of growth under H.R. 3600. There is provision for automatic reductions in payments to plan providers to protect individuals, employers and insurers; and, provision for state responsibility for any excess subsidy costs resulting from excess growth.

- Federal government would have these responsibilities only if states do not carry them out.

FEDERAL BUDGET

- Federal spending is reduced in the bill to achieve budget neutrality.

- Federal spending is capped at levels specified in the bill.

- An explicit mechanism is included for defining automatic reductions in new spending equal to the shortfall.

PUBLIC HEALTH

- Dedicate portion of the 1 percent payroll assessment to targeted public health programs.

OTHER PROVISIONS

- Clarify that definitions in the bill (e.g. employer/employee/contractor) will not affect definitions under any other law unless specified.

[Note: Provisions in H.R. 3600 not specifically addressed above are generally retained.]

*[For purposes of determining firm size, references to "employees" are to full-time equivalent employees and include part-time employees.]