

## Healthcare Reform – An Update

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Last month's column was devoted to the progress in Congress on developing legislation to bring about healthcare reform. Since then, the House of Representatives has passed a bill and the Senate is now fashioning one. If and when that bill is passed, then the two will have to be reconciled into one bill for both houses to pass and send to the President for signing.

Rather than just summarize the Senate bill as it is being developed, it would probably be more enlightening to see where the two bills seem to be in agreement, and how much is still to be decided.

### **Individual Mandate and Guarantee Issue Coverage**

**Settled:** Health insurance will be provided primarily by the private insurance industry. All individuals who do not obtain health insurance through their employer will be **required** to purchase it themselves.

The federal government will subsidize the premiums for low income participants. Currently being considered for subsidies is anyone with earnings below 400% of the Federal Poverty Level. Further, insurance companies will not be able to refuse coverage to anyone because of a pre-existing medical condition.

Children will be allowed to remain on their parents' policy until age 27.

**To Be Decided:** The size of the penalty for not purchasing insurance has not been settled, although it will almost certainly be a financial penalty of some amount, either a flat dollar amount or a percentage of income. Some want the penalty to be fairly substantial, high enough so it makes financial sense to purchase insurance. This is so healthy young people will be "forced" to purchase coverage. To be a successful program, there will need to be a broad mix of insured people by age and health status, since it is the premium of the healthy individuals that cover the high medical expenses those not so fortunate.

### **Employer Mandate**

**Settled:** Employers will be required to provide their employees with health insurance; and they must contribute a substantial percentage of the premiums for the employee and family.

**To Be Decided:** Still undetermined is the size of the employers that will be mandated to provide the insurance, how much they will be required to contribute to the premiums, and the penalties for employers who do not follow the mandate.

## Funding Source

**Settled:** Some money will be taken from Medicare to help pay for this bill. Congress is looking especially hungrily at the excess payments being made to insurance companies providing coverage to Medicare beneficiaries under Medicare Advantage plans such as HMOs and PPOs. The premium the government pays these insurance companies is about 15% more than what they pay out to beneficiaries under original fee-for-service Medicare, which makes these plans very profitable for insurance companies. The question if that happens is: How aggressively will the insurance companies go after new beneficiaries if the profits are reduced or eliminated, and will they even remain in that market?

It also seems clear that high income persons will be forced to pay a surtax to help fund the program, although the exact amount of the tax and which incomes will be affected still needs to be assessed.

**To Be Decided:** Where will the rest of the money come from to cover the estimated \$800 billion to \$1 trillion dollars needed over the next ten years? Other ideas being considered are: increases in the Medicare payroll tax; surtax on elective cosmetic surgery; annual fees placed on medical-related industries including pharmaceutical companies, medical equipment manufacturers, health insurance companies, and clinical laboratories; and/or, surtax on extremely broad health plans.

## Public Option

**Settled:** Nothing really.

**To Be Decided:** This issue has become a major sticking point even within the Democratic Party which is trying very hard to get all its congressional members on board to avoid any filibuster by the Republican Party. This is not easy since some members adamantly oppose any type of government run health plan while others insist it must be in any bill they support.

Compromise suggestions include: allowing states to opt out of any such plan; allowing non-profit cooperatives and health plan exchanges to provide coverage; and, allowing persons age 55 and older to buy into Medicare as well as the expansion of Medicaid.

## Coverage Benefits

**Settled:** Benefits will have to include hospital and physician services, maternity, prescription drugs, preventive care, and medical equipment as well as mental health and substance abuse services along with rehabilitative services.

**To Be Decided:** The really volatile issue here is how abortion benefits be handled. Prior congressional action has prohibited use of federal funds to pay for abortions. Attempts to maintain that position under this law, however, could mean

that any health plan that covers abortion cannot be eligible for the subsidies available to low income persons. Some say that this will make abortions only available to higher income persons. Others argue that few, if any, insurance plans will provide coverage at all for abortion so as not to limit their marketability.

Another issue is the handling of persons living in this country without documentation, frequently called “illegal immigrants.” Would they be able to purchase coverage, albeit without any government subsidy? Will denying them any access to health insurance coverage create problems with public health? That is still being discussed.

Also being considered, and heavily lobbied for by affected groups, is the addition to coverage for alternative medical treatments such as chiropractors, acupuncturists, and dietary supplements. Which providers and treatments would be covered and with what benefits is still open? Resistance is somewhat strong since there are concerns that this would counter the plan’s efforts at controlling medical costs.

**Other Undecided Issues:**

Of major concern by many is that there is little in the proposed bill that would lead to controlling the rapidly growing costs of health care, which was one of the original incentives for this legislation, the other being to expand coverage to many of the 40 million people currently without insurance. Estimates currently are that the plan as it is being contemplated would add coverage for about 30 million.

Also being considered in this bill are revisions to Medicare benefits, primarily the gradual phasing out of the “donut hole” in the Part D prescription drug benefit, which has been vehemently denounced by seniors.

Everyone should watch the progress of this legislation as it will have a major effect on healthcare whether you are currently insured or not.

By now, it should be abundantly clear that there is much to be decided before any bill becomes law. It should also be noted that even if a bill is passed into law this year or next, major parts of it will not be effective until 2013.

It should also be clear that no one should count on this legislation to solve any immediate insurance issues a person may currently have.