10 Reasons to Support The Health Care Reform Bills

The health reform debate is in full swing and proposals are taking shape. Even though key decisions are still being made, it is clear we have gained significant ground. There is much to be excited about in these proposals: Millions more people will gain health insurance, coverage will be more affordable, and people will have access to the health services they need. These provisions will improve the lives of millions of Americans and give us the peace of mind that comes with knowing that we have coverage no matter what. But the road ahead will not be easy. We must continue to work for improvements and we must ensure that we do not lose the gains we have made so far—they are worth fighting for. Below are some highlights in the health care reform proposals.

What we'll get from health reform:

1. A major expansion of Medicaid coverage—fully federally funded—for millions of low-income working families who currently fall through the cracks
2. A regulated marketplace that clamps down on insurance company abuses so people can no longer be denied coverage
3. Requirements that insurance companies spend more of the premium dollars they collect on patient care
4. Sliding-scale subsidies so middle-class, working families can afford the coverage they need to keep their families healthy
5. A strong public plan option that will provide choice, stability, and an honest yardstick to keep costs down
6. Limits on out-of-pocket spending, giving Americans real health security and peace of mind
7. Much-needed relief for small businesses so they can afford to offer coverage to their employees
8. Improvements to Medicare that will help seniors and people with disabilities afford their drugs and their cost-sharing
9. Better access to coverage for uninsured children so they can get the care they need
10. Long overdue steps to modernize the system, improve the quality of care provided, and curb unnecessary spending so our American health care system delivers the best possible care

1 A major expansion of Medicaid coverage—fully federally funded—for millions of low-income working families who currently fall through the cracks

What's in the bills:

- The national floor for Medicaid eligibility would be set at at least 133 percent of poverty ($24,352 for a family of three in 2009), which could expand coverage to well over one-third of the uninsured (more than 17 million people).

Why this change is needed:

- Contrary to popular perception, the Medicaid program does not provide coverage for all low-income people. In fact, in 43 states, adults without dependent children cannot enroll in Medicaid today, even if they are penniless.
- Only 16 states and the District of Columbia cover parents up to the poverty level; nationally, the median eligibility level for parents is a mere 67 percent of the poverty level ($12,268).[1]
- Medicaid is designed to meet the health care needs of people with very low incomes. It has a comprehensive benefits package, strict limits on out-of-pocket costs, and strong consumer protections to make sure that people who can't otherwise afford health care get the care they need.

2 A regulated marketplace that clamps down on insurance company abuses so people can no longer be denied coverage

What's in the bills:

- Health reform will bring long-overdue regulations to the private health insurance market so that people can no longer be denied coverage or charged exorbitant premiums because of pre-existing health conditions, health status, gender, or age.
- The new market (the "exchange" or "gateway") will offer standardized plans so that consumers can clearly understand the terms and coverage of their plan choices.

Why this change is needed:

- In all but five states, most insurance companies in the individual market are free to deny coverage to applicants because of health problems, health risks, or age.[2]

3 Requirements that insurance companies spend more of the premium dollars they collect on patient care

What's in the bills:

- Health reform will require health insurers to spend a minimum amount of their premium dollars—85 percent in the House bill—on medical care. If they do not spend a large enough proportion of the premiums collected on medical care, they must issue refunds to consumers.

Why this change is needed:

- In the majority of states, there are no protections to ensure consumers' premiums will be used for medical services rather than for excessive insurance company administration, advertising, and profit. In fact, without adequate consumer protections, insurance companies sometimes spend only 60 cents of every premium dollar on actual health care.[3]

4 Sliding-scale subsidies so middle-class, working families can afford the coverage they need to keep their families healthy

What's in the bills:

- Although it is unclear how the subsidies will be structured, one thing is apparent: Health reform legislation will include significant subsidies to help middle-class, working Americans purchase health coverage.

Why this change is needed:

- Insurance premiums are rising steeply, making private insurance unaffordable for many Americans. Between 1999 and 2008, average job-based family health premiums grew from $5,791 to $12,680, an increase of 119 percent.[4]
- Today, middle-class, working families who are not eligible for Medicaid or Medicare do not receive *any* federal assistance to help them purchase insurance. As a result, millions of people go without the coverage and care they need.

5 A strong public plan option that will provide choice, stability, and an honest yardstick to keep costs down

What's in the bills:

- A public insurance option would be created to compete with private insurance plans to help make health care affordable for families and small businesses.

Why this change is needed:

- Insurance premiums are rising steeply, making private insurance unaffordable for many Americans. Between 1999 and 2008, average job-based family health premiums grew from $5,791 to $12,680, an increase of 119 percent.[5]
- Public plans have the purchasing power needed to negotiate lower prices, and they have lower administrative costs. Private insurers will have to compete with these lower costs.
- Currently, many private insurance companies devote substantial portions of premium dollars to administration, marketing, and profits. Some insurance companies earn billions of dollars in profits.[6] The public plan would deliver quality, accessible care, and constrain costs—not earn profits for shareholders.

6 Limits on out-of-pocket spending, giving Americans real health security and peace of mind

What's in the bills:

- Health reform will include caps on how much individuals are required to pay out of pocket for their health expenses.

Why this change is needed:

- Even when people have coverage, the high cost of health care can—and does—send millions of people into debt every year.
- In 2009, an estimated 53.2 million Americans *with insurance* will spend more than 10 percent of their income on health expenses.[7]
- Nearly two-thirds (62.1 percent) of bankruptcies in 2007 were due, at least in part, to medical causes.[8]

7 Much-needed relief for small businesses so they can afford to offer coverage to their employees

What's in the bills:

- Health reform will provide tax credits to a growing number of small businesses to make coverage more affordable.

Why this change is needed:

- More than half of the uninsured—26 million Americans—are small-business owners, employees, or their dependents.[9]
- Small businesses pay higher premiums than their larger counterparts, and many cannot afford to offer coverage as a result. Among firms with 3 to 9 workers, fewer than half are able to offer health benefits to their workers. [10]

- Our current system, where some employers offer coverage and others do not, promotes so-called "job lock," which happens when people stay in a job just for the health insurance. Leveling the playing field so that all workers have coverage no matter what will increase job mobility, labor market efficiency, and economic growth.

Improvements to Medicare that will help seniors and people with disabilities afford their drugs and their cost-sharing

What's in the bills:

- It is likely that health reform will eliminate or significantly reduce the so-called "doughnut hole" in the Part D Medicare prescription drug benefit. This will help ensure that seniors and people with disabilities get the medications they need without breaking the bank or going without other necessities.
- Health reform will expand and simplify eligibility for the Medicare Savings Programs and the Medicare Part D low-income subsidy, which should substantially increase enrollment of low-income seniors and people with disabilities they are intended to serve.

Why this change is needed:

- In 2009, the gap in Medicare Part D prescription drug coverage—the so-called "doughnut hole"—begins after beneficiaries incur a total of $2,700 in drug costs. Coverage does not resume until they have spent a total of $6,154—a gap of $3,454. In these tough economic times, seniors and people with disabilities with significant drug costs—generally those with more serious health care needs—may be unable to afford the medications they need.[11]
- Medicare's out-of-pocket costs have risen significantly. Median out-of-pocket spending on health care for Medicare beneficiaries increased from 11.9 percent of income in 1997 to 16.1 percent in 2005.[12] From 2008 to 2009 alone, Part D premiums increased by 25 percent.[13]

Better access to coverage for uninsured children so they can get the care they need

What's in the bills:

- Health care reform will expand Medicaid eligibility for parents that will allow whole families to qualify for Medicaid together. Research shows that when parents and kids have the same coverage, kids are more likely to get enrolled and get necessary care.[14]
- Reform efforts include a guarantee that all babies born in this country start life with health coverage.

- Uninsured children in middle-class working families with incomes that make them ineligible for Medicaid and CHIP will be able to get coverage with their families in the exchange. Subsidies for families with moderate incomes will help families with incomes as high as 400 percent of the federal poverty level ($88,200 for a family of four in 2009) afford coverage.
- Improved outreach and retention policies will make it easier for families get their children covered and keep them covered.

Why this change is needed:

- 8.6 million children are uninsured.[15] CHIP reauthorization is expected to cover approximately 4 million of these children, but many uninsured children live in families with incomes too high to qualify for CHIP. Health reform will help uninsured children get coverage by providing new assistance to moderate-income families.

Long overdue steps to modernize the system, improve the quality of care provided, and curb unnecessary spending so our American health care system delivers the best possible care

What's in the bills:

- Health reform will bring down the cost of health coverage by making sure doctors and patients have the information they need to work together and decide on the most appropriate course of care.
- To improve quality of care, doctors and hospitals that provide better-quality care and demonstrate improved health outcomes will be rewarded.
- All health care providers will be encouraged to work together to coordinate care, avoid duplication, develop complementary treatments, and prevent errors.

Why this change is needed:

- 100,000 Americans die each year from medical errors that could have been prevented.[16]
- To truly achieve patient-centered care, patients and their families must be equipped with tools to make informed decisions about their own treatment.

Endnotes

[1] Families USA calculations.

[2] Health Policy Institute, Georgetown University, *Individual Market Guaranteed Issue, Not Applicable to HIPAA Eligible Individuals, 2007* (Menlo Park, CA: Kaiser Family Foundation, December 2007), available online at www.statehealthfacts.org, accessed on July 14, 2009.

[3] Ella Hushagen, Cheryl Fish-Parcham, and David Tian, *Failing Grades: State Consumer Protections in the Individual Health Insurance Market* (Washington: Families USA, June 2008).

[4] Ibid.

[5] Gary Claxton, et al., *Employer Health Benefits 2008 Annual Survey* (Menlo Park, CA: Kaiser Family Foundation and Health Research and Educational Trust, 2008).

[6] Families USA calculations of mean revenue and profits from data reported in *Fortune* Magazine's annual Fortune 500 listing for Health Care: Insurance and Managed Care, 2009, available online at www.money.cnn.com/magazines/fortune/fortune500/2009/industries/223/index.html.

[7] Kim Bailey and Laura Parisi, *Too Great A Burden: Americans Face Rising Health Care Costs* (Washington: Families USA, April 2009).

[8] David Himmelstein, Deborah Thorne, Elizabeth Warren, and Steffie Woolhandler, "Medical Bankruptcy in the United States, 2007: Results of a National Study," *The American Journal of Medicine*, prepublication copy, available online at http://www.pnhp.org/new_bankruptcy_study/Bankruptcy-2009.pdf.

[9] Paul Fronstin, *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2008 CPS Survey* (Washington: Employee Benefit Research Institute, September 2008).

[10] Gary Claxton, op. cit.

[11] Families USA, *Welcome to the Medicare Prescription Drug Benefit: An Illustration of the Doughnut Hole* (Washington: Families USA, January 2009).

[12] Tricia Neuman, Juliette Cubanski, and Anthony Damico, *Revisiting 'Skin in the Game' among Medicare Beneficiaries* (Menlo Park, CA: Kaiser Family Foundation, February 2009).

[13] Jack Hoadley, et al., *Medicare Part D 2009 Data Spotlight: Premiums* (Menlo Park, CA: Kaiser Family Foundation, November 2008).

[14] Leighton Ku and Matthew Broaddus, *Coverage of Parents Helps Children Too* (Washington: Center on Budget and Policy Priorities, October 20, 2006).

[15] Jennifer Sullivan and Rachel Klein, *Left Behind: America's Uninsured Children* (Washington: Families USA, November, 2008).

[16] Institute of Medicine, *To Err Is Human: Building a Safer Health System* (Washington: Institute of Medicine, November 1999).

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