

HEALTH POLICY
BRIEF
JANUARY 2010

How Consumers Fare Under The Two Congressional Health Reform Proposals

SUMMARY

In 2009, Consumers Union identified the criteria that we would use to analyze the promised health care proposals. We are now down to a single Senate bill and a single House bill. How do consumers fare? While not perfect, both bills make necessary and fundamental changes in our nation's approach to health care. The bills create, for the first time, the expectation that all citizens will have access to affordable coverage. And by putting nearly everyone "in the system," making health care safer and by rewarding doctors for better quality care, the groundwork is laid for future changes needed to tackle our nation's health care cost issues. There are some important differences between the bills and some areas where they could be strengthened. This brief provides Consumers Unions' take on the bills' major elements, with some specific recommendations on how to merge the two proposals into a final bill that results in a sustainable system that contributes to a healthy American population.

Health Reform Nearing Completion

In 2009, Consumers Union identified the criteria that we would use to analyze the promised health care proposals.¹ Now, after months of Congressional hearings, parliamentary maneuvering and intense public scrutiny, we are now down to a single Senate bill and a single House bill. These two versions are to be merged into a single bill.

How Will Consumers Fare?

How do these two bills stack up? There's a lot to like in both bills. Both create very similar and strong new protections for consumers purchasing health insurance on their own. Both bills expand the availability of more affordable coverage options for lower-income consumers. Both bills create "exchanges," a type of insurance "store" that will make insurance shopping easier for consumers

at all income levels. And both bills take on a host of issues that lead to improvements in Medicaid and Medicare.

There are also areas where the bills come up short. Despite the improvements, the cost of health insurance may still be a stretch for some families. Some of the new policies may have high deductibles, making it costly to visit the doctor. And both bills could do more to control underlying health care costs.

While alike in many ways, there are some key areas where the bills differ. Table 1 examines the major elements of the bills and highlights some of these important differences.

What’s the bottom line for consumers? While not perfect, the bills make necessary and fundamental changes in our nation’s approach to health care. The bills create, for the first time, the expectation that we will provide coverage to all our citizens. By putting nearly everyone “in the system,” making health care safer and by rewarding doctors for better quality care, we lay the groundwork for future changes needed to tackle our nation’s health care cost issues.

TABLE 1 – HOW CONSUMERS FARE UNDER THE FINAL HOUSE AND SENATE HEALTH REFORM BILLS			
Consumers Union Criteria	House	Senate	Bottom Line for Consumers
If you like your current health insurance coverage, you don't have to change.	√	√	Both bills retain the coverage options we have today. If you buy coverage on your own and don't want to change, that coverage is "grandfathered in." Both bills preserve our current, employer-sponsored health care system. ² Similarly, Medicare, Medicaid and military coverage programs are preserved. ³
New coverage options for people who don't have access to job-based insurance or public programs like Medicare or Medicaid.	√	√-	Most consumers will have better coverage options than they have today. Both bills create health insurance exchanges where low and moderate income families (who aren't eligible for Medicaid or other types of coverage) can purchase comprehensive coverage with the help of "affordability credits" and they standardize and place a floor under the type of coverage that can be offered to individuals purchasing on their own. Both bills expand Medicaid to people who aren't eligible now, although only the House bill increases payment rates to Medicaid providers—thus making it easier to find doctors. ⁴
New coverage options are affordable.	√-	√-	The proposals provide significant help to lower and middle income families. ⁵ However, the size of the "credits" may be too small to make coverage truly affordable for some families. ⁶ The Senate bill is more expensive for lower income families and CU proposes that the House provisions be adopted instead. Conversely, the Senate premium provisions are more generous for middle income families and CU urges it be adopted over the House provisions. Even with these changes, the cost of coverage may still be a stretch for some families.

TABLE 1 – HOW CONSUMERS FARE UNDER THE FINAL HOUSE AND SENATE HEALTH REFORM BILLS (CONTINUED)

Consumers Union Criteria	House	Senate	Bottom Line for Consumers
New consumer protections to reduce the risk of purchasing a bad policy.	√+	√+	Consumers would face much better insurance choices under both bills. A benefits "floor" will ensure that needed services are covered. Patient out-of-pocket costs will be limited. Health plans will reflect pre-established coverage "tiers" and new, required information about the plans will help consumers "shop." Consumers will have help to address grievances or appeal a decision. While the improvements are vast, CU contends that the plan options should be further standardized so it is even easier to shop on the basis of cost and quality.
Guaranteed access to health insurance regardless of pre-existing medical conditions, and required participation in the system.	√+	√	Consumers receive critical new protections under both bills. Both bills prohibit insurers from denying coverage to consumers who have a pre-existing medical condition and they cannot charge more if consumers have one. Both bills also create a requirement that consumers purchase insurance, unless they can't find an affordable policy – a necessary step to prevent people from waiting until they are sick to sign up for coverage. ⁷ CU is concerned about "wellness" provisions in the Senate bill which could serve as a backdoor method of charging more for underlying medical conditions. ⁸
A new "store" called a health insurance exchange, which makes shopping for health coverage easier.	√	√-	Insurance exchanges are a central feature of both bills. The Senate bill creates a system of state-run exchanges whereas the House bill creates a national exchange with an option for state exchanges. Many states may not have the capacity or interest in running their own exchange, so we believe that a national exchange, with an option for strong, state-based exchanges, is the better approach. ⁹
The exchange includes a new public insurance plan option, competing alongside private insurers.	√+		Only the House bill includes a provision for a new public plan option. ¹⁰ We recommend that a public plan option be included in the final bill.
Required coverage or contribution to coverage by all but the smallest employers using standards that roughly mimic current levels of employer coverage.	√	√	Analyses of both bills conclude that the package of reforms preserves the current, employer-sponsored health care system. While they differ in their approach, both bills include a penalty for employers (over a certain size) who don't contribute to health coverage for their workers. ¹¹
Mandated efforts to improve health care quality through payment and other system initiatives to encourage care coordination, paying for quality not quantity, and to discourage inappropriate care and over-treatment and medical errors.	√	√	Both bills introduce a host of new efforts designed to improve health care quality, improve care coordination, and to end payment for the care associated with preventable medical errors. There are new incentives for hospitals and doctors that come together to form organizations that can offer "soups to nuts" integrated care. Consumers should see improved health care quality, although it may take some time for the changes to become wide-spread.
Easy-to-use information on price and quality, which can help consumers compare health plans, doctors, hospitals, and treatments.	√	√	Consumers will have new information available to them to help make informed choices. Both bills impose far-reaching new reporting requirements on health insurers, doctors and hospitals.

TABLE 1 – HOW CONSUMERS FARE UNDER THE FINAL HOUSE AND SENATE HEALTH REFORM BILLS (CONTINUED)

Consumers Union Criteria	House	Senate	Bottom Line for Consumers
New measures to increase the supply of primary care providers where they are needed.	√-	√-	Both bills include provisions to increase the supply of primary care providers but they may not go far enough. ¹² In addition to expanding training positions for primary care, the bills expand funding for community health centers which often operate in underserved areas and provide primary care. The House bill goes a bit further and increases Medicaid payments to primary care providers, thus making the Medicaid coverage expansion a more meaningful benefit. While there is widespread agreement that primary care doctors serving Medicare patients also deserve a payment boost, Congress intended to address this in a separate piece of legislation.
A concerted focus on system-wide health care cost containment to ensure the financial stability of Medicare and Medicaid, minimize the taxpayer burden of financing new reforms, and free resources for other economic activities.	√-	√-	Both bills include numerous pilots, demonstrations, studies and grant funding to encourage and better understand current approaches to cost containment. In Medicare alone, the Part A Trust Fund's solvency is extended 5 to 10 years, depending on the bill. These efforts provide the critical groundwork for greater cost containment in the future. Recognizing this progress, CU anticipates that more cost-savings measures will be needed. To start, we would like to see measures which enforce the promised industry savings. ¹³

This brief was prepared by Senior Policy Analyst Lynn Quincy.

ENDNOTES

- ¹ See Consumers Union, *Health Care - Our Prescription for Change*, June 2009 (revised December 2009).
- ² While various analyses show that a few employers may start or stop offering coverage, or change what they offer, overall the number of people enrolled in employer coverage is expected to remain roughly the same.
- ³ CHIP, our nation's program for lower-income children whose parents make too much for Medicaid, is treated very differently under the two bills. Under the Senate bill, the program is authorized through the end of 2019 and funded until 2015. The House bill would phase out CHIP after December 31, 2013 (consistent with current law). Some of the affected children could move into Medicaid which would be universally available to families up to 150% of poverty under the House provisions. The remaining CHIP-eligible children in families with incomes above 150% would be eligible for subsidized coverage in the exchange.
- ⁴ The House bill expands Medicaid to 150% of federal poverty level (corresponding to an annual income of about \$16,250 for a single person; \$33,075 family of four) and the Senate bill expands this program to 133% of federal poverty level (\$14,440 for a single person; \$29,400 family of four). These changes make Medicaid universally available to legally present residents below a certain income level. Today certain categories of adults, such as those without dependent children, are not typically eligible for Medicaid no matter how poor.
- ⁵ Both bills provide sliding scale premium subsidies for families with incomes up to 400% of federal poverty level, about \$43,320 for a single person; \$88,200 for a family of four.
- ⁶ Under the Senate bill, families between 133% and 250% of federal poverty level pay more for coverage and face higher cost-sharing to see the doctor, compared to the House bill. Conversely, the cost of coverage for families between 250% and 400% of federal poverty level is a bit higher under the Senate bill, compared to the House bill.
- ⁷ A discussion of why the individual mandate is necessary is included in our policy brief *Health Care - Our Prescription for Change*.
- ⁸ For more, read this Consumers Report blog:
<http://blogs.consumerreports.org/health/2009/12/health-care-reform-medical-underwriting-by-stealth.html>
- ⁹ Note that a national exchange would likely sell state-based insurance products that are licensed and regulated by state regulators. While these products must also meet any criteria established by the exchange (with respect to consumer protections and reporting, for example), there would also be considerable state control over the actual coverage sold in the exchange.
- ¹⁰ See Consumers Union, *The Public Plan: A New Type of Competitor*, September 2009.
- ¹¹ The penalties under the two bills are very different. The house bill sets a minimum threshold for the employer's contribution to health coverage and applies that requirement to employers with payrolls greater than \$500,000. The Senate bill charges a fee if a firm has over 50 workers and one of those workers uses a tax credit to buy individual coverage in the exchange. Since these credits aren't generally available to workers with employer coverage, the fee effectively applies to employers over size 50 who don't offer coverage. The Senate bill also includes a new tax on some employer-sponsored health plans. Analyses of this new tax don't forecast employers as dropping coverage (if the tax applies to them) but the tax may reduce the generosity of the coverage these employers offer.
- ¹² See, e.g., Phil Galewitz. "Health Bills In Congress Won't Fix Doctor Shortage," *Kaiser Health News*, Oct 12, 2009. <http://www.kaiserhealthnews.org/Stories/2009/October/12/primary-care-doctor-shortage.aspx>
- ¹³ In May 2009, key provider and health care industry groups promised \$2 trillion in overall system savings by 'bending the cost curve' downward 1.5 percentage points per year over the next decade. Given the gravity of unsustainable health inflation, Consumers Union believes that relying on purely voluntary provider and insurer efforts is not longer tenable.