

# THE NEED FOR HEALTH CARE REFORM



**Rep. Robert C. “Bobby” Scott**

**Wednesday, September 2, 2009**

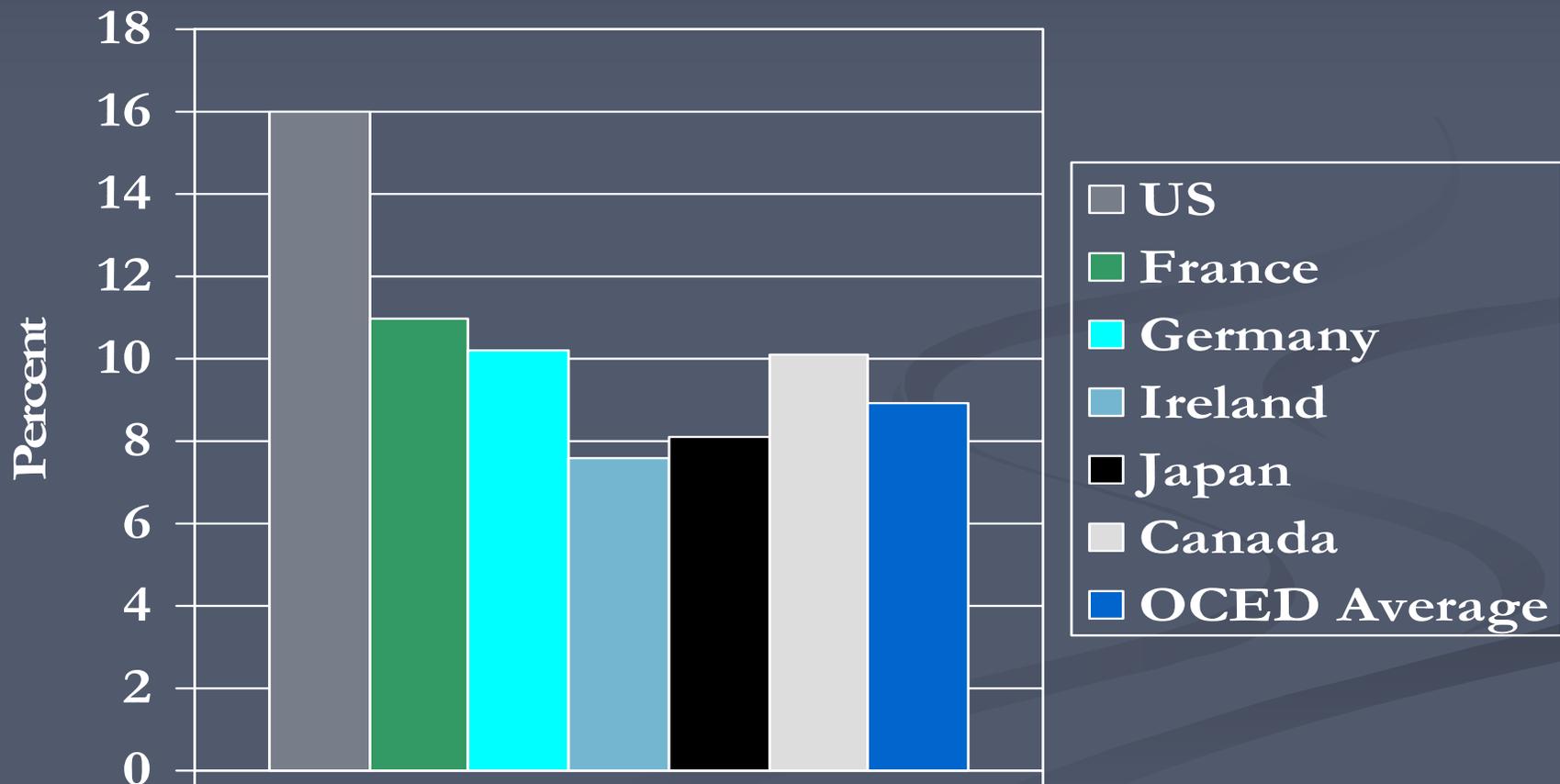
**WTKR News Channel 3**

**Norfolk, VA**

**The Status Quo is Unsustainable.**

# Health Expenditure as Percentage of GDP

■ The US spends more on healthcare than any other nation. Even though we pay more, we get less. 15% uninsured, more underinsured, people who don't access healthcare because of lack of insurance and poor outcomes in terms of infant mortality, life expectancy and death due to preventable disease.



Prepared by the Office of Congressman Robert C. "Bobby" Scott  
Source: OECD Health Data, 2009

# Lack of Security:

## Denial Based on Pre-existing Conditions

- If you lose your job and current health insurance coverage and you have a pre-existing condition you may have trouble getting re-insured.
- In Virginia, premiums can vary based on demographic factors and health status, and coverage can be all together excluded based on pre-existing conditions.
- Those with pre-existing conditions that have insurance often pay higher premiums.

# Lack of Security:

## Many Who Have Insurance May Lose It

- **Employee based coverage is declining:** The percent of Virginians with employer provided health insurance fell from 68 to 62% between 2000 and 2007.
- **Small Businesses cannot afford coverage for employees:** While small businesses make up 71% of Virginia businesses, only 48% of them offered health coverage benefits in 2006. Nationally, the number of small businesses offering insurance has fallen from 61% in 1993 to 38%.
- **Americans are losing their health insurance at a rate of 14,000 Americans per day.**
- 46 million Americans have no health insurance today and millions more are underinsured.

# We are Already Paying for the Uninsured

The costs of caring for the uninsured are shifted onto Americans in terms of higher premiums – an additional \$1,017 annually for families and \$368 annually for individuals.

# It's Getting Worse

- **Health care costs continue to rise faster than inflation:**  
Although wages have increased at about the same rate as inflation, insurance premiums have more than doubled.
- Since 2000 alone, per capita premiums have doubled and are projected to double again in the next 10 years.
- Since 1987, the cost of the average family health insurance policy has risen from 7% of median family income to 17%.

# Cumulative Changes in Health Insurance Premiums, Inflation, and Workers' Earnings, 1999-2008



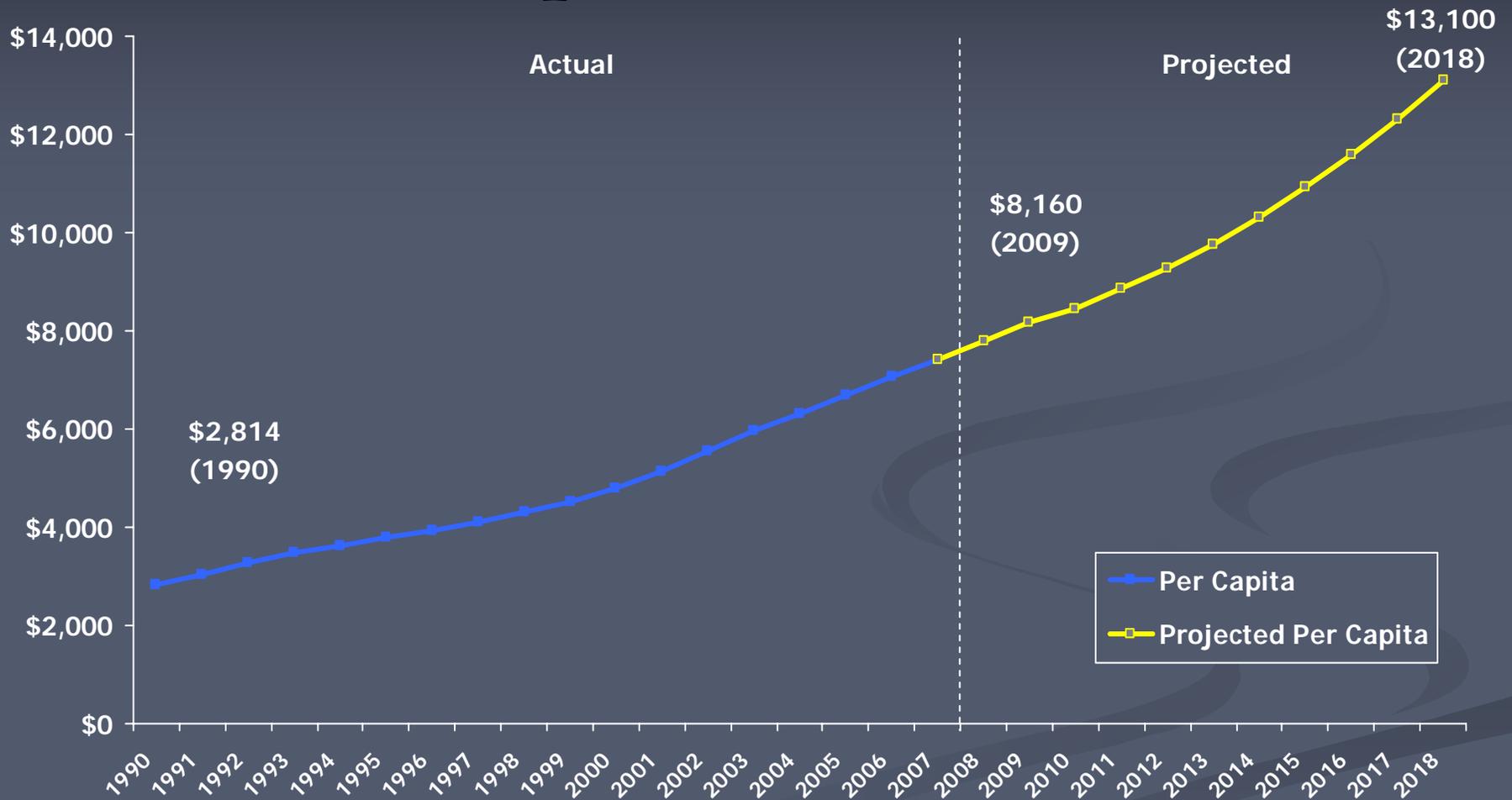
Note: Due to a change in methods, the cumulative changes in the average family premium are somewhat different from those reported in previous versions of the Kaiser/HRET Survey of Employer-Sponsored Health Benefits. See the Survey Design and Methods Section for more information, available at <http://www.kff.org/insurance/7790/index.cfm>.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2008. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2000-2008; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2000-2008 (April to April).

- ◆ Health Insurance Premiums
- Workers' Earnings
- ▲ Overall Inflation

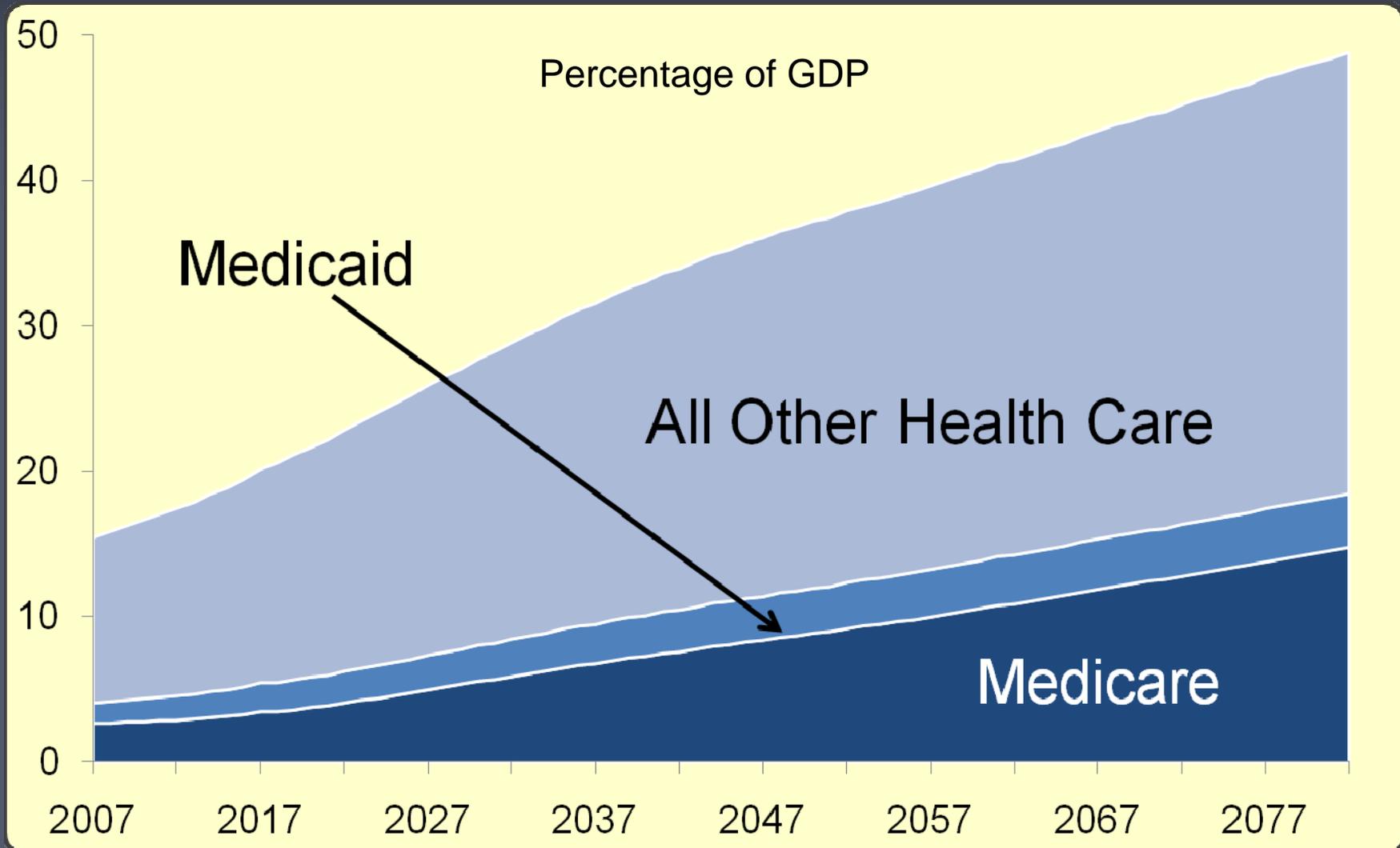


# National Health Expenditures per Capita, 1990-2018



Source: Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, at <http://www.cms.hhs.gov/NationalHealthExpendData/> (Historical data from NHE summary including share of GDP, CY 1960-2007, file nhegdp07.zip; Projected data from NHE Projections 2008-2018, Forecast summary and selected tables, file proj2008.pdf).

# Current-Law Spending on Health Care as Percentage of Gross Domestic Product



Source: House Budget Committee.

Source: CBO

# America's Affordable Health Choices Act: HR 3200

America's Affordable Health Choices Act provides quality affordable health care for all Americans and controls health care cost growth. Key provisions of the bill include:

- **COVERAGE AND CHOICE**
- **AFFORDABILITY**
- **SHARED RESPONSIBILITY**
- **CONTROLLING COSTS**
- **PREVENTION AND WELLNESS**
- **WORKFORCE INVESTMENTS**

# H.R. 3200: Greater Coverage

- All businesses, with some exceptions for the smallest businesses, will provide health insurance for its employees or pay a fee.
- Private insurance companies will no longer be able to discriminate based on pre-existing conditions.
- All individuals not covered by their employers will buy insurance, some with the help of affordability credits.

# H.R. 3200: Increased Choice

If you like your insurance,  
**YOU CAN KEEP IT.**

# The Exchange

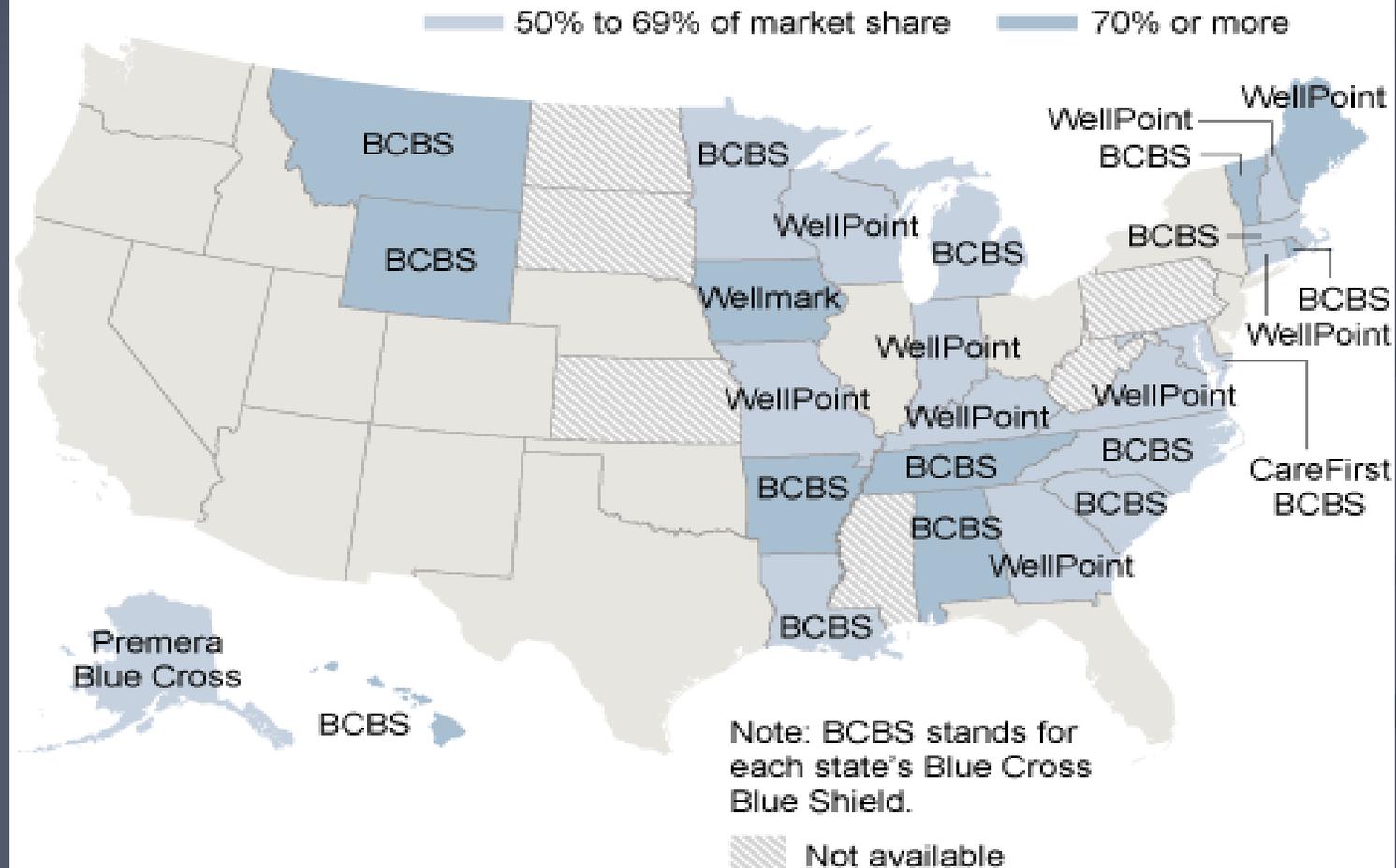
- If you are not covered by your employer, you have the option to purchase insurance through the new Health Insurance Exchange.
  - The basic package of the Exchange, including the public option, is modeled after the Federal Employee Health Benefit (FEHB) plans, which covers all federal employees, including Members of Congress and Congressional employees.
  - This will create a transparent and functional marketplace for individuals and small businesses to comparison shop among private and public insurers.

# The Exchange

- The exchange will give you a choice of several options while in many states today there are NO options.
- In MOST states, including Virginia, one health insurer has a market share of over 50%, and in at least 9 states, one insurer has a market share in excess of 70%.

# Lack of Choice: More Than Half the States in US are Dominated by 1 Insurer

Dominant insurer has 50 percent or more of the statewide market share.



Source: American Medical Association

The New York Times

# H.R. 3200: Benefit Packages

The Exchange makes available four tiers of benefit packages from which consumers can choose to best meet their health care needs.

- **Basic Plan** includes:
  - Inpatient & Outpatient hospital services
  - Physician services including equipment and supplies
  - Preventive and Wellness services
  - Prescription drugs
  - Maternity services
  - Well baby and well child visits and oral health, vision, and hearing services for children
  - Rehabilitative services
  - Mental health and substance abuse services for children and adults

# H.R. 3200: Benefit Packages

Each tier includes the core set of covered benefits, but provide more generous cost sharing protections than the basic plan. You will have the option to purchase:

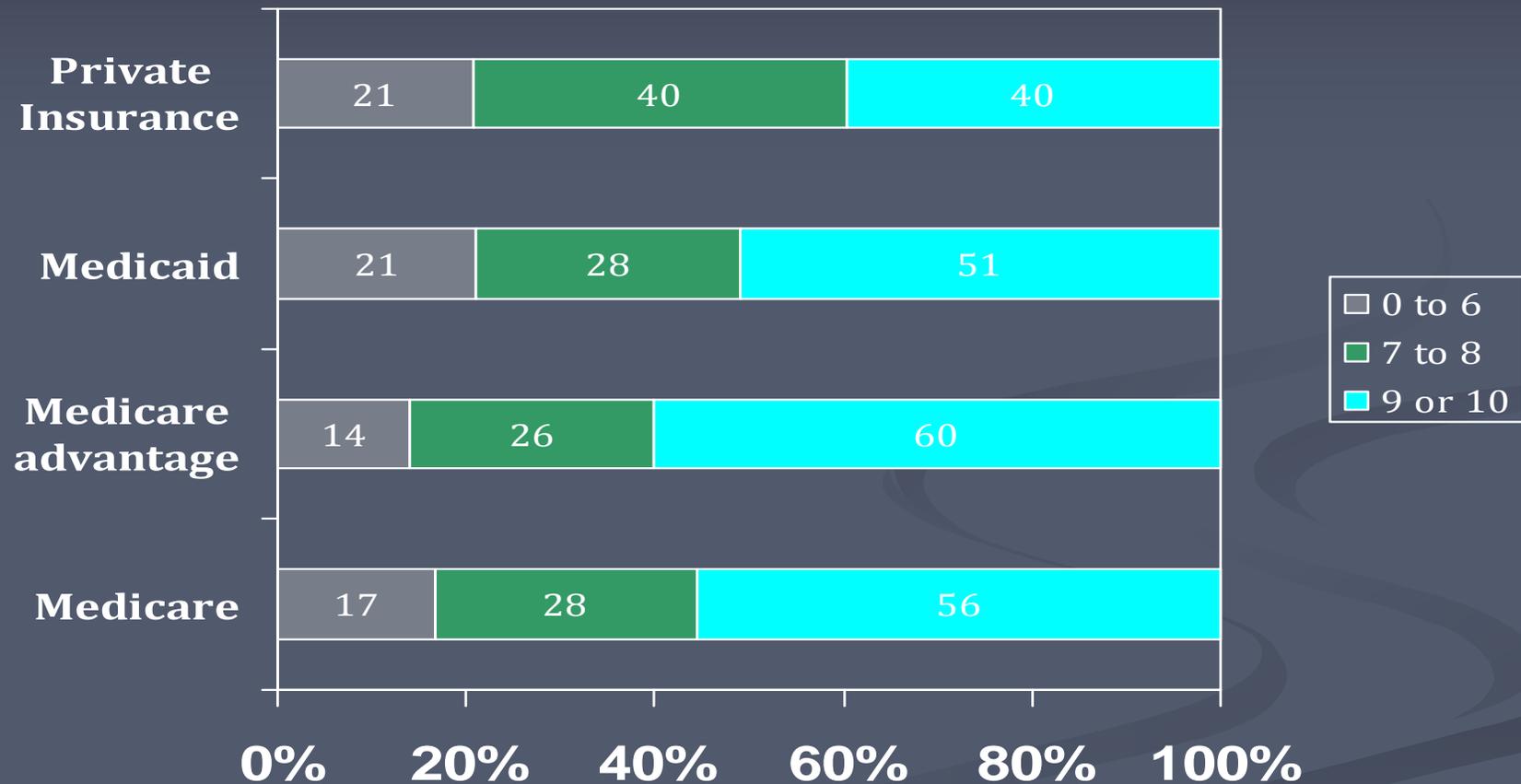
- **Enhanced Plan:** Includes the core set of covered benefits with more generous cost sharing protections than the Basic plan.
- **Premium Plan:** Includes the core set of covered benefits with more generous cost sharing protections than the Enhanced plan.
- **Premium Plus Plan:** Includes the core set of covered benefits, the more generous cost sharing protections of the Premium plan, and additional covered benefits (e.g., **vision and oral health coverage for adults, gym memberships, etc.**) that will vary per plan. In this category, insurers must disclose the separate cost of the additional benefits so consumers know what they're paying for and can choose among plans accordingly.

# H.R. 3200: The Public Option

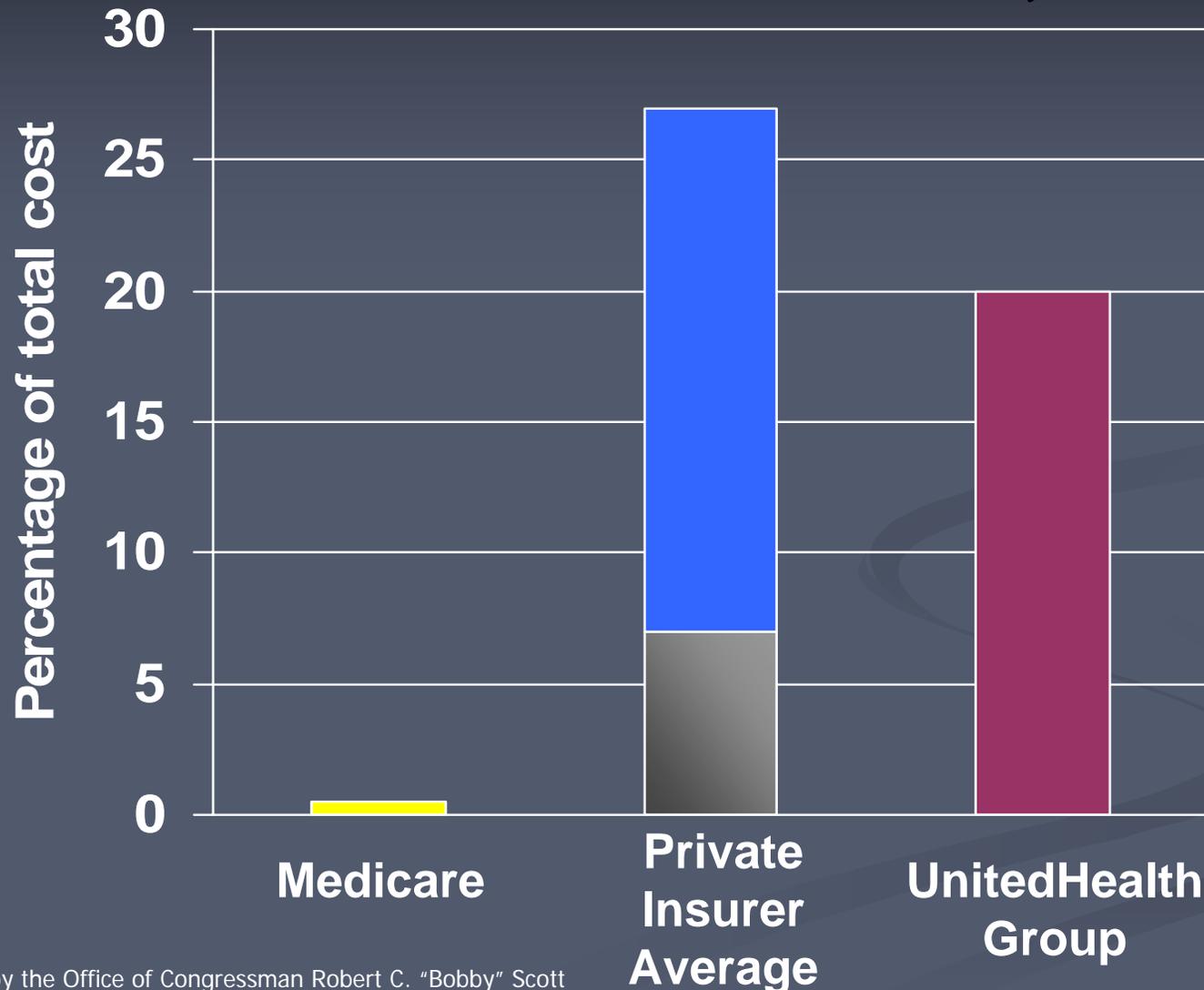
Government-run insurance plans are popular  
and are efficiently run.

# Rating of Health Insurance Plans

Using 0 to 10, where 0 is the worst possible and 10 is the best possible, how would you rate your health plan?



# Administrative Costs of Medicare and Private Insurers, 2007



Prepared by the Office of Congressman Robert C. "Bobby" Scott

Sources: Key Issues in Analyzing Major Health Insurance Proposals, CBO, <http://cbo.gov/ftpdocs/99xx/doc9924/12-18-KeyIssues.pdf> &

PricewaterhouseCoopers Health Research Institute

# H.R. 3200: Increased Choice

Employers can NOT require their employees to select a particular option- private or public.

# H.R. 3200: Public Option

The public option will be financed by premiums and will not be subsidized by tax payer dollars.

# H.R. 3200: Affordability

- Provides sliding scale affordability credits for low- and moderate-income individuals and families up to 400% of the Federal Poverty Level (up to \$43,320 for an individual; \$88,200 for a family of four) so that they may purchase health insurance.
- Caps Annual Out-of-pocket spending at \$5,000 for an individual and \$10,000 for a family.
- Lowers Costs of prescription drugs by closing the “donut hole” in Medicare Part-D.
- Medicaid will be expanded to include families, adults and children, at or below 133% of poverty. (up to \$14,400 for an individual and \$29,300 for a family of four).
- Competition from the Exchange will drive down costs.
- Cost-shifting because of uncompensated care will be reduced.

# H.R. 3200: Prevention and Wellness

The bill also provides an important and overdue focus on prevention and wellness services to ensure that people can get healthy and stay healthy.

- Expansion of Community Health Centers.
- Prohibition of cost-sharing for preventive services (No Co-Pays).
- Support for community-based programs which deliver prevention and wellness services.
- Target health disparities.
- Funds to strengthen state and local public health departments and programs.

# H.R. 3200: Workforce Investments

- Increases support for the National Health Service Corps.
- Provides funding to support primary care training programs and build academic capacity in primary care.
- Expands education, practice, and retention programs for nurses.
- Invests in health information technology to improve coordination of care, promote efficiency, avoid mistakes, and improve outcomes.

# H.R. 3200:

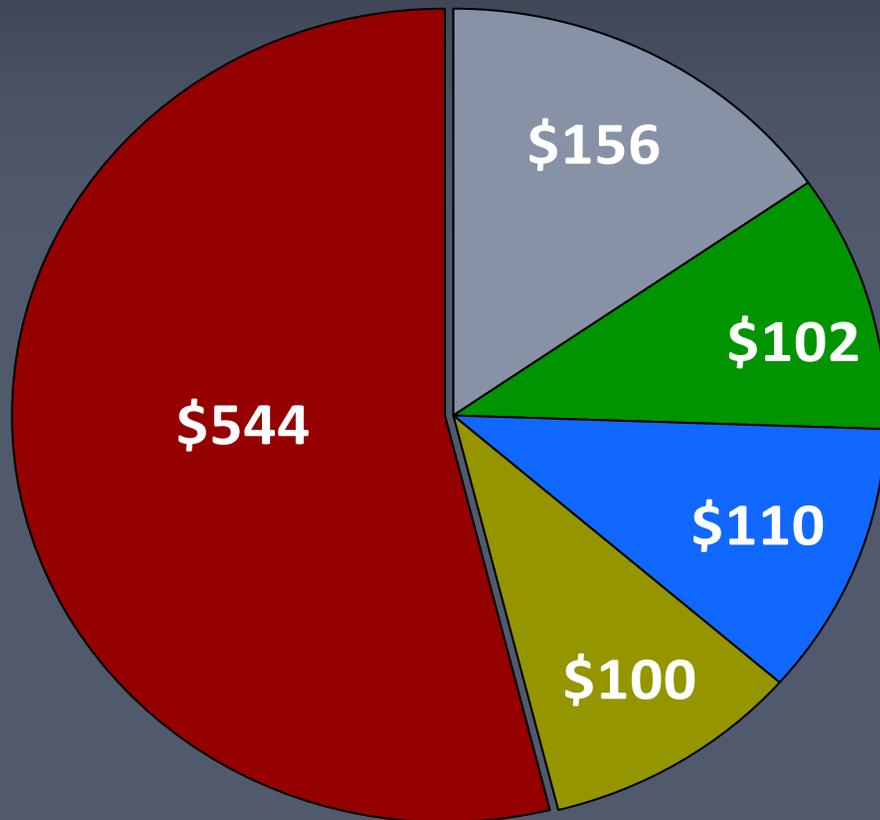
## Shared Responsibility

- **Large Employers** will be responsible for 72.5% of your health insurance premium (65% for a family policy) if they offer health coverage. The employer may choose to opt-out of coverage and pay a 8% surcharge so that their employees can purchase insurance through the Exchange.
- **Small Businesses** with an annual payroll up to \$250,000 who offer health insurance to their employees will be eligible for a tax credit up to 50% of their health care costs. If they choose not to provide coverage they will be exempt from the health care surcharge.
  - All other small business with an annual payroll above \$250,000 who choose not to provide health coverage will be required to pay the surcharge on a graduated scale of 2% - 8%.
- **Individuals** with the help of affordability credits will be required to purchase health insurance, except in cases of hardship or religious exemption.

**H.R. 3200 is deficit neutral and  
will be completely paid for over  
ten years.**

# Paying for Health Care Reform

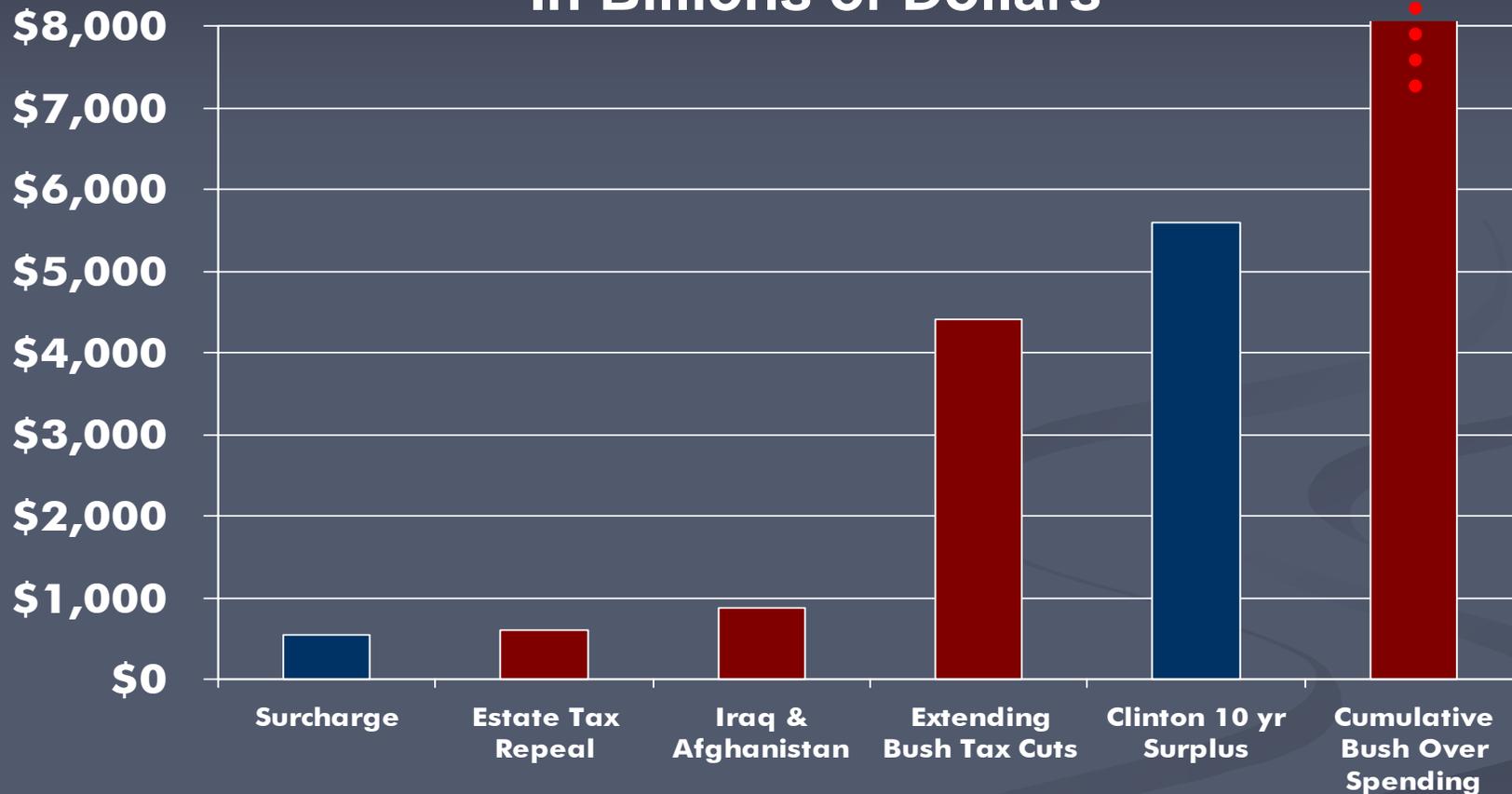
In Billions of Dollars



- Eliminating Overpayments to Private Medicare Advantage Plans
- Medicare Productivity Improvements
- Dual Enrollee Rebate & Prescription Drug Savings
- Other Savings (ie: Promoting Coordinated Care)
- Surcharge Paid by Wealthiest 1.2%

# Surcharge Compared to other Government Spending

In Billions of Dollars



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Sources: Congressional Research Service, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*; Congressional Research Service, *Estate and Gift Tax Revenues: Past and Projected in 2009*; & Congressional Budget Office.

# H.R. 3200 will provide significant benefits for the 3<sup>rd</sup> Congressional District of Virginia

- **14,200 small businesses** could receive tax credits to provide coverage to their employees.
- **6,200 seniors** would avoid the donut hole in Medicare Part D.
- **1,470 families** could escape bankruptcy each year due to unaffordable health care costs.
- Health care providers would receive payment for **\$85 million** in uncompensated care each year.
- **73,000 uninsured individuals** would gain access to high-quality, affordable health insurance.