

“What keeps you up at night?”

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Health Care Reform – What can we expect?

By Laura L. Katz and Eli Levine

With President Obama having identified health care reform as a top priority, it is becoming more widely accepted that major changes are required to control spiraling health care costs and provide coverage for the uninsured. Naturally, everyone wants to know what the anticipated health care reform will look like.

The President has set forth eight objectives for health care reform:

- Guarantee consumer choice of health plans;
- Make health coverage affordable by reducing fraud and waste;
- Protect families' financial health by reducing premiums;
- Invest in prevention and wellness to reduce cost drivers, such as smoking and obesity;
- Provide for portability of coverage, i.e. eliminate preexisting condition exclusions and allow individuals to change jobs and not lose coverage;
- Aim for universal coverage for all Americans;
- Improve patient safety and quality care; i.e. through safety measures and incentives for changes such as use of health information technology; and
- Maintain long term fiscal sustainability so that the plan pays for itself.

In moving toward accomplishing these objectives, three pieces of legislation have been introduced into Congress. It is not expected that any of these bills will be passed, as long as the funding of health care reform remains in question. The Congressional Budget Office has estimated that health care reform will cost roughly \$1-2 trillion over the next 10 years.

THE DEBATE OVER THE PUBLIC PLAN

A major issue that has caused partisan rancor—and been subject to debate is whether to create a new public insurance plan to compete with private plans. President Obama envisions making a public insurance option, or government-run insurance program, available among a range of options that consumers can select. Supporters of the public insurance option maintain that it will lower health care costs and provide more accountability through creating competition for private insurance companies. Opponents of a public plan argue that it could overwhelm the

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private insurance industry and make it impossible for them to compete because there would not be a level playing field. President Obama has stated that a government run program would have to play by the same rules as private insurers.

VARIATIONS OF HEALTH REFORM PROPOSALS

With respect to any health care reform plan that will be enacted by Congress, the “devil will be in the details.” Key features of the three proposals that are currently making their way through Congress are briefly described below.

House Tri-Committee Proposal

The U.S. House of Representatives Ways and Means, Energy and Commerce, and Education and Labor committees released a composite draft bill on June 19. While the details are still being worked out, the legislation mandates coverage for individuals and employer contributions to coverage, establishes a national Health Insurance Exchange where individuals can purchase health insurance from a range of options and creates a public option insurance plan. The public health insurance option will have to meet the same requirements as private plans regarding benefit levels, provider networks, consumer protections and cost-sharing.

The bill also proposes numerous changes to private insurance. Employers will be required to offer coverage to their employees and contribute at least 72.5 percent of the premium cost for single coverage and 65 percent of the premium cost for family coverage of the lowest cost plan that meets the essential benefits package requirement, or pay 8 percent of payroll into the Health Insurance Exchange Trust Fund. The bill will exempt certain small businesses, though the details are still being worked out. The bill eliminates coverage purchased through the individual market unless it is grandfathered and allows individuals to purchase a qualifying health benefit plan through the Health Insurance Exchange. The bill requires insurers to offer and renew coverage without regard to health status, use of services, and prohibits preexisting condition exclusions. Rating variation will be allowed based only on age and limited to a 2 to 1 ratio. Families with incomes between 133 percent and 400 percent of the federal poverty level will be offered subsidies on a sliding scale and Medicaid subsidies will be available to Americans at 133 percent of

the poverty level. The House committees are expected to mark up their health reform legislation simultaneously in July.

The Senate Health, Education, Labor and Pensions Committee Bill

The Senate Committee on Health, Education, Labor and Pensions (HELP) released a draft of “the Affordable Health Choices Act.” The Committee’s proposal includes mandates for individuals to obtain health coverage and employers to contribute to the cost of coverage for their employees, as well as the creation of a public health insurance option.

Some of the major elements of the draft include:

- Each health insurer that offers health insurance coverage in the individual or group market must accept every employer and individual in the state that applies for such coverage.
- A group health plan and a health insurance issuer offering group or individual health insurance coverage may not establish lifetime or annual limits on benefits for any participant or beneficiary.
- A group health plan that has 250 or fewer members must not self-insure the group.
- The federal government will provide grants to states to facilitate the establishment of Affordable Health Benefit Gateways in each state. A Gateway facilitates the purchase of health insurance at an affordable price by qualified individuals and groups (modeled after the Federal Employee Health Benefits Plan). There may be more than one Gateway per state or one regional Gateway for several states.
- An affordable access plan offered by the federal government will be one of the choices available through a Gateway. The affordable access plan would be modeled on Medicare and must conform to state licensing rules.
- Credits will be available to employers with 27 or fewer full time employees.
- Individuals without qualifying health care coverage can be fined.
- Employers not providing coverage will be required to pay the government a penalty except for small employers.

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This bill likewise requires guaranteed issue and renewability of health insurance policies in the individual and small group markets and prohibits pre-existing condition exclusions. It allows rating variation based only on family structure, geography, the actuarial value of the health plan benefit, and age, though limited to a 2 to 1 ratio. Insurers will be required to provide coverage for preventive care services without cost sharing and provide dependent coverage for children up to age 26. The Senate HELP Committee began its consideration of the Affordable Health Choices Act on June 16 and will continue the markup process.

The Senate Finance Committee Policy Options:

The Senate Finance Committee has released a series of papers laying out options for health care reform, but is still debating some of the most controversial issues, notably a public plan. There is an individual mandate but the issue of a widespread employer mandate is still being considered. Employers with workers at or below 300 percent of the federal poverty level will have to pay for the cost of health insurance. The Finance Committee bill will also create a Health Insurance Exchange through which individuals and small businesses can purchase health coverage with subsidies available to individuals and families with incomes between 100 and 400 percent of the federal poverty level. Any Senate Finance Committee legislation is expected to require guaranteed issue and renewability of health insurance policies and allow rating variation based only on age, tobacco use, family composition, and geography with a 7.5 to 1 variation.

Summary

The bills making their way through Congress contain some common features that build on the objectives advanced by President Obama. Some of these features were adopted as part of the Massachusetts' health care reform experience. What we now know is that neither the President nor Congress is advocating a single payer plan at this time. Insureds who are satisfied with their insurance plans and benefits will be able to keep their private insurance. In the coming weeks, it is expected that there will be greater focus on the mechanisms for financing health care reform. We will keep you apprised of further developments.

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