Georgetown University Health Policy Institute
Center for Children and Families

"Call to Action Health Reform 2009"
Fact Sheet

On November 12, 2008, Baucus Senate Finance Committee Chairman Max Baucus released his vision for how to move forward on health reform. In general, his plan, *Call to Action: Health Reform 2009,* draws from the Massachusetts model of reform by building upon and improving the existing health care system. The following provides a general overview of the plan. The full plan is available at: http://finance.senate.gov/healthreform2009/home.html.

COVERAGE OPTIONS

The Baucus plan has the goal of providing all Americans with "affordable, high-quality, and meaningful" health care coverage. Once the plan is implemented and affordable coverage options are available to everyone, every individual would be required to have coverage (with enforcement potentially through the tax system). The plan does not articulate a specific timetable for the individual mandate. Under the plan, individuals would access coverage through the following pathways:

Public Programs

- **States would cover everyone under the poverty level through Medicaid**. States that already offer coverage to those above the poverty level would be required to continue to do so. States could also expand above the minimum and receive federal matching payments. There are no details on financing the expansion, but the plan indicates that it would provide resources to help states with increased Medicaid enrollment.

- **Medicaid's financing and enrollment structure would be strengthened.** A mechanism would be created for automatic, countercyclical FMAP increases during economic downturns but details on what would trigger the increases, and their amount and duration, are not provided. The plan also recommends developing uniform, simplified verification and renewal rules in Medicaid to minimize "churning." It proposes additional federal support for outreach efforts and modernizing state eligibility and enrollment data systems.

- **States would cover children, who are not eligible for Medicaid, to at least 250% of the Federal Poverty Level (FPL) through SCHIP.** States could also expand further up the income scale or maintain existing expansions. The plan calls for the federal government to assist states with increased enrollment costs, but it does not provide details.

- **Legal immigrants would be eligible for Medicaid and SCHIP.** The current five-year waiting period for legal immigrants who are otherwise eligible for Medicaid and SCHIP would be eliminated.

- **New options in Medicare would be available.** Those aged 55 to 64 who do not have access to coverage would be eligible to buy into Medicare at full cost. This option would be temporary until the Health Insurance Exchange (described below) is established. In addition, the 24-month waiting period for Medicare coverage for people with disabilities would be phased out.

Employer Coverage

- **Employers would be required to offer coverage to their employees** or pay into a "general coverage fund" to help cover the uninsured, with the contribution varying based on firm size. In addition, all but the smallest employers would have to offer a Section 125 plan to allow employees to pay their premiums with pre-tax dollars.

- **Small businesses would receive a tax credit to purchase insurance** through the Health Insurance Exchange (described below). To be eligible, the employer must make a "meaningful contribution" to the insurance premium and cover all employees. The amount of the tax credit would be based on a firm's size and earnings per employee with the smallest firms receiving half of the average premium costs for employer coverage in the firm's state. If insurance were still unaffordable, they would not have to pay into the coverage fund.

Health Insurance Exchange for Individuals and Small Businesses

- **If an individual did not have access to employer coverage or a public program they could purchase coverage from the Health Insurance Exchange.** The new independent entity would organize insurance options for individuals and small businesses, create understandable consumer information and develop standard enrollment applications. An Independent Health Coverage Council would inform decisions of the Exchange.

- **Coverage products would include private plans and a new public plan similar to Medicare.** Available plans would provide high-, medium- or low-benefit options with the difference in premiums based solely on benefits, not on expected risk. Participating insurers would have to charge the same price for the same products inside and outside the Exchange, and would be subject to the same market reforms for the insurance market (described below). The Council would play a major role in deciding details on the public plan option, including who would run it and who would be eligible for it.

- **Individuals and families with income at or below 400% of the FPL would receive refundable tax credits** to buy coverage in the Exchange. The Council would define what an "affordable" premium is, and the premium subsidy would make up the difference between the amount suggested by the Council and the premium amount charged by the plan. The plan mentions that the subsidy could come through the tax system.

Individual Market

- **Insurance market reforms would be implemented to make it easier for individuals to buy coverage on the individual market.** Insurance companies would not be able to deny coverage to people with pre-existing health conditions, among other things. The same reforms would apply to the Exchange and small group markets.

PREVENTION AND HEALTH DISPARITIES

The Baucus plan includes specific proposals on how to shift the focus of the health care system toward preventing chronic diseases, in addition to addressing health disparities.

- **A temporary program called RightChoices would provide uninsured individuals with health screenings and treatment** if a chronic condition were diagnosed. Treatment would be provided on a temporary basis until viable coverage options are available under the Exchange. Individuals with incomes below 200 percent of FPL could receive treatment at no cost. To cover the costs of RightChoices, states would receive a three-year capped allotment based on factors such as the percentage of uninsured and the prevalence of chronic illnesses.

- **Public program co-payments would be eliminated or reduced for recommended preventive services**. In addition, plans participating in the Exchange would be required to include certain preventive services in their benefits packages.

- **Grants would be provided to states or communities implementing innovative, evidence-based prevention and wellness programs.**

- **Plans in the Exchange would collect and report data based on race, ethnicity, and gender.** Federal agencies responsible for data-collection would receive "appropriate levels of funding."

OTHER PLAN COMPONENTS

Reforming the Health Delivery System
The Baucus plan includes initiatives to focus the health care delivery system on services and activities that improve patient care. Proposals are based in the Medicare program, with the expectation that other public and private insurers will follow suit. Some of the measures would:

- **Strengthen the role of primary care and chronic care management** by increasing the supply of primary care practitioners and redefining their role in the health system through changes to Medicare's payment system.
- **Refocus payment incentives toward quality** in part by fixing the Medicare physician payment formula.
- **Promote provider collaboration and accountability** in part by modifying current payment systems among health care providers across treatment settings and sites of care.
- **Improve the health care infrastructure** by investing in new research and tools, including health information technology.

Reforming Health Care Financing
The Baucus plan states that increasing health insurance coverage to all individuals would require a significant investment, perhaps as much as $100 billion to $150 billion of new federal spending each year. However, they offer a number of initiatives to help reduce the net cost of reform over the long term.

- **Reduce fraud, waste and abuse** through increased resources, improved data collection, improved screening of health care providers and suppliers and establishment of a competitive bidding program for durable medical equipment in Medicare.
- **Increase transparency** by establishing public reporting of the costs and quality of care, as well as the relationships between providers and drug or device makers that may lead to biased decision making. Also requires employer health contribution costs to be fully disclosed to all employees, possibly on W-2 forms.
- **Implement careful reforms of medical malpractice laws** by providing grants to states to create alternatives to civil litigation and increasing the collection of data on medical errors.
- **Reduce Medicare spending on private plans and prescription drugs**, and eliminate overpayments to private insurers in the Medicare Advantage program.
- **Improve long-term care services** by expanding home and community-based care, testing new models of care delivery and coordination and supporting family caregivers.
- **Restructure tax incentives for health coverage** to distribute benefits more fairly and effectively.

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