



ACADEMY ALERT

HEALTH INSURANCE ISSUES

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President Obama Releases Health Care Reform Proposal

On Monday, President Obama released a health care reform proposal in preparation for the Feb. 25 bipartisan health reform summit. The proposal is largely based on the Senate bill (H.R. 3590), but it also makes changes to help satisfy some of the concerns of House Democrats, as well as Republicans. The most notable change from both the House and Senate bills is the proposed Health Insurance Rate Authority that would provide federal oversight of health insurance rate increases. Insurers would be required to submit their proposed premium increases to either the state insurance authority or the Health and Human Services Secretary for rate review.

Among other changes, the president's health reform proposal would:

- Increase the threshold for the 40 percent excise tax on "Cadillac plans" from \$23,000 to \$27,500 for families, and from \$8,500 to \$10,200 for individuals with these plans. The proposal changes the effective date from 2013 (Senate) to 2018. To the degree that health costs rise unexpectedly between now and 2018, the initial threshold would be adjusted upwards automatically. Dental and vision benefits would no longer be counted as potentially taxable benefits. An adjustment would also be made for firms with higher health costs due to the age and gender of their workers.
- Close the Medicare prescription drug "donut hole" coverage gap by replacing the Senate-proposed \$500 increase in the initial coverage limit with a \$250 rebate to Medicare beneficiaries who hit the donut hole in 2010. The president's proposal would close the donut hole completely by phasing down the coinsurance so it is the standard 25 percent by 2020 throughout the coverage gap. Under current law, Medicare stops paying for prescriptions after the plan and beneficiary have spent \$2,830 on prescription drugs, and only starts paying again after out-of-pocket spending reaches \$4,550.
- For "grandfathered plans," require plans to cover adult dependents up to age 26, prohibit rescissions, and mandate that plans have a stronger appeals process. When insurance exchanges begin in 2014, the proposal would prohibit all annual and lifetime limits, ban pre-existing condition exclusions, and prohibit discrimination in favor of highly compensated individuals. In 2018, "grandfathered plans" would be required to cover proven preventive services with no cost sharing.
- Provide small businesses with \$40 billion in tax credits to support coverage for their workers beginning this year. Small businesses with fewer than 50 employees would be exempt from any employer responsibility provisions.
- Eliminate the Nebraska Federal Medical Assistance Percentages provision and provide additional federal financing to all states for the expansion of Medicaid. The president's proposal replaces the variable state support in the Senate bill with 100 percent federal assistance for all states for newly eligible individuals from 2014 through 2017, 95 percent support for 2018 and 2019, and 90 percent for 2020 and subsequent years.
- Strengthen the CLASS Act by making a series of changes to the Senate bill to improve the CLASS program's financial stability and ensure its long-term solvency.

The president's proposal can be found at <http://www.whitehouse.gov/sites/default/files/summary-presidents-proposal.pdf> or by contacting Justin Edwards, the Academy's legislative assistant (edwards@actuary.org). If you have any questions regarding the information in this Alert, please contact Heather Jerbi, senior policy analyst for federal health issues, by e-mail (jerbi@actuary.org) or telephone (202/223-8196).