

Health Care Reform: Chapter Four

The U.S. Senate and the Patient Protection and Affordable Care Act

Southern Early Childhood Association



SECA Policy Brief
November 2009

The Senate Majority Leader Introduces Legislation

On November 18, 2009, the Senate Majority Leader, Harry Reid (D-NV), introduced the **Patient Protection and Affordable Care Act**. This bill is a consolidation of the two bills that came out of Senate Committees (Senate Finance and the Senate Health, Education, Labor and Pensions Committee) and includes provisions from both of those bills, as well as some provisions from the health care reform bill, the *Affordable Health Care for America Act*, passed by the U.S. House of Representatives.

What Will It Do?

According to a bill summary released by Democrats.Senate.Gov, the **Patient Protection and Affordable Care Act** will:

- Ensure that all Americans have access to quality, affordable health care.
- Create the transformation within the health care system necessary to contain costs.
- Provide coverage to more than 94 percent of Americans.
- Cost less than the \$900 billion limit that President Obama established.
- Reduce the deficit over the next ten years and beyond.

Source: *Responsible Reform for the Middle Class*, www.democrats.senate.gov/reform

Who's Covered?

- The Act will cover about 94% of legal residents under age 65, either through private insurance or public programs. (Approximately 85% of these individuals are covered now.)
- Government subsidies to help individuals/families purchase coverage will begin in 2014.
- State Medicaid programs will be expanded to ensure that all non-elderly Americans with incomes below 133% of the federal poverty level qualify for Medicaid.
- The federal government will provide states assistance for 3 years to cover the extra costs of providing this coverage.
- Illegal immigrants will not receive assistance.
- Individuals will be required to purchase insurance coverage through an employer or government plan.

Southern Early Childhood Association



Prepared by the Southern Early Childhood Association

1-800-305-SECA • www.SouthernEarlyChildhood.org

- The Act includes some exemptions for economic hardship.

Source: *A Comparison of Senate, House Democratic Health Bills*, www.washingtonexaminer.com/politics

Cost

On November 18, 2009, the Congressional Budget Office issued a letter that estimated the direct spending and revenue effects of the Act. According to the CBO:

- The federal deficit would be reduced by \$130 billion over the period of 2010-2019.
- The programs would have a projected net cost of \$599 billion over 10 years for the proposed expansions in insurance coverage.
- Net outlays for Medicaid, the Children’s Health Insurance Program (CHIP) and tax credits for small employers would increase.
- Those costs would be partly offset by \$149 billion in revenues from the excise tax on high-premium insurance plans and \$100 billion in net savings from other sources.
- In total, the legislation would increase outlays by \$356 billion and increase revenues by \$486 billion between 2010 and 2019.

Source: www.cbo.gov, Letter to Harry Reid, November 18, 2009

How’s It Paid For?

- The Act would levy fees on insurance companies, pharmaceutical companies and medical device manufacturers.
- Medicare payroll taxes would be increased by 0.5% for individuals making more than \$200,000 per year or couples who earn over \$250,000.
- A new 5% tax on elective (cosmetic) surgery would be implemented.
- Waste and fraud in the Medicare and Medicaid programs would be eliminated.
- An excise tax on insurance companies that sell “Cadillac” insurance plans would be enacted. These taxes would apply to any plans that cost more the \$8500 annually for individuals or \$23,000 for families.

Southern Early Childhood Association



Prepared by the Southern Early Childhood Association

1-800-305-SECA • www.SouthernEarlyChildhood.org

- Employers would pay fees if their workers receive government subsidies to help them pay premiums. This applies to medium and large businesses. Employers would not be required to offer insurance to employees.
- Individuals who fail to purchase coverage would be fined. The fines would start at \$95 in 2014 and rise to \$750.

Source: *A Comparison of Senate, House Democratic Health Bills* www.washingtonexaminer.com/politics

Subsidies to Purchase Coverage

- Tax credits would be provided to individuals and families to assist them in purchasing coverage. (This would likely be for families up to 400% of the federal poverty level which translates to around \$88,200 for a family of four.)
- Small businesses would be eligible for tax credits to help offset the costs of providing insurance coverage to employees.

Source: *A Comparison of Senate, House Democratic Health Bills*, www.washingtonexaminer.com/politics

Required Benefits and Insurance Industry Restrictions

- All plans sold to individuals and small businesses would cover basic benefits.
- The government would set four levels of benefits. The least generous of the four levels would pay approximately 60 % of health care costs per year; the most generous would cover an estimated 90%.
- Coverage could not be denied based on pre-existing conditions.
- Premiums could not be discriminatory, based on health status or gender.
- Limits would be set on higher premiums based on age and family size.
- Children up to age 26 years of age could remain on the parent's insurance.
- No lifetime limits on coverage.
- Co-pays and deductibles for preventive care would be eliminated.

Sources: *A Comparison of Senate, House Democratic Health Bills* www.washingtonexaminer.com/politics
Responsible Reform for the Middle Class www.democrats.senate.gov/reform

Southern Early Childhood Association



Prepared by the Southern Early Childhood Association

1-800-305-SECA • www.SouthernEarlyChildhood.org

Insurance Options

- A new federal insurance plan would be established to compete with private insurance companies. States could choose to “opt-out” of the program.
- Health Insurance Exchanges that would offer both private and public insurance options would be established at the state level. Self-employed persons, uninsured individuals and small businesses could utilize these exchanges. Employees of companies that provide health insurance would be encouraged to maintain their workplace coverage.
- A new voluntary long-term care insurance program (CLASS) would be established to help seniors and disabled persons avoid going into nursing homes. This program would be a self-funded, voluntary program provided through the workplace and premiums could be payroll deducted.

Sources: *A Comparison of Senate, House Democratic Health Bills* www.washingtonexaminer.com/politics
Responsible Reform for the Middle Class, www.democrats.senate.gov/reform

What’s Different?

Because the **Patient Protection and Affordable Care Act** is a compromise bill that was drawn from both Senate bills, we thought it might be helpful to distinguish the changes that were incorporated into this bill and how it differs from the bill proposed by the Senate Finance Committee (*America’s Healthy Future Act.*)

The Congressional Budget Office outlines some of the prominent differences in its letter to Congressman Reid.

- The subsidies that would be provided through the insurance exchanges are larger, and there are provisions regarding a public plan that could be offered in the exchanges.
- The penalties for individuals who do not obtain insurance are phased in more quickly and the exemptions from those penalties are less extensive. The penalties for employers whose workers receive exchange subsidies also differ.

Southern Early Childhood Association



Prepared by the Southern Early Childhood Association

1-800-305-SECA • www.SouthernEarlyChildhood.org

- The start dates for the individual mandate, exchanges, and employer penalties were all moved from July 1, 2013 to January 1, 2014.
- This legislation contains a number of additional provisions, including those establishing the CLASS program and an abbreviated approval pathway for follow-on biologics, and provides increased funding for prevention and public health.
- The thresholds for the excise tax on high-premium insurance plans are higher, and there is a new provision for an additional payroll tax on high-income individuals.

Source: www.cba.gov, Letter to Harry Reid, November 18, 2009

You can access information on the Senate Finance Committee bill by accessing **Health Care Reform: Chapter 3** which is posted at www.SouthernEarlyChildhood.org on the Public Policy page.

Additionally, a provision was added to ensure that **federal funds would not be used for abortion services**. The state exchanges would be required to offer at least one private insurance option that would cover abortions and one that would not.

Source: *The Patient Protection and Affordable Care Act, Sec. 1303, Special Rules Relating to Coverage of Abortion Services, page 116.*

Provisions Relating to the Children's Health Insurance Program

- The proposed act increases the Federal Matching Rate by 23%, not to exceed 100%.
- States must maintain current eligibility standards and may not reduce those standards.
- States may change current eligibility standards to be **LESS** restrictive, which would increase the number of children eligible to participate.
- States must establish a process to ensure that **"targeted low-income"** children are provided health insurance through the state established exchanges if the additional federal support for CHIP is insufficient to ensure coverage to all eligible children. (Targeted low-income children are defined as children who have been deemed ineligible for Medicaid, based upon elimination of an income disregard.)
- Income eligibility will be determined by using modified gross income and household income, a change from the current standard.

Southern Early Childhood Association



Prepared by the Southern Early Childhood Association

1-800-305-SECA • www.SouthernEarlyChildhood.org

- States must establish procedures for:
 - Enabling individuals, through an Internet website, to apply for medical assistance, renew their enrollment and to consent to enrollment or reenrollment through electronic signature.
 - Enrolling without further determination, individuals who are identified by an Exchange as being eligible for assistance.
 - Ensuring that an individual that is deemed ineligible for medical assistance under CHIP is screened for eligibility for enrollment in a plan offered through the Exchange, including premium assistance.
 - Ensuring that the State utilizes a secure electronic system that protects an individual's medical and personal information.
 - Conducting outreach to and enrolling vulnerable and underserved populations.

Source: The Patient Protection and Affordable Care Act, Subtitle B: Enhanced Support for the Children's Health Insurance Program, Sec. 2101, page 436.

What's Next?

The Senate is currently considering holding a cloture vote on Saturday, November 21, 2009. That vote would effectively cut off debate and would lead to a vote on the Senate floor. This process is meeting with stiff opposition, both from Republicans and some Democrats and from constituency groups. Two SECA Senators are in the limelight because of their potential to delay the cloture vote. Senator Blanche Lincoln of Arkansas and Senator Mary Landrieu of Louisiana have not announced whether they will support the cloture vote.

Cloture is the only procedure by which the Senate can vote to place a time limit on consideration of a bill or other matter and thereby overcome a filibuster. Under the cloture rule (Rule XXII), the Senate may limit consideration of a pending matter to 30 additional hours, but only by vote of three-fifths of the full Senate or 60 votes. In order for the vote to be successful, all 60 Democratic Senators must vote affirmatively to end the debate.

Source: www.senate.gov/reference/glossary

Southern Early Childhood Association



Prepared by the Southern Early Childhood Association

1-800-305-SECA • www.SouthernEarlyChildhood.org

There's still a long way to go before a health care reform bill is developed that will be supported by both the Senate and House. Conservative Democrats, including many of our Southern Democrats, are continuing to question the reform agenda's cost and the development of a federal bureaucracy that will compete with private insurers.

We'll update this chapter as the process unfolds. If you'd like to get more background information, you can find our SECA summaries at www.SouthernEarlyChildhood.org.

Health Care Reform: The Debate Begins (June 2009)

Health Care Reform: Chapter Two

The U.S. House of Representatives and America's Affordable Health Choices Act (July 2009)

Health Care Reform: Chapter Three

The U.S. Senate and America's Healthy Future Act (September/October 2009)

***For a PDF of the complete
Patient Protection and Affordable Care Act***

<http://democrats.senate.gov>

Southern Early Childhood Association



Prepared by the Southern Early Childhood Association

1-800-305-SECA • www.SouthernEarlyChildhood.org