Setting the Stage

- Health Care costs total about $2.5 trillion compared to $27.5 billion in 1960.
- Health Care consumes 17.5% of our Gross Domestic Product compared to 13.8% in 2000 and 5.2% in 1960.
- Annual Health Insurance Premiums jumped 119% from 1999 to 2008.
- Average family premium paid by worker rose from $1,543 to $3,354. Employer payment rose from $4,247 to $9,325 during the same time period.
Setting the Stage

- During the same time period worker earning rose 34% and overall inflation was 29%. Earnings have barley kept pace with inflation.
- Fewer than half of all small businesses with three to five employees offer health insurance to their employees.
- 99% of large companies with 200 or more employees offer health insurance.
A Brief History Lesson
Did you really think Obama was the first?

- The first acknowledgement of a health care plan occurred in Boston in 1847
- 1912 – Teddy Roosevelt endorses social insurance, including health insurance as part of his presidential platform
- 1915- The American Association for Labor Legislation drafts a compulsory health insurance bill and campaigns for passage in several states. Interrupted by WWI
1921 – Women reformers persuade congress to pass Sheppard-Townes Act, providing matching funds to states for prenatal and child health centers. Act expired in 1929 and was not renewed.

1929 – Baylor hospital introduces a pre-paid hospital plan for a group of school teachers, the forerunner of Blue Cross Plans
1934 – President Roosevelt (FDR) forms Committee on Economic Security to address old-age and unemployment issues, in addition to medical care and insurance. Throughout his terms, FDR supported national health reform. He advocated national health insurance after the Social Security Act passed. Congress was not supportive.
1935 – Social Security Act passed, includes grants for Maternal and Child Health
1939 – Senator Wagner introduces National Health Bill which dies in committee
1939 – Physicians start to organize the Blue Shield Plans to cover the costs of physician care
1943 – War Labor Board rules national wage freeze does not apply to fringe benefits, including health benefits. The real beginning of company provided health care benefits

1943 – Wagner-Murray-Dingell bill includes provisions for universal health insurance and other changes to social security meant to move toward system of “cradle to grave” social insurance
1944 – FDR outlines “economic bill of rights” including right to adequate medical care and the opportunity to achieve and enjoy good health in his State of the Union Address

1944 – Social Security Board calls for compulsory national health insurance as part of the Social Security system
1945 – 1949 President Truman campaigns and lobbies for national health insurance. The opposition, using fear of socialism, along with influential southern Democrats believing a federal role in health care might require desegregation, effectively block and defeat his efforts.
1946 – Hill-Burton Act which funded the construction of hospitals passes. Prohibits discrimination on the basis of race, religion, and national origin in hospital services, but allows for separate but equal facilities. Also required hospitals to provide a reasonable volume of charitable care.

1946 – Wagner-Murray-Dingell bill defeated again
History (Continued)

- 1948 – AMA launches a national campaign against national health insurance proposals
- 1949 – Supreme Court upholds National Labor Relations Board ruling that employee benefits can be used in collective bargaining
History (Continued)

- 1954 – President Eisenhower proposes a federal reinsurance fund to enable private insurers to broaden the groups of people they would cover
- 1954 – Revenue Act of 1954 excludes employers’ contributions to employee’s health plans from taxable income
History (Continued)

- 1960 – Federal Employees Health Benefit Plan initiated to provide health insurance for Federal workers
- 1960 – The precursor to the Medicaid Program, Kerr-Mills Act passes, providing medical care to the poor and elderly
- 1961 – Representative King and Senator Anderson introduce legislation creating a government health insurance program for the aged. The bills are met with strong opposition from the AMA and commercial insurance carriers
1962 – President Kennedy addresses the nation on Medicare on live television. The AMA issues a televised rebuttal

1964 – President Johnson advocates for Medicare in a special message to Congress

1965 – The Medicare and Medicaid programs are signed into law
1971 – Wage and price freezes begin. Medical care is singled out for specific limits on annual increases in physician and hospital charges. Medical care limits are not lifted until 1974, over a year after other controls are removed.

1972 – Social Security amendments pass allowing people under age 65 with long-term disabilities and end renal disease to qualify for Medicare coverage. Those with long-term disabilities must wait two years before qualifying for Medicare.
1974 – Employee Retirement Income Security Act (ERISA) exempts self-insured employers from state health insurance regulations

1974 – Enactment of Health Planning Resources Development Act, mandating states to develop health planning programs to prevent duplication of services. Results in the widespread adoption of Certificate of Needs programs

1977 – President Carter proposes Medicaid expansion (Children’s Health Assessment Program) for poor children under 6, proposal fails to come to a vote in Congress
1986 – Emergency Medical Treatment and Active Labor Act requires hospitals participating in Medicare to screen and stabilize all persons who use their emergency room regardless of ability to pay

1986 – COBRA contains specific regulations that allow employees who lose their jobs to continue with their health plans for 18 months

1987 – Census Bureau begins annual estimate of health insurance coverage in the United States with its current Population Survey finds 31 million uninsured (13% of the population) in 1987
1993 – Within his first week in office, President Clinton convenes the White House Task Force on Health Care and appoints First Lady Hillary Clinton as chair

1993 – President Clinton’s proposal, the Health Security Act, is introduced in both houses of Congress in November, but gains little support. Every American would have a “Health Security Card” to ensure access to care

1993 – Health Insurance Association of America begins airing “Harry and Louise” television commercials portraying a middle class couple worried about health care under the Clinton Plan
1993 – Several national health care reform proposals are introduce in Congress, including the McDermont/Wellstone single payer health insurance proposal and Cooper’s proposal for managed competition without a guarantee of universal coverage, no bills were able to pass.
History (Continued)

- 1996 – HIPPA is passed and restricts use of pre-existing conditions in health insurance coverage determinations, sets standards for medical records privacy, and establishes tax-favored treatment of long-term care insurance
- 1997 – Census Bureau’s Current Population Survey estimates 42.4 million (15.7% of the population) uninsured in the United States
- 2002 – President Bush launches Health Center Growth Initiative significantly expanding the number of community health centers serving the medically underserved
2003 – Medicare legislation created Health Savings Accounts which allow individuals to set aside pre-tax dollars to pay for current and future medical expenses. The plans must be used in conjunction with a high deductible health plan.

2007 – Census Bureau estimates 45.6 million uninsured (15.3 of the population) in 2007.

2007 – President Bush announces health reform plan that would replace the current tax preference for employer-sponsored insurance with a standard health care deduction. Proposal is not acted upon by Congress.
2008 – Presidential campaign focuses on national health reform. Both major party candidates announce comprehensive health reform proposals.
House – Senate Comparison of Key Provisions

- Effective Dates
  - Senate – Majority of provisions take effect January 1, 2013.
Employer Mandate

- House – More than 50 FT Employees, $750 fine per full-time Employee not offered insurance. Employers with 50+ FT Employees with a 60-day waiting period, $600 fine per FT Employee subject to 60+ day waiting period. Employer with 50+ employees not offering coverage will pay the lesser of $3,000 for each employee receiving assistance tax credit or $750 for each FT Employee.
House – Senate Comparison of Key Provisions

Employer Mandate

- Senate – Must provide coverage through Qualified Health Benefit Plan or grandfathered plan. Required to pay 72.5% of individual and 65% for family and Part-time Employees must be covered on a pro-rated basis of hours worked, or pay 8% fine of payroll.

Small employers <$500,000 exempt. Tier fine up to 6% of payroll <$750,000 for non-compliance.
Individual Mandate

- House – After December 31, 2013, all American Citizens and legal residents purchase qualified health coverage. Penalty for non-compliance, 2% of taxable (gross) income, beginning in 2016 or fixed dollar amount, $95 in 2015, $750 in 2016, with a penalty for children up to a maximum of $2250 in 2017.
House – Senate Comparison of Key Provisions

- Individual Mandate
  - Senate – Tax penalty of 2.5% of the excess of the taxpayer’s adjusted gross income over the threshold amount of the average exchange premium.
  
  Hardship waivers are included.
House – Senate Comparison of Key Provisions

- **Essential Benefits**
  - House – Secretary of Department of Health and Human Services will establish four coverage packages standards (bronze, silver, gold, platinum). Individual and fully insured insurers must offer at a minimum gold and silver plans.
House – Senate Comparison of Key Provisions

- Essential Benefits
  - House (cont.)– Essential Benefits must include: ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance use disorder services to include behavioral health treatment, prescription drugs, rehabilitative and habilitative services and devices, laboratory services, preventive and wellness services, and chronic disease management, and pediatric services, including oral and vision care.
House – Senate Comparison of Key Provisions

- Essential Benefits
  - Senate – Independent Advisory Committee, chaired by Surgeon General, will recommend a benefit package based on standards set in the law. Will serve as the basic benefit package for coverage in the exchange and will become the minimum quality standard for employer plans.
Essential Benefits
- Senate (cont.) – Basic package will include preventive care services and well child care with no cost-sharing, hospitalization, outpatient clinic services, including emergency department services, physician and other health professional services, prescription drugs, rehabilitative services, mental health, behavioral health and substance use services, durable medical equipment, prosthetics and orthotics, maternity care, well baby and well child care and oral health, vision, and hearing services, equipment and supplies up to 21 years of age.
House – Senate Comparison of Key Provisions

- Essential Benefits
  - Senate (cont.) – $5,000 out-of-pocket maximum for individuals and $10,000 for families, indexed to the CPI.
House – Senate Comparison of Key Provisions

- **Market Reform**
  - House – Coverage must be offered on a guarantee basis in all markets and be guaranteed renewable. Exclusions based on preexisting conditions and policy rescissions would be prohibited. All group plans, except grandfathered and self-funded plans, would be prohibited from offering unreasonable lifetime limits. Premium variations for age (3:1) and tobacco use (1.5:1) Eliminates annual limits or lifetime limits after 2014. Small Group coverage 1 to 100 employees, states could reduce to 50 prior to January 1, 2016.
Market Reform

- Senate – All health plans will be required to issue coverage regardless of health status, and would eliminate pre-existing condition exclusions and annual/lifetime benefit limits. Dependent coverage to age 26. Premium variation ratio for age (2:1)
Reform Financing

- House – Excise tax of 40% applied to insurance premiums in excess of $8,500 for individuals and $23,000 for families (Cadillac Plans). HSAs, HRAs and FSAs included in calculation.

Medicare payroll tax to increase from 2.9 to 3.8 for income above $200,000 ($250,000 married).

Over the counter prescription drugs no longer reimbursed through HRAs, HSAs, and FSAs.
Reform Financing

Reform Financing

- House (cont) – Annual $6 Billion fee/tax on health insurance companies with $50 Million in profits. Raises 7.5% Adjusted Gross Income (AGI) floor on medical expense deductions to 10%.
Reform Financing

- Senate – Surtax on Adjusted Gross Income (AGI) of 5.4% for joint filers making $1 Million/single filers making $500,000 or more beginning in 2011. Increases the tax on distributions from HSAs that are not used for qualified medical expenses to 20% from 10%. Eliminates tax deduction for retiree prescription drug coverage and imposes 2.5% excise tax on medical devices.
Reform Financing

- Senate (cont) – Fees from payments to employers to Exchanges, payments from uninsured individuals and cuts to Medicare Advantage Program. Prohibits over-the-counter drugs as eligible expenses in HSAs, HRAs, and FSAs. Increases the tax on distributions from HSAs not used for qualified medical expenses from 10% to 20%. Limits FSA contributions for medical expenses to $2500 and does not index the limit for inflation.
Affordable Health Care for America Act

How Insurance will be Chosen

- A new Health Insurance Exchange, open to individuals and, initially small employers will be started. States could opt out to operate their own exchanges in place of the national exchange if federal rules are followed.
Affordable Health Care for America Act

- **Drugs**
  - Grants 12 years of market protection to high-tech drugs used to combat cancer, Parkinson’s and other deadly diseases. Phases out the gap in Medicare prescription drug coverage by 2019. Requires the Health and Human Services Secretary to negotiate prices on behalf of Medicare beneficiaries.
Affordable Health Care for America Act

- **Abortion**
  - Prohibits people who receive subsidies from getting abortions through public or private health insurance plans.
Affordable Health Care for America Act

- Antitrust
  - Strips the health insurance industry of a long-standing exemption from antitrust laws covering market allocation, price fixing and bid rigging. The bill also gives the Federal Trade Commission authority to look into the health insurance industry at its own initiative.
Senate Finance Bill

- Abortion
  - Requires insurers to separate federal subsidies from private funds so only private money is used for abortions.
Drugs

- Grants 12 years of market protection to high-tech drugs used to combat cancer, Parkinson’s and other deadly diseases. Drug companies contribute $80 billion over 10 years with the majority of the money used to limit the prescription coverage gap in Medicare.
Senate Finance Bill

- Antitrust
  - Amendment expected to be offered on the Senate Floor to strip the health insurance industry of its antitrust exemption.
Possible Impact

- 5.2 million employees face unemployment or underemployment because of proposed federal tax or fines to employers
- 10.2 million employees face stunted wages and lost of benefits as employers look for ways to fund government mandates.
- 87% of employers say they will reduce employee benefits
- 38% say consumers will see price increases on their goods and services
- 30% say they will reduce employment
- 27% say they will reduce salaries or direct compensation
- 6% say they will accept reduced profits
Possible Impact

- 73% of employers believe health care costs will increase if health care reform legislation is passed.
- 86% think the bills passed and being considered will weaken the role of employer-sponsored plans play in providing health care coverage.
Possible Impact

- In the 1992 Planned Parenthood v. Casey, the Supreme Court wrote, “the most intimate and personal choices a person may make in a lifetime, choices central to personal dignity and autonomy,” and that such choices are “central to the liberty protected by the 14th amendment.”
Possible Impact

- The mass collection of medical data likely to occur under proposed reforms threaten the Fourth Amendment’s “right of the people to be secure in their persons, houses, papers and effects.” Making it a crime not to buy insurance and then forcing people to show they have not bought it could be argued that it clashes with the Fifth Amendment’s protection against self-incrimination.
- The Ninth Amendment provides individuals all rights not expressly denied by the Constitution. Nothing in the document says we have to buy health insurance.
- Being forced to fill our forms to apply for insurance could be in conflict with the 13th Amendment’s prohibition of “involuntary servitude.”
- Expect court challenges if Health Care Reform Legislation is passed.
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Implementing Health Care

- Starting in 2010 people who fall into the Medicare prescription plan coverage gap will get a 50% discount off the price of brand-name drugs.
- In 2011 and 2012, certain small employers with fewer than 25 employees get a tax credit for up to 35% of what they contribute to the cost of employee coverage.
- The number of uninsured will remain at current levels until 2012 when federal tax credits start flowing.
Implementing Health Care

- Individuals and families will be required to carry insurance beginning in 2013.
- Penalties for not carrying insurance will begin in 2014 with bills arriving in April, 2015.
- 2011 tax cuts from the Bush Administration will run out. Top marginal capital gains tax rate will go from 15 to 25.4%. The surtax on adjusted gross income for high income earners will be 5.4%
Implementing Health Care

- The top rate on ordinary income will increase from 35% to 39.6% in 2011, and is actually up to 45% for high income earners.
What You Can Do

- Make your own decisions about Health Care Reform.
- Contact your Senator and let him know your position on Health Care Reform.