

MEMO

TO: PICO National Steering Committee  
FROM: Gordon Whitman, PICO national staff  
RE: Affordable Health Care for America Act (H.R. 3962)  
DATE: November 8, 2009

On Saturday, November 7 the U.S. House of Representatives passed health reform legislation by a vote of 220-215. We wanted to share an analysis of the bill in relationship to the goals PICO set out as a network when we began this journey together more than a year ago. Our health care agenda has focused on (1) covering everyone; (2) making health coverage truly affordable to all families; (3) assuring that health reform rests on a financially sustainable foundation; and (4) protecting the interests of low-income children and families.

**Covering everyone**

HR 3962 would extend health coverage to 36 million people who would otherwise be uninsured, achieving 96 percent coverage among non-elderly adults who are legal U.S. residents. In contrast the Senate Finance Committee version of health reform would cover only 29 million people (7 million fewer people) and the alternative legislation offered by House Minority Leader Boehner would extend coverage to just 3 million uninsured. Both the House and Senate Finance bills would also prohibit insurance companies from denying people coverage for pre-existing conditions.

	HR 3962	Senate Finance	Boehner alternative
Reduction in the uninsured	-36 million people	-29 million people	-3 million people
Number still uninsured	18 million people	25 million people	52 million people
Percent of documented population covered	96 percent	94 percent	83 percent

Those left uninsured by the HR 3962 would include (a) undocumented immigrants, who would not be eligible for subsidies, but could purchase coverage with their own funds in the new health care exchange; (b) documented immigrants who would be required to wait five years before being eligible for Medicaid coverage (but would have access to the exchange); (c) a segment of people who may not be able to find affordable coverage; and (d) typically programs never achieve 100 percent participation (Massachusetts has 97 percent coverage, for example).

It is important to note that many of the elements of the House bill will not take effect until 2013. Those provisions beginning immediately include:

- a high risk pool for people denied coverage because of medical conditions
- a requirement that insurers devote at least 85 percent of premiums to pay medical benefits;
- some limits on pre-existing conditions
- the extension of dependent coverage up to young people up to age 27

The House legislation falls short by not eliminating the five year waiting period for legally documented immigrants in Medicaid (as was done with CHIP), and probably takes longer to go into effect than people might expect; but all-in-all it would accomplish the historic goal of achieving near-universal health coverage in the United States.

## **Affordability**

PICO has worked very hard, along with our allies at Community Catalyst, the faith community and other organizations, to see that health care legislation makes coverage affordable for all families. PICO affiliates held many public actions and press events on affordability, including large actions with key House Members such as George Miller and Zoe Lofgren. With Community Catalyst, we briefed key House staffers on affordability; provided a continuous stream of information; poured tens of thousands of calls into Congressional offices; and brought clergy and families to DC on a monthly basis since January to lobby on the issue.

HR 3962 has strong affordability protections for families. Indeed, this version of the bill makes improvements over the legislation approved by the three house committees over the summer. The bill provides partial subsidies to families earning up to 400 percent of the Federal Poverty Level (\$73,240 for a family of 3). The House bill does a much better job than the Senate Finance legislation at setting premiums and out-of-pocket costs at levels that families are actually able to afford.

This is especially true for families at the lowest income levels. For these families, affordability levels are similar to those recommended by PICO and Community Catalyst.

<b>Family of 3 earning \$27,465 (150 percent of Federal Poverty Line)</b>		
	HR 3962	Senate Finance
Premium	<b>\$824</b>	\$1,236
Out-of-pocket cap	<b>\$1,000</b>	\$3,867
Total cost	<b>\$1,824</b>	\$5,103
Percent of income	<b>7%</b>	19%

As the chart above shows, under the Senate Finance approach, a family of three earning just above 150 percent of the poverty level could end up paying three times as much in health care costs if they faced a serious or chronic illness.

For people with health insurance, the House bill prohibits lifetime benefit limits in all plans, exclusion for pre-existing conditions and prevents insurance companies from charging people higher rates because they are sick. Beginning in 2015 it also allows the sale of insurance across state lines if both states approve.

One weakness with the affordability provisions in the House bill is that low-income families who are offered expensive coverage through their employer may still be left with no affordable option; the bill restricts eligibility for subsidies so that individuals cannot qualify unless their employer coverage would cost more than 12 percent of their income. The House bill would be stronger if it exempted workers from the mandate if their premiums would cost more than what someone at the same income level who qualifies for subsidies would pay.

### **Financial sustainability**

The Congressional Budget Office (CBO) estimates that the House bill would reduce the federal deficit by \$109 billion over ten years. That means that it is not only paid for fully through cost savings and new revenues, but would have the effect of reducing the overall federal deficit. HR 3962 is paid for by a 5.4 percent surtax on high-income individuals earning more than \$500,000 annually for individuals and \$1,000,000 per year for families. Other saving come from making Medicare more efficient, and requiring employers with payrolls above \$500,000 to either provide coverage or pay a penalty. In an effort to control health care costs, the House bill establishes a public option in the insurance exchange. The CBO

estimates that 6 million out of the 24 million people who would end up in the new exchange would choose the public option.

### **Protecting low-income children and families**

In addition to the affordability protections discussed above the House bill makes a number of important improvements in access for lower-income families. The bill extends Medicaid to 150 percent of the Federal Poverty Line. This provides low-income families with coverage that limits cost-sharing and provides extensive preventative benefits. To begin to address access issues in low-income rural and urban communities, HR 3962 increases Medicaid payment rates to primary care providers. The cost of increasing payment rates is carried 100 percent by the federal government until 2015 and then 90 percent after that. The bill also includes a number of pilot programs and initiatives to improve the delivery of care for those in both Medicaid and Medicare. Some states have expressed concern that the expansion in Medicaid coverage will impose difficult costs on their state budgets. There is also a concern that communities may not have an adequate supply of health care providers to meet the new demand. Nonetheless, the act of making Medicaid a universal program would extend health coverage to 15 million very low-income uninsured people who currently suffer some of the worst consequences of lacking insurance. It is hard to overestimate the enormous impact that this policy change would have on reducing poverty and its devastating consequences for families.

For children, the House legislation is a mixed bag. On one hand, by expanding Medicaid to 150 percent of the Federal Poverty Level it extends good preventative benefits to children below this level. On the other hand, it eliminates the CHIP program and does not assure that children who are moved from CHIP into the new health care exchange are provided the same benefits they currently receive. There are two approaches to protecting children in health reform, one is to preserve the CHIP program, another is to put protections in the new exchange that guarantee children good preventive benefits with limited cost-sharing to their families. The House bill falls short of protecting children by doing neither and lacking a provision that permits children to stay in CHIP past 2013 if the coverage in the Exchange is not comparable to their current coverage. That is a potential flaw in the House bill.

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