

## Health Care Reform: Information for Providers

### Brief Summary of HR 3962

The House of Representatives passed HR 3962, the Affordable Health Care for America Act, on November 7, 2009. This legislation now awaits Senate approval of a companion bill. The two bills will be reconciled resulting in identical bills that will be voted upon in the House and Senate before the legislation is sent to the White House for the President's signature.

#### *Key provisions in HR 3962*

##### **Insurance Reform**

- Creates a **Health Insurance Exchange** for individuals not covered by employers, Medicare or Medicaid. Businesses may also participate in the Exchange, starting with small firms in 2013. States may also create their own Exchanges. A **Public Option** will exist in the Exchange, funded entirely by its premiums. Reimbursement rates to providers will be set by negotiation.
- **Insurance industry reforms** that forbid basing premiums on pre-existing conditions or health status. Premiums may vary based on age, but only to a maximum 2:1 ratio between the highest and lowest premiums. Plans may no longer have lifetime or annual limits on spending, and out of pocket costs are capped. These rules apply to all plans, with time allowed for them to come into compliance. Current existing plans will not need to meet these requirements.

##### **Paying for Insurance Coverage**

- **Employers must cover 72.5% of the cost of premiums for employees** (65% for families), or pay into the Exchange to subsidize low-income individuals and families. Employers who do not provide qualified plans will pay 8% of payroll to subsidize employees seeking coverage in the Exchange.
- **Small businesses** (payroll less than \$500,000) are exempt from 8% payroll contribution. Businesses with payrolls between \$500,000 and \$750,000 pay less than 8% on a graduated scale.
- **Individuals** are required to have health insurance coverage. Failing to do so results in a fine equal to the lesser of 1) 2.5% of their adjusted gross income or 2) the average premium in the Exchange. Veterans and Native Americans are exempted.
- **Affordability credits** are provided to individuals and families with incomes less than 400% of the Federal Poverty Level (FPL). Annual out of pocket costs for these individuals are also capped. Credits are not available to individuals who qualify for Medicare or Medicaid.
- Medicaid is expanded to 150% FPL.
- CHIP-eligible children are moved into the Exchange or Medicaid by 2014.
- Taxpayers earning more than \$1,000,000 (joint) or \$500,000 (single) will pay a 5.4% tax rate. There is also a 2.5% excise tax on medical devices. Contributions to health savings accounts are limited to \$2,500. There are several other minor funding provisions.

- Grant program for small and moderate-sized employers to create **wellness and prevention programs**, but cannot provide financial incentives for participation.

### Changes to Medicare and Medicaid

- **Donut Hole in Medicare Part D** is eliminated over several years.
- **Preventive services** in Medicaid are to be covered without cost-sharing.
- **Medicaid to cover low-income HIV-positive patients** until 2014, when they can transition into the Exchange.

### Changes to Reimbursement to providers

- **Primary care services** in Medicaid are paid at Medicare rates by 2012.
- **Medicare reforms** include changes to the market basket updates and productivity adjustments. Medicare Part C (Medicare Advantage) payments are reduced to match the traditional Medicare program and cost-sharing cannot exceed traditional Medicare.
- **Disproportionate Share Hospitals (DSH)** payments are reduced, starting with states that have the lowest uninsurance rates and least-effective use of DSH funds.
- **Reduces payments** for potentially preventable hospitalizations.
- **IOM study** of geography variation, with up to \$4 billion allocated for increasing payment for geography adjusters. IOM recommendations become law unless Congress votes against them.
- **Accountable Care Organizations** are established and medical home pilot rewards providers who coordinate care.
- Increases funding for **Community Health Centers**.
- **Teaching time** to be considered part of **National Health Service Corps** service obligation.

### Other Reforms

- **Physician Payment Sunshine** requires drug manufacturers to report payments to providers in excess of \$5.
- Creates **biosimilar** path for biologic drugs. Creates **12 year exclusivity** for brand name biologics.
- **Comparative Effectiveness Research** is housed in Agency for Healthcare Research and Quality (AHRQ).

### Stupak Amendment

Forbids use of federal funds for the purpose of subsidizing the purchase of an insurance plan that provides abortion services.

- Exception for physical disorder, injury or illness that places the woman at risk of death.
- Exception if pregnancy is a result of rape or incest.
- Supplemental insurance that covers abortion services may be offered by any insurer, but it may not receive Federal funds or affordability credits.
- Insurers that offer a plan through the Exchange that covers abortion services must also offer a plan that does not cover abortion services that is otherwise identical.