



# AMERICA'S AFFORDABLE HEALTH CHOICES ACT

## QUALITY AFFORDABLE HEALTH CARE

### SUMMARY

America's Affordable Health Choices Act provides quality affordable health care for all Americans and controls health care cost growth. Key provisions of the bill released today include:

- COVERAGE AND CHOICE
- AFFORDABILITY
- SHARED RESPONSIBILITY
- CONTROLLING COSTS
- PREVENTION AND WELLNESS
- WORKFORCE INVESTMENTS

### I. COVERAGE AND CHOICE

The bill builds on what works in today's health care system and fixes the parts that are broken. It protects current coverage – allowing individuals to keep the insurance they have if they like it – and preserves choice of doctors, hospitals, and health plans. It achieves these reforms through:

- **A Health Insurance Exchange.** The new Health Insurance Exchange creates a transparent and functional marketplace for individuals and small employers to comparison shop among private and public insurers. It works with state insurance departments to set and enforce insurance reforms and consumer protections, facilitates enrollment, and administers affordability credits to help low- and middle-income individuals and families purchase insurance. Over time, the Exchange will be opened to additional employers as another choice for covering their employees. States may opt to operate the Exchange in lieu of the national Exchange provided they follow the federal rules.
- **A public health insurance option.** One of the many choices of health insurance within the health insurance Exchange is a public health insurance option. It will be a new choice in many areas of our country dominated by just one or two private insurers today. The public option will operate on a level playing field. It will be subject to the same market reforms and consumer protections as other private plans in the Exchange and it will be self-sustaining – financed only by its premiums.
- **Guaranteed coverage and insurance market reforms.** Insurance companies will no longer be able to engage in discriminatory practices that enable them to refuse to sell or renew policies today due to an individual's health status. In addition, they can no longer exclude coverage of treatments for pre-existing health conditions. The bill also protects consumers by prohibiting lifetime and annual limits on benefits. It also limits the ability of insurance companies to charge higher rates due to health status, gender, or other factors. Under the proposal, premiums can vary based only on age (no more than 2:1), geography and family size.
- **Essential benefits.** A new independent Advisory Committee with practicing providers and other health care experts, chaired by the Surgeon General, will recommend a benefit package based on standards set in the law. This new essential benefit package will serve as the basic benefit package for coverage in the Exchange and over time will become the minimum quality standard for

employer plans. The basic package will include preventive services with no cost-sharing, mental health services, oral health and vision for children, and caps the amount of money a person or family spends on covered services in a year.

## II. AFFORDABILITY

To ensure that all Americans have affordable health coverage the bill:

- **Provides sliding scale affordability credits.** The affordability credits will be available to low- and moderate- income individuals and families. The credits are most generous for those who are just above the proposed new Medicaid eligibility levels; the credits decline with income (and so premium and cost-sharing support is more limited as your income increases) and are completely phased out when income reaches 400 percent of the federal poverty level (\$43,000 for an individual or \$88,000 for a family of four). The affordability credits will not only make insurance premiums affordable, they will also reduce cost-sharing to levels that ensure access to care. The Exchange administers the affordability credits with other federal and state entities, such as local Social Security offices and state Medicaid agencies.
- **Caps annual out-of-pocket spending.** All new policies will cap annual out-of-pocket spending to prevent bankruptcies from medical expenses.
- **Increased competition:** The creation of the Health Insurance Exchange and the inclusion of a public health insurance option will make health insurance more affordable by opening many market areas in our country to new competition, spurring efficiency and transparency.
- **Expands Medicaid.** Individuals and families with incomes at or below 133 percent of the federal poverty level will be eligible for an expanded and improved Medicaid program. Recognizing the budget challenges in many states, this expansion will be fully federally financed. To improve provider participation in this vital safety net – particularly for low-income children, individuals with disabilities and people with mental illnesses – reimbursement rates for primary care services will be increased with new federal funding.
- **Improves Medicare.** Senior citizens and people with disabilities will benefit from provisions that fill the donut hole over time in the Part D drug program, eliminate cost-sharing for preventive services, improve the low-income subsidy programs in Medicare, fix physician payments, and make other program improvements. The bill will also address future fiscal challenges by improving payment accuracy, encouraging delivery system reforms and extending solvency of the Medicare Trust Fund.

## III. SHARED RESPONSIBILITY

The bill creates shared responsibility among individuals, employers and government to ensure that all Americans have affordable coverage of essential health benefits.

- **Individual responsibility.** Except in cases of hardship, once market reforms and affordability credits are in effect, individuals will be responsible for obtaining and maintaining health insurance coverage. Those who choose to not obtain coverage will pay a penalty of 2.5 percent of modified adjusted gross income above a specified level.
- **Employer responsibility.** The proposal builds on the employer-sponsored coverage that exists today. Employers will have the option of providing health insurance coverage for their workers or contributing funds on their behalf. Employers that choose to contribute will pay an amount based on eight percent of their payroll. Employers that choose to offer coverage must meet minimum benefit and contribution requirements specified in the proposal.
- **Assistance for small employers.** Recognizing the special needs of small businesses, the smallest businesses (payroll that does not exceed \$250,000) are exempt from the employer responsibility

requirement. The payroll penalty would then phase in starting at 2% for firms with annual payrolls over \$250,000 rising to the full 8 percent penalty for firms with annual payrolls above \$400,000. In addition, a new small business tax credit will be available for those firms who want to provide health coverage to their workers. In addition to the targeted assistance, the Exchange and market reforms provide a long-sought opportunity for small businesses to benefit from a more organized, efficient marketplace in which to purchase coverage.

- **Government responsibility.** The government is responsible for ensuring that every American can afford quality health insurance, through the new affordability credits, insurance reforms, consumer protections, and improvements to Medicare and Medicaid.

## IV. PREVENTION AND WELLNESS

Prevention and wellness measures of the bill include:

- Expansion of Community Health Centers;
- Prohibition of cost-sharing for preventive services;
- Creation of community-based programs to deliver prevention and wellness services;
- A focus on community-based programs and new data collection efforts to better identify and address racial, ethnic, regional and other health disparities;
- Funds to strengthen state, local, tribal and territorial public health departments and programs.

## V. WORKFORCE INVESTMENTS

The bill expands the health care workforce through:

- Increased funding for the National Health Service Corp;
- More training of primary care doctors and an expansion of the pipeline of individuals going into health professions, including primary care, nursing and public health;
- Greater support for workforce diversity;
- Expansion of scholarships and loans for individuals in needed professions and shortage areas;
- Encouragement of training of primary care physicians by taking steps to increase physician training outside the hospital, where most primary care is delivered, and redistributes unfilled graduate medical education residency slots for purposes of training more primary care physicians. The proposal also improves accountability for graduate medical education funding to ensure that physicians are trained with the skills needed to practice health care in the 21<sup>st</sup> century.

## VI. CONTROLLING COSTS

The bill will reduce the growth in health care spending in a numerous ways. Investing in health care through stronger prevention and wellness measures, increasing access to primary care, health care delivery system reform, the Health Insurance Exchange and the public health insurance option, improvements in payment accuracy and reforms to Medicare and Medicaid will all help slow the growth of health care costs over time. These savings will accrue to families, employers, and taxpayers.

- **Modernization and improvement of Medicare.** The bill implements major delivery system reform in Medicare to reward efficient provision of health care, rolling out innovative concepts such as accountable care organizations, medical homes, and bundling of acute and post-acute provider payments. New payment incentives aim to decrease preventable hospital readmissions, expanding this policy over time to recognize that physicians and post-acute providers also play an important role in avoiding readmissions. The bill improves the Medicare Part D program by creating new consumer protections for Medicare Advantage Plans, eliminating the “donut hole” and improving

low-income subsidy programs, so that Medicare is affordable for all seniors and other eligible individuals. A centerpiece of the proposal is a complete reform of the flawed physician payment mechanism in Medicare (the so-called sustainable growth rate or “SGR” formula), with an update that wipes away accumulated deficits, provides for a fresh start, and rewards primary care services, care coordination and efficiency.

- **Innovation and delivery reform through the public health insurance option.** The public health insurance option will be empowered to implement innovative delivery reform initiatives so that it is a nimble purchaser of health care and gets more value for each health care dollar. It will expand upon the experiments put forth in Medicare and be provided the flexibility to implement value-based purchasing, accountable care organizations, medical homes, and bundled payments. These features will ensure the public option is a leader in efficient delivery of quality care, spurring competition with private plans.
- **Improving payment accuracy and eliminating overpayments.** The bill eliminates overpayments to Medicare Advantage plans and improves payment accuracy for numerous other providers, following recommendations by the Medicare Payment Advisory Commission and the President. These steps will extend Medicare Trust Fund solvency, and put Medicare on stronger financial footing for the future.
- **Preventing waste, fraud and abuse.** New tools will be provided to combat waste, fraud and abuse within the entire health care system. Within Medicare, new authorities allow for pre-enrollment screening of providers and suppliers, permit designation of certain areas as being at elevated risk of fraud to implement enhanced oversight, and require compliance programs of providers and suppliers. The new public health insurance option and Health Insurance Exchange will build upon the safeguards and best practices gleaned from experience in other areas.
- **Administrative simplification.** The bill will simplify the paperwork burden that adds tremendous costs and hassles for patients, providers, and businesses today.