



President Barack Obama, photo by Pete Souza.

USEFUL WEBSITES FOR KEEPING UP-TO-DATE ON REFORM PROPOSALS

Kaiser Family Foundation

(<http://healthreform.kff.org/>)

The Kaiser Family Foundation offers a number of useful tools, such as a side-by-side, comprehensive review of the various reform proposals.

What Health Care Overhaul Means to You

(<http://www.npr.org/templates/story/story.php?storyId=111499109&sc=emaf>)

NPR's interactive tool allows you to see how various reform proposals may affect you.

Congressional Budget Office

(<http://www.cbo.gov>)

Funded by the U.S. government, the CBO offers more detailed information about cost estimates of reform proposals.

Federal health care reform has been a major issue since President Obama took office last November. It's a topic that is covered daily by various media sources, but is often misunderstood and confusing.

We've developed this "Health Care Reform 101" pamphlet to educate our members about the process, proposals, and SDCTA's health care reform principles.

What is the legislative process for reform?

President Obama is intent on enacting health care reform legislation by the end of the year. The President stated that he was flexible on many details of health care reform legislation. While attempting to encourage further efforts to achieve bipartisan support for the legislation, there remains the possibility that it may need to proceed with support only from members of the Democratic party. To date, three committees in the House of Representatives and two Senate committees have approved health care reform legislation. The simplified step-by-step process to passing a federal reform bill is as follows:

Step 1: House and Senate Committees with jurisdiction over health care develop bills for health care reform. These committees include the Senate Finance Committee, the Senate HELP Committee and the House Tri-Committee.

Step 2: The proposals are debated in committees and must be approved to move to the full chamber.

Step 3: If there are multiple committee-approved versions of the bill within a chamber, those bills must be consolidated and approved by a vote.

Step 4: The members of the House and Senate vote on their respective, possibly consolidated, bills.

Step 5: The approved bills then go to a conference committee to resolve differences between the House and the Senate versions.

Step 6: The resulting bill is voted on by the full Congress, within their respective chambers.

Step 7: The approved bill is submitted to the President to either veto or sign into law.



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How Are We Going to Pay for Health Reform?

Some of the *major* costs associated with reform proposals include: expansion of eligibility of Medicaid and the Children's Health Insurance Program (CHIP); providing subsidies to low-income individuals and families to aid them in acquiring health care coverage; the creation of a public plan; ensuring adequate reimbursement to physicians for Medicare patients; the creation of a health insurance exchange for each state, and tax credits for small employers.

Plans for financing reform vary according to each proposal. For the House Tri-Committee, approximately half of the cost of the plan is financed through savings from Medicare and Medicaid, including incorporating productivity improvements into Medicare market basket updates, reducing payments to Medicare Advantage plans, changing drug rebate provisions and allowing the government to negotiate drug costs, reducing potentially preventable hospital readmissions, and cutting Medicaid disproportionate share payments.

The remaining costs are financed through a surcharge imposed on families with incomes above \$350,000 and individuals with incomes above \$280,000. The surcharge is equal to 1% for families with modified adjusted gross income between \$350,000 and \$500,000; 1.5% for families with modified adjusted gross income between \$500,000 and \$1,000,000; and 5.4% for families with modified adjusted gross income greater than \$1,000,000. These surcharge percentages may be adjusted if federal health reform achieves greater than expected savings.

For the Senate Finance Committee proposal, the largest source of new revenue will come from an excise tax on high-cost insurance—insurance plans that exceed \$8,000 for individuals and \$21,000 for family coverage—which CBO estimates will raise \$201 billion over ten years.



Senator Max Baucus, Chair, Senate Finance Committee.

Other revenue sources include fees on various health industries and “pay or play” employer requirements.

Source: Kaiser Family Foundation and the Congressional Budget Office.

MAJOR REFORM PROVISIONS

Employer Pay-or-Play: Requires employers to offer and pay for health benefits on behalf of their employees, or pay a specified dollar amount or percentage of payroll into a designated public fund. The fund would provide financing for those who do not have employment-based coverage.

Public Plan Option: A proposal to create a new insurance plan administered and funded by federal or state government that would be offered along with private plans in a newly created health insurance exchange.

Single-Payer System: A health care system in which a single entity pays for health care services. This entity collects health care fees and pays for all health care costs, but is not involved in the delivery of health care.

Health Insurance Exchange/Connector: A purchasing arrangement through which insurers offer and smaller employers and individuals purchase health insurance. State, regional, or national exchanges could be established to set standards for what benefits would be covered; how much insurers could charge; and the rules insurers must follow in order to participate in the insurance market. Individuals and small employers would select their coverage within this organized arrangement.

Universal Coverage: A system that provides health coverage to all Americans.

Individual Mandate: A requirement that all individuals obtain health insurance. A mandate could apply to the entire population, just to children, and/or could exempt specified individuals. All current proposals include an individual mandate.

Source: Kaiser Family Foundation

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SDCTA Health Care Reform Principles

Principle #1: Access to Quality Health Care for All Americans

Reform proposals should seek to remove or lower barriers that prevent Americans from accessing care by making health care services and medical insurance more affordable, requiring some basic level of medical insurance of everyone, continuing public support of critical services, such as emergency and trauma, and incentivizing training and development of the medical workforce.

Principle #2: Minimize Costs to Taxpayers

Reforms must address reduction of waste and inefficiencies, minimizing administrative costs and simplifying administration, reduction of long-term costs by increasing the number of insured individuals, and reduction or elimination of any underpayment to health care providers

Principle #3: Preserve the Benefits of a Competitive, Market-Based Health Care System

Reform plans should incorporate a strong, effective, market-based health care system as a vital component of the public-private solution. Reform packages should not create an unfair advantage for public plans and should preserve incentives for competition, quality improvement and innovation.

Principle #4: Incentivize Appropriate and Cost-Effective Consumption of Medical Services

Reforms should structure the system such that there are incentives for providers and patients to make medical decisions based on what is best for the patient's health, following evidence-based protocols; and incentives to reduce the need to practice defensive medicine (medical practices designed to avert the future possibility of malpractice suits).

Principle #5: Incentivize Preventive Care, Healthy Lifestyles & Personal Responsibility for Health

Incentives supporting preventive care and healthy lifestyles can reduce system-wide health care costs over the long term. This principle is important given the costs and rising rates of obesity, diabetes and an aging population.

Principle #6: Create a Fair and Equitable System

The responsibility of ensuring access to health care should be distributed equitably among employers, providers, individuals, private insurers and government.

Principle #7: Benchmarks to Measure Effectiveness and Efficiency of System

Reform plans should incorporate benchmarks to measure cost, quality and access and include mechanisms to improve the system when objectives are not being met.

SDCTA'S STAKE IN HEALTH CARE REFORM

Access to quality health care is essential for a healthy and productive society. SDCTA believes that the responsibility of ensuring access to health care should be distributed equitably among employers, providers, individuals, private insurers and government. In the case of large-scale health care reform (state or national), SDCTA supports comprehensive, rather than piecemeal, efforts. SDCTA's Health Care Reform Principles serve as points of reference that, when applied to public policy, result in a means to objectively assess whether SDCTA is willing to support proposed reform measures. They also provide a mechanism by which SDCTA may constructively influence local implementation of health care reform legislation.

Note that the full SDCTA Health Care Reform Principles can be found at www.sdcta.org.

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