SHORT SUMMARY

The Affordable Health Care for America Act provides quality affordable health care for all Americans and controls health care cost growth. CBO estimates that it will provide coverage to 96% of Americans, that it does so under the $900 billion threshold outlined by President Obama, and that it reduces the deficit within the budget window and beyond. Key provisions of the legislation include:

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

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:

- **Immediate reforms.** Includes immediate reforms to improve today's health care system as we implement full-scale health reform. These improvements include the creation of a new national program to provide affordable coverage for those who can't get health insurance today because of pre-existing conditions (including the use of domestic violence as a pre-existing condition); implementation of insurance reforms to enforce an 85% medical loss ratio, coverage of young adults on their parents' policies through age 26, limits on pre-existing condition exclusions, protections for treatments for children with deformities; implementation of new programs to protect retiree health benefits; enactment of administrative simplification; and creation of a new federal grant incentives for wellness programs and early advancement of reform by states.
- **Health Insurance Exchange.** The new Health Insurance Exchange (starting in 2013) creates a transparent and functional marketplace for individuals and small employers to comparison shop among private and public insurers, including new health insurance co-ops. 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. Within three years, the Exchange will be open to employers with 100 employees as another choice for covering their employees. Over time, more employers will obtain that option. 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. The Secretary of Health and Human Services will administer the public option and negotiate rates for providers that participate in the public option. The public health insurance option is provided startup administrative funding, but it is required to

amortize these costs into future premiums. Providers are presumed to be participants in the public option unless they opt-out of participating.

- **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 on the amount of money a person or family spends on covered services in a year. Within the Exchange, there will be four plan levels – all of which cover the essential benefit package, but have varied levels of cost-sharing. The "Premium Plus" plans will offer additional benefits such as adult dental or vision and private hospital rooms.
- **Ending the Antitrust Exemption for Health Insurers.** By eliminating the antitrust exemption for health insurers and medical malpractice insurers, the bill increases competition in the insurance marketplace. It will remove their shield that has allowed them to price fix, divide up territory, and effectively create monopolies in particular markets.
- **Helping address long-term health care needs.** Creates a new, voluntary, public, long-term care insurance program to help purchase services and supports for people who have functional limitations. Individuals determined to need assistance because of functional limitations would qualify to receive a daily or weekly cash benefit to help purchase the services and supports needed to maintain personal and financial independence. CLASS would supplement, not supplant, traditional payers of long-term care (e.g. Medicaid and/or private long term care insurance).

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 (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 make insurance premiums affordable and will 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.** Will cap annual out-of-pocket spending at a maximum of $5,000 per individual and $10,000 per family to prevent bankruptcies from medical expenses.
- **Increased competition.** The creation of the Health Insurance Exchange and the inclusion of a public health insurance option and health insurance co-ops 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 150% 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 initially be fully federally financed then transition to include a 9% contribution from states starting in 2015. 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 to Medicare rates 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, increase access to primary care providers, 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. Companion legislation will permanently reform Medicare's payment formula for physicians.

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 capped at 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 a 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 $500,000) are exempt from the employer responsibility requirement. The payroll penalty would then phase in starting at 2% for firms with annual payrolls over $500,000 rising to the full 8 percent penalty for firms with annual payrolls above $750,000. In addition, a new small business tax credit will be available for two years for low-wage, small firms who choose 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, WELLNESS AND PUBLIC HEALTH:

Prevention and wellness measures of the bill include:

- **Community Health Centers.** Funding for community health centers is significantly increased, allowing for the creation of new centers and growth in the number of people served.
- **Prohibition of cost-sharing for preventive services.** Cost sharing requirements in the essential benefits package, Medicare and Medicaid are specifically prohibited.
- **Community-based programs.** New programs are established to deliver prevention and wellness services at the community level and to support grants to small businesses that promote wellness programs.
- **Prevention research.** A dedicated funding source is created to support research on clinical and community preventive health services to determine which services are most effective.
- **Data Collection.** New data collection efforts are required to better identify and address racial, ethnic, regional and other health disparities.
- **Public Health Infrastructure**. New investments are made to strengthen state, local, tribal and territorial public health departments and programs.

V. WORKFORCE INVESTMENTS:

The bill expands the health care workforce through:

- **National Health Service Corps (NHSC).** Increased funding and greater flexibility in meeting service requirements are provided for the National Health Service Corps.
- **Building the nation's health workforce.** Increased funding and other improvements are made to programs targeted on training primary care doctors. Similar expansions are made to encourage more health professionals, including nurses, to choose primary care. A new Public Health Service Corps (modeled on the NHSC) is created to ensure an adequate and qualified public health workforce.

- **Workforce diversity.** Greater support is provided for workforce diversity programs to help ensure that the nation's health workforce reflects the population it serves.
- **Scholarship and loan repayment programs.** Scholarships and loan repayment programs for individuals in needed health professions and shortage areas are expanded.
- **Training for primary care physicians**. Puts in place 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 21st century.

VI. CONTROLLING COSTS:

The bill reduces the deficit and will reduce the growth in health care spending in a numerous ways. Specifically, it invests in health care through stronger prevention and wellness measures; increases access to primary care; implements health care delivery system reforms; creates a Health Insurance Exchange and a new Public Health Insurance Option; improves Medicare payment accuracy and makes additional reforms to Medicare and Medicaid -- all of which will 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 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.
- **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.** 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.