

America's Affordable Health Choices Act (H.R. 3200) - 3 Pager

The Exchange:

- Under H.R. 3200 private and public insurers will be able to participate in the Exchange provided they meet the insurance reforms and offer the benefit packages.
- The basic benefit package will include preventative services with no cost sharing, mental health services, dental and vision for children, and cap annual out-of-pocket spending.
- Individuals qualifying for subsidies will be able to use those subsidies in the Exchange to purchase coverage.

The Public Plan:

- Under H.R. 3200, the public option will be required to operate on the same level as private insurance companies.
- The public plan will be subject to the same market reforms and consumer protections as the private insurers and will be required to live off of its premiums.
- Rates will vary geographically just as private insurers do.
- The public plan option will utilize payment rates similar to Medicare with provider rates at Medicare plus 5%. However, beginning in year four the Secretary will have the authority to use an administrative process to set rates (at levels that do not increase costs).

Individual Mandate:

- Except in cases of hardship, individuals must obtain and maintain health insurance coverage.
- Individuals who chose not to secure health coverage will be required to pay a 2.5% tax (modified adjusted gross income).

Employer Mandate:

H.R. 3200 requires that employers offer health coverage or pay a penalty.

- **Small Business:** 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% penalty for firms with annual payrolls above \$750,000. In addition, a new small business tax credit will be available for those firms who want to provide health coverage to their workers.

Seniors:

- The America's Affordable Health Choices Act improves Medicare by : (1) eliminating cost-sharing for preventative services, therefore, seniors will not pay for any preventative services; (2) improving the low- income subsidy programs in Medicare; (3) fixing physician payments; and

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- By Filling the Medicare Donut Hole – Our bill closes the gap in prescription coverage for seniors (also known as the donut hole). Effective 2011, the Part D provision will reduce the gap by \$500 and will completely eliminate the gap by 2023.

Mental Health:

- The America's Affordable Health Choices Act increases the payment rate for psychiatric services by 5% for two years, through the end of 2011.
- Mental health services are provided in the Exchange's basic benefit package.
- *The bill eliminated the provision in the discussion draft that removed the 190-day lifetime limit on psychiatric hospital stays for psychiatric hospital services furnished on or after January 1, 2010.

Assistance for the Low-Income:

Financial assistance will make health insurance accessible for those with lower incomes

- Effective 2013, financial assistance will be available on a sliding scale for individuals and families that fall between 133% to 400% of poverty. These sliding scale credits will limit individual and family spending on premiums to no more than 1.5% of income for those at 133% of poverty and capping out at 11% of income for those at 400% of poverty.
- Beginning in year two of the plan (1) people who are employed and (2) who's employer-sponsored plan cost more than 11% of their income, are eligible to obtain income-based affordability credits if they enter the Exchange.

Medicaid will be expanded so more people can access its benefits

- Effective 2013, people with income at or below 133% of poverty will be eligible for Medicaid.

How will this bill be paid for?

Roughly half of the costs of reforms will be paid for by achieving significant efficiencies and savings in Medicare and Medicaid. The other half will be paid for through a surcharge on the wealthiest 1.2% of Americans.

Medicaid/Medicare efficiencies and savings:

- \$156 billion in savings by eliminating overpayments to private Medicare Advantage plans over 10 years.
- \$102 billion in savings over 10 years by incorporating productivity adjustments into Medicare payment updates for hospitals.
- \$110 billion in savings over 10 years by:
 - Codifying the recent PhRMA-White House agreement, which provides that Medicare Part D beneficiaries will get a 50% reduction in price on any brand-name drugs they

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need while in the so-called "donut hole" where drug costs are not reimbursed at certain levels; and

- Requiring that drug companies provide rebates for individuals enrolled in both Medicare and Medicaid that are at least as large as the Medicaid rebates that were provided prior to the enactment of Medicare Part D.
- \$100 billion in additional savings over 10 years through numerous other provisions, including incorporating productivity adjustments into Medicare payment updates for home health agencies, and key delivery system reforms such as incentives to reduce readmissions to hospitals and promoting accountable care organizations.

Surcharge on the wealthiest 1.2% of Americans:

- The plan is to ensure that middle-class Americans will see no tax increases.
 - **Families** with adjusted incomes below \$350K will not be affected
 - **Individuals** with adjusted incomes below \$280K will not be affected.
- The plan is to place a graduated surcharge on the wealthiest Americans.
 - For example, the surcharge will be 1% for **families** earning between \$350,000 and \$500,000, and 1.5% for those earning between \$500,000 and \$1,000,000.