March 2010

The Benefits of Health Care Reform In the 5th Congressional District of Oregon

Committee on Energy and Commerce

The U.S. House of Representatives will soon vote on health care reform legislation. This legislation will make health care affordable for the middle class, provide security for seniors, and guarantee access to health insurance for the uninsured – while reducing the federal deficit by over $100 billion over the next decade. This analysis examines the benefits of the legislation in the 5th Congressional District of Oregon, which is represented by Rep. Kurt Schrader.

In Rep. Schrader's district, the health care reform bill will:

- Improve coverage for **469,000** residents with health insurance.
- Give tax credits and other assistance to up to **177,000** families and **18,500** small businesses to help them afford coverage.
- Improve Medicare for **117,000** beneficiaries, including closing the donut hole.
- Extend coverage to **67,000** uninsured residents.
- Guarantee that **15,000** residents with pre-existing conditions can obtain coverage.
- Protect **1,300** families from bankruptcy due to unaffordable health care costs.
- Allow **61,000** young adults to obtain coverage on their parents' insurance plans.
- Provide millions of dollars in new funding for **36** community health centers.
- Reduce the cost of uncompensated care for hospitals and other health care providers by **$21 million** annually.

Affordable High-Quality Health Care for the Middle Class

Essential health insurance reforms. Approximately 62% of the district (469,000 residents) receives health care coverage from an employer or through policies purchased on the individual market. Under the legislation, individuals with insurance can keep the coverage they have now, and it will get better. The insurance reforms in the bill prohibit annual and lifetime limits, eliminate rescissions for individuals who become ill while insured, ban coverage denials for pre-existing conditions, and reduce the cost of preventive care. To rein in soaring insurance costs, the reforms also limit the amount insurance companies can spend on administrative expenses, profits, and other overhead.

Historic health care tax cuts. Those who do not receive health care coverage through their employer will be able to purchase coverage at group rates through the new health insurance exchange. To make this insurance affordable, the legislation contains the largest middle-class tax cut for health care in history, providing middle class families with incomes up to $88,000 for a family of four with tax credits to help pay for coverage in the exchange. For a family of four making $50,000, the average tax credit will be approximately $5,800. There are 177,000 households in the district that could qualify for these credits if they purchase health insurance through the exchange or, in the case of households with incomes below 133% of poverty, receive coverage through Medicaid.

Coverage for individuals with pre-existing conditions. There are 15,000 uninsured individuals in the district who have pre-existing medical conditions like cancer, heart disease, and diabetes. Under the bill's insurance reforms, they cannot be denied affordable coverage.

Financial security for families. There were 1,300 health care-related bankruptcies in the district in 2008, caused primarily by the health care costs not covered by insurance. The bill caps annual out-of-pocket costs at $6,200 for individuals and $12,400 for families who purchase insurance through the exchange or who are insured by small businesses. It also eliminates annual and lifetime limits on all insurance coverage. These reforms ensure that no family will have to face financial ruin because of high health care costs.

Security for Seniors

Improving Medicare. There are 117,000 Medicare beneficiaries in the district. The legislation improves their benefits by providing free preventive and wellness care, improving primary and coordinated care, and enhancing nursing home care. The bill also strengthens the Medicare Trust Fund, extending its solvency from 2017 to 2026.

Closing the Part D donut hole. Each year, 14,900 Medicare beneficiaries in the district enter the Part D donut hole and are forced to pay the full cost of their prescription drugs. Under the bill, these beneficiaries will receive a $250 rebate in 2010, 50% discounts on brand name drugs beginning in 2011, and complete closure of the donut hole within a decade. A typical beneficiary who enters the donut hole will see savings of over $700 in 2011 and over $3,000 by 2020.

New Coverage Options for Young Adults

New lower-cost health care options for young adults. The legislation will allow young adults to remain on their parents' policies until they turn 26. There are 61,000 young adults in the district who could benefit from this option. For individuals under age 30, the bill creates new, inexpensive policies that allow them to obtain protection from catastrophic health care costs.

Helping Small Businesses

Helping small businesses obtain health insurance. Under the legislation, small businesses with 100 employees or less will be able to join the health insurance exchange, benefiting from group rates and a greater choice of insurers. There are 20,000 small businesses in the district that could benefit from this provision.

Tax credits for small businesses. Small businesses with 25 employees or less and average wages of less than $50,000 will qualify for tax credits of up to 50% of the costs of providing health insurance. There are up to 18,500 small businesses in the district that could qualify for these credits.

Covering the Uninsured

Coverage of the uninsured. The Legislation would extend coverage to 94% of all Americans. If this level of coverage is reached in the district, 67,000 residents who currently do not have health insurance will receive coverage.

Relieving the burden of uncompensated care. In 2008, health care providers in the district provided uncompensated care to individuals who lacked insurance coverage and were unable to pay their bills. Under the legislation, these costs of uncompensated care will be reduced by $21 million.

Supporting community health centers. There are 36 community health centers in the district that provide health care to the poor and medically underserved. Nationwide, the legislation would provide $11 billion in new funding for these centers. If the community health centers in the district receive the average level of support, the 36 centers will receive $46.8 million in new assistance.

Deficit Responsibility

No deficit spending. The cost of health care reform under the legislation is fully paid for, in large part by eliminating waste, fraud, abuse, and excessive profits for private insurers. The bill will reduce the deficit by over $100 billion over the next 10 years and by $1 trillion or more over the next 20 years.

This analysis is based upon the following sources: the U.S. Census (data on insurance rates, small businesses, and young adult population); the Centers for Medicare and Medicaid Services (data on Medicare and Part D enrollment); the Department of Health and Human Services (data on health care-related bankruptcies, uncompensated care, and pre-existing conditions); the Health Resources and Services Administration (data on community health centers); and the Congressional Budget Office (estimates of the percentage of citizens with health insurance coverage under health care reform legislation).