



## HEALTH INSURANCE REFORM AT A GLANCE

# STRONG COST CONTAINMENT MEASURES

The Senate-passed health insurance reform bill as improved by reconciliation contains a series of strong cost containment measures. Indeed, a number of health care experts have pointed out that this bill includes every serious cost-cutting proposal that has been put forward. Without controlling health care costs, families will continue to be burdened with higher premiums, businesses will be forced to drop coverage or lay off workers, and our national and state budgets will be fiscally unsustainable.

This legislation is fiscally responsible – ensuring not only that it is fully paid for but that it “bends the cost curve” over the long term. The Congressional Budget Office (CBO) estimates that the bill cuts the deficit by \$143 billion over the next 10 years and by \$1.2 trillion in the following decade. CBO also estimates that, for families, premiums for comparable coverage will be lower under reform.

### DELIVERY SYSTEM REFORMS/MOVING TOWARD VALUE-BASED PAYMENTS

Delivery system reform means making sure that the right patient gets the right treatment at the right time in the most efficient way possible. This bill includes numerous reforms in Medicare that will reward the *value* of care, not the *volume* of care. The health reform bill:

- Mandates that the Secretary of HHS adopt value-based purchasing and payment methods for Medicare reimbursements for both physicians and hospitals.
- Creates incentives to reduce preventable hospital admissions. Under the bill, beginning in FY 2013, hospital payments will be adjusted based on the dollar value of each hospital’s percentage of potentially preventable Medicare readmissions.
- Encourages the formation of Accountable Care Organizations (ACOs) that allow hospitals and doctors to work together to manage and coordinate care and provides that these ACOs will receive a share of the savings they achieve for Medicare.
- Provides that the Secretary of HHS will develop a national pilot program encouraging hospitals, doctors, and post-acute providers to coordinate patient care and achieve savings through “bundled payments” (under which one payment would be made for an entire episode of care).
- Creates a new demonstration program for chronically ill Medicare beneficiaries that will test payment incentives and service delivery using home-based primary care teams.
- Creates a new Center for Medicare and Medicaid Innovation that will research, develop, test, and expand innovative payment and delivery arrangements.

### CRACKING DOWN ON WASTE, FRAUD AND ABUSE

In trying to get health care costs under control, it's important that we know what we're paying for. That means cracking down on waste, fraud, and abuse. The health insurance reform bill:

- Requires HHS to institute a new screening process for all providers and suppliers before granting Medicare billing privilege; and provides states with new authority to impose screening procedures on Medicaid providers.

- Requires providers and suppliers to adopt compliance programs as a condition of participating in Medicare and Medicaid.
- Eliminates wasteful overpayments to Medicare Advantage plans that increase private plan profits, not patient care.
- Increases funding for the Health Care Fraud and Abuse Control Fund to fight Medicare and Medicaid fraud.
- Establishes new penalties for submitting false data on applications, false claims for payment, or for obstructing audit investigations related to Medicare, Medicaid, and CHIP.

### CONTAINING COSTS OVER THE LONG TERM

The reform bill contains new steps to attempt to contain costs over the long term, including:

- Establishes a 15-member Independent Payment Advisory Board to present Congress with proposals to slow the growth of Medicare and private health care spending and improve the quality of care. The board is charged with developing recommendations about innovative ways to better control costs both in public and private health programs, while ensuring that care is improved.
- Includes a revised version of the excise tax on high-cost health plans, including delaying the effective date of the tax from 2013 to 2018, thereby allowing all health plans additional time to become more efficient, while at the same time not impairing the tax's ability to slow the growth of health care costs over the long term.

### UTILIZING PREVENTION AND WELLNESS PROGRAMS

Benjamin Franklin was right—"An ounce of prevention is worth a pound of cure." Prevention and wellness programs will help Americans live longer, healthier lives, and help reduce the need for more costly treatments of health conditions later in life. The reform bill:

- Eliminates patient co-pays for preventive services in Medicare, Medicaid, and private plans.
- Establishes a Prevention and Public Health Investment Fund to provide an expanded and sustained national investment in prevention and public health.
- Authorizes HHS to award grants to eligible entities to promote individual and community health and to prevent chronic illness.
- Funds research in public health services and systems to examine best prevention practices.

### PROMOTING MARKET COMPETITION

The creation of Health Insurance Exchanges and insurance reforms will promote healthy competition in the market, putting downward pressure on prices. The reform bill:

- Establishes state-based Health Insurance Exchanges, transparent marketplaces that replace today's dysfunctional small group and individual markets, to lower administrative costs and provide incentives to insurers to maintain lower premiums in order to attract millions of Exchange enrollees.
- Includes insurance reforms and standardized benefit packages that will require insurers to compete on the basis of price and quality, not on the basis of the medical underwriting of sicker patients.
- Discourages excessive price increases by insurance companies by requiring disclosure and justification of insurance rate increases. Insurers with excessive price increases can be excluded from Exchanges, providing a strong incentive to keep premiums low.