

The Alliance Roundtable with U.S. Rep. Tammy Baldwin An Insider's View of Congressional Efforts to Reform Health Care

The Alliance hosted a roundtable discussion on November 13 with U.S. Rep. Tammy Baldwin, who is in her seventh term representing Wisconsin's 2nd Congressional District. Health reform has remained a priority for Baldwin since her election to the House in 1998. Baldwin serves on the Health Care Subcommittee of the House Committee on Energy and Commerce, which gives her an insider's view of current Congressional health reform efforts.

Reform Efforts Have Long History

Congress has unsuccessfully attempted to craft legislation that would provide nationwide access to health care seven times since 1943. In 2009, Baldwin noted that health reform "legislation has gotten further than ever before," with three House committees and two Senate committees producing health reform legislation and the House recently passing a health reform bill.

Baldwin believes it is crucial for the House and Senate to reach agreement on a final bill by year-end, since members of Congress are likely to be distracted by other priorities in the election year of 2010.

The House Bill

The health reform bill currently under consideration in the House of Representatives has three broad sections:

1. An insurance exchange creates a marketplace to offer affordable options to people who lack coverage. Three levels of health coverage would be offered, with costs and coverage varying at each level. Households with incomes below 400 percent of the federal poverty level would qualify for subsidies to help pay for coverage, with the amount of the subsidy varying by income level.

Out-of-pocket expenditures also would be capped on a sliding scale based on income, which is expected to help reduce the number of consumers driven into bankruptcy by high health care costs. The House bill assumes that the existing employer-based system currently offering coverage to 160 million Americans will continue, with

The Alliance Offers Reform Priorities

President & CEO Cheryl DeMars outlined key elements of The Alliance's health policy platform during the roundtable discussion.

Issue 1: Address Cost Containment.

It is critical to address cost drivers as part of health reform efforts. Consumers and payers need transparency of cost and quality information. Access to Medicare data would be particularly helpful.

Issue 2: Align Incentives for Higher-Value Care.

The existing health system pays on the basis of volume, rewarding more care rather than better care. As the largest purchaser of U.S. healthcare, the federal government should work with other payers to implement strategies that pay for health care on the basis of the value of services, rather than volume.

Issue 3: Offer Support for Consumer Engagement.

Reformers need to look for opportunities to engage consumers in improving and maintaining their own health.

the Congressional Budget Office estimating that the combination of penalties and tax incentives will prompt employers to expand coverage to employees. Baldwin noted that creating exchanges would offer competition to reduce costs for consumers in areas where one or two insurers dominate the local market, such as Maine and North Dakota. Payment rates are negotiated directly with physicians and some other providers. The exchange would become operational in 2013, but some reforms linked to denial of insurance coverage and other issues would go into effect immediately.

Baldwin expressed her hope that the final bill developed by the House and Senate together would include some type of public option as a way to drive ongoing innovation and reform. However, she acknowledged that the public option remains controversial.

2. Modifications to the Medicare and Medicaid program seek to extract “significant savings” from the health system to pay for reforms. The House bill enables experimentation and reform by paying for pilot and demonstration projects, including “pay-for-performance” and “accountable care” projects that tie reimbursement to outcomes. While Baldwin is pleased that innovations will be examined, she fears the bill lacks the “teeth” needed for rapid adoption of proven tactics across the U.S. The House bill allows for comparative effectiveness research, which would help identify and share best practices for treatment of specific conditions. Other changes would increase coverage of preventative care for Medicare and Medicaid patients by eliminating co-pays. The bill addresses the current “doughnut hole” in Medicare Part D prescription drug coverage, which ends all coverage when participants reach a spending cap.

3. Preventative care and population health are addressed with a variety of measures. A looming shortage in primary care professionals, including both doctors and nurses, is likely to make it difficult to meet consumers’ needs for primary care unless the government intervenes. Financial incentives and loan forgiveness would encourage medical students to pursue primary care and address issues that make it difficult for primary care practitioners to find balance in their professional and personal

Rep. Baldwin Reviews How the House Bill Impacts Coverage	
• Current number of uninsured Americans:	47 million
• Number of uninsured Americans who would gain coverage under the House bill:	35 million to 36 million
• Percentage of American citizens and legal U.S. residents who would be covered under the House bill:	97%*
• Percentage of citizens/legal residents who would voluntarily opt out and pay a penalty:	3%*
• Number of illegal immigrants who would legally gain coverage under the House bill:	Zero
* Source: Congressional Budget Office	

lives. The current payment system based on the volume of patients seen in 15-minute appointments would be adjusted to allow practitioners to spend time with patients based on individual needs. The bill also addresses a projected shortage in nursing school faculty and offers strategies and tools for population health, such as community-based grant programs to address obesity and other issues.

Questions and Answers

Members of The Alliance demonstrated their expertise by asking detailed questions about health reform prospects and opportunities. A summary of selected questions and Baldwin's responses is provided below to capture highlights of the discussion.

Creating a Unique U.S. System

Congress has periodically used reports and hearings to learn more about the health systems of other countries. But Baldwin said the U.S. was unlikely to create a system like those in Britain and Canada.

"One thing that's always been clear to me politically is that we were not going to duplicate anybody else's system," Baldwin said. Politically, Baldwin said the concept of a universal, single-payer system was "a non-starter in terms of the votes."

Question: How will health reform impact states that have used Medicaid to expand insurance coverage, such as Wisconsin and its BadgerCare program?

Medicaid expansion is a big part of the House bill, Baldwin said. She noted that Wisconsin has been progressive in its efforts to expand coverage. "It will affect states that have not been progressive a lot more than Wisconsin."

"We don't want to punish leaders," Baldwin said, so Wisconsin will be rewarded by getting the same subsidies and federal funding as states that will be

forced to greatly increase spending. For example, one southern state currently limits Medicaid participation to residents who earn less than \$4,000.

It is possible that innovations at the state level will be recognized in the final bill. For example, the Senate bill would allow programs such as BadgerCare to become the public option offered to state residents. However, the outcome of these discussions is "iffy" at this point.

Question: Could the final bill create a connection between population health measures and insurance programs?

Linking premiums charged by an insurance exchange or a public option to healthy habits has been discussed, Baldwin said. For example, it might be beneficial to link higher health premiums to smoking, but legislators are concerned that taking that step would make it impossible for smokers to obtain fairly priced coverage. Baldwin noted that legislators want to avoid creating a "class" of unhealthy people who can't get insurance, while still creating incentives for healthy habits.

Question: Could health reform legislation make it possible for employers to use tools such as Health Risk Appraisals (HRAs) to help employees better understand their health status?

Baldwin is aware of the benefits of these tools, but addressing the issues of privacy, confidentiality and non-discrimination is crucial. "It's a thorny area," Baldwin said. "It gets very technical and yet I believe we can write laws to make this possible."

Question: How should employers describe the impact of this bill on coverage for their employees?

Baldwin said that initially, there should be no impact on employer-based coverage. She pointed to Congressional Budget Office analysis that says that the number of employers offering coverage will

increase after the bill is passed due to the combined financial impact of penalties for opting out of offering coverage and the loss of related tax incentives.

“What we hope will happen is that as there’s additional competition for this new group of people that are going to be covered, that you will increase your bargaining power with your insurance company and your providers, that you’ll have greater leverage, and perhaps you’ll see some leveling off of premiums for your employees.” After the insurance exchange has been operating five years in 2018, employer-based coverage may be reviewed. If the coverage falls below the “basic” level of exchange coverage, employers may be required to improve it.

Question: Employers have heard legislators’ promises that employees who like their employer-based health coverage will be able to keep it. Yet the possibility remains that health reform could create significant change in the marketplace and so disrupt the coverage offered by employers. How will Congress monitor developments?

“Disincentives” will help keep employers from dropping coverage. The Department of Health and Human Services (HHS) is charged with monitoring the impact of legislation. Other key agencies include HHS’ Centers for Medicare and Medicaid Services (CMS) and the new office of Health Choices Commissioner. Baldwin said the House bill aims to empower these agencies to expand pilot projects when it finds measures that are working well.

Question: How does the House bill help individuals and employers purchase quality care at an affordable price?

The Health Choices Commissioner will be charged with reviewing packages offered within insurance exchanges to make sure they meet certain standards. Yet Baldwin noted that the presence of insurance is not the only way to measure access to quality care. The House bill aims to drive quality improvement with pilot projects and then encourage broad adoption. “For many health providers, these are paradigm shifts for them,” Baldwin said. “You’re completely changing the way they approach patient care and rethinking the way they do business. You have to drive that with payment model changes.”

Question: How does the House bill impact cooperatives such as The Alliance?

The debate on the House bill focused on whether cooperatives could be used as a substitute for the public option. The current House bill says states can use cooperatives as an addition to the public option, but not a substitute for it. Baldwin said cooperatives such as The Alliance and Group Health Cooperative are well-liked organizations in Wisconsin. The current legislation seeks to encourage the wider use of these types of organizations.

Small Business Options

The House bill recognizes that the smallest businesses face the same challenges as individuals when negotiating for benefits in the current marketplace. The bill contains special provisions for these businesses based on annual payroll, as follows:

- **Annual payroll under \$500,000:** Employees can participate in the insurance exchange. There is no penalty or cost to employers.
- **Annual payroll of \$500,000 to \$750,000:** Employers begin to contribute a gradually increasing percentage of their payroll to the exchange to allow employees to shop for exchange benefits.
- **Annual payroll of \$750,000 or more:** Employers must offer health benefits or pay a penalty equivalent to 8 percent of payroll to support the exchange.
- **Less than 25 employees and average wages under \$40,000:** Employers would receive a temporary tax credit that starts at 50% of premium costs for the smallest employers and phases out as firm size and average wage increases.

Question: Will provisions for creating long-term care coverage remain in the final House bill? Initial revenue projections for long-term care created the false impression that it would generate revenue — have these been corrected?

Baldwin noted that the long-term care proposal known as the “CLASS Act” is a voluntary program where dollars are withheld from the payroll and used to purchase long-term care insurance. House Speaker Nancy Pelosi is “bifurcating” revenue projections to separate potentially misleading revenue figures related to the long-term care program from financial projections for other health reform measures. Baldwin added, “The Senate is not doing the same and shame on them. ... It will be a struggle to keep the government honest as this progresses.”

Question: Providers say current Medicare reimbursement levels fail to cover their costs, which means they shift costs to employers. How does this bill prevent cost-shifting while simultaneously increasing Medicaid use?

Baldwin pointed out that the House bill significantly increases federal reimbursement to states for Medicaid costs. The impact of this increased reimbursement on states will vary significantly depending on how a specific state currently structures its Medicaid program. Wisconsin is already “above and beyond” the expectations included in the bill, so the House bill should move people out of Medicaid and into coverage available from the insurance exchange. In contrast, states that operate below the expectations in the House bill would be likely see an “uptick” in Medicaid enrollment.

The Alliance Keeps the Door Open

Several members of The Alliance encouraged Baldwin to use self-funded employers as a resource when exploring the impact of health reform, both as legislation is refined and during the five-year implementation period. Members of The Alliance are eager to provide feedback and insights from the perspective of self-funded employers who deal with “all sides” of the health system.