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HEALTH REFORM

A recently released policy brief discusses the bills currently floating through Congress with intentions of reforming the American health care system.

Last week, the Speaker of the House of Representatives Nancy Pelosi introduced the combined health reform bill named the "Affordable Health Care for America Act" adopting many of the amendments offered by the three committees of jurisdiction. Other major modifications to the bill being brought to the House floor included a reduction in the overall price tag by shifting focus away from low-income subsidies for private health insurance. Instead, the bill provides for enhanced Medicaid eligibility which will prove less costly to the government than subsidies. Other costly items stripped from the bill and moved into other legislation included increased payments to Medicare physicians (about $200 billion over 10 years). While costly, increasing payments to Medicare's doctors is often politically rewarding and could be accomplished later in the year.

The policy brief described here does not include updates about the just-released House bill but does discuss the fundamental issues currently under debate. First of all, the purpose of health reform in its current incarnation is mostly health insurance reform. The major policies goals are consumer protections - guaranteed issue and renewability and fairer premium pricing. As a trade-off the insurance industry was rewarded with provisions to mandate insurance for all Americans. An individual mandate, however, may

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move America toward another policy goal of a broader risk pool and possibly universal health care (via universal health insurance).

Traditionally, the brief describes, the health insurance market has been fragmented into individual, small group (less than 50), and large group (more than 50) markets. Protections for consumers exist only for the small group market which requires guaranteed issue (that is, no applicant can be denied). However, the premiums can be set at any price the insurer chooses in almost every state. The goals of health reform would restrict the reasons an insurer could vary premiums based only on factors such as age, family structure, geographic differences, and tobacco use. However, premium variation based on gender, health status, and employment status would mostly be eliminated.

Some of the unique features of the health reform bills include:

1. The Senate Finance committee would allow a "young invincible" health insurance plan to be sold with catastrophic coverage, preventive health care, but without the inclusion of the many other benefits often dictated by state regulations.
2. The Senate HELP bill would allow dependents to stay on their parents' policies until age 26.
3. The House bill requires individuals who purchase insurance to do so through a single national Exchange.

As the debate over health reform continues, and as this brief neglects to mention, the state of the "public option" will play a major distractor among the many provisions included in the 1000+ pages of legislative language circulating through Congress.

Key Points

- Health insurance reform
- Increase the risk pool
- Consumer protection
- Is the public option a distraction?

Susan Jaffe, "Health Policy Brief: Health Insurance Reforms," Health Affairs, October 21, 2009.

Commentary

Health (insurance) reform took another small step forward last week when the House of Representatives brought a uniform bill to the floor. Although the bill will do well to restructure the health insurance market in order to minimize adverse selection by patients and risk selection by insurers, two major questions are left unanswered.

First, which benefits should be covered by "basic" health insurance and which should be the responsibility of the patient?

Second, what is the right size and role for a public insurance option?

An answer to the first question is suggested by the Finance committee's belief that for some Americans, only catastrophic and preventive coverage is necessary. For the second question, the public option as currently constructed will likely attract too small a risk pool to prove an effective insurer. Also, the individual states would be better suited to operating a public insurer than the federal government because of the extreme community ties necessary for health care. Now, we can only wait and see how the Senate chooses to craft its version of health reform.