



As you may know, Senate Majority Leader Harry Reid (D-NV) released a merged version of the Senate comprehensive reform legislation last night, the [Patient Protection and Affordable Care Act, or H.R. 3590](#). NAHU is in the process of reading through the 2,074-page bill and will include a detailed analysis in tomorrow's edition of Washington Update. In addition, we will provide talking points and materials you can provide to your clients.

Some of the key provisions in H.R. 3590 are:

- A government-run public plan option to be sold through the exchanges with the opportunity for states to opt out. Payment rates to providers would be determined by HHS and capped at the average rate of private plans. In addition, start-up funds are provided for the creation of co-ops and states are allowed to offer their own public programs for those between 133% and 200% of the Federal Poverty Level (FPL).
- State-based exchanges beginning in 2013 and limited to individuals and small groups until 2017, when large-group participation will be allowed.
- The inclusion of agents and brokers to sell policies through the exchanges.
- An employer mandate for groups of 50 or more to provide qualified coverage with a \$750 fine, indexed for premium growth, for non-covered employees.
- An individual mandate to obtain qualified coverage with a fine that begins at \$95 in 2014, rises to \$750 by 2016, and is indexed for inflation. Exemptions include hardship waivers and those for whom the cost of coverage will exceed eight percent of their income.
- Subsidies through the exchanges up to 400% of the FPL, with a 2.8-7% cap on beneficiary costs as a percentage of income.
- An expansion of Medicaid up to 133% of the FPL.
- Market reforms that include guaranteed issue and renewability of all policies, no preexisting condition limitations or lifetime or annual limits, prohibitions on rating based on health status and gender, and only allowing rating factors of age (3:1), tobacco use (1.5:1), family status and geography.
- The minimum allowable actuarial value has been reduced to 60% as determined by HHS, which should accommodate most consumer-directed account-based plans.
- Improvements to employer-sponsored wellness programs to allow for discounts of up to 50%.
- A limited small-business tax credit to help the smallest of businesses with low-income employees with the cost of coverage.

- Act provisions) with a limited daily benefit.
- A variety of financing mechanisms including the fees imposed on the individuals without insurance and employers not providing insurance, a 40% excise tax on high-cost insurance (\$8,500 individual/\$23,000 family), taxes on medical devices, pharmaceuticals and the health insurance industry, and a Medicare tax increase to 1.96% for individuals earning over \$200,000 per year and families earning over \$250,000. In addition, the bill contains \$464 billion in cuts to Medicare that include: permanent reductions in the annual updates to Medicare's payment rates for most services in the fee-for-service sector of \$192 billion; \$118 billion in cuts to Medicare Advantage; \$43 billion in DSH cuts; and \$23 billion in unspecified cuts by the Medicare Advisory Board.

Cost of the Legislation

The [Congressional Budget Office](#) has determined the initial cost of the measure to the federal government to be \$849 billion. However, CBO notes that the bill includes two significant provisions that will likely alter the true cost of the bill. Medicare participating providers are assumed to get a 23% payment cut in 2011, which would carry into subsequent years. Fixing the rate cut, which is historically and politically likely to happen, would cost \$247 billion. Additionally, the CLASS Act provisions, which address the creation of a new federal long-term care program, generate \$72 billion over the budget window because fees are collected initially for five years before any claims would be paid. Once the program is fully implemented, it is estimated to run at a significant deficit. According to the Senate Republican Budget Committee, when these factors are accounted for, the legislation is \$189 billion in the red. It would also put the real cost of the bill at over a trillion dollars.

In addition, the CBO report says, "Under the legislation, federal outlays for health care would increase during the 2010–2019 period, as would the federal budgetary commitment to health care." The coverage expansion would drive a net increase in government spending on health by \$160 billion over 10 years. CBO scored the bill as reducing the deficit by \$130 billion over FYs 2010-2019.

Process Moving Forward

The Senate will consider existing scheduled business all day today, and we expect that Senator Reid will also file his cloture motion later today to proceed on H.R. 3950 and start the Senate floor debate. The cloture vote process takes three days -- file on day one; day two is an intervening day; and the vote occurs on day three. That means the soonest a vote can be taken on the motion to proceed on H.R. 3950 would be Saturday, November 21, and all 60 Democratic Caucus votes will be needed for the measure to pass. Otherwise, the measure cannot be considered on the Senate floor. It's not clear that Senator Reid has the 60 votes needed to move forward at the moment, because three moderate Senators, Blanche Lincoln (D-AR), Mary Landrieu (D-LA) and Ben Nelson (D-NE) have not given their commitments. Nelson and Landrieu are said to be leaning towards allowing debate to start (while stating publicly that supporting a procedural vote to

has remained tight-lipped about her plans. Also, Senator Max Baucus (D-MT) has been called away from Washington, DC, to attend to a family emergency. We expect that the motion to proceed efforts may happen on Saturday, but could also extend into next week. Then, during the week of November 30, the Senate will begin to consider health care reform on the floor and the lengthy amendment process will begin.

NAHU will continue to keep you informed of any breaking developments as they occur. If you have any questions, please feel free to contact our government relations department staff.

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