

Federal Healthcare Reform Insurance Reform

Issue

As many know, America's health care system has reached a crisis point. Every day, 14,000 Americans across the country are losing their health insurance coverage. Americans with health coverage often find that their insurance company won't cover care when they need it the most, and the broken health care system will cost us between \$124 billion and \$248 billion in lost productivity this year alone due to the almost 52 million uninsured Americans who live shorter lives and have poorer health.

With those facts in mind, several ideas have been proposed to address this crisis. These ideas include changing current insurance company/policyholder relationships, health insurance exchanges, and a public option.

Changes to Current Insurance Market

One proposal would be to limit variations only on premium payments for insurance policies within each market by family structure, geographic region, the actuarial value of benefits provided, tobacco use and age. Rates specifically will not be permitted to vary based on health status, gender, class of business, or claims experience. Rating by age will be permitted to vary by no more than a factor of two to one. Insurers will be permitted to incentivize health promotion and disease prevention practices. Guaranteed issue and guaranteed renewability will be required in all states in each individual and group health insurance market. The bill may also establish limits on medical loss ratios.

Health insurers offering group or individual policies would be required to publicly report the percentage of total premium revenue that is expended on clinical services, quality, and all other non-claims costs as determined by the Secretary of Health and Human Services. All individual and group coverage policies would be required to continue offering dependent coverage for children until the child turns age 26, according to regulations to be established by the Secretary of Health and Human Services. Finally, no individual or group health insurance policy will be permitted to establish lifetime or annual limits on the dollar value of benefits for any enrollee or beneficiary.

Health Insurance Exchange

A health insurance exchange is an organized marketplace for the purchase of health insurance set up as a governmental or quasi-governmental entity to help insurers comply with consumer protections, compete in cost-efficient ways, and to facilitate the expansion of insurance coverage to more people. Exchanges do not bear risk themselves – they are not insurers. Rather, they would contract with private insurers and possibly offer a public plan option to cover specified populations such as those obtaining coverage through small employers and those without employer coverage. Ideally, an exchange would promote insurance transparency and accountability; facilitate enrollment and the delivery of subsidies, while also playing roles in spreading risk (i.e., ensuring that the costs associated with those with high medical need are shared broadly) and containing costs.

Most proposals either establish state insurance exchanges or give states the option to create exchanges. These exchanges would be administered through a governmental agency or non-profit organization. Coverage offered through the exchanges would include essential health benefits that would provide at least ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance abuse services, prescription drugs, rehabilitative services and devices, laboratory services, preventive and wellness services, and pediatric services.

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Current Status

Based on the strong consensus that seems to be forming, it is likely that any final health reform package will include significant insurance reforms as well as health insurance exchanges in each state.

SJHS Position

The System is supportive of extensive reform of the current insurance market, with the intent of coverage for all. Addressing the issues of the uninsured and underinsured will assist hospitals in meeting the needs of each community.

