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New Analysis: Congressional Health Care Reform Proposals Would Offer Coverage to Many Without Insurance; Plan to Cover the Uninsured Through Medicare Reduces Health Care Spending By \$58 Billion in 2010

Individual Requirement to Have Insurance Necessary to Achieve Universal Coverage

New York, NY, January 9, 2009—With health reform high on the agenda of the incoming Congress and President, a new analysis of legislative proposals—including the plans of President-elect Barack Obama and Senate Finance Committee Chairman Max Baucus (D-MT)—shows that several proposals already put forth could substantially reduce the number of uninsured Americans, and would either reduce health care spending or add only modestly to annual health care expenditures. The proposals demonstrate that it is possible to cover everyone with little or no

additional total health spending, but to do so means requiring that everyone have coverage, and achieving administrative savings and purchasing efficiencies by building on public programs and group purchase of private insurance—either through employers or insurance exchanges.

The analysis, by Sara Collins

and colleagues at The Commonwealth Fund, finds that the proposals outlined by President-elect Obama and Senator Baucus could cover almost all Americans; however, analysts say that to guarantee near universal coverage, mixed private-public proposals like these would need to

Summary of Insurance Coverage Proposals, 2010

	Uninsured Covered ¹ (millions)	National Health Expenditures (billions)	Federal Spending (billions)	State/Local Spending (billions)	Employer Spending (billions)	Household Spending (billions)
Building Blocks*	44.9	\$17.8	\$103.9	(\$32.7)	\$86.0	(\$139.4)
Wyden (<i>Healthy Americans Act</i>)	46.0	\$13.7	(\$39.6)	(\$29.0)	\$98.4	(\$16.2)
Enzi (<i>Ten Steps</i>)	26.9	\$64.1	\$176.4	(\$21.2)	(\$77.6)	(\$13.5)
Burr (<i>Every American Insured</i>)	22.3	\$31.1	\$161.3	(\$52.9)	\$7.0	(\$84.3)
Stark (<i>AmeriCare</i>)	48.9	(\$58.1)	\$188.5	(\$83.6)	\$61.5	(\$224.5)

*Mirrors most elements of Obama and Baucus plans.
¹ Out of an estimated total uninsured in 2010 of 48.9 million.
 Data: The Lewin Group for The Commonwealth Fund; expenditures are annual.
 Source: S. R. Collins, J. L. Nicholson, S. D. Rustgi, *An Analysis of Leading Congressional Health Care Bills, 2007–2008: Part I, Insurance Coverage*, The Commonwealth Fund, January 2009.

require that all Americans obtain coverage. The new report provides coverage and cost estimates for 2010 prepared by the Lewin Group,¹ assuming full implementation of health care plans by then. Lewin projects that by 2010, absent the implementation of any large-scale reform, nearly 49 million Americans will be uninsured.

“Many of these proposals offer ways to significantly expand health care coverage and also improve the quality of benefits and the efficiency with which they are provided,” said Sara R. Collins, Assistant Vice President for the Program on the Future of Health Insurance at The Commonwealth Fund and lead author of the report. “Though most proposals which cover more people come with a higher federal budget price tag, they can achieve significant administrative and health system savings. Universal coverage will need to be accompanied by health system reforms aimed at improving overall health system performance.”

Several Plans Could Result in Lower Total National Health Spending or Modest Increases

According to the report, proposals that expand coverage significantly would add to the federal budget but, if designed appropriately, could reduce total health spending. Total health spending declines when a plan builds in ways to reduce administrative costs or efficiencies from greater purchasing power and thereby offsets new use of services by the uninsured. Federal spending increases, however, when the government assumes responsibility for part of the current health spending of households, state and local government, and employers.

Representative Pete Stark’s (D-CA) *AmeriCare* proposal offers the greatest potential to ensure health insurance coverage for all, by broadening access to Medicare. At \$188.5 billion in federal dollars in 2010, his plan has the highest federal budget price tag, but it would reduce national health care spending by \$58.1 billion in 2010—by covering more people through Medicare, a program with significantly lower administrative costs than private insurance, according to researchers.

The *Building Blocks* proposal—a framework for universal coverage developed by Cathy Schoen and colleagues at The Commonwealth Fund which mirrors most elements of President-elect Obama and Senator Baucus’ plans—would add an estimated \$17.8 billion in health care expenditures in 2010, about 1 percent of current health care costs, which totaled \$2.2 trillion in 2007, according to the latest figures available from CMS. Lewin based its assessment on the *Building Blocks* proposal because plans by President-elect Obama and Senator Baucus lack key details—such as the amount of premium subsidies for low-income families—which are needed for analysis. The report estimates that *Building Blocks* would cost the federal government a net \$103.9 billion in 2010. New initiatives to improve quality and efficiency in the health system, such as reforming the way providers are paid, have the potential to offset both health system and federal costs.

The *Building Blocks* plan would cover 44.9 million people by expanding the nation’s current employer and public insurance system. This is a less disruptive approach that builds on what is currently working in the U.S. health system, according to the report authors. Senator Baucus’

¹ The Lewin Group is a wholly owned subsidiary of Ingenix which in turn is owned by UnitedHealth Group. The Lewin Group maintains editorial independence from its owners and is responsible for the integrity of any data that it produces for the Fund.

proposal is similar in that it includes a requirement that all individuals purchase health insurance when it is deemed affordable. President-elect Obama's plan does not include such a requirement. Massachusetts is currently implementing a similar plan with an individual requirement to have coverage.

Tax Codes Affected in Some Proposals

Some plans build in measures to finance improved coverage through new tax revenues or spending reductions. Senator Ron Wyden's (D-OR) *Healthy Americans Act* would expand health insurance to an estimated 46 million uninsured people. Senator Wyden proposes to expand coverage by replacing the income tax exclusion for employer benefits with an income tax deduction and premium subsidies. People would gain access to insurance through regional insurance exchanges offering private insurance plans, or through an employer. This plan would add \$1.21 trillion to federal spending in 2010, but is the only plan to specify sufficient new revenues and spending offsets (\$1.25 trillion) to achieve net federal budget savings (of nearly \$40 billion). Revenue increases and spending offsets included in the plan, such as new income tax revenues from substituting employee cash compensation for employer premium contributions, family premium contributions, employer payments, and the elimination of Medicaid and the Federal Employees Health Benefits Program (FEHBP), more than offset the incremental federal budget outlays.

While Senator Mike Enzi's (R-WY) *Ten Steps to Transform Health Care in America Act* and Senator Richard Burr's (R-NC) *Every American Insured Health Act* both aim to expand coverage by replacing the employer benefit tax exclusion with new standard income tax deductions and tax credits, their proposals don't go as far as others in covering the uninsured. Senator Enzi's plan would cover an estimated 26.9 million people and Senator Burr's plan would cover 22.3 million. Senator Enzi's plan includes an auto-enrollment process for uninsured people but does not impose a requirement that all obtain coverage. Senator Burr's plan also lacks such a requirement. Both proposals also rely on the individual insurance market which is more costly in general than group insurance. This means that the Enzi and Burr proposals cover fewer people compared to other plans and create higher health spending.

Several Proposals Seek Incremental Coverage Expansions

In addition to proposals seeking more widespread reforms, researchers examined incremental reform bills that seek to expand existing public insurance programs, bills which provide new options for small employers, and proposals to expand health savings accounts. Though incremental bills cover far fewer people, they would be targeted to vulnerable groups. The Lewin analysts estimate that Senator John Kerry's (D-MA) and Representative (D-CA) Waxman's *Kids Come First Act of 2007* would cover 6 million out of 12 million uninsured children and young adults in 2010.

Proposals Also Seek to Improve Quality and Efficiency

Many of the proposals analyzed in this report include standards for ensuring high quality care. Plans of both President-elect Obama and Senator Baucus are explicit about the need to establish rules for private insurance markets and define new benefit standards to ensure access to timely care. Senator Baucus proposes to establish an Independent Health Coverage Council that would be appointed by the President and work to ensure that coverage is affordable, appropriate, and

accessible. Senator Enzi's plan also promotes setting standards for rules governing private insurance markets.

"These health care proposals represent a tremendous amount of work by Congress over the last year to move us on the path to a high performance health system," said Commonwealth Fund President Karen Davis. "Our new leadership in Washington can now use this thinking as a foundation on which to build a viable health care reform plan which ensures affordable, high-quality care for all Americans."

This analysis compares 11 leading Congressional bills and proposals designed to expand health insurance coverage and is the first of a two-part series (see list of plans reviewed below). Part II of the series to be published in February 2009 will analyze and compare Congressional bills that seek to improve health care quality and efficiency.

The Commonwealth Fund is a private foundation supporting independent research on health policy reform and a high performance health system.

**PROPOSALS AND BILLS COVERED IN AN ANALYSIS OF LEADING CONGRESSIONAL HEALTH CARE BILLS,
2007-2008: PART I, INSURANCE COVERAGE**

Fundamental Reforms of the Nation's Health Insurance System

- Building Blocks (mirrors most elements of proposals by President-elect Obama and Senator Baucus)
- Senator Ron Wyden's (D-Ore.) and Representative Brian Baird's (D-Wash.) "Healthy Americans Act" (S.334 and H.R. 3163)
- Senator Mike Enzi's (R-Wyo.) "Ten Steps to Transform Health Care in America Act" (S.1783)
- Senator Richard Burr's (R-N.C.) "Every American Insured Health Act" (S. 1886) and Senator Tom Coburn's (R-Okla.) "Universal Health Care Choice and Access Act" (S. 1019)
- Senator Jeff Bingaman's (D-N.M.) "Health Partnership Act" (S. 325)/ Representative Tammy Baldwin's (D-Wis.) "Health Partnership Through Creative Federalism Act" (H.R. 506)/ Senator Russ Feingold (D-Wis.) and Senator Lindsey Graham's (R-S.C.) "State-Based Health Care Reform Act" (S. 1169)
- Representative Pete Stark's (D-Calif.) "AmeriCare Health Care Act of 2007" (H.R. 1841) and Senator Edward Kennedy (D-Mass.) and Representative John Dingell's (D-Mich.) "Medicare for All Act" (S. 1218 and H.R. 2034); Representative John Conyers' (D-Mich.) "United States National Health Insurance Act" (H.R. 676) and Representative Jim McDermott's (D-Wash.) "American Health Security Act of 2007" (H.R. 1200)

Expansions of Existing Public Insurance Programs

- Senator Jeff Bingaman (D-N.M.) and Representative Gene Green's (D-Texas) "Ending the Medicare Disability Waiting Period Act of 2007" (S. 2102 and H.R. 154)
- Senator John Kerry (D-Mass.) and Representative Henry Waxman's (D-Calif.) "Kids Come First Act of 2007" (S. 95 and H.R. 1111)

New Options for Small Employers

- Representative Sam Johnson's (R-Texas) "Small Business Health Fairness Act of 2007" (H.R. 241)/ Representative Vern Buchanan's (R-Fla.) "Small Business Growth Act of 2007" (H.R. 1012)/ Representative Howard McKeon's (R-Calif.) "Working Families Wage and Access to Health Care Act" (H.R. 324)
- Senator Richard Durbin (D-Ill.) and Representative Ronald Kind's (D-Wis.) "Small Business Health Options Program Act of 2008" (SHOP Act) (S. 2795 and H.R. 6210); Representative Thomas Allen's (D-Maine) "Small Business Health Plans Act of 2007" (H.R. 2132)

Expansions of Health Savings Accounts

- Representative Eric Cantor's (R-Va.) "HSA Improvement and Expansion Act of 2007" (H.R. 3234)