

# *Building on a Record of Creative Solutions*

U.S. Senate Republican Task Force on Health Care Costs and the Uninsured



*Personalized solutions to America's  
health care challenges*

## **Senate Republican Accomplishments in the 108th Congress**

Senate Republicans are building on a record of success to ensure that health care is more accessible, affordable, efficient and consumer friendly.\*

### ***Assuring Access to Safe, Affordable and High Quality Health Care***

- **Providing Tax-Free Health Savings Accounts** – Americans can now save money without tax penalty for routine health expenses. These portable accounts purchased in conjunction with high-deductible health insurance allow tax-deductible investments of up to \$2,600 for individual coverage and \$5,150 for family coverage.
- **Providing Drug Coverage to Protect Seniors' Life Savings** – Medicare will offer a generous benefit starting in 2006 for those with high out-of-pocket drug costs. Those with above-average spending of \$7,000 would save about \$3,300.
- **Preventing Genetic Discrimination** – Patients and their families would be protected from discrimination on the basis of their genetic information under legislation passed by the Senate. Employers and health insurers would be barred from using this information to make hiring or coverage decisions. *Status: Senate-passed*
- **Encouraging Competitive Pricing in Medicare** – Market-based reforms on the sale of Medicare-covered durable medical equipment and certain physician-administered prescription drugs save taxpayer money and reduce fraud and abuse.
- **Reducing Drug Costs by Increasing Access to Generic Drugs** – Patients will benefit from more rapid and more predictable access to safe, effective, lower-cost generic drugs due to reducing the legal barriers that delay the movement of generic drugs to marketplace.
- **Preserving Rural Access** – Improving Medicare provider payments in rural areas enhances patient access to quality health care services.

### ***Caring for Those in Need***

- **Increasing Funding for "Safety Net" Hospitals** – An additional \$3 billion is available over the next 10 years for the Medicaid program to support hospitals serving low-income and Medicaid patients.
- **Helping Low-Income Seniors Afford Prescription Drugs** – Low-income seniors are protected from high prescription drug costs with a Medicare-approved discount card that comes with a \$600 credit and with comprehensive prescription drug coverage with low (or no) co-payments and deductibles in 2006.

- **Protecting Children’s Access to Health Care** – Over \$2 billion to cover health care spending for children in low-income families was protected by State Children’s Health Insurance Program redistribution legislation.
- **Increasing Funding to Community Health Centers** – At a time of budget shortfalls and fiscal restraint, funding for community health centers that provide low- or no-cost care to low-income people and the uninsured increased by \$113 million, benefiting 2.4 million uninsured.
- **Encouraging Medical Volunteerism** – \$4.9 million was dedicated in 2004 to ensure that free health care clinics can continue to provide care in spite of extraordinary medical malpractice costs.

### *Supporting Health Care Innovation and Technology*

- **Reducing Medication Errors through Electronic Prescribing** – Seniors will soon benefit from greater convenience and safety in filling their prescriptions by having health care professionals transmit their prescriptions electronically to pharmacies.
- **Helping Consumers Identify Quality Hospitals** – Hospitals are given a financial incentive to report quality of care information so that consumers can make more informed decisions about where to go for the best patient care.
- **Paying for Better Performance** – Physicians participating in a Medicare demonstration in four sites across the country will receive bonus payments provided that they meet or exceed performance standards.
- **Reducing Medical Errors** – Improved patient safety and reduced medical errors through a reporting system that promotes the development of interventions and solutions to prevent future errors. *Status: Committee-passed*
- **Adding New Medicare Choices** – Medicare beneficiaries can choose the health care plan that best fits their needs when Medicare begins offering preferred provider organization (PPO) plans in 2006.

\*Except where noted, all accomplishments have been signed into law.

# *COST: Lower Costs for All Americans*

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## **Solutions to Address the Cost of Health Care**

**Problem:** Health care costs are increasing faster than any other basic service in our society. Runaway cost is the primary barrier for many Americans without health insurance and is heightening the risk that those who have insurance might lose it. The average American household spends about \$3,510 on premiums and medical bills, which does not factor in lost wages and taxes for public health programs.

**Solution:** Too many health care dollars are wasted because of excessive litigation, lack of consumer input, unnecessary and repetitive tests, low-quality care and bureaucratic paperwork. These costs are then passed on to consumers. By reforming medical liability laws, promoting the efficient use of technology and eliminating bureaucratic red tape, we can drive down the cost of health care.

***TOTAL IMPACT OF PROPOSALS: Estimated savings to the health care system of \$137 billion annually, which translates to \$500 per man, woman and child in America.\****

***\*Total savings estimate includes additional \$2 billion in reduction of uncompensated care costs.***

### **Inform and empower consumers...**

Empower consumers to make health care decisions based on value by creating an accessible system that provides understandable care and cost information.

- Share Medicare claims data that fully protects patient privacy, which can be analyzed for quality, outcomes and cost information to help consumers identify the best-performing providers and treatment options.
- Facilitate the ability of consumers to secure appropriate health care cost and quality information.
- Realign incentives (e.g., plan design and reimbursement) so that providers and consumers are encouraged to make appropriate health care and financial decisions.
- Establish a demonstration project to determine impact on patient care and outcomes when provider reimbursement is based on quality.

***Impact:*** \$76 billion saved annually

### ***Improve patient safety and quality...***

- Pass S. 720 to improve patient safety and correct or reduce medical errors by creating a voluntary error reporting system for doctors and hospitals. Currently, medical errors contribute to as many as 98,000 deaths each year. S. 720 will allow information to be shared among experts so that others can learn from mistakes without fear of litigation.

***Impact:*** \$2 billion saved annually

### **Use innovative technology efficiently...**

Use information and medical technology to reduce duplicative tests and procedures, promote safety and quality, and share information.

- Promote standards to safely exchange electronic patient information.
- Ensure coordinated federal effort to promote health information technology.
- Encourage appropriate use of cost-saving medical technology.

***Impact:*** \$7 billion saved annually

### **Reform the medical liability system...**

- Limit inappropriate awards for non-economic damages.
- Ensure rapid and fair compensation for injured patients.

***Impact:*** \$7 billion in annual direct savings plus \$35 billion in annual savings due to reduced expenses on defensive medicine practices

### **Reduce bureaucratic red tape and burdensome regulations...**

- Establish an advisory Mandate Review Commission to assess state or federal regulations that inappropriately increase costs.
- Examine regulations for cost savings and paperwork reduction opportunities based on recent recommendations by the Department of Health and Human Services (HHS).
- Require HHS to offer to classes of providers and beneficiaries a judicial review opportunity, as provided by other agencies, in order to determine whether regulations are in compliance with federal laws. This will help eliminate costly and unnecessary burdens to the health care system.

***Impact:*** \$2 billion saved annually

### ***Curtail waste, fraud and abuse in federally funded programs...***

- Eliminate unscrupulous practices that divert dollars from the health system and needed services.
- Eliminate systemic and established abuses of taxpayer-financed health programs.

***Impact:*** \$4 billion saved annually

### **Reduce health insurance premiums by strengthening recovery rights of health plans...**

Restore the long-standing practice by which responsible third parties pay for the medical expenses of an insured individual.

- Lower health insurance premiums by requiring responsible third parties to pay the medical expenses of an injured individual, thereby avoiding double recovery of these medical expenses and returning savings in the form of lower premiums to individuals with employer-sponsored coverage.
- Encourage federal health programs to require responsible third parties to pay the medical expenses of an injured individual, thereby avoiding double recovery of these medical expenses and redirecting savings to medical care.

***Impact:*** Up to \$1 billion of annual savings for private plans; public program savings expected to be consistent with Medicare savings of \$10 billion over 10 years.

# COVERAGE: Insurance for Millions More



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## **Solutions to Provide Coverage to the Uninsured**

**Problem:** 43 million Americans are uninsured at some point in any given year. Of those, 21 million are without insurance for a year or more. The number of uninsured Americans is a chronic symptom of systemic problems and impacts not only those without insurance, who generally suffer from poorer health, but also drives up costs for everyone.

**Solutions:** Cover more Americans by targeting reforms to specific needs; developing new insurance options; marrying new subsidies with systemic improvements that allow for greater choice and competition; and optimizing existing public programs.

**TOTAL IMPACT OF PROPOSALS: 17-25 million more Americans will have insurance.**

### **Provide new financial assistance and tax credits to make insurance more affordable...**

Help low-income workers who don't have employer-sponsored insurance by providing a tax credit/subsidy for purchasing insurance on their own. Create an above-the-line deduction for Health Savings Accounts (HSAs) or similar proposals. Complete analyses of early implementation of the Trade Adjustment Act (TAA) tax credit for workers who are uninsured because jobs have moved overseas and make any necessary changes to improve the program.

- Makes treatment of health insurance more equitable; reduces number of uninsured, especially if refundable and combined with market reforms below.
- Minimizes employer crowd-out and maximize equity.
- Encourages growth of HSAs and other consumer-directed products.

**Cost:** \$85 billion over five years.

**Impact:** Covers 5-8 million previously uninsured

### **Remove barriers to allow for new multi-state pooling options...**

Proposal accompanies insurance market reforms to create new, more affordable options for small group and individual markets

- Create state or regional-based pooling options for individuals and groups.
- Implement product standardization, allowing for multi-state pools with state enforcement, ensuring consumer protection; insurance risk adjustment mechanisms, and avoiding adverse selection problems.

### **Support and extend last-resort insurance plans...**

- Extend grant program established under the Trade Adjustment Act (TAA) through 2009 to encourage more states to establish high risk pools for consumers with serious health needs and to offset operational costs.

**Cost:** *\$90 million over five years*

**Impact:** *Covers up to 200,000 previously uninsured*

### **Make sure Health Savings Accounts are user friendly and widely available...**

- Remove barriers that prevent individuals in all states from participating in a portable HSA when enrolled in a high deductible health plan that meets federal requirements.
- Make any necessary improvements to ensure smooth implementation, flexibility and availability of HSAs to a broad range of consumers, including retirees.

**Cost:** *Minimal cost to the federal government*

**Impact:** *54 percent of employers likely to offer an HSA plan by 2006. Would be more with proposed changes.*

### **Create incentives for young adults to purchase lifetime, portable insurance...**

- Provide financial incentives to colleges and universities that provide, require or make coverage available to full-time students.
- Forgive federal student loans or defer interest for college graduates who purchase HSAs.

**Cost:** *\$5 billion over five years*

**Impact:** *Covers up to 4 million previously uninsured*

## **Improve enrollment in existing public programs...**

- Prioritize and carry out recommendations to encourage qualified individuals to sign up for available public insurance programs like Medicaid and the State Children's Health Insurance Program (SCHIP).
- Improve outreach efforts to maximize participation of eligible beneficiaries in federal safety net programs.
- Allow more flexibility under SCHIP for employer-plan participation.

**Cost:** *\$2 billion over five years*

**Impact:** *Covers up to 3 million previously uninsured*

## **Expand coverage options for low-income entrepreneurs and self-employed individuals...**

- Expand eligible uses under the Assets for Independence Act to include purchase of health insurance so that those starting a small business can cover the costs of health insurance as business expenses.

**Cost:** *Nominal or no cost to federal government*

**Impact:** *Covers up to 20,000 previously uninsured*

**Market Reform Alternatives: See following page**

## **Market Reform Alternatives to Make Insurance Coverage More Affordable** *(members may select their own preference)*

**Insurance Market Reform** (encompasses AHP goals) -- Streamline and harmonize targeted inter-state health insurance regulations that limit plan choice and increase costs, while encouraging continued state-based regulation.

- Gives consumers a range of standardized products from which to choose, and makes consumer-driven products (e.g., HSAs) more widely available.
- Provides uniformity (i.e., standard products and process in every state), lowering administrative costs and allowing for multi-state employer plans and pools.
- Maintains state governments' role for enforcement and solvency.
- Same rules for all will result in more robust and competitive insurance market.

**Impact:** *Covers 4-9 million previously uninsured. Significant cost-saving opportunities and increased access for 70-80 million consumers who are in state-regulated group and individual market plans.*

**Association Health Plans (AHPs) (S. 545)** -- Would provide small businesses more options by allowing bona fide associations to pool members and their employees; competition would help lower rates and increase choice.

- CBO has estimated that AHPs would result in 600,000 newly insured people with other estimates at 4.5 million people and as many 8.5 million people.
- CBO, SBA, and GAO have concluded that AHPs would operate at 13 to 30 percent lower administrative costs.
- AHPs would not exacerbate the federal budget deficit by relying on an expensive federal funding mechanism: CBO scored the House bill at \$300 million over 10 years; due entirely to lower tax revenues from more employers deducting health insurance provided to employees.
- Insurance companies providing coverage for fully insured AHPs would still be subject to regulations for solvency and other issues in the states in which the plan is sold. Fully insured AHPs would significantly outnumber self insured AHPs.
- Self insured AHPs would function much like current self insured single employer and union plans, but would also be required to meet specific new solvency standards enforced by the Department of Labor.

**Impact:** *Addresses cost and access for 59 million people getting employer-based health insurance in state regulated plans.*

# CARE: A Helping Hand Where Needed



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## Solutions to Strengthen the Safety Net of Care

**Problem:** Insuring more Americans is an important goal, but making sure those without insurance still have a safety net of care must also be a fundamental measure of success. Currently, safety net care is in unnecessarily short supply and sometimes may not be able to provide a full range of services.

**Solution:** Provide high-quality care to anyone who lacks insurance coverage and cannot afford to pay for health care by strengthening our existing health care safety net and providing the staffing, legal protection, and resources necessary.

**TOTAL IMPACT OF PROPOSALS:** 5 million more Americans will have access to safety net care. Quality will be better for all patients.

### **Increase the Number of Community Health Centers (CHCs) by providing new funding for integrated health systems that serve the uninsured...**

- Help develop and fund religious-sponsored integrated health systems that provide primary care, specialty health care, and hospital services.

**Cost:** \$140 million annually

**Impact:** Care for 500,000 additional Americans

### **Increase access to specialty care within the safety net...**

- Provide a tax deduction to physician specialists who provide care for patients referred from safety net providers.

**Cost:** \$20 million annually

**Impact:** Care for more than 300,000 additional patients

### **Make prescription drugs more affordable and available to those who utilize the safety net...**

- Enable low-income and uninsured people to receive substantial discounts on prescription drugs by extending the federal “340B” drug discount pricing program to additional safety-net providers.
- Improve access to substantially discounted prescription drugs by permitting 340B eligible providers to use multiple contract pharmacies.
- Reduce federal drug spending by encouraging eligible providers that are also federal grantees or are paid cost-based reimbursement by federal healthcare programs to participate in the 340B discount program, unless they receive better pricing through other mechanisms.
- Preserve 340B program integrity and protect against program misuse by establishing stronger oversight and enforcement systems.

**Cost:** No additional cost to the federal government

**Impact:** Care for more than 3 million additional patients

### **Encourage more doctor and provider participation in the safety net of care...**

- Increase the number of medical volunteers at Community Health Centers (CHCs) and integrated health systems by extending the Federal Tort Claims Act (FTCA) liability coverage.
- Ensure that the Healthy Community Access Program (HCAP program) supports efficient health care networks and successful chronic disease management activities.
- Increase the number of health care professionals caring for patients by deferring interest on student loans for those who work for integrated health systems and other not-for-profit community-based sites (e.g. rural health clinics) that serve a significant portion of the uninsured, or those who volunteer more than 50 percent of their time to care for patients in free clinics.

**Cost:** \$20 million annually

**Impact:** Care for more than 600,000 additional patients

### **Reduce regulatory burden on safety net providers and enhance the provision of care...**

- Allow religious-sponsored health systems to qualify for federal funding and designation as a CHC by creating an exemption from the governance and ownership requirements.
- Facilitate uptake of the FTCA liability coverage program by free clinics by reducing the regulatory burden associated with a free clinic becoming “deemed” eligible for FTCA coverage.
- Allow CHCs to contract with other providers to coordinate care (e.g., rural health clinics).
- Ensure the fiscal integrity of the Medicaid and Medicare Disproportionate Share Hospital Funding program so that designated funding goes directly to hospitals.
- Target recruitment, training and retention of healthcare professionals in medically underserved areas.
- Revise CHC evaluation criteria to require a projection of the percentage of uninsured that will be served by the clinic and give priority to those applications that reach more uninsured.

**Cost:** No additional cost

**Impact:** Care for more than 600,000 additional patients