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STAFF DISCUSSION DRAFT -- NOT FOR RELEASE 8-26-94

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Hatfield

SUMMARY OF POSSIBLE "DOWN PAYMENT" ALTERNATIVE

Recognizing that it does not appear possible to enact comprehensive health care reform this year, this proposal seeks to make an important, affordable down payment to comprehensive reform and universal coverage. First, it would make some basic improvements to the health care system that nearly all in the debate agree on (insurance market reforms, paperwork reduction, and an expansion of efforts to combat fraud, waste and abuse). Second, it would take a significant first step toward universal coverage by assuring that every child in America has affordable health care and by giving the self-employed a fairer break on the cost of their health insurance. Finally, it would begin to provide American families security against the costs of long-term care for the elderly and disabled.

These changes would be fully paid for by extending Medicare savings made in the 1993 reconciliation bill, a reduction in subsidy to the wealthiest older Americans for Medicare premiums and an increase in the cigarette tax.

Insurance Market Reforms

Health plans would be prohibited from denying, limiting, or conditioning coverage based on health status, claims experience, or medical history. Pre-existing condition exclusion periods would be limited to no more than six months and lifetime limits on benefits would be prohibited. In addition, policies would have to be guaranteed renewable except in instances of non-payment of premiums or fraud or misrepresentation. (Mitchell/Dole)

Administrative Simplification/Paperwork Reduction

Changes would be made to reduce the up to $100 billion in costs added to the health care system by excessive numbers of forms and other red tape by moving to a uniform electronic system for records and claims. States would also be authorized to develop and implement "report cards" to assist consumers in evaluating health plans. (Mitchell/Dole)

Expanded Efforts to Combat Fraud and Abuse

These provisions would reduce the up to $100 billion lost each year to health care fraud and abuse by establishing an enhanced national anti-fraud program overseen by the Attorney General and the Secretary of Health and Human Services. It would provide for stiff new criminal and civil penalties targeted at a range of abusive and fraudulent practices, including fraudulent billings, bribery, embezzlement, patient abuse, and kickbacks.

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It also provides for new incentives for private sector anti fraud efforts by providing health plans and other third party payors a private right of action in cases where the federal government does not take action and allows for rewards to private citizens who provide information that leads to health care fraud convictions.

In addition, it provides, at no cost to the federal government, significant additional resources for combatting fraud by creating an account in which fines, penalties, and forfeitures derived from health care offenses would be deposited and drawn upon for implementation of the expanded efforts. (Mitchell/Dole)

Universal Coverage for American Children

Beginning in 1996, all children would have access to affordable health care. The 8-10 million uninsured children would be eligible for subsidies to enable to their families to afford coverage. Children in families with income up to 200 percent of poverty ($28,700 for family of 4) would be eligible for full subsidies. Subsidies would be phased out between 200 and 400 percent of poverty.

These children would receive private insurance coverage through an extension of the Federal Employees Health Benefit Plan (or another appropriate state option approved by the Secretary). In order to operate under FEHBP, health plans would be required to offer a children's only policy with a benefit package similar to that provided in the Mitchell bill. No children would face copayments or deductibles for preventive care and there would be assistance for cost sharing for lower and moderate income families. In addition, the proposal includes the Dodd Amendment requiring that all health plans include no cost sharing for preventive services for pregnant women and children.

Premium subsidies could be applied toward purchase of family policy but benefit package for children must include all services included in children-only policy. To be eligible for a subsidy a child must not have been enrolled in a health plan offered by an employer during the 6-month period prior to an application for premium or cost-sharing assistance.

In order to assure that families and businesses would not simply shift costs to the government, they could not drop dependent coverage only. States would be prohibited from lowering their Medicaid eligibility levels for children in order to shift costs on to this program.

Tax Parity for the Self-Employed

This provision would make health coverage more affordable to self employed Americans by giving them the same 100 percent tax deductibility for their health insurance costs provided to businesses, beginning in tax year 1996.

289 B

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Capped Long-Term Care Program for Elderly and Disabled

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Beginning January 1, 1996, a program to provide elderly and disabled Americans requiring long-term care assistance with the cost of home and community-based care. In many instances, these individuals can be kept out of more expensive nursing home care with less costly respite care for families and home care. The cost of this program would be capped. (Mitchell)

Financing

This package would cost approximately $240 billion over 10 years and would be fully paid for from 3 sources:.

1) Extension of Medicare savings provisions in 1993 budget reconciliation act; -75 B

2) Increase share of Medicare Part B costs paid by wealthiest program beneficiaries ($80,000 for individuals, $100,000 for couples) ; and,. 7 35 B

3) Increase in cigarette tax. 7 $100

++ Staff are also exlporing options to open up the FEHBP to other Americans.

Ron Pollak:

2nd year
25th Pt B prem
Home health - pymt limits ($6 billion)
ESRD - 2nd day for 24 months
Finance PPP update 1/2 cuts

+ 50 Billion

Harkin File

HARKIN-LEVIN "DOWN PAYMENT" ALTERNATIVE

A number of Senators are working on a "down payment" alternative that would enact incremental insurance reforms and administrative simplification, expand tax deductibility for the self-employed, and provide subsidies for children.

INSURANCE REFORMS

Insurance reforms would include measures designed to close many of the loopholes in the current system, but not more comprehensive changes (like community rating) that could prove disruptive for some who now have health insurance.

- **Limits on pre-existing condition exclusions:** Pre-existing condition exclusions would be limited to six months.
- **No lifetime limits:** Health plans would be prohibited from imposing lifetime limits on benefits.
- **Guaranteed access and renewal:** Health plans would be prohibited from denying, limiting, or conditioning coverage based on health status. Health plans would also be required to renew coverage (except for non-payment, fraud, or misrepresentation).

AFFORDABLE COVERAGE FOR CHILDREN

Subsidies would be provided to children in families with income up to 400% of the poverty level (about $57,000 per year for a family of four). Coverage would be provided through FEHBP (or, at the option of a state, another mechanism). To guard against employers dropping dependent coverage, businesses now providing coverage would be prohibited from eliminating only the dependent portion.

ADMINISTRATIVE SIMPLIFICATION AND COMBATTING FRAUD/ABUSE

Steps would be taken to move towards a uniform, electronic billing. And, a national anti-fraud program would be created under the direction of the Attorney General and the Secretary of Health and Human Services (with new criminal and civil penalties).

LONG TERM CARE

A limited home and community-based long term care program would be phased in over a period of years.

HEALTH INSURANCE TAX DEDUCTION FOR THE SELF-EMPLOYED

Beginning in 1996, self-employed individuals would be able to deduce 100% of their health insurance costs.

FINANCING

Reforms would be financed through an increase in the tobacco tax, relatively modest Medicare savings, and increased Medicare Part B premiums for high income beneficiaries.

Senator Harkin

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United States Senate

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Fax Cover Sheet

Date: 8/31

To: Chris Jennings

With:

Sender: Peter Reinecke

Pages(to follow) 1

Comments:

Thanks.

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To: Chris Jennings
From: Peter Reinecke
Re: Meeting This Week
Date: August 31, 1993

Hope your break was great. I know it was too short!

As you may remember, we spoke before you left about a meeting either this week or next with Judy, you and any other appropriate folks with the Harkin staff (me and Anne Ford) and the Labor-HHS Appropriations staff (Ed Long and Carol Mitchell). I was to get back with your assistant last week to set it up. Obviously, that didn't happen. Among other things, Jim Sweeney, our foreign affairs L.A. was tragically killed in a car accident and we went to CT for his funeral.

Anyway, we'd still very much like to have this meeting. At the meeting we'd like to get a general overview of the plan as well as have you respond to questions about rural health, preventive health, medical research and the impact on appropriations (increased authorizations, combining of funding streams, changing discretionary programs into mandatory....).

Please let me know when you all can do it. Thanks a lot.

I'm at 224-3254 or 7303.

9/1/93 Call Peter Reinecke

Req from HHS for a mtg w/ HRC in July did not take place wants to talk to you