

PRESIDENT-ELECT OBAMA'S HEALTH CARE PROPOSALS



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November 5, 2008

OVERVIEW

The fundamental tenet of President-Elect Obama's health care proposal is that "every American has the right to affordable, comprehensive, and portable health care coverage." His stated goal is to have everyone covered by health insurance by 2012. His plans are designed to address the rising numbers of uninsured and underinsured Americans; the burgeoning costs of health care for individuals, families, and businesses; and underinvestment in prevention and public health such as cancer screening, immunizations, and management of chronic diseases.

The Obama plan would build on the current health insurance system and would leave Medicare intact for seniors and the disabled. Individuals with coverage they like will be able to keep it if they so choose. The proposal would guarantee health care coverage for every American through partnerships among employers, private health plans, the federal government, and states.

UNINSURED and ACCESS TO COVERAGE

President-Elect Obama would create a new national public insurance program, available to Americans who neither qualify for Medicaid or SCHIP nor have access to health insurance through their employers. The self-employed and small businesses which desire to provide health insurance to their employees would also have access to the new plan.

Individuals would be permitted to enroll in the new plan on tax returns, over the Internet, or on forms available through employers, churches, libraries, and motor vehicle bureaus.

The national plan would provide guaranteed eligibility (no pre-existing condition exclusions under any insurance plan), comprehensive benefits similar to those under the Federal Employees Health Benefits Program (FEHBP), offer income-related federal premium subsidies for individuals and families who do not qualify for Medicaid or the State Children's Health Insurance Program (SCHIP), provide portability for insurance coverage, and require hospitals and other providers that participate in the new plan to collect and report data to ensure that standards for health care quality, health information technology, and administration are met.

President-Elect Obama would provide additional private health care insurance options through a National Health Insurance Exchange. Through the Exchange, any person could enroll in the new national plan or purchase an approved plan. An income-based sliding scale subsidy would be provided for individuals and families who need assistance. The Exchange would also act as a "watchdog" for the

private health insurance market by creating rules and standards for participating insurance plans to “ensure fairness and make individual coverage more affordable and accessible.” Insurers would be *required* to issue every applicant a policy, and premiums cannot be dependent on health status. Insurers would have to “justify” any above-average premium increase to the Exchange.

The Exchange will also mandate that all plans offered are at least as generous as the new national public plan and that they meet the same standards for quality and efficiency.

Employers that do not offer “meaningful coverage or make a meaningful contribution to the cost of quality coverage for their employees” would be required to contribute a percentage of payroll toward the costs of the national plan. Very small and start-up businesses would be exempt from this requirement. At this point, there is little guidance as to what would be considered “meaningful coverage” or a “meaningful contribution.”

President-Elect Obama mandates that all children have health care coverage and would permit children up to age 25 to continue coverage through their parents’ plans. Under the plan, when a child is born, the parents will be assisted in enrolling them in coverage whether through their employer-sponsored insurance plan, through Medicaid or SCHIP, or through the new health plan or plans offered through the Exchange.

Eligibility for Medicaid and SCHIP would be expanded under President-Elect Obama’s health plan.

President-Elect Obama would provide small businesses with a 50 percent refundable tax credit against the cost of employee premiums. To be eligible for the credit, a company would be required to purchase a “quality” insurance plan and pay a “meaningful” share of the premiums. The credit would be phased-out for mid-sized companies as well as businesses that employ high income workers. Details as to the applicable thresholds have not been released. During the campaign, President-Elect Obama said that the credit would be paid for through savings as a result of an FDA pathway for approval of follow-on biologics.

States will be permitted to continue to experiment with their own health care reform proposals and those efforts will not be supplanted by the new national plan provided that they meet the minimum standards of the national plan.

COST REDUCTION and QUALITY CONTROL

President-Elect Obama’s health proposal would establish a “reinsurance pool” to reimburse employer health plans for “a portion” of the catastrophic costs which they incur above a threshold “if they guarantee such savings are used to reduce the cost of workers’ premiums.” This provision is premised on the belief that offsetting some of the catastrophic costs will make health care more affordable for employers and employees and their families.

Plans that participate in the new national public plan, Medicare, and FEHBP plans would be required to use “proven” disease management programs.

Providers which utilize care management programs and encourage team care through medical home-type models for persons with chronic conditions will receive “support” under the Obama plan.

Hospitals and other providers would be required to collect and publicly report measures of health care costs and quality including “data on preventable medical errors, nurse staffing ratios, hospital-acquired infections, and disparities in care and costs.” Health plans would have to disclose the “percentage of premiums that are used for patient care as opposed to administrative costs.”

The Obama plan would “accelerate efforts” to develop and implement best medical practices and require that reimbursement be predicated on the provision of high quality care. To this end, providers under the new national plan, the Exchange, Medicare, and FEHBP would be reimbursed for achieving performance levels on “physician-validated outcome measures.”

President-Elect Obama would establish an independent institute to conduct comparative effectiveness studies to provide information about which drugs, devices, and procedures are the best diagnostic and treatment options for individual patients.

The Obama proposal would eliminate inequities in health care by requiring hospitals and health plans to “collect, analyze and report health care quality for disparity populations [e.g. minority, female, and rural] and holding them accountable for any differences found.” President-Elect Obama also proposes to implement and fund evidence-based interventions such as patient navigator programs.

MEDICAL MALPRACTICE

President-Elect Obama has not proposed any reforms in the medical malpractice system. Instead, he has focused on increasing malpractice insurance rates which make it “harder for doctors to practice medicine and raising the costs of health care for everyone.” To address this issue, his plan proposes to “strengthen antitrust laws to prevent insurers from overcharging physicians for their malpractice insurance.”

HEALTH INFORMATION TECHNOLOGY

President-Elect Obama plans to invest \$10 billion a year over 5 years to finance the adoption of standards-based electronic health information systems including electronic health records. His proposal calls for phasing-in full implementation of health IT.

PRESCRIPTION DRUGS

President-Elect Obama's original proposal would permit drug reimportation because "some companies are exploiting Americans by dramatically overcharging U.S. consumers." His plan would "allow Americans to buy their medicines from other developed countries if the drugs are safe and prices are lower outside the U.S." Recent concerns about protecting the safety of imported drugs arising, for example, from the problem with Heparin from China, appear to have tempered Obama's enthusiasm for drug importation.

The Obama plan would prohibit drug companies from paying generic drug makers not to enter the market. The plan would also increase the use of generic drugs in the new public plan, Medicare, Medicaid, and FEHBP. The President-Elect also supports banning authorized generics, preventing the use of citizen petitions to delay generic market entry, and eliminating drug patent and exclusivity provisions in free trade agreements.

President-Elect Obama favors the creation of an FDA approval pathway for biosimilars and his aides state that he supports the shortest period of market exclusivity for innovator biosimilars that does not retard innovation.

President-Elect Obama would repeal the non-interference provision in the Medicare Modernization Act which prohibits the Secretary of HHS from negotiating Medicare drug prices directly with manufacturers. He also said that he would hold drug companies "accountable for the prices they charge and the harm they cause."

President-Elect Obama believes that the FDA is "badly underfunded" and needs additional staffing and technology to carry out its responsibilities.

PRIVATE HEALTH INSURANCE MARKET REFORMS

The Obama proposal "will prevent [insurance] companies from abusing their monopoly power through unjustified price increases." In markets where the insurance business "is not competitive", insurers will be "forc[ed] to pay out a reasonable share of their premiums for patient care instead of keeping exorbitant amounts for profits and administration." The proposed National Health Insurance Exchange will have a role in overseeing competition in the health insurance market.

According to Obama documents, his health plan would not tell patients which doctors to see or what treatments they should receive.

Guaranteed eligibility would be required for all private and public health insurance plans whether they are offered in the National Health Insurance Exchange or outside of it.

MEDICARE

President-Elect Obama's Medicare proposal would eliminate the "excessive subsidies" paid to Medicare Advantage plans and "pay them the same amount it would cost to treat the same patients under regular Medicare."

Many of the cost reduction and quality control provisions which he has proposed for private plans and the new public plan would also be incorporated in Medicare as well.

PREVENTION

President-Elect Obama's health care plan would "reward" employers which provide worksite health promotion programs, on-site clinical preventive services such as flu vaccinations, serve nutritious foods in cafeterias and vending machines, furnish exercise facilities, and offer insurance which covers preventive services for employees.

President-Elect Obama would "work with schools to create more healthful environments for children including assistance with contract policy development for local vendors, grant support for school-based health screening programs and clinical services, increased financial support for physical education, and education programs for students."

All "federally supported" health plans including the new public plan, Medicare, Medicaid, and SCHIP will be required to provide coverage for "essential" clinical preventive services such as cancer screenings and smoking cessation programs.

PUBLIC HEALTH

President-Elect Obama would direct that federal, state, and local governments develop a national and regional strategy for public health "and align funding mechanisms" to support implementation of the strategy.

The plan also calls for collaborative arrangements between all levels of government and appropriate private entities, performance and accountability indicators, integrated and interoperable communication networks, and disaster preparedness and response.

President-Elect Obama's proposal would modernize physical structures in particular public health laboratories.

President-Elect Obama supports increased funding for biomedical research as well as improving the efficiency of such research by enhancing coordination both within government and across government/private/non-profit partnerships.

President-Elect Obama strongly supports global initiatives to fight AIDS.

The Obama plan would require that child care facilities be lead-free in 5 years, reduce mercury poisoning, and provide funding for research on causes of and treatments for autism.

MEDICAID

President-Elect Obama would expand Medicaid and SCHIP to cover more families and working individuals.

COST OF PLAN

The Obama plan is estimated to cost \$50 to \$65 billion a year when fully phased-in. The Tax Policy Center, however, has estimated that the proposed health insurance subsidies, tax credits for small business, and expanded Medicaid eligibility would cost approximately \$1.63 trillion over ten years.

President-Elect Obama said that his plan would be paid for through savings which result from the plan itself as well as “allowing the Bush tax cuts to expire for people making more than \$250,000 per year, as they are scheduled to do.” Revenue would also be provided by the “pay or play” tax on employers although President-Elect Obama has not specified what that tax rate would be.

TAX PROVISIONS

President-Elect Obama would pay for his health care proposal, in part, by allowing the Bush tax cuts to expire for individuals earning more than \$250,000 per year.