



— A Proposal to Cover All Americans —
Updated March 2008



Introduction

Today, 48 million Americans—one in six—are uninsured. No one better understands the crisis of the uninsured than the hospitals they turn to for care.

That's why the members of the Federation of American Hospitals developed a comprehensive, fair and reasonable plan that covers all Americans. It builds on what works in our current system and guarantees that all uninsured Americans get quality health care coverage at a reasonable cost.



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

TABLE OF CONTENTS

America's Uninsured	PAGE 4
Health Coverage Passport	PAGE 9
How It Works	PAGE 11
The Impact	PAGE 26



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

America's Uninsured

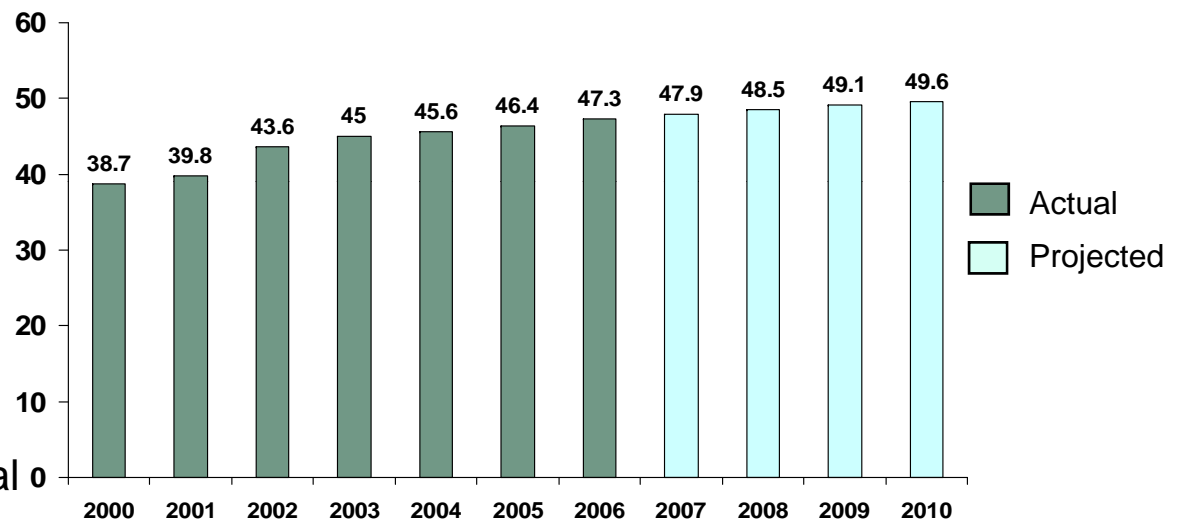


A P R O P O S A L T O C O V E R A L L A M E R I C A N S

48 Million Uninsured Americans ...and Counting

- Today, 48 million Americans are uninsured; nearly 20% (9.6 million) are children
- The number of uninsured has grown by an average of one million each year since 1990
- The uninsured are found in all age and income groups
 - 51% (24.1 million) of the uninsured are living below 200% of the Federal Poverty Level (FPL) ^{a/}

Average Monthly Uninsured



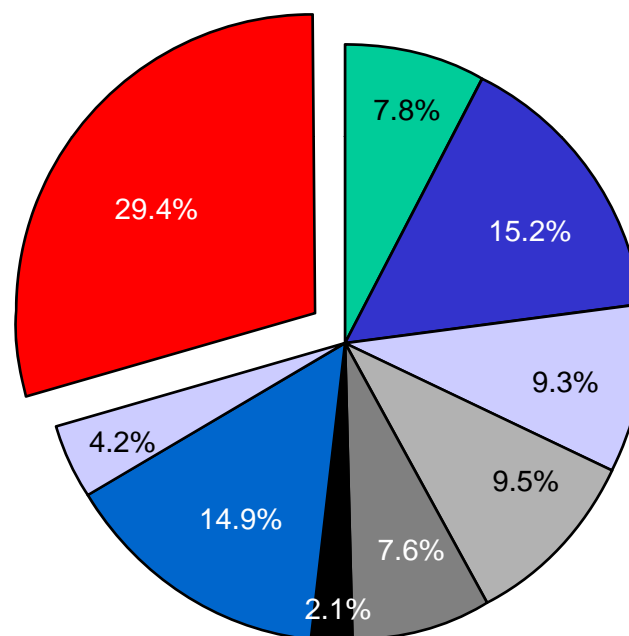
a/ The Federal Poverty Level is: \$10,400 for single individuals; \$21,200 for family of four
Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)

Most Uninsured Americans Are in Working Families

- 71% of the uninsured (33.4 million) have one or more workers in the family
- Uninsured workers can be found in firms of all sizes

Average Monthly Uninsured = 47.3 million

- (3.7M) Sole Proprietor
- (7.2M) Works at Firm with 1-9 employees
- (4.4M) Works at Firm with 10-24 employees
- (4.5M) Works at Firm with 25-99 employees
- (3.6M) Works at Firm with 100-499 employees
- (1.0M) Works at Firm with 500-999 employees
- (7.0M) Works at Firm with 1,000+ employees
- (2.0M) Works for Government
- (13.9M) No Worker in Family

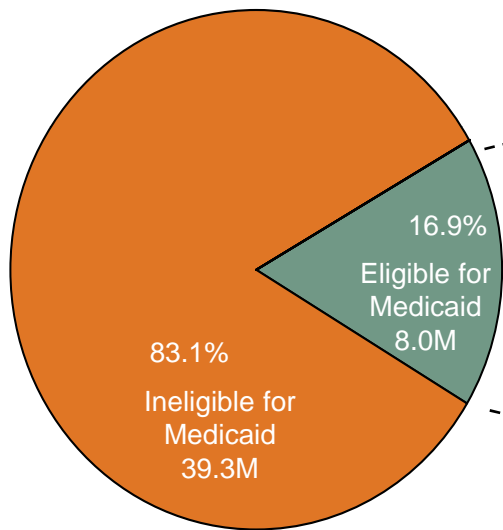


Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)

Public Programs Have not Reached Many Eligible Uninsured

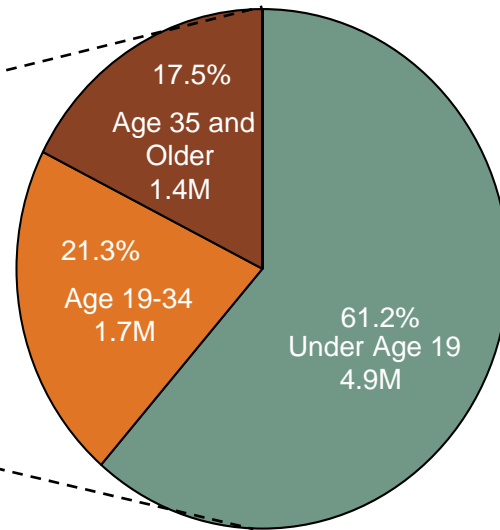
1 in 6 uninsured qualify for SCHIP or Medicaid but aren't enrolled

Uninsured by Medicaid/ Eligibility (millions)*



Average Monthly Uninsured = 47.3 million

Age Distribution of Uninsured Who Are Medicaid-Eligible (millions)**



Average Monthly Medicaid Eligible Not Enrolled = 8.0 million

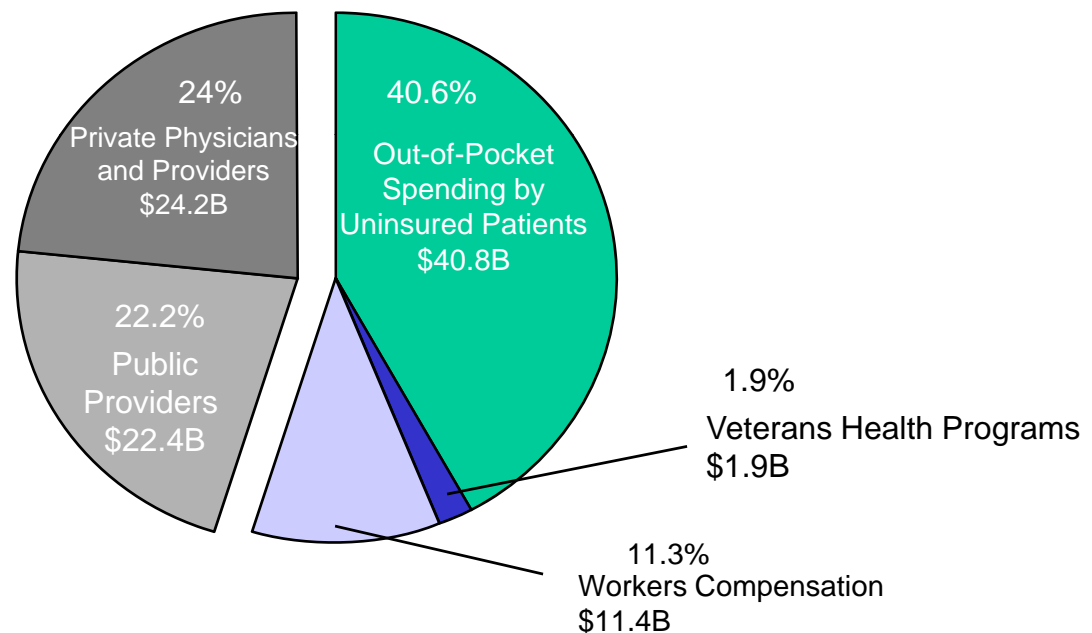
* Medicaid includes the State Children's Health Insurance Program (SCHIP)

** Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)

Many Shoulder the Health Care Costs of the Uninsured

The uninsured will account for \$100.7 billion in health expenditures in 2010; \$46.6 billion of this care is uncompensated

Health Spending for the Uninsured (billions)



Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)

Health Coverage Passport



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

Health Coverage Passport

Makes it possible for all Americans to get the coverage they need by:

- **Helping Those Who Need it Most** - providing assistance to all Americans, particularly to the neediest
- **Preserving Existing Coverage** - sustaining coverage for those currently insured through employers and public programs
- **Reforming the Market** - ensuring that quality, portable coverage, similar to what is offered to federal employees, is available at a fair price
- **Holding Everyone Responsible** - requiring every American to have health insurance



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

- New assistance is provided to make quality coverage available and affordable:
 - Medicaid and SCHIP are expanded and strengthened
 - New **Health Coverage Passports (HCPs)** cover the entire or partial cost of health insurance premiums (assistance is based on income)
 - Premiums on private insurance purchased in the individual market become tax deductible for those not offered employer coverage
- People currently enrolled in employer coverage or public programs such as Medicare, Medicaid and SCHIP keep their coverage
- Individuals who are not insured when they file tax returns or seek health care are enrolled and assessed the cost of their premium, minus HCP assistance (if eligible)
- Insurance plans are held to the standard of federal employees' plan



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

Medicaid and SCHIP are Expanded and Strengthened

- Medicaid is expanded to cover all uninsured adults below 100% of FPL^{a/}
- States' federal matching percentage for Medicaid is increased to cover full cost of increased enrollment
- SCHIP funding is increased to cover all eligible, uninsured children
- SCHIP remains a block grant but cap on federal dollars is increased to cover full cost of increased enrollment
- Eligible persons are automatically enrolled and re-enrolled based on income data from other government programs
 - Eligibility lasts for 12 months
- Eligibility standards and benefits are maintained at current level or increased

a/ The Federal Poverty Level is: \$9,800 for single individuals; \$20,300 for family of four



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

Health Coverage Passports (HCPs) Help Individuals and Families Purchase Coverage

- HCPs are available to people below 400% of FPL who are not eligible for Medicaid or SCHIP
- HCPs pay a percentage of the premium on a sliding scale based on income
- HCPs are issued directly to individuals, who then use them to purchase qualified employer coverage or a plan in the individual market
- If employer coverage is offered, an HCP must be applied to the worker's share of employer coverage rather than individual insurance
- Qualified employers and insurers redeem the HCP for up to face value



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

Tax Relief for Working Families Without Employer Coverage

- Individuals whose income is too high and do not qualify for HCPs must purchase their own insurance but their premiums become tax deductible
- Individuals who qualify for HCPs and buy individual coverage may use either the HCP or the new tax deduction, but not both
- This new tax deduction ensures that those purchasing their own insurance in the individual market are treated equally with those who receive a tax exclusion from employer purchased coverage



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

Everyone Gets Assistance to Fit Their Needs

Income ^{a/}	New Assistance for the Uninsured
0-100% FPL	Medicaid and SCHIP are expanded and eligible individuals and families are automatically enrolled, in coordination with other public programs.
101-150% FPL	HCPs cover the full cost of employer-based premiums. If employer coverage is not offered, HCPs generally cover the full cost of premiums on insurance purchased in the individual market.
151- 400% FPL	HCPs cover a portion of the cost of employer-based premiums (assistance is based on income). If employer coverage is not offered, health insurance must be purchased in the individual market but individuals can choose to (1) apply an HCP to a portion of their premium or (2) have premiums become tax deductible.
Above 400% FPL	To ensure equity, premiums for individual coverage become tax deductible.

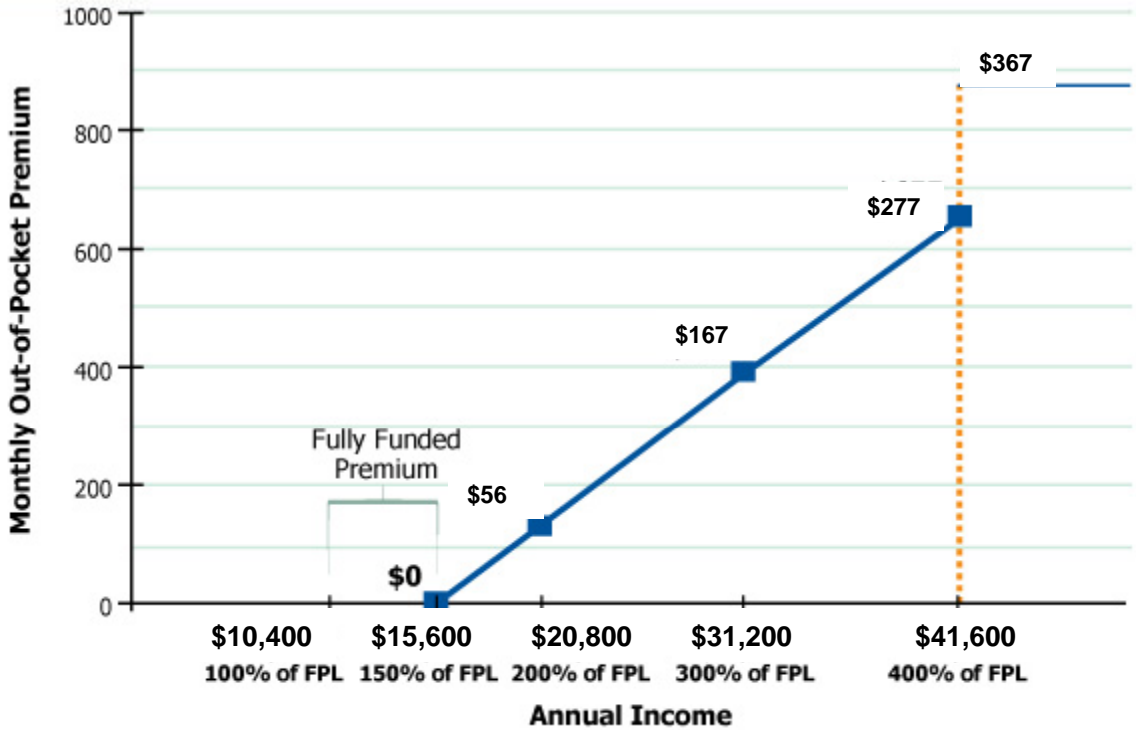
a/ The Federal Poverty Level is: \$10,400 for single individuals; \$21,200 for family of four



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

HCPs: Illustrative Sliding Scale Assistance for Individuals

**MONTHLY PREMIUM COSTS FOR INDIVIDUALS MINUS HCP ASSISTANCE
(AVERAGE MONTHLY PREMIUM COST BEFORE HCPs = \$367)**



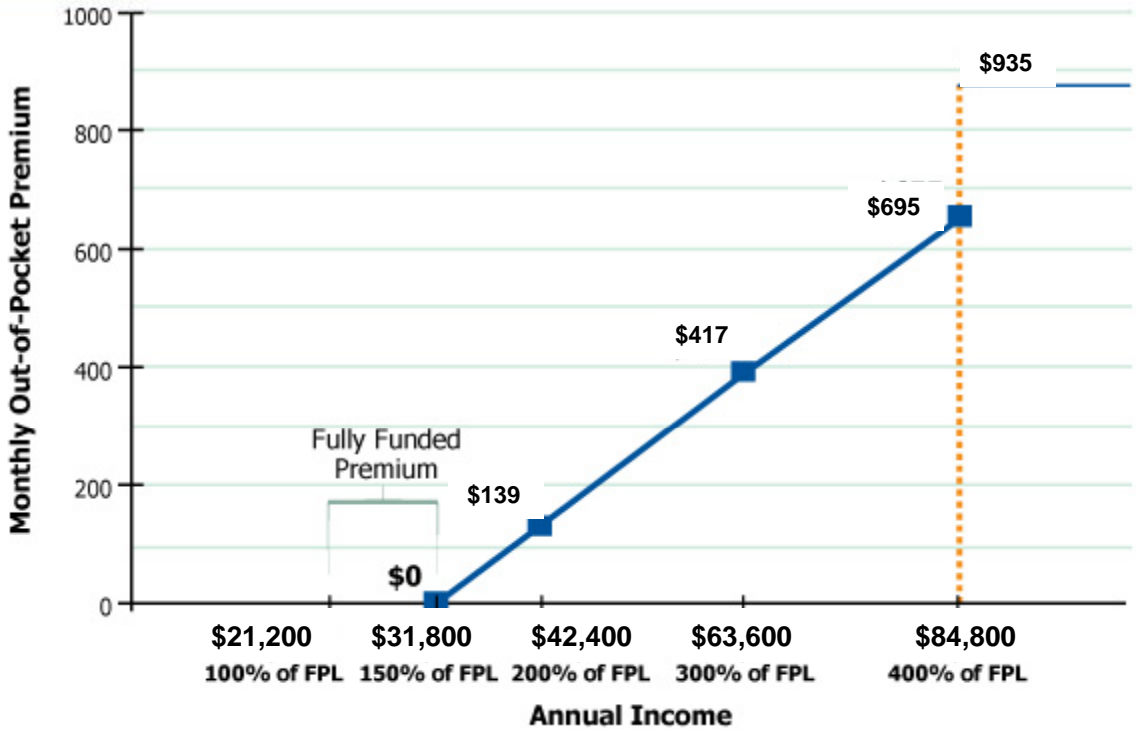
Premium costs are based upon estimates of the average premium for a standard federal employee's plan for the population to be covered, which is comparable to the premiums expected in reformed state insurance markets.



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

HCPs: Illustrative Sliding Scale Assistance for Families

**MONTHLY PREMIUM COSTS FOR FAMILIES MINUS HCP ASSISTANCE
(AVERAGE MONTHLY PREMIUM COST BEFORE HCPs = \$935)**



Premium costs are based upon estimates of the average premium for a standard federal employee's plan for the population to be covered, which is comparable to the premiums expected in reformed state insurance markets.



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

Preserving Existing Coverage

- People now covered through employers or public programs such as Medicare, Medicaid and SCHIP retain their coverage
- Employer coverage will continue to be the largest source of insurance, covering 55% of the population
- Employers who now offer coverage are likely to continue since employees can apply HCPs to their share of employer coverage
- Some non-insuring firms are likely to start offering coverage due to increased worker demand
- Newly insuring employer plans qualify only if the plan is at least equivalent to the average employer health plan in the state
- Current employer plans qualify so long as the employer annually increases the payments per enrollee by at least CPI plus 1.25 percentage points

How It Works

Ensuring Quality Coverage

- HCP-qualified plans on the individual market must be at least equivalent to:
 - Coverage offered to most federal employees (FEHBP “Standard Option Plan” [a PPO model]);
 - The state workers’ health plan; or
 - The largest HMO in the state
- Plans that qualify for tax deductions must be at least equivalent to 85 percent of these types of plans
- Coverage is designed to be comparable to major employer health plans and will include comprehensive benefits



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

States Will Implement Full Benefit Plans Similar to Federal Employees' Plan

Federal Employee Health Benefits Plan (FEHBP), Blue Cross/Blue Shield "Standard Option" in 2008

Service	Cost Share
Adult preventive screenings and office visits	\$15 office visit copayment; none for covered preventive screenings
Child Preventive Care	None for covered services
Inpatient services	\$250 yearly deductible
Home and office visits	\$15 office visit copayment
Outpatient physical, occupational, and speech therapy	\$15 for each visit 75 visit maximum per year
Mail service pharmacy	Up to a 90 day supply \$10 copayment for generic drugs \$35 copayment for brand name drugs
Retail pharmacy	Up to a 90 day supply 25% PPA at the time of purchase
Hospital Inpatient	\$100 per admission copayment
Outpatient facility care, excluding laboratory and x-ray services	Subject to \$250 calendar year deductible
Outpatient facility, physical, occupational and speech therapy	\$15 copayment per visit
Outpatient facility, laboratory and x-ray services	Subject to \$250 calendar year deductible
Outpatient surgery	10% PPA
Accidental Injury — emergency room care and ambulance services	None for covered charges for services rendered within 72 hours of the accident
Medical Emergency — facility care	Subject to \$250 calendar year deductible 10% PPA
Medical Emergency — physician care	\$15 office visit copayment
Outpatient professional services	\$15 office visit copayment
Spinal manipulations	Up to 10 spinal manipulations per year \$15 copayment
Routine Dental Care	Benefits paid according to yearly fee schedule
Catastrophic Benefits	100% payment level begins after you pay \$4000 out-of-pocket in coinsurance, copayment and deductible expenses

	Monthly Premium	Annual Premiums
Single	\$370	\$4,400
Married	\$740	\$8,880
Two-Parent Families	\$935	\$11,220
One-Parent Families	\$533	\$6,396

Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)



A PROPOSAL TO COVER ALL AMERICANS

How It Works

Reforming the Individual Market in States

- Coverage is guaranteed to everyone regardless of age or health status
- Enrollment takes place during:
 - Annual open enrollment period;
 - Automatic re-enrollment; and/or
 - Following involuntary termination of employer coverage
- Community-rated premiums do not vary with age, gender, health status or other risk factors
 - Premiums only vary by benefits package, family type and geography
 - Discounts are available for health behaviors such as smoking cessation and exercise
- Federal grants pay each state's administrative costs
- To remedy adverse selection, states implement risk adjustment or other mechanisms
- If a state does not act, the federal government operates a reformed individual insurance market on the state's behalf, using the state's grant allotment to pay administrative costs



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

Increase Resources for Those Who Continue to Care for the Undocumented Uninsured

- Health care providers will continue to care for uninsured who are not eligible for any public programs due to immigration status
 - Currently, 20% of the uninsured are not U.S. citizens
- Reauthorize Section 1011 of the Medicare Modernization Act at a higher funding level to help offset costs to health care providers who give emergency care to uninsured undocumented immigrants who are not eligible for public programs



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

Holding Everyone Responsible

- Adults must have health coverage for themselves
- Parents must have health coverage for their dependent children
- Anyone who is uninsured when filing federal income taxes or seeking health care will be enrolled:
 - In Medicaid or SCHIP if eligible
 - In an HCP-qualified plan, and charged the premium less their HCP amount
- Health coverage can be obtained through:
 - A public program like Medicaid or SCHIP
 - A qualifying employer plan
 - Individual insurance that qualifies for HCPs or tax relief



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

How It Works

Seamless Enrollment

- People can either apply to programs directly or, when possible, are enrolled automatically
- Automatic enrollment is based on existing government data on family income, such as Food Stamps eligibility, earnings reported to Social Security and income tax data
- People can apply in Social Security offices to request extra help when their circumstances change



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

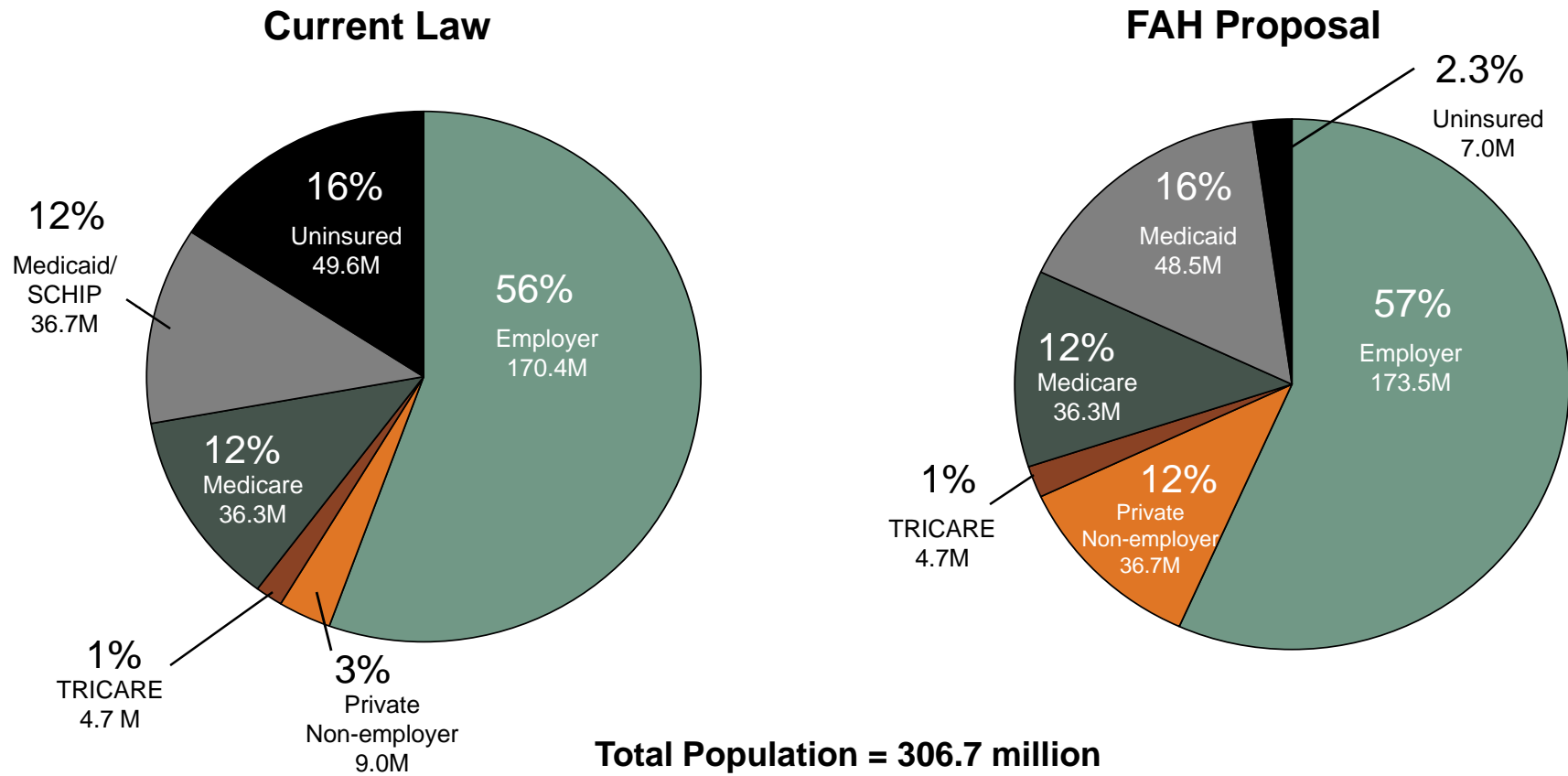
The Impact



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

Impact: Virtually All Americans Are Covered

Primary Source of Coverage in 2010: Current Law vs. Health Coverage Passport (millions)



Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

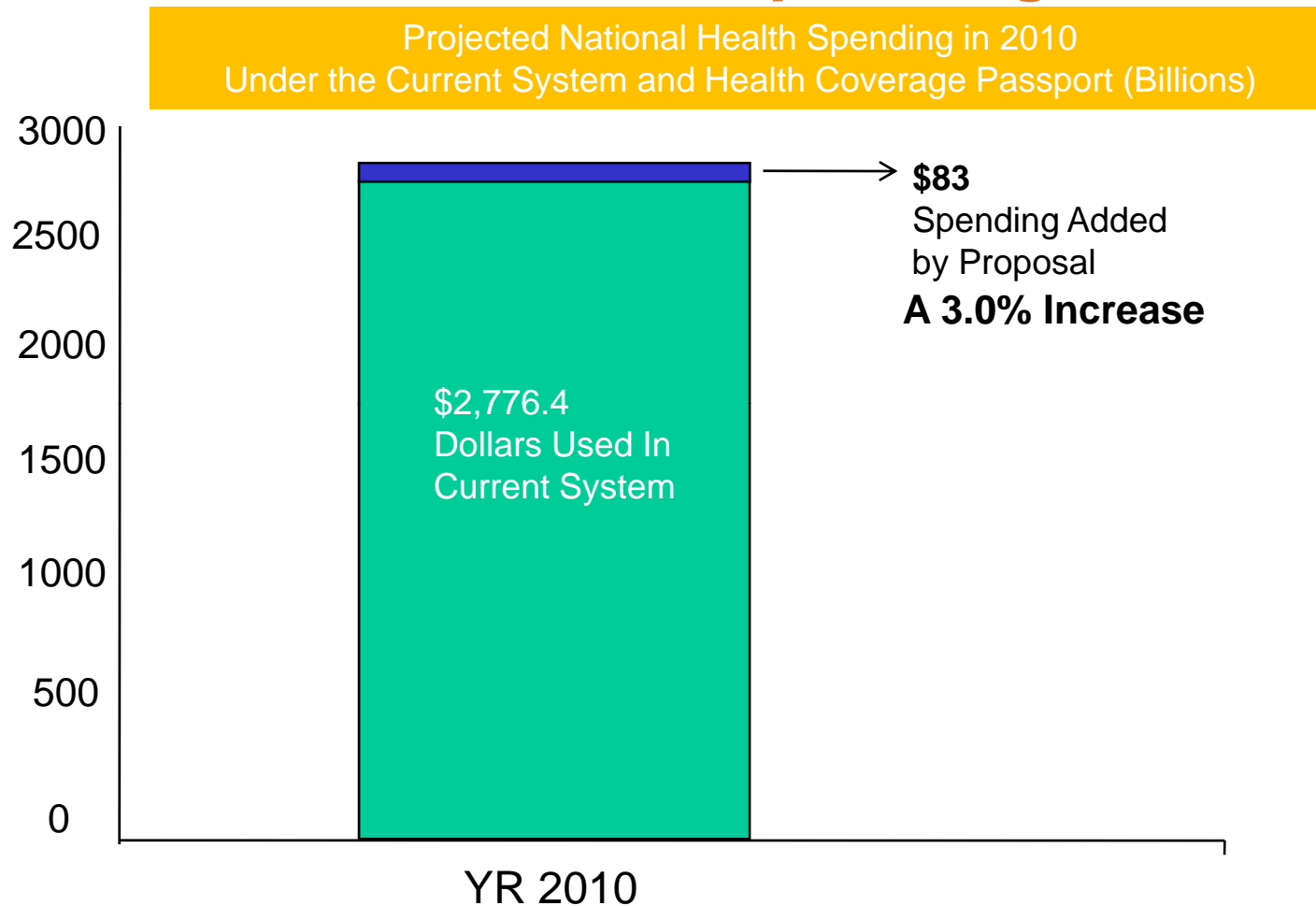
Impact: Primary Source of Coverage Shifts

- Average monthly percentage of those who rely on Medicaid or SCHIP for health coverage increases from 12% to 16%
- Average monthly percentage of those relying on private, non-employer health coverage increases from 3% to 12%
- Average monthly percentage of uninsured declines from 16% to 2% – or from an estimated 49.6 million to 7.0 million in 2010



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

Impact: Increase at the Margin in National Health Spending



Source: Office of the Actuary of the Centers for Medicare and Medicaid Services; and Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)

Impact: Uncompensated Care Costs Decrease

- Private sector uncompensated care costs are reduced by \$8.4 billion
- Consumers, who now share in paying for this uncompensated care burden, save \$3.4 billion

Impact: Federal Costs of Health Coverage Passport

\$132.9 billion if implemented in 2010

Major Categories of New Federal Costs and Beneficiaries	Federal Costs (billions)	Beneficiaries (millions)
Auto-enrollment of current uninsured eligibles into Medicaid and SCHIP	\$15.2	6.4
Medicaid for poor adults outside current categories	\$30.5	10.3
Health Coverage Passports for employer plans	\$26.1	62.1
Health Coverage Passports for private, non-employer plans	\$42.1	26.4
New tax deduction for private, non-employer plans	\$11.4	8.3
Administrative costs	\$5.9	n/a
Total:	\$132.9 billion ^{a/}	113.5 million ^{b/}

a/ Includes \$1.7 billion in technical adjustments.

b/The number of beneficiaries exceeds the number of uninsured primarily because HCPs and the new tax deduction would be available to provide assistance to eligible lower and middle-income earners who currently purchase insurance.

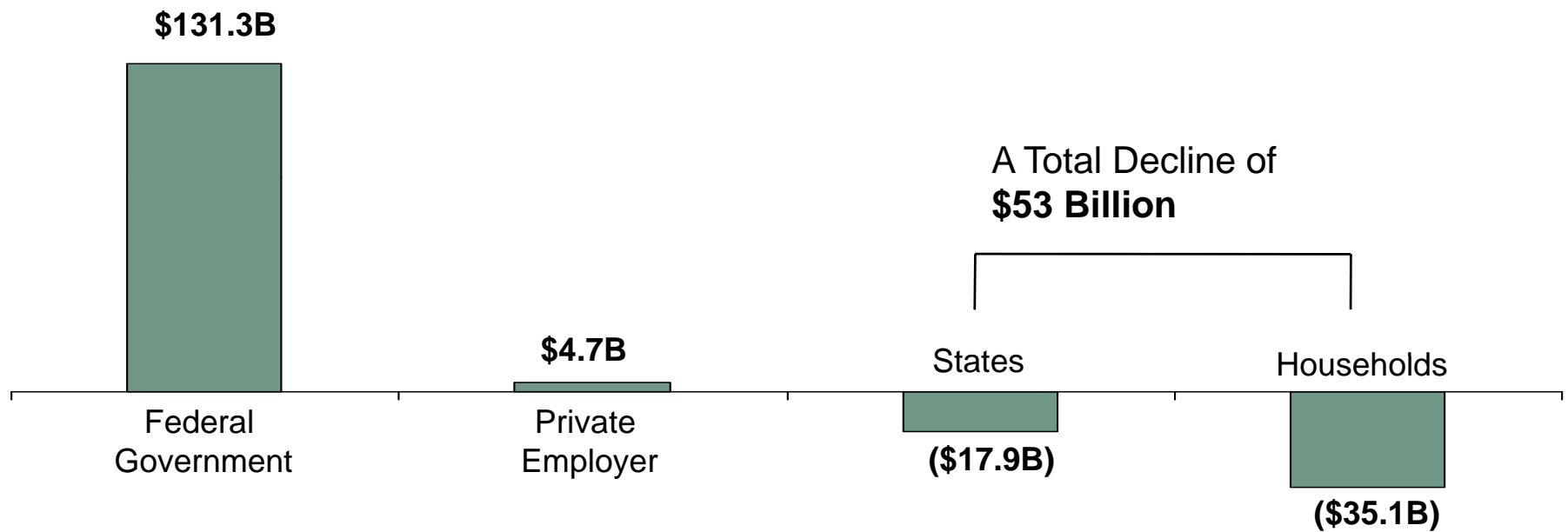
Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)



A P R O P O S A L T O C O V E R A L L A M E R I C A N S

Impact: Savings for States and Households

How 2010 Health Spending Shifts Under Health Coverage Passport (In Billions)



a/ These estimates assume that employers reduce wage growth to compensate for firms' increase in health insurance costs, which rise from \$522.6 billion to \$527.3 billion under the proposal. Wage losses are counted as increased family spending for health care.

Source: Estimates based on The Lewin Group Health Benefits Simulation Model (HBSM)



A PROPOSAL TO COVER ALL AMERICANS

Health Coverage Passport

Everyone's responsible.
Everyone's covered.

www.fah.org/passport



A P R O P O S A L T O C O V E R A L L A M E R I C A N S