



Legislative Brief

House Passes Health Care Bill: The Affordable Health Care For America Act



On November 7, 2009, the House of Representatives passed H.R. 3962, the **Affordable Health Care for America Act**, by a vote of 220-215. The vote is historic because no chamber of Congress has approved such a sweeping expansion of coverage since the passage of Medicare and Medicaid in 1965. Rep. Anh “Joseph” Cao (R- Louisiana) was the only Republican to vote in favor of the bill. Many Democrats were convinced to vote for the proposal after an amendment was adopted limiting the use of federal funds for abortion services. The Congressional Budget Office (CBO) estimated **the cost of the bill at \$1.05 trillion over 10 years.**

Proponents of the bill are touting the legislation as a way to accomplish President Obama’s goals for health care reform. They state that the bill will contain health care costs, keep coverage affordable and insurers accountable by introducing competition into the marketplace, protect people’s choices of doctors and health plans and assure all Americans access to quality, stable, affordable health care. Opponents of the legislation argued that the bill would lead to the government takeover of the private health care system. They are also concerned that the legislation will increase families’ health care costs, increase the deficit, increase taxes and cut Medicare.

Key Provisions

Key provisions of H.R. 3962 are outlined below. The bill provides that expansion of coverage would be funded through cuts to Medicare spending and a variety of new taxes, including a 5.4 percent tax on annual income over \$500,000 for individuals and \$1,000,000 for families.

Exchange – The proposed legislation would create a national “Health Insurance Exchange” to be effective in 2013. The Exchange would be operated by a new federal agency known as the “Health Choices Administration (HCA).” Individuals may use the exchange to purchase health insurance if they are not covered by employer-sponsored insurance, Medicare or Medicaid. Small employers may also purchase insurance through the exchange; within three years, the Exchange would be open to employers with up to 100 employees. Over time, the Exchange may be available to larger employers as well. States may opt out of the federal Exchange if they operate their own exchange that meets federal requirements.

Public Health Insurance Option – Unlike the bill that passed the Senate Finance Committee last month, the House bill contains a public health insurance option. The public option would compete with other plans in the Exchange. The Secretary of Health and Human Services will administer the public option and negotiate rates for providers that participate. Start-up funding will be provided for the public option, but the public option will be financed only by its premiums.

Benefit Plans – Individuals may keep their current coverage if they so choose, as long as there are no changes made to cost-sharing, contract terms, or benefit levels. However, a new Health Benefits Advisory Committee will be tasked with recommending an essential benefit package based on actuarial standards outlined in the bill. This benefit package will be the basic benefit package offered in the Exchange and

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would eventually become the minimum standard for employer plans. The Exchange would have four plan levels with the same essential benefits and various levels of cost-sharing.

Coverage Mandates – Beginning in 2013, individuals would be required to obtain health insurance coverage, either through their current plan, a government plan like Medicare or Medicaid, an employer-based plan or an individual or group plan that meets minimum benefit requirements. Those who choose not to obtain coverage would pay a penalty of 2.5 percent of their income. Certain exceptions are available, including an exception based on financial hardship. Employers with an annual payroll over \$500,000 would also have to provide coverage with certain minimum benefits or face a penalty up to 8 percent of payroll tax. A tax credit will be available for certain small businesses that provide health coverage to employees.

Affordability Measures – To increase affordability of health coverage, the bill provides for affordability credits to some low- and moderate-income individuals and families. The credits are offered on a sliding scale through the Exchange. The bill also contains caps on out-of-pocket spending of \$5,000 for individuals and \$10,000 for families.

Insurance Market Reforms – The new legislation would implement various insurance market rules with effective dates ranging from 2010 to 2015. Changes would include government review of health plan premiums, enforcement of an 85 percent medical loss ratio, and coverage of children as dependents through age 26. The reforms would also prohibit lifetime benefit limits and insurance rating based on health status or pre-existing conditions, limit age rating to 2:1, and prohibit cancellation or rescission of coverage except in cases of fraud. States may also choose to permit the sale of health insurance across state lines.

Medicaid and Medicare – Under H.R. 3962, Medicaid would be expanded and improved. Additional individuals and families would be eligible for coverage. Medicare would also be improved with elimination of certain cost sharing provisions, increased primary care access and better coverage for prescription drugs.

What's Next?

The debate on health care reform next moves to the Senate. Despite a goal of bringing a proposal to the Senate floor by Thanksgiving, it is possible that a new proposal will not be ready before the end of the year. It is unlikely that any legislation that passes the Senate will mirror the bill passed by the House. Many Senators have expressed their plans to block legislation that includes a public option.

If the House and Senate both manage to pass health care overhaul bills, a conference committee then will negotiate a final version requiring approval from both chambers before going to President Obama for his signature.

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