



RESPONSIBLE REFORM FOR THE MIDDLE CLASS DEMOCRATS . SENATE . GOV / REFORM

Senate Health Insurance Reform: Stable, Secure Coverage for Americans

The Senate continues work on historic health reform legislation. Both the version of the legislation approved by the HELP Committee and the version under consideration by the Finance Committee reflect the common goal of assuring stable, secure health coverage for Americans and a common approach to reform. Senate health insurance reform will reduce costs, improve health care quality and efficiency, and make stable, secure health care more affordable and more available by strengthening what works in the current health care system and fixing what does not. When these two versions are merged into a single bill for floor consideration, the Senate will have an historic opportunity to enact legislation that will improve health care for all Americans.

Senate health insurance reform will:

Ensure Fiscal Responsibility

- ✓ **Health Insurance Reform is Fiscally Responsible and Fully Offset.** Improving health care in America requires investments – and those investments must and will be fully paid back. Senate health insurance reform will reduce costs, as described below, and will include targeted revenue increases focused on those who gain most from the reforms. Through this carefully balanced and responsible approach, the legislation will improve health care without adding to the budget deficit.

Control Costs for Stable Coverage

- ✓ **Health Insurance Reform Lowers Costs.** Health reform will make health care more efficient, producing significant savings for government, employers, and the American public. Under Senate health insurance reform, health care providers will be rewarded for the quality of the care they provide, not just the quantity. The legislation will include new measures to reduce medical errors and prevent costly illnesses. To help families struggling with rising health care costs, the bill will also sharply reduce or eliminate the “hidden tax” of \$1,100 that every family pays on the cost of their coverage to compensate for the high cost of emergency care for the uninsured. [Center for American Progress, [6/11/09](#); Commonwealth Fund, [2/19/09](#); Families USA, [6/28/09](#)]
- ✓ **Health Insurance Reform Curbs Waste, Fraud and Inefficiency.** Billions of dollars that Americans pay in premiums are wasted in needless red tape and excessive administrative costs. Recent studies have found that administrative costs for private insurers ranged from 11.7 to 30 percent. These costs are passed on to consumers by increasing their premiums. Senate health insurance reform combats this problem by setting administrative standards that insurance companies must meet, and providing new tools to combat fraud. [Urban Institute, accessed [7/9/09](#); Senate Health, Education, Labor and Pensions Committee’s Affordable Health Choices Act]
- ✓ **Health Insurance Reform Helps Increase the Use of Technology to Cut Costs, Improve Quality of Care.** A 2005 RAND Health study found that widespread adoption of health information technology could reduce health care spending by \$77 billion per year, but America lags behind every other industrialized nation in the use of this technology, with only 1 in 25 American physicians utilizing a fully functional electronic medical record. Senate health insurance reform expands the use of electronic prescribing, electronic health records, and electronic support for diagnosis and treatment options. According to a recent study published in the leading journal of internal medicine, better use of these critical tools to improve health care quality will lead to “fewer deaths, fewer complications, and lower health care costs.” [Alliance for Health Reform, [10/08](#); Alliance for Health Reform, [10/08](#); The Commonwealth Fund, R. Amarasingham et al, [1/26/09](#); Senate Health, Education, Labor and Pensions Committee’s Affordable Health Choices Act]

Increase Competition

- ✓ **Health Insurance Reform Creates Health Exchanges Where Health Plans Compete for Your Business.** Senate health insurance reform creates health insurance exchanges - organized, competitive marketplaces for health insurance coverage. An exchange puts consumers in charge by offering a choice of insurance plans, establishing rules for offering and pricing insurance and - most importantly - providing consumers more information about all of the health plans available to them. [Kaiser Family Foundation, [5/09](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]

Ensure Americans Have Stable, Affordable Choices

- ✓ **Health Insurance Reform Targets Assistance to Make Coverage More Affordable.** Millions of Americans face impossible choices between paying the high cost of health coverage and meeting the basic needs of their families. The Senate health insurance reform gives them better and more affordable choices for quality health care by providing sliding scale premium credits for those who need help affording the high cost of coverage. The amount of these credits is calculated to ensure that those who need the most help receive higher credits, and those who have more resources of their own receive less assistance. These new credits can be used for any plan in the new health benefits exchange, giving consumers the power to choose the coverage that best meets their needs and their budgets.

Give Consumers Peace of Mind

- ✓ **Health Insurance Reform Prohibits Insurance Companies from Denying Coverage to Americans Who Need It.** A recent study of adults who don't receive health insurance coverage through their employer found that 36 percent were turned down or charged a higher price when they applied for an individual insurance policy because they had been ill in the past. Insurance policies often contain onerous "pre-existing conditions" clauses that deny coverage just when it's needed most. In many states, insurance companies are able to charge women higher rates, and some states even allow companies to charge more if a person has been the victim of domestic violence. Senate health insurance reform ends all of these abusive practices, and makes sure that consumers receive fairer and more comprehensive coverage. [Commonwealth Fund [7/09](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]
- ✓ **Health Insurance Reform Prohibits Insurance Companies from Retroactively Cancelling Your Insurance When You Get Sick.** Currently, health insurance companies often cancel your policy retroactively, even when you've paid your premiums regularly, a common insurance industry practice called "rescission." Simply put, this is unfair and Senate health insurance reform outlaws this practice. [Commonwealth Fund, 7/17/08; Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]
- ✓ **Health Insurance Reform Protects Against Bankrupting Health Care Costs.** Sixty-two percent of all bankruptcies are due to high medical costs. Senate health insurance reform will protect against runaway expenses by requiring that all insurance policies have protections against catastrophic costs and do not impose arbitrary annual or lifetime limits on benefits. [D. U. Himmelstein, et al, The American Journal of Medicine, [2009](#)]

Assure Small Business Have Stable, Affordable Options

- ✓ **Health Insurance Reform Lowers Health Care Costs for Small Businesses.** The cost of health care is holding businesses back. Forty percent of small business owners say that high health care costs have a negative effect on other parts of their business and impede business growth. One study found that these higher costs might force more than one-third of small business owners to reduce their employees' health insurance benefits. Part of the problem is that small businesses pay 18 percent

more than large firms for the same coverage, making the need for reduced costs and increased availability particularly acute for these drivers of economic growth. The health insurance exchanges established by Senate health insurance reform will give the small businesses the economies of scale and increased bargaining power that now allow larger businesses to get better value for their health care spending. [The Main Street Alliance, [1/09](#); Robert Wood Johnson Foundation, [12/3/08](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]

- ✓ **Health Insurance Reform Helps Small Businesses Afford Coverage.** Senate health insurance reform provides targeted credits to small businesses that provide coverage for their employees. Small businesses need help to afford coverage, and the legislation helps employers maintain the coverage their employees need.

Create Shared Responsibility

- ✓ **Health Insurance Reform Supports Individual Responsibility.** Health care is a shared responsibility among government, business, and individuals. Many Americans who could afford to buy health care coverage choose not to do so. If they are struck by illness or injury, the high costs of their care are borne by those businesses and individuals who currently purchase coverage, adding billions of dollars to the premiums they must pay. Senate health insurance reform will require all Americans who can afford it to buy health care coverage – just as all drivers are required to buy car insurance. This will reduce – if not eliminate – the hidden tax of about \$1,100 on their health insurance that Americans pay to cover those without insurance. [L. Blumberg, J. Holahan, *New England Journal of Medicine*, [7/2/09](#); Center for American Progress, [3/23/09](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]
- ✓ **Health Insurance Reform Supports Business Responsibility.** The Senate health insurance reform considered by both committees reflects the belief that all parts of the health care system have a responsibility for reform. Both versions of the legislation strengthen the employer-based system through shared responsibility of government, consumer and businesses alike. As a result, the Congressional Budget Office has estimated that there will be no loss of employer-sponsored coverage under this legislation. Because small businesses face unique challenges, they will be exempted from these responsibilities.

Support Best Practices to Lower Health Care Costs

- ✓ **Health Insurance Reform Identifies and Supports Best Practices to Save Lives, Cut Costs.** Senate health insurance reform supports best practices like the Pronovost checklist, a simple reminder of the steps necessary to prevent line infections in the intensive care unit. After just 18 months of following the checklist, Michigan hospitals saved more than 1,500 lives and \$175 million. According to the *New England Journal of Medicine*, widespread use of the checklist could save 28,000 lives each year and reduce health spending by \$2.3 billion annually. A similar checklist developed for surgical teams was found to reduce death rates by more than 40 percent and reduce complications by about one-third. [A. Gawande, [12/10/07](#); Pronovost, et al, *NEJM*, [12/28/06](#); *New York Times*, [1/14/09](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]
- ✓ **Health Insurance Reform Encourages Patient-Centered Medical Care.** Senate health insurance reform supports greater implementation of a concept called the “medical home,” which provides person-centered primary health care. In a medical home pilot project at the Geisinger Health System in Pennsylvania, hospital admissions dropped by 20 percent and readmissions were reduced by 12 percent. A similar project in North Carolina saved \$225 million in 2004. Senate health insurance reform encourages use of these projects across the country by providing grants to establish community health teams and the medical home concept. [Commonwealth Fund, [7/28/08](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]

Strengthen Primary Care

- ✓ **Health Insurance Reform Helps Expand the Primary Care Workforce.** As of March 2009, there were 65 million people living in 6,080 areas in the United States with a primary care health professional shortage. It would take 16,585 additional practitioners to meet their needs, but the percentage of medical students who choose to pursue a career in primary care has actually dropped, just when the need is most acute. Senate health insurance reform will help to strengthen our primary care workforce by reforming graduate medical education and rewarding primary care providers for their work in coordinating their patients' care. [Department of Health and Human Services Health Resources and Services Administration, accessed [6/9/09](#); New England Journal of Medicine, [8/31/06](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]
- **Expanding Primary Care Will Save Money.** Peer-reviewed studies have shown that if every American had access to and appropriately utilized primary care, total health spending would be reduced by \$67 billion each year. [S. Spann, Annals of Family Medicine, [12/2004](#)]

Invest in Prevention and Wellness

- ✓ **Health Insurance Reform Invests in Prevention and Wellness.** The cost of caring for individuals with chronic diseases accounts for approximately 75 percent of the more than \$2 trillion Americans spend on health care yearly. Of that \$2 trillion, only four cents out of every dollar are invested in prevention and public health, despite studies showing that disease prevention can effectively reduce health care spending. Senate health insurance reform reverses that trend by ensuring that health insurance plans cover evidenced-based prevention services. The legislation also ensures that health care providers are compensated for the value of care they provide, not the volume of care, ensuring they have the right incentives to keep their patients healthy. [Centers for Medicare and Medicaid Services, accessed [6/10/09](#), J.M. Lambrew [4/07](#), Trust for America's Health, [3/08](#); Centers for Disease Control, [11/20/08](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]

Decrease Health Disparities

- ✓ **Health Insurance Reform Creates Quality Measures to Assess Care Disparities.** Approximately one-half of the nation's uninsured are people of color, meaning that racial and ethnic minority populations are disproportionately uninsured. Efforts to expand health coverage will prove critical for these communities because a lack of insurance and reduced access to care leads to worse health. An essential first step in addressing health care disparities is better information. That's why Senate health insurance reform creates quality measures that allow assessments of health disparities and supports enhanced data collection on race, ethnicity, and primary language. [Health Affairs, B. Smedley, March/April [2008](#); National Center for Health Statistics, [2008](#); National Health Interview Survey, [2007](#); Senate Health, Education, Labor and Pensions Committee's Affordable Health Choices Act]