

## Health Care Conference Call with David Axelrod – BRIEFING MEMO

*YOU are leading a nationwide conference call on health care reform.*

Date	Tuesday, March 9, 2010		
Program Time	1:30PM – 2:00PM		
Speaker Number	(888) 276-0009		
WHO Staff Contact	Buffy Wicks OPE, Deputy Director	<div>P6/b(6)</div>	202.456-2086 (desk) <div></div> (cell)
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### **PURPOSE**

YOU will be discussing health care reform with community leaders from across the nation. The purpose of this conference call is to reiterate the importance of health insurance reform and rally support as we enter the final stretch of this public policy debate.

YOU will encourage call participants to reach out to their communities and contacts to push for reform, to speak out publicly to the media – op-eds, LTEs – and to other leaders in their community.

### **BACKGROUND**

The Office of Public Engagement regularly holds conference calls with outside organizations in an effort to provide continued transparency of the Administration and its agenda and to give people living outside of the beltway the ability to speak directly with the Administration. OPE has hosted dozens of these calls in the past year on health care; however this is the first time you have been on as a speaker. Hundreds of individuals representing advocacy and consumer groups from across the country have been invited to participate in this call. **Although the call is closed press, we expect press to be on the call and assume everything we say will be recorded.**

### **ANNOTATED AGENDA**

- 1:35PM – 1:40PM     YOU will be introduced by Tina Tchen or Buffy Wicks
- 1:40PM – 1:50PM     YOU will provide brief remarks
- 1:50PM – 2:00PM     Q and A session – YOU will be joined by Lauren Aronson

### **PARTICIPANTS**

#### **Administration**

- *Senior Advisor David Axelrod*
- *Tina Tchen, OPE*
- *Buffy Wicks, OPE*
- *Ann Widger, OPE*
- *Lauren Aronson, Health Reform Policy Director*
  - *Aronson will help to address any policy related questions on the call*

**Outside Organizations/Individuals**

- Health care leaders representing communities and organizations from across the nation
- Civil rights leaders
- Progressive and consumer groups
- LGBT organizations
- Organizations representing communities of color
- Grassroots activists

## **TALKING POINTS:**

### **The President's Plan for Health Reform:**

#### **Giving the American People More Control of their own Health Care**

- The President's plan gives American families and small business owners more control over their own health care and it shifts power away from insurance companies.
- The plan takes the best Republican and Democratic ideas and rejects the extremes of a government run health system and a system where insurance companies have free reign.
- If people like the plan they have, they can keep it. If they like their doctor, nothing in this plan takes that choice away. But they'll have more consumer protections that give them greater control over the insurance they have.
- The President's plan gives Americans greater control over their health care in three key ways:
  - It ends the worst insurance company practices and outlaws discrimination against Americans with pre-existing conditions;
  - It reduces costs for people with insurance and makes coverage more affordable for people without it today.
  - It sets up a new competitive insurance marketplace where small business owners and families get the same buying power and insurance choices that all members of Congress will have to allow them to shop for the insurance plan that works best for them.
- The President's plan takes the best Republican and Democratic ideas to give the American people, not insurance companies or the government, more control over their own health care.



### Key Details - Greater Health Care Control for American Families

- It holds insurance companies accountable by laying out commonsense rules of the road to keep premiums down and prevent insurance industry abuses and denial of care.
- It will end discrimination against Americans with pre-existing conditions.
- It sets up a new competitive health insurance market giving tens of millions of Americans and small business owners the purchasing power the big businesses and unions enjoy and the same choices that every member of Congress will have.
- It makes insurance more affordable by providing the largest middle class tax cut for health care in history reducing premium costs for tens of millions of families and small business owners who are priced out of coverage today.
  - This helps over 31 million Americans afford health care.
- It puts our budget and economy on a more stable path by reducing the deficit by \$100 billion over the next ten years by cutting government overspending and reining in waste, fraud and abuse.

### Where We Agree and Disagree with the Republicans

- The year long debate and the bipartisan health care meeting showed that Democrats and Republicans agree on some key areas:
  - Both agree that the status quo isn't working for Americans;
  - Both agree that waste, fraud and abuse should be removed from the system;
  - Both agree that we should invest in prevention and wellness.
- The President has incorporated several Republican ideas into his proposal and after the bipartisan summit said he is open to even more:
  - Senator Coburn's proposal to root out waste fraud and abuse by engaging medical professionals to conduct random undercover investigations of health care providers that receive reimbursements from Medicare, Medicaid, and other Federal programs.
  - The President's proposal provides grants to States to explore alternatives to resolving medical malpractice disputes, something that Republican Senators Enzi, Coburn, and Burr have supported and the Administration has already begun to do. After Thursday's meeting, the President said he is open to providing \$50 million in funding for additional state grants.

- The idea, supported by Senator Grassley and many Democrats that we explore increasing reimbursements to doctors who treat patients on Medicaid. The President is open to doing that as long as it can be done in a fiscally responsible way.
- But Democrats and Republicans have a profound disagreement on the proper oversight of insurance companies.
- We believe that insurance companies need to be held accountable with minimum, commonsense standards that keep premiums down and end industry abuses.
  - Republicans believe that insurance companies should have a freer hand and be free to raise rates or reduce and eliminate coverage.
- We believe the most effective way to reduce premiums for all Americans and businesses, big and small, and the only way to cover all people with pre-existing conditions is to make sure that everyone is in the insurance system.
  - Republicans disagree and their plan won't outlaw discrimination against people with pre-existing conditions.
- These are profound differences that determine how much control Americans have over their own health care decisions.
- The President's believes that the American people and their doctors, not insurance companies or the government, should have more control over health care.
- This is what this debate is about. And why we need health reform for American families.



## **Responding to the Attacks:**

### ***“We Need to Start Over Again”***

- Insurance companies aren’t starting over with rate increases and denying coverage for people with pre-existing conditions. We need to build on the work that’s been done for American families.
- We have been talking about health care reform for decades. Congress has worked for a year on health care reform bills and all of the Republican and Democratic ideas are on the table.
- It’s time end the Washington gridlock, stop the endless debates and get something done for the American people.
- Starting over again is a prescription for another year of debate. It’s intended to tie-up the process, not advance it.
- Governor Schwarzenegger said it best talk about “starting over” is “partisan talk.”

### ***“Reconciliation is the Nuclear Option”***

- Both the Senate and House have passed health reform bills, the Senate by a supermajority.
- We aren’t talking about changing any rules. We’re talking about an accepted way to move important legislation forward.
- Republicans are being hypocritical because they not only used this same rule twice as often as Democrats to pass major legislation, their own leaders, like Judd Gregg of New Hampshire, argued for this process in the past saying “Is there something wrong with majority rules? I don’t think so.”
- A rule that requires a simple majority - which has been used by Democrats and Republicans - stands for the fundamental notion that a majority vote actually wins.

### ***“Government Take-Over of Health Care”***

- What Republicans really mean by that “poll-tested” phrase is that the government shouldn’t impose any minimum rules on insurance companies. We disagree and the outrageous rate hikes in California are a perfect example.
- Here’s the bottom-line. We believe that there should be commonsense, minimum rules of the road that apply to all insurance companies, not just a few.
- We believe that the American people would have the same insurance choices and consumer rights and protections that every member of Congress has.
- We believe that the American people would have some basic consumer protections that outlaw discrimination for pre-existing conditions and rein in the worst insurance industry abuses.

- This is about more control for patients and doctors and less for insurance companies.

**“Massive New Spending We Can’t Afford”**

- Here’s what we do. It’s simple.
- We take hundreds of billions of tax dollars that are being lost to waste, fraud and overpayments to big insurance companies and we send that money right back to middle class families and small business owners so they can buy their own insurance.
- You would think that every Republican would support cutting waste, fraud and abuse in government spending and sending it back to the American people in tax credits.
- This gives American families and small business owners more choices and greater control over their own health care.

**“This Creates a Massive New Entitlement”**

- \$500 billion – half a trillion dollars - in tax credits to American families and small business owners to help make insurance more affordable isn’t a government program or an entitlement.
- It’s about giving them more choices and greater control over their own health care.

**“Step-by-Step Approach”**

- Here’s the question that we all need to ask. Do we believe that all Americans with pre-existing conditions should have access to quality, affordable insurance? The overwhelming majority of Americans believe we should.
- Step-by-step is just code for letting people with pre-existing conditions fend for themselves. The American people don’t want that – that much is clear.

**“The American People Have Rejected Your Plan. Poll After Poll Says That You Need To Start Over”**

- I’m not a pollster, but the numbers that I see every day are premium rate increases of 30% and 40% throughout the country. Those are the numbers we should focus on. Those are the numbers that matter to the American people.
- Let’s focus on the polls that ask the American people what they want from health reform. Let’s not talk about perceptions. Kaiser polls ( and others) have found:
  - Overwhelming majorities want tax credits for small business owners to help cover their employees;
  - Overwhelming majorities want us to set up insurance markets for small businesses and people who don’t get insurance on the job where they can increase their buying power and have more choices;



- Overwhelming majorities want us to pass reform without impacting the plans and choices they have and cover pre-existing conditions;
- The list goes on and on.
- This legislation gives the American people the things they want in reform.

**“Massive Tax Increases”**

- This legislation has the largest middle class tax cuts for health care in American history.
- That’s where the largest amount of spending goes – to tax cuts for middle class families and small business owners.
- Yes. We do ask the wealthiest Americans, insurance and drug companies and to pay a little more. We ask them to do this so that working families and small business owners can have access to quality affordable health care.
- In America, we made the decision decades ago that the poor, the disabled and the elderly would have health care. This legislation makes sure that the middle class will always have access to quality, affordable insurance they can rely on and afford.

**“Premiums and Costs Will Go Up”**

- I think that the President’s exchange with Senator Alexander was pretty clear that premiums and costs will go down for Americans.
- The non-partisan CBO, the score-keeper for this issue, said that:
  - For Americans who get insurance through work, their insurance premiums will likely go down;
  - For people who buy their own insurance and want to keep the same level of benefits. For this apples to apples comparison, they’ll see a 14 to 20% reduction in premiums;
  - However, some people who want to have better benefits than they have now, will have to pay a bit more.
  - The important thing to remember is that Americans buying in the new marketplaces will be eligible for tax credits that can actually reduce their premiums by up to 60%.
- In addition, preventive care will be offered with no co-pays, out-of pocket expenses will be capped, and annual and lifetime limits on how much insurance companies will cover will be eliminated.

**“Huge Medicare Cuts to pay for a New Entitlement”**

- Not one guaranteed Medicare benefit is cut. Not one. And there isn’t a Republican who will contradict this.



- Here's what we do, we add 9 years to the financial health of Medicare and close the gap in prescription drug coverage, the so-called "donut hole" that costs millions of seniors hundreds of dollars a year in out-of-pocket costs a year, , by ending huge overpayments to private insurance companies in Medicare.
- These overpayments cost the average couple on Medicare an extra \$90 in premiums every year.

**"Tax Hikes, Medicare Cuts and a Government Takeover of Health Care"**

- We need to get beyond the tired old talking points that don't bring us any closer to solving problems for the American people.
  - The truth is this legislation is all about tax cuts, increased Medicare benefits and more health care control for families, not insurance companies.

**"The Legislation will explode our Deficits and Push the country into Bankruptcy"**

- This legislation is the single largest deficit reduction in a decade. It will reduce the deficit by over \$100 billion in the first decade and about \$1 trillion in the second decade.
- Don't take my word for it and let's not focus on studies by groups funded by either side. Let's focus on the CBO's analysis. They are the non-partisan scorekeeper that Republicans and Democrats rely on. Those are there numbers.
- Let's look at how we do that.
  - Cut out hundreds of billions in waste, fraud and abuse that Republicans and Democrats know exists in the system;
  - We end overpayments to big insurance companies;
  - We ask the wealthiest Americans to pay a little more so that working families get coverage; and
  - We include every single reform that medical experts say will reduce the long-term growth in health care costs.

- Democrats and Republicans agree that you can't reduce the deficit without addressing health care costs. This legislation does that.

**"Doctors and Patients Should Make Decisions, not Washington"**

- We agree. We also think that insurance companies should have less say over the health care decisions that the American people make with their doctors.
- Here's where we disagree. We believe that there should be commonsense, minimum rules of the road that apply to all insurance companies, not just a few.

- Rules that provide some basic consumer protections that outlaw discrimination for pre-existing conditions and rein in the worst insurance industry abuses..
- This is about more control for patients and doctors and less for insurance companies.

### ***“Attacks on the Individual Mandate”***

- Most people without insurance don’t have it, not because they don’t want it, but because they can’t afford it. This plan will help by creating more competition and choice, and by offering the largest middle class tax cut for health care in history..
- The more important point is that the 86% of Americans with insurance are paying an extra \$1000 to cover people without insurance. They pay twice. Once for their family and again for Americans without insurance.
- So as we provide tax credits to make insurance affordable for Americans who want insurance and can’t afford it, we’ll ask Americans **who can afford insurance, but choose to let the American taxpayer pick up the cost of their emergency care, to pay their fair share.**
- Let me be clear, if an American can’t afford insurance, they won’t be required to buy it.

### **HEALTH REFORM Q&A POTUS ANNOUNCEMENT 03-03-10**

**Q: What happened between the summit and now? Doesn’t your call for Democrats to act on their own confirm that the summit was just for show?**

- The meeting was productive. There were many areas of agreement, and the President has since spelled out additional Republican ideas that he would to explore further.
- But now is the time to make a final decision about the future of health care in America. Both Democrats and Republicans agree that the status quo is not working for the American people and that if we do nothing this is a problem that will only grow worse.
- The proposal the President has put forward gives the American people more control over their own health insurance. It ends the worst practices of insurance companies, gives individuals and small businesses the same choice of private health insurance that Members of Congress get for themselves, and brings down the cost of health care for everyone – families, businesses, and the federal government.
- His proposal incorporates the best ideas from Democrats and Republicans and gets rid of many of the provisions that had no place in health care reform.
- The United States Congress owes the American people a final vote on health care reform. Reform has already passed the House with Democratic and Republican votes. It has already passed the Senate with a supermajority of sixty votes. And now it deserves the same kind of up-or-down vote that was cast on welfare reform, No Child Left Behind, both Bush tax cuts, the war



in Iraq, and the war in Afghanistan – all of which had to pass Congress with nothing more than a simple majority.

- That is why he is asking leaders in both of Houses of Congress to finish their work and schedule a vote in the next few weeks.
- If we can't come together and solve this enormous challenge for America – we won't just have to answer to the voters. We'll have to answer to ourselves. At stake right now is not just our ability to solve this problem, but our ability to solve any problem.

**Q: What are the next steps?**

- The President has leaders in both of Houses of Congress to finish their work and schedule a vote in the next few weeks.

**Q; What is he asking them to do specifically? Have the House pass the Senate bill then have the House and Senate pass changes through reconciliation?**

- Let's let the houses work that out. What's important to note is that both the Senate and House have passed health reform bills, the Senate by a supermajority. What we're talking about is making some additional improvements to legislation that has already passed with a simple up or down vote.
- We're talking about making improvements that will strengthen consumer protections, increase affordability, get rid of special deals and add in some additional Republican ideas.
- We aren't talking about changing any rules. We're talking about an accepted way to move important legislation forward. A simple majority up or down vote on some things that will make the bill better---things that should be supported by both Democrats and Republicans.

**Q: Are you going to incorporate those Republican ideas and how are you going to do it?**

- You heard the President say that his proposal incorporates some of the proposals discussed at the summit, such as additional steps to rein in waste, fraud and abuse and funding state grants on medical malpractice reform. We are continuing to look at the other ideas but can't make a firm commitment until we know if we can do that in a fiscally responsible way.

**Q: Don't you have to get this through by the Easter break to avoid tying up Congress for the rest of the year on health care?**

- We aren't setting deadlines here. But we want to complete the work that we have been doing all year to lower costs for families and businesses and to shift power from the insurance companies into the hands of consumers, to provide the biggest middle class tax cut for health care in history and reduce the deficit. Insurance companies are raising rates; out of pocket expenses are skyrocketing. We want to complete that work soon.

**Q: You know that Republicans---and many in the public---want you to just start over. Given public unease with what you have done so far, what is wrong with that?**



- Insurance companies aren't starting over with rate increases and denying coverage for people with pre-existing conditions. We need to build on the work that's been done for American families.
- We have been talking about health care reform for decades. Congress has worked for a year on health care reform bills and all of the Republican and Democratic ideas are on the table.
- It's time end the Washington gridlock, stop the endless debates and get something done for the American people.
- Starting over again is a prescription for another year of debate. It's intended to tie-up the process, not advance it.
- Governor Schwarzenegger said it best talk about "starting over" is "partisan talk."

**Q: What are you going to do about the abortion issue? Pro-life members like Bart Stupak say they can 't vote for it because it provides federal funding for abortion:**

- The President has been clear that health insurance reform should not change the status quo on abortion policy, so the legislation will continue the current practice of ensuring that no federal funds are used to pay for abortions except in the case of rape, incest or when the life of the mother is in jeopardy.

**Q: Stupak and others say that the bill WILL allow federal funds to be used for abortions by using funds from community health centers.**

- Again, the President wants to continue federal policy, which means no federal funds should be used for abortions. If there is a drafting issue that requires a technical change to make clear that federal funds for community centers should not be used to fund abortions, he will work with Congress to clarify it.

**Q: But can women who get tax credits get abortion coverage in the insurance exchanges?**

- The abortion compromise in the Senate bill ensures that States, plans and individuals can make their own decisions regarding abortion coverage.
- Federal subsidies cannot be used to purchase abortion coverage. Such coverage can be obtained with personal funds.
- There will be no preemption of state laws on abortion, and states may determine coverage policies. For example, 5 states prohibit coverage of abortion. Those laws would not be pre-empted.
- I'm pleased that the Senate bill takes steps to reduce unintended pregnancies and support pregnant women, including authorization and funding over 10 years for the Pregnant Women's Support Act

**Q: You say you got all of the special deals out of this legislation. But are Louisiana and Montana still in there?**

- In the case of Louisiana, this is a provision that affects other states, not just Louisiana. It is a provision providing additional Medicaid funding for states recovering from a major disaster and applies to and helps all states where the President has declared a major disaster under § 401 of the Stafford Act. We will be looking at all of the provisions affecting specific states as we work toward final legislation.

**Q: The Cornhusker Kickback is no longer in the bill. Do you think it was mistake to put that special deal in for Senator Nelson?**

- The President has acknowledged that watching the legislative process of negotiating in real time day after day really turned Americans off, with good reason. There is no question that what the public saw in January was a health bill that seemed to focus more on what different Members and groups wanted than on what American families want: lower costs, protection from insurance company abuses, more security, a lower deficit. All of those goals would be achieved with this bill.
- Senator Nelson was rightly concerned about the potential burden that could be placed upon his state by expanding Medicaid to cover more low-income Nebraskans who cannot afford health insurance. But that concern is not unique to Nebraska. The President understands that state governments are hurting and wanted to make sure that when the health insurance safety net in states is strengthened, it does not impose additional burdens on those states. So his proposal makes sure that the Federal government will pay the lion's share of the additional costs for all states.

**Q: Your proposal now imposes a Medicare tax on investment income for high-income earners. What is the rationale behind that?**

- Under current law, people who earn a salary pay the Medicare tax on their earned income; but those who have substantial unearned income do not, which raises questions about fairness. This change would just affect taxpayers with income above \$200,000 for singles and \$250,000 for a married couples filing jointly.
- Everyone will benefit from reform that will lower costs, protect consumers, provides more security, and lowers the deficit. We are simply asking high-income Americans to do their part to help strengthen the health care system and make it affordable for everyone.

**Q: Critics say that the tax increases on dividends and investment income in the President's plan will hit seniors particularly hard.**

- Only a tiny percentage of seniors have income over \$200,000. Most would not pay a cent more from the high-income tax in the President's proposal, whether or not they have dividend income.
- Furthermore, the President's proposal would still keep tax rates on dividends and capital gains well below where they were under President Reagan.

**Q: What's the cost of your proposal? Has it been scored?**



- We believe everything is fully offset, though we don't have precise scoring. The President's is committed to health insurance reform that reduces the deficit, and he is confident that his new proposals achieve that goal.

**Q: Can you explain how it is offset?**

- The Administration estimates that the entire adjustment to the Senate-passed bill is paid for in the first decade and will not increase the deficit outside the budget window. Together with the underlying Senate bill, that would mean the proposal would reduce the deficit by \$100 billion in the first decade and about \$1 trillion over the two decades.
- The proposal would keep the gross cost of the coverage provisions below \$950 billion.
- Specifically the President is proposing three sets of changes, each of which are roughly – although not exactly – matched:
  - Enhancing coverage and related provisions by about \$75 billion, paid for by increasing health savings & responsibility payments. The President's proposal would increase affordability, provide fair funding for States, increase investments and make other changes that total about \$75 billion. These would be more than paid for by increased Medicare Advantage savings (along the lines of the House bill) and improving the individual and employer responsibility provisions in the Senate-passed bill.
  - Delay and reform the high-premium excise tax costs \$120 billion – which is more than paid for by expanding the Medicare HI tax base and including additional loopholes closers. Specifically, the proposal would start the high-premium excise tax in 2018 to give more time for adjustment, raise the premium thresholds, add adjustments for age/sex of workers, and remove dental and vision benefits from the calculations. These changes are more than paid for by tax changes: (1) broadening the Medicare HI tax base to include a 2.9 percent tax on unearned income for households above \$200,000 (singles) and \$250,000 (couples); (2) closing the “black liquor” loophole; and (3) tightening up rules banning tax shelters. *(Note, most of the revenue loss in the high-premium excise tax is from delaying its implementation, the proposal would still capture most of the revenue – and curve bending benefits – in the second decade.)*
  - Closing the donut hole in prescription drug coverage, which would be partially paid for by extra \$10 billion in fees on the PhRMA. Additional net savings from the previous two items would pay for the remainder of the cost of closing the donut hole.
- The Administration's cost estimates relies on a combination of previous CBO scores and Administration estimates. CBO will be the final arbiter of whether these changes are deficit neutral and in the unlikely event that CBO's estimate differs from the Administration's projection, we are committed to making the minor adjustments necessary to bring them back in line.

**Q: Many experts say you have gutted the cost containment features of the bill by dealing the start of the Cadillac tax until 2018.**



- Many economists would disagree. In fact a group of distinguished economists just sent a letter urging passage of the President's proposal in part because they agree that it reduces the deficit.
- And let's look at what we are talking about. Remember this is a fee that will be paid by insurance companies that offer very –high cost plans. It is not a tax on consumers. As we move toward the implementation date, insurance companies will know change is coming and will begin to explore ways to use premium dollars more efficiently. There will be competitive pressure on companies to show they can do that rather than wasting money because there is no consequence for doing so. And ultimately, the goal of this provision is to put downward pressure on costs over the long term, and this clearly does that.
- The President is committed to taking steps that will slow rising health care costs that are putting so much pressure on families, businesses and our government. But he has said that he also wants to make sure that the steps we take don't have the unintended consequence of changing the coverage people are getting through their jobs today.
- The changes we are suggesting will phase in the fee on insurance companies that offer the most high-priced plans. The fee will apply equally to all plans, but will not go into effect until 2018, to give plenty of time for people to prepare.
- We also want to make sure that what we're getting at is plans with the costliest benefits, not just plans that cost a lot because the people they cover are older or are in high-risk jobs. So we've included permanent adjustments for age, gender and high risk professions. Also, dental and vision benefits, which are often won in hard-fought negotiations, will not be included when calculating the threshold for the excise tax.

**Q: You want to impose a Medicare tax on investment income for high-income earners. What is the rationale behind that?**

- Under current law, people who earn a salary pay the Medicare tax on their earned income; but those who have substantial unearned income do not, which raises questions about fairness. This change would just affect taxpayers with income above \$200,000 for singles and \$250,000 for a married couples filing jointly.
- Everyone will benefit from reform that will lower costs, protect consumers, provides more security, and lowers the deficit. We are simply asking high-income Americans to do their part to help strengthen the health care system and make it affordable for everyone.

**Q: Critics say that the tax increases on dividends and investment income in the President's plan will hit seniors particularly hard.**

- Only a tiny percentage of seniors have income over \$200,000. Most would not pay a cent more from the high-income tax in the President's proposal, whether or not they have dividend income.
- Furthermore, the President's proposal would still keep tax rates on dividends and capital gains well below where they were under President Reagan.

**Q: You say the bill will reduce premiums, but the CBO itself concluded the opposite. Let me quote from the CBO letter of 11/30: “the average premium per person covered (including dependents) for new nongroup policies would be about 10 percent to 13 percent higher in 2016 than the average premium for nongroup coverage in that same year under current law.”**

- That claim is a misinterpretation of what both CBO and outside experts have found.
- First, let’s be clear who we’re talking about. No one is talking about the existing employer based health system, where 160 million Americans get their coverage.
- What we’re talking about is the smaller segment of the population that buys health care in the individual market. What CBO actually found for that group was that, on an apples to apples basis, they would pay less for the same levels of coverage that they received before.
- What the quote you read reflects is that, when presented with less costly coverage, some folks in the individual market are going to choose to purchase more comprehensive coverage that meets their needs. So they may pay more, but that reflects more generous coverage – not higher premiums.
- It’s like someone who upgrades from a one-bedroom to a two-bedroom house. We’d expect that they might pay more, but it doesn’t tell us anything about what happened to underlying housing prices.

**Q: Paul Ryan pointed out at the summit that the only way that you’ve made the President’s numbers add up is by counting 10-years of tax increases and 6 years of spending on coverage. Isn’t that a gimmick?**

- Not at all. We have held ourselves to a high standard for fiscal seriousness throughout this process.
- That meant putting together a bill that would not only reduces the deficit in the first ten years, but in the second ten years as well. That’s exactly what these bills would do. The CBO found that the Senate bill would reduce the deficit by about \$1 trillion in the second ten years.
- Of course, you need to build in time to transition to a new system, but Congressman Ryan’s claim that we are frontloading is simply incorrect. In fact, the vast majority of government savings and revenue occurs after 2014 – when the exchange is up and running and folks are getting tax credits.
- And remember, this is all just the savings that the CBO scorekeepers focus on. Experts from across the spectrum believe that our investments in Health IT, prevention and other areas will produce significant additional health savings. To be conservative we have not relied in these savings to meet our fiscal targets, but we’re confident that they will materialize.



**Q.Are you double counting your budget savings in health reform, by claiming both deficit reduction and an extended life for the Medicare trust fund? That seems to be what CBO and the Actuary have determined.**

- No. Just think about your own bank account. When you deposit money in the bank, those dollars don't just sit in the bank – they are used for other purposes until you decide to withdraw them again. It's standard practice.
- CBO confirms that Health reform will reduce the deficit.
- Second, it will extend the life of the Medicare trust fund. The new report from the Medicare Actuaries projected that health reform will extend the life of the Trust Fund by five (House) to ten (Senate) years.
- These are each worthy—though distinct—ends. The first is about improving the financial position of the federal government. The second is about ensuring that Medicare continues to be a source of security for America's senior citizens.
- It is important to keep in mind that this is the same budget and trust fund accounting conventions that the Republican Congress used under the Balanced Budget Act of 1997. This legislation reduced Medicare spending, extended the life of the Medicare trust, reduced the federal deficit, and paid for other government services. To say that this Congress has used new budget and accounting conventions is simply false.

**Q: What is the Feinstein bill that is now in your proposal?**

- Recent premium hikes like Anthem Blue Cross in California emphasize the need for strong oversight of insurance companies. "Rate review" will help make sure that people are not unfairly subject to arbitrary premium hikes.
- This proposal builds on existing state process and authorities to protect consumers from unjustified premium increases.
- In XX states, insurance companies can raise rates without any oversight, no questions asked.
- The President's proposal creates a federal backstop so insurers are forced to justify their rate increases.
- In states that do review rates, the President's proposal strengthens their authority.
- We know rate review works. In states where rate review is in place, state regulators have brought rates down when insurers requested unreasonable increases. Examples include

State	Requested Percent Increase	Actual Increase
Connecticut (Anthem)	24	16.5
Maine (Anthem)	18.5	10.9
Michigan (BCBS)	56	22
Arkansas (Blue Cross)	28	11



- Working with states, the Secretary of HHS will develop an annual review process of unreasonable premium increases. Insurance companies will have to post these premium increases and their justification prominently and publicly.
- If a premium increase is determined to be unjustified, the Secretary or relevant State Insurance Commissioner will take corrective action such as denying the rate increase or requiring the insurer to modifying it or issue a rebate to enrollees.
- The Secretary will determine who will take this action, taking into consideration which states have and/or want the authority and responsibility to undertake this review.
- States who take on this responsibility will be eligible for a share of \$250 million in grants to support premium review and approval activity. Information from the National Association of Insurance Commissioners will help guide this entire process.
- The Secretary will also establish a Health Insurance Rate Authority composed of 7 members, including consumer representatives, an insurance industry representative, a physician, and experts in health economics, actuarial science, and related fields, which will make recommendations to the Secretary on premium rate review and approvals. The Authority will issue an annual report on insurance market behavior, so that States and the public can be aware of premium increases and steps that have been taken to protect consumers.

**Q: Republicans argue that an individual mandate is unconstitutional and impinges upon American freedom. What do you say in response?**

- It's interesting that Republicans are criticizing the idea of individual responsibility given that they supported a provision requiring people to have insurance as part of President Clinton's initiative 16 years ago. Some of those very same senators who were for it then, such as Senators Hatch and Grassley---are now somehow against the idea today.
- The President's proposal would make health insurance affordable for everyone, with tax credits for those who need help buying coverage and a hardship waiver for those who still can't afford it. But it is important that everyone be covered. Otherwise the cost of caring for the uninsured will continue to be shifted to people with insurance, as it is today. Right now, families with insurance pay \$1000 hidden tax to pay the cost of caring for the uninsured.
- As for the Constitutional argument, Over 70 years of Supreme Court precedent has recognized that, under the Commerce Clause, Congress can regulate activities that have a substantial effect on interstate commerce. A requirement that individuals purchase health insurance is both commercial and economic in nature – indeed, few things are more critical to our nation's economic health.

**Immediate Reforms:** Significant reforms that will be begin this year include:

***Hold Insurance Companies Accountable:***

- Eliminate lifetime limits and restrictive annual limits on benefits in all new plans;
- Prohibit rescissions of health insurance policies in all individual plans;

- Prohibit pre-existing condition exclusions for children in all new plans;
- Require premium rebates to enrollees from insurers with high administrative expenditures and require public disclosure of the percent of premiums applied to overhead costs;
- Establish a process for the annual review of unreasonable increases in premiums, requiring State insurance commissioners to work with the HHS Secretary and States.

***Protect Consumers:***

- Provide grants to States to support health insurance consumer assistance and ombudsman programs to help consumers;
- Ensure consumers have access to an effective internal and external appeals process to appeal new insurance plan decisions;
- Require all insurance plans to use uniform coverage documents so consumers can make easy comparisons when shopping for health insurance;
- Establish an internet portal to assist Americans in identifying coverage options;
- Prohibit insurers from discriminating in favor of highly compensated employees by charging them lower premiums.

***Ensure Affordable Choices and Quality Care:***

- Provide immediate access to insurance for uninsured Americans who are uninsured because of a pre-existing condition through a temporary high-risk pool;
- Create a temporary re-insurance program for early retirees;
- Require new plans to cover an enrollee's dependent children until age 26;
- Require new plans to cover preventive services and immunizations without cost-sharing;
- Offer tax credits to small businesses to purchase coverage;
- Facilitate administrative simplification to lower health system costs.

**TALKING POINTS FOR SPECIFIC GROUPS:**

**TALKING POINTS FOR WOMEN 02-15-10**

**CONSEQUENCES OF INACTION FOR WOMEN**

**The current health insurance framework leaves too many women uncovered.**

- Twenty-one million women and girls went without health insurance in 2008, and another 14 million relied on coverage through the individual insurance market.<sup>3</sup>
- Women are less likely to be employed full-time than men (52% versus 73%), making them less likely to be eligible for employer-based health benefits themselves.
- Even when they work for an employer that offers coverage, one in six is not eligible to take it, often because they are part-time workers. They end up either covered through a spouse (41%), purchasing insurance directly through the individual market (5%), on public programs (10%), or uninsured (38%).<sup>5</sup>
- Single women are twice as likely to be uninsured than married women (24% versus 12%).<sup>7</sup>

**Higher costs and inadequate benefits for women in the individual insurance market**



- In the individual insurance market, many states allow insurance companies to calculate premiums based on an individual's characteristics such as existing health problems, age, and gender.<sup>13</sup>
- It is still legal in 9 states for insurers to reject applicants who are survivors of domestic violence.<sup>18</sup>
- In particular, women are often charged higher premiums than men during their reproductive years. Holding other factors constant, a 22 year old woman can be charged one and a half times the premium of a 22 year old man.
- The high cost of health insurance in the individual market impedes a woman's ability to obtain coverage at a time when she needs it most. Of the 8 million middle-income nonelderly women who do not have employer-sponsored coverage, more than half remain uninsured and only a fifth obtain insurance through the individual market.
- A recent survey by the National Women's Law Center found that the vast majority of individual market health insurance policies did not cover maternity care (a limited number of insurers sell a separate maternity "rider.")<sup>17</sup>

## **BENEFITS FOR WOMEN WITH HEALTH REFORM**

### **Quality, Affordable Health Care for Women and American Families**

#### **ü Ending Discrimination for Gender or Pre-Existing Conditions**

o Right now, a healthy 22-year-old woman can be charged premiums 150 percent higher than a 22-year-old man. Health reform will end this gender discrimination and prevent any insurance company from denying coverage based on medical history. Within a year of enactment, women who have health problems, but who lack access to health insurance, will be able to purchase a plan that protects them from medical bankruptcy.

#### **ü Preventive Care for Better Health**

o Health reform will ensure coverage of prevention and basic health services including maternity benefits and mammograms, creating a system that encourages innovations in health care to prevent illness and disease before women require more costly treatment.

#### **ü Insurance Security**

o Less than half of women have the option of obtaining health insurance through a job. By creating a health insurance Exchange, the Patient Protection and Affordable Care Act will guarantee that women always have choices of quality, affordable health insurance if they lose their jobs, switch jobs, move or get sick.

## **CONSEQUENCES OF FAILURE FOR SENIORS:**

- Millions of seniors on Medicare will continue to fall into the gap in prescription drug coverage known as the donut hole, which forces those with high drug bills to pay more than \$4000 out of pocket in a year. <sup>13</sup> Studies show this causes some seniors to cut back on needed medicine.



- **Long term care will continue to be unaffordable for many.** Roughly two thirds of people who are 65 today will spend some time at home in need of long-term care services<sup>23</sup>, which typically cost almost \$18,000 per year.<sup>24</sup>
- **Medicare faces bankruptcy.** According to the Medicare Trustees 2009 report, the Medicare Part A Trust Fund will be exhausted by 2017. The financially unstable future of Medicare could mean that many seniors will face reduced benefits, higher premiums, and/or increased cost-sharing through high deductibles and co-payments if action is not taken now.<sup>32</sup>

## **BENEFITS FOR SENIORS WITH HEALTH REFORM**

- Seniors will get benefits they do not have under the current system:
  - 50% discount on brand-name prescription drugs for Medicare beneficiaries who hit the “donut hole” in coverage, as a first step towards closing the donut hole altogether.
  - Preventive care with no cost-sharing
  - Better quality with more coordinated care that will enable providers to track health, treatments and prescriptions and avoid duplication and medical errors.
- By eliminating waste, such as overpayments to private insurance companies, and cutting down on unnecessary hospital readmissions--- we will strengthen the Medicare trust fund – by up to 10 years - and be sure benefits are protected in the future.

## **CONSEQUENCES OF FAILURE FOR COMMUNITIES OF COLOR**

- The disproportionately high rate of disease that afflicts communities of color will continue. For example, African Americans are more likely to develop and die from cancer than any other racial or ethnic group.<sup>4</sup> African American men are 50% more likely than Whites to have prostate cancer and are more likely than any other racial group to suffer from colorectal cancer.<sup>5</sup> Hispanic<sup>6</sup> and Vietnamese<sup>7</sup> women have disproportionate rates of cervical cancer, which they contract at twice the rate of White women.

- The ranks of the uninsured among people of color will grow. The number of Americans without health insurance is expected to swell to 58 million in ten years if nothing is done. [http://www.urban.org/UploadedPDF/411965\\_failure\\_to\\_enact.pdf](http://www.urban.org/UploadedPDF/411965_failure_to_enact.pdf). Currently more than one in three Hispanics and American Indians – and just under one in five African Americans – are uninsured, compared to about one in eight Whites. <sup>11</sup>
- The shortage of primary care providers will continue. Half of Hispanics and more than a quarter of African Americans do not have a regular doctor, compared with only one fifth of Whites. <sup>14</sup>
- There will not be routine coverage of preventive care: Low-income adults and children struggle to obtain routine but needed care that serves to prevent the occurrence of more serious health problems. For example, twenty percent of low-income Hispanic youth have gone a year without a health care visit – a rate three times higher than that for high-income Whites. <sup>17</sup> Only 37% of Hispanics and 49% of African Americans received a colorectal cancer screening in 2007, compared with 57% of Whites. <sup>20</sup> This contributed to colorectal cancer diagnoses for African Americans at more advanced stages, with a higher mortality rate than any other race. <sup>21</sup>

#### **BENEFITS OF HEALTH REFORM FOR COMMUNITIES OF COLOR**

- Affordable health insurance options with tax credits on a sliding scale for those who need help affording coverage
- Protection from insurance company practices, such as denial of coverage based on a pre-existing condition
- Strong incentives for employers to provide coverage
- Preventive services such as mammograms and colonoscopies covered at no cost to the consumer
- More primary care providers. Health insurance reform will invest in the National Health Service Corps, which provides scholarships and loan repayments to primary care providers who practice in underserved areas. The proposals will also provide payment bonuses to primary care providers practicing in underserved areas.
- Improved data collection to better address issues of disparities in health and health care.

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### **CONSEQUENCES OF FAILURE FOR SMALL BUSINESS**

- Rising health care costs cut into employee wages and impede hiring and business growth.
- Small businesses, the backbone of job creation in our economy, are disproportionately burdened by the financial strains caused by rising health care costs.<sup>3</sup> On average, small businesses pay up to 18 percent more than large firms for the same health insurance policy. <sup>4</sup>
- These higher costs discourage small businesses from covering their employees. In a recent national survey, nearly three-quarters of small businesses that did not offer benefits cited high premiums as the reason.<sup>7</sup>

- A recent study found that in 2008, more than a quarter of small businesses reported a premium increase of 20% or more. (National Small Business Association (2009). ‘Health Care Survey of Small Businesses’. Gruber HELP testimony 11/2/2009)
- Without reform, current data trended forward indicate that by 2016, average health insurance premiums for a single policy in a firm with less than 50 employees will be approximately \$6,700.<sup>8</sup>
- Small businesses will continue being forced to drop coverage. Nearly one-quarter of the uninsured – 11 million people – are employees of firms with less than 25 workers, even though they only make up approximately one-tenth of the nonelderly population.<sup>20</sup>

### **BENEFITS OF REFORM FOR SMALL BUSINESS**

- Health insurance reform will create a health insurance exchange that pools small businesses and their employees with millions of other Americans to increase purchasing power and competition in the insurance market (a luxury only large firms currently enjoy).
- The exchange will also reduce administrative costs for small businesses and their employees by enabling them to easily and simply compare the prices, benefits, and quality of health plans. *As a result*, the CBO found that small businesses could see a reduction in premium costs with reform.
- Millions of small businesses nationwide could qualify for a tax credit to make coverage for their employees even more affordable
- Health insurance reform will prevent insurance discrimination based on health status, meaning that small businesses will no longer be unfairly subjected to arbitrary premium hikes if a worker falls ill.
- For the millions of young adults who work in small businesses, health insurance reform will also allow them to stay on their parents’ employer-based insurance until the age of 26, providing an essential option for coverage.