BUDGET REVIEW: COMPREHENSIVE HEALTH REFORM

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(FOR DISCUSSION 12/20/91)

BASIC ELEMENTS OF POSSIBLE
COMPREHENSIVE HEALTH REFORM

FOR DISCUSSION -- 12/20/91

(1) This approach is intended to:

(a) address the **cost** and **access** problem (see especially Tab 2, pp. 8, 10, 12);

(b) meet the substantive and political test necessary to have a **"comprehensive** plan";

(c) do so in a way:

(i) that is in accord with a **"pro-competitive"** approach to reform -- building on American strengths -- rather than a "pay-or-play" or "Canadian" approach (Tab 3);

(ii) that is consistent with the **principles** at Tab 4; and

(iii) that is consistent with the budget agreement's **pay-as-you-go** requirements.

If adopted, this approach would allow the President to put forward a plan that would, over time:

- assure access to affordable basic health insurance coverage for all poor and working poor Americans;
- assure that health insurance would be renewable and portable -- regardless of the condition of one's health;
- restrain the growing cost of health care and move the current system toward more cost-effectiveness;
- preserve and build upon the best of the private, innovative, high-quality American health system; and
- avoid a turn toward a government-managed health system that would (ultimately) ration access to health care.

(2) The new elements of this plan are in addition to other health initiatives already advanced by the Administration -- all of which would continue to be supported as well: e.g., emphasizing prevention and personal responsibility; advancing malpractice reform; increasing investment in research; targeting resources on at-risk infants and mothers; improving quality assessment; and reducing subsidies for the rich. (The new elements are summarized at (3), (4), (5), and (6) below.)

(3) Solution Element (A) -- **Health Insurance Market Reform** (Tab 5): To make health insurance more affordable and accessible for the working poor -- especially those who work for smaller firms -- and to encourage more cost-effective insurance plans, state insurance systems would be modified (or overridden) to:

- o pool risk;
- o guarantee issue, renewability, and portability;
- o override anti-managed care and mandated benefit laws;
- o extend group coverage for college graduates for 6 months after graduation; and
- o facilitate the development of Health Insurance Networks to increase bargaining power for small employers and to reduce administrative costs.

(4) Solution Element (B) -- Health Insurance Tax Credits (Tab 6): To make health insurance more affordable for the uninsured poor (those without public or private coverage) and the working poor, a new transferrable **health insurance tax credit** (and a related new health insurance deduction) would be provided. The health insurance credit would be up to $1250 per poor individual and $3125/family -- and the related new deduction would be available to a family with up to 60K income.

(5) Solution Element (C) -- Medicaid restructuring (Tab 7): To control rising Medicaid costs and allow States greater opportunity for cost-effective innovation, a **major restructuring of the Medicaid program** would be proposed. It would switch away from the current, open-ended, fee-for-service system toward "managed care" [new label needed!] and other more cost-effective health-insurance-and-delivery systems.

(6) Solution Element (D): To fill the financing gap, while also advancing sound policy measures, the plan would:

- o reduce the Medicare SMI premium subsidy for those older Americans with over 100K/year income (a modified reproposal);
- o cap the exclusion of health premium costs for all those individuals with over 100K/year income (with the excludable premium cap at $1920/individual and $4800/family) -- Tab 8; and
- o adopt other Medicare cost control measures -- without adversely affecting beneficiaries. (These are summarized at Tab 8.) NOTE: This part is sure to be unpopular with health providers, and may lend itself to (unfair) political criticism. It is, however, defensible policy -- and essential to fill the financing gap (assuming, as seems necessary and prudent, that the tax cap is not to be lowered).