

October 2009
Benefits of the Affordable Health Care for America Act
In the 7th Congressional District of Washington
Committee on Energy and Commerce

The Affordable Health Care for America Act will make health care affordable for the middle class, provide security for seniors, and guarantee access to health insurance coverage for the uninsured - while responsibly reducing the federal deficit over the next decade and beyond. This analysis examines the benefits of the legislation in the 7th Congressional District of Washington. Congressman Jim McDermott represents the district.

In Congressman McDermott's district, the Affordable Health Care Act will:

- Improve employer-based coverage for 479,000 residents.
- Provide credits to help pay for coverage for up to 157,000 households.
- Improve Medicare for 84,000 beneficiaries, including closing the prescription drug donut hole for 6,700 seniors.
- Allow 23,400 small businesses to obtain affordable health care coverage and provide tax credits to help reduce health insurance costs for up to 21,300 small businesses.
- Provide coverage for 35,000 uninsured residents.
- Protect up to 800 families from bankruptcy due to unaffordable health care costs.
- Reduce the cost of uncompensated care for hospitals and health care providers by \$84 million.

Affordable and Improved Health Care Coverage for the Middle Class

Better health care coverage for the insured. Approximately 72% of the district's population, 479,000 residents, receive health care coverage from their employer. Under the legislation, individuals and families with employer-based coverage can keep the health insurance coverage they have now, and it will get better. As a result of the insurance reforms in the bill, there will be no co-pays or deductibles for preventive care; no more rate increases or coverage denials for pre-existing conditions, gender, or occupation; and guaranteed oral, vision, and hearing benefits for children.

And if they don't like their coverage, they will be forced to keep it or face criminal sanctions. Due to what is missing from the bill—namely cost controls—there will be higher premiums, co-pays and deductibles for everyone. Private insurers will continue to dictate your choice of practitioners, and will continue to use every excuse possible to deny claims. If you manage to establish an ongoing relationship with a practitioner, it is still subject to cancellation at any moment if your employer changes plans, or if your insurer changes its preferred provider list.

Affordable health care for the uninsured. Those who do not receive health care coverage through their employer will be able to purchase coverage at group rates through a health insurance exchange. Individuals and families with an income of up to four times the federal poverty level- an income of up to \$88,000 for a family of four - will receive affordability credits to help cover the cost of coverage. There are 157,000 households in the district that could qualify for these affordability credits if they need to purchase their own coverage.

"Families" do not receive anything. Credits are paid to the insurance company. In any case, such credits are of minimal help to those over 55, who will be forced to pay twice as much (or more,

when the Senate gets through with us) due to age rating. In addition, the credits just enable the purchase of a comparatively useless product. They will be available only to the lowest of four tiers of coverage. That tier covers only 70% of expenses (a really lousy deal), and individuals are still on the hook for \$5000 a year in addition to premiums. All with no guarantee whatsoever that insurers, who all use the Enron business model, will pay on any particular claim.

Coverage for individuals with pre-existing conditions. There are 8,900 individuals in the district who have pre-existing medical conditions that could prevent them from buying insurance. Under the bill's insurance reforms, they will now be able to purchase affordable coverage.

Congress's notion of "affordable" diverges considerably from common peoples' understanding of the concept. According to the CBO, middle income families will soon be paying 15-18% of their incomes on co-pays, deductibles and premiums, given that there are no cost controls imposed.

Health care and financial security. There were 800 health care-related bankruptcies in the district in 2008, caused primarily by the health care costs not covered by insurance. The bill caps annual out-of-pocket costs at \$5,000 for singles and \$10,000 for families and eliminates lifetime limits on insurance coverage, ensuring that no citizen will have to face financial ruin because of high health care costs.

The caps are still outrageously high and expenses can still lead to bankruptcy, which usually occurs because insurers refuse to pay claims. Of the 800, 480-560 had insurance. Forcing more people to buy the same crappy product that these people had will not solve the bankruptcy problem.

Security for Seniors

Improving Medicare. There are 84,000 Medicare beneficiaries in the district. The health care reform legislation improves Medicare by providing free preventive and wellness care, improving primary and coordinated care, improving nursing home quality, and strengthening the Medicare Trust Fund.

The Medicare improvements taken as a whole are very helpful, but why must they be attached to legislation whose primary purpose is to force everyone else to buy the same lousy overpriced insurance that is the cause of most of our health care financing problems?

Closing the Part D donut hole. Each year, 6,700 seniors in the district hit the donut hole and are forced to pay their full drug costs, despite having Part D drug coverage. The legislation will provide these seniors with immediate relief, covering the first \$500 of donut hole costs in 2010, cutting brand-name drug costs in the donut hole by 50%, and completely eliminating the donut hole by 2019.

The donut hole was created in a single legislative act, and it can be removed all at once in a similar act. Why hasn't it been?

Helping Small Businesses

Helping small businesses obtain health insurance. Under the legislation, businesses with up to 100 employees will be able to join the health insurance exchange, benefiting from group rates and a greater choice of insurers. There are 23,400 small businesses in the district that will be able to join the health insurance exchange.

Tax credits for small businesses. Small businesses with 25 employees or less and average wages of less than \$40,000 will qualify for tax credits of up to 50% of the costs of providing health insurance. There are up to 21,300 small businesses in the district that could qualify for credits.

The legislation overall will decimate any small business which sells products or services which are not absolutely essential to survival. That is because it will obliterate hundreds of billions of dollars of middle class discretionary income to feed a parasitic sector of the economy which produces nothing. I've already helped to close two restaurants that I used to patronize before retirement just by cutting eating out from twice a week to twice a month. After being forced to pay twice as much due to my age to parasites who contribute nothing to the real economy, that frequency will be cut to twice a year if that. Multiply that by tens of thousands, and this is very bad news for an economy consisting of 70% consumer spending.

Covering the Uninsured

Coverage of the uninsured. There are 71,000 uninsured individuals in the district, 12% of the district residents under age 65. The Congressional Budget Office estimates that nationwide, 96% of all Americans will have insurance coverage when the bill takes effect. If this benchmark is reached in the district, 35,000 people who currently do not have health insurance will receive coverage.

Too bad that we won't necessarily receive health care, given that the private insurance model rewards denial of claims as frequently as they can get by with. 2019 is a long time to wait until any benchmark is achieved, and even so, 27,000 will still be uninsured.

Relieving the burden of uncompensated care. In 2008, health care providers in the district provided \$84 million worth of uncompensated care. This care was provided to individuals who lacked insurance coverage and were unable to pay their bills. Under the legislation, these costs of uncompensated care will be virtually eliminated.

And you actually expect this legislation to change that? Many people who have insurance are STILL unable to pay their bills. All that will happen is that more will be forced to buy the same inadequate product. What is being mandated is underinsurance.

Deficit Responsibility

No deficit spending. The cost of health care reform under the legislation is fully paid for: half through eliminating waste, fraud, abuse, and excessive profits for private insurers in Medicare and Medicaid and half through a surcharge on the income of the top 0.3% wealthiest individuals. This surcharge will affect only 2,290 households in the district. The surcharge will not affect 99.34% of taxpayers in the district.

Reducing the deficit. According to the Congressional Budget Office, the bill will cut the deficit by over \$30 billion over the next decade and will continue to create a budget surplus over the next 20 years.

It is also going to be paid by forcing people to buy products that are worth nowhere near what we will be forced to pay for them. The only real choice that people of modest means have is the choice between being underinsured and being criminals. Reducing deficit spending at the cost of

eliminating large swaths of middle class discretionary income will not help the economy.

This analysis is based upon the following sources: the U.S. Census (data on insurance rates and small businesses); the Centers for Medicare and Medicaid Services (data on Medicare and Part D enrollment); the Department of Health and Human Services (data on health care-related bankruptcies, uncompensated care, and pre-existing conditions); and the House Committee on Ways and Means (data on the surtax).

Other Items from Speaker Pelosi's Press Release

Immediate help for the uninsured until exchange is available (interim high-risk pool) — Creates a temporary insurance program until the Exchange is available for individuals who have been uninsured for several months or have been denied a policy because of pre-existing conditions.

Judging by state high risk pools, this will be a useless overpriced abortion of a plan, enabling people with medical conditions to choose between continuing to pay directly for drugs and office visits and paying a parasitic sector of the economy for catastrophic coverage that may or may not be useful. Why not just let high risk people into Medicare early like we do with disabled people, and put the subsidy money into Medicare to take care of the extra expense?

Immediate sunshine on price gouging—Discourages excessive price increases by insurance companies through review and disclosure of insurance rate increases.

What a joke. It's astonishing that Congress would actually consider this something to brag about in a press release. A translation into ordinary language would be "We are going to publish a list of Very Naughty Boys and Girls who kill and bankrupt people for profit. And if they don't shape up, well, we'll just put them on the list again next year. That'll learn 'em."

*The spectacle of Senator Harkin begging the insurance companies pretty please with sugar on it and a cherry on top to justify their pricing was sickening to watch. Countries which provide universal care mostly or partly through private insurance don't **ask**, they **tell**. Which is why in the Netherlands, mandated private insurance is 100 euros/month/adult, with NO co-pays, NO deductibles, and NO age rating. This hard-core single payer activist could live with that, noting that the monthly amount is quite similar to the HR 676 proposal of \$125/month/adult.*

Help for early retirees—Creates a \$10 billion fund to finance a temporary reinsurance program to help offset the costs of expensive health claims for employers that provide health benefits for retirees age 55-64.

This is utterly useless to retirees with no access to such benefits. Put the \$10 billion into Medicare, and allow retirees in this age group to join, as Senator Rockefeller has already proposed. Direct benefits to retirees should trump benefits to employers. We need an extra program in addition to Medicare, which is already up and running, because why?

Questions for Representative McDermott

Exchange plans have already proven to be failures. Why do we need one at the national level? California had one for 15 years, and it failed for lack of pricing power and the adverse selection of sicker enrollees. The proposed exchange is different because why? The CBO already says it

is not different.

Given that there are many useful things in the legislation, why must they be attached to this failure? Why not just offer some or all of them as separate pieces of legislation?

You have not mentioned a public option even once in your handout. Is that because you don't expect it to survive, or because you'd prefer not to advertise the fact that the CBO has said it will be more expensive than private insurance due to adverse selection?

How do you envision a failed exchange (or even one that lasts as long as California's) leading to single payer? Can you name the steps, one by one, or is it just a vague undefined hope?

Suppose I'm making payments on my "affordable" mandatory private health insurance. Most of my discretionary income is gone, even with the subsidy, but under normal circumstances I can keep paying. Then I incur some out of the ordinary expense, say, my house suffers storm damage that absolutely must be repaired in order for the house to stay livable. I can't do that and keep paying on the insurance, so I fall behind on payments. When I file a claim, it gets denied because I haven't paid. Now what?

For that matter, what recourse do any of us have if claims are denied for any reason? Or against the price gouging that is going to continue to go on in the absence of cost control?

Suppose someone with a pre-existing condition has a bad credit record because of slow or non-payment of medical bills, and insurance companies deny coverage because of bad credit. What recourse does that person have under this legislation?

If Congress now lacks the will to impose cost controls on insurance companies, why are you assuming that they will magically acquire it after rewarding them with \$500 billion to a trillion dollars?

If you are worried about the political costs of not passing this legislation, what about the political costs of passing it? Given that none of the legislation's endorsing organizations make a major point of mentioning mandates (though many repeat the public option mantra despite the fact that it is no longer public nor an option), and that the word does not appear *even once* in your handout, what consequences do you anticipate when large numbers of people who are counting on alternatives to their current insurance figure out that they won't get it? What happens when costs continue to skyrocket, when people realize that they have no alternative to employer-based insurance no matter how much they dislike it, and when they realize that "choice" does NOT include choice of providers? You might well ponder the fact the Republicans are really, really good at fake populism.

Given that you, Speaker Pelosi and both of our senators are much enamored of the notion of "medical homes," why are you supporting legislation that essentially forbids them?

Will you vote against the final legislation if it curtails reproductive rights?