

KEY PROVISIONS OF THE HEALTH SECURITY ACT OF 1993

from Karen Pollitz, Georgetown University Health Policy Institute

1. Universal Coverage through a Federal Entitlement and an Individual Mandate

- Individuals must pay roughly 20% of health insurance premium
- Liability capped at 3.9% of income
- Enforced by retroactive enrollment/fines - administered by Alliance

2. Subsidies for Families

- Premium subsidies pegged to average cost plan
- Full premium subsidies to 150% FPL; phase out at 250% FPL
- Cost sharing subsidies also available
- Additional subsidies for early retirees
- Subsidies administered by Alliance

3. Standard Benefits

- Hospitalization
- Physician services
- Mental health
- Maternity
- Prescription drugs
- Preventive services
- Routine vision care
- Routine dental care
- Approved experimental therapies
- Cost sharing: \$200/\$400 annual deductible
 20% coinsurance (or \$10/visit co-pay)
 \$1,500/\$3,000 out of pocket limit
 separate \$250 Rx deductible
 separate \$50 dental deductible
- Wrap-around EPSDT for low income kids
- Benefits established in law; updated by National Health Board

4. Some Public Coverage Remains

- Medicare with new Rx and catastrophic coverage
- Medicaid for cash-beneficiaries only (though coverage through private plans)

5. All Other Coverage Through Private Health Plans

- Choice of competing Health Plans in each market
- Market reforms apply:
 - Guaranteed issue
 - Guaranteed renewable
 - No pre-ex exclusions
 - Community rating
 - No direct enrollment by plans
 - Risk adjusted premiums
- Market reforms administered by Alliances

6. Financing of Coverage through:

- Employer premiums/mandate:
 - * 80% of weighted average plan premium
 - * Fixed per enrollee regardless of plan choice
 - * Capped at 7.9% of payroll; 3.5% for low-wage small (<25) firms
- Individual premiums
- State premiums for Medicaid cash beneficiaries
- State maintenance of effort payment for non-cash beneficiaries
- Cost containment savings from Medicare
- Cigarette tax
- Assessments on self-insuring corporations (>5000 employees)
- Extend Social Security/Medicare payroll tax to state/local workers
- All money flows through Alliances

7. Cost Containment

- Competition backed by regulation, administered by Alliances (2 forms of competition – consumer choice and competitive bidding)
- Families pick plan and pay difference between that plan's established premium and employer contribution (80% of weighted average premium)
 - * For below-average cost plans, family pays less than 20% of total because employer contribution is worth more than 80%
 - * For above-average cost plans, family pays more than 20% of total because employer contribution is worth less than 80%
- Health Plans annually bid premium to Alliance for covering standard benefits

- Target premium is known to bidding plans in advance
 - Range of bids acceptable as long as weighted average premium < target
 - * If plans overbid, opportunity to re-bid lower amount
 - * Otherwise, Alliance institutes mandatory premium reduction
 - * Alliance also develops provider fee schedule that can achieve target premium level. Premium reduction is backed by provider fee schedules to yield required savings
 - Competition backed by premium caps to enforce stringent cost containment
 - * **Baseline target established for weighted average premium = per capita health care costs**
 - * **Baseline is then inflated each year by annual growth factor + allowance for administrative costs**
- * Annual growth factor = CPI + amount (1.5%, 1%, 0.5%, 0, then Congress sets or GDP per capita)

8. Alliances

- Authorized under federal law; states MAY establish and operate
 - At least 1 Alliance per state, can't subdivide MSAs
 - Alternatively, states can establish a single-payer system
 - When states can't / won't run Alliances properly, federal government runs Alliance; assesses all health plans with 15% premium surcharge
- Corporations >5000 employees have option to establish Corporate Alliance
 - Self-insure its employees' health care
 - If corporate alliance is elected, corporation can change mind and join state alliance; decision to participate in state alliance is irrevocable
 - Must continue to meet other employer mandate responsibilities
 - Must pay up to 2% premium to DOL insolvency fund
 - Must pay 1% of payroll to Alliance
 - No access to premium cap
- Job of Alliance
 - Regulate health plans, including insolvency, guaranty fund, market rules
 - Enroll people
 - Guarantee choice of plans
 - Administer subsidies (determine eligibility; collect funds from feds and credit people)
 - Administer risk adjustment
 - Establish fee schedules for FFS plans
 - Implement cost containment (conduct bidding process and impose premium caps/fee schedules)
- Plans pay 2.5% of total premium for Alliance administrative costs

9. Other Key Provisions

- Consumer protection
 - Grievance procedures
 - Network adequacy
 - Report cards
 - Quality controls
 - Consumer ombudsman
- Essential Community Providers (plans required to contract with)
- Public Health Initiative
- Health data initiative (population-wide claims data collection)
- Privacy of Health Information
- Payments to Academic Health Centers (special fund for GME)
- Medical malpractice reform
- Long Term Care
 - Medicare Part C comprehensive home and community based care
 - Expand XIX nursing homes (more generous spend down)