



# CROSSING OUR LINES

**Working Together to Reform the U.S. Health System**

**HOWARD BAKER • TOM DASCHLE • BOB DOLE**

**EXECUTIVE SUMMARY**



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Dear Fellow Americans:

I am pleased to join my friends Tom Daschle and Bob Dole in presenting this report of the Bipartisan Policy Center on the pillars of health care reform. It is the product of more than two years of work, including valuable contributions by our former colleague George Mitchell, and it reaches a level of policy detail that may seem unusual for an initiative undertaken by four former Majority Leaders of the United States Senate.

But we were determined to do more than present a general exhortation to the present generation of political leaders to deal with health care reform in a bipartisan way. Saying it is easy; doing it is hard, particularly when there are good arguments on several sides of important issues in this field. So we have labored to be as specific as possible in reaching for the political and policy consensus that underlies this report.

Frankly, the consensus is stronger in some parts of the report than in others. While we agree wholeheartedly on the need for universal health insurance coverage, the re-invention of the way we provide health care in this country, the need for more consistent quality in that care in rural and urban America, the need to maintain maximum consumer choice and a robust private insurance market, and much else, we are tethered more tenuously on some other important matters. These include such fundamental questions as how best to finance these reforms, contain costs without constraining quality, and deal with the inevitable unintended consequences of such a thorough-going revolution in the way medicine is practiced in America.

But we have found agreement wherever we could—consensus on large matters where possible and smaller points where necessary—because we deeply believe that a bipartisan approach to health care reform is much to be preferred to a party-line vote on an issue of such transcendent importance to the life of our country and the well-being of its people.

We do not envy the task before today's policymakers. But we have been there ourselves in earlier days of complex challenge and controversy, and we know that it is both possible and preferable to reach agreement among serious people of good will. We have every confidence that this generation of political leaders can succeed in health care reform where previous generations have fallen short. We offer this detailed plan, not without individual reservation over one proposal or another, but in the certainty that such reservations are the price of constructive compromise—and that such compromise is essential to the success of this endeavor.

I wish to thank my friends Tom Daschle and Bob Dole for their hard work and talented contributions to this report, and together we wish to thank the many experts whose perspectives have helped shape our work. The Congress, working closely with the new Administration, must now work its will on this issue. My colleagues and I agree most strongly that the time for action is now, and we wish our successors well in this most important enterprise.

Sincerely,



HOWARD BAKER

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*Senator Baker founded the Bipartisan Policy Center, along with Senators Dole, Daschle and Mitchell, in 2007, and he is a member of its Advisory Board. He served three terms as a United States Senator from Tennessee (1967 to 1985) and was Tennessee's first popularly elected Republican Senator. He is currently Senior Counsel at Baker, Donelson, Bearman, Caldwell, and Berkowitz, a law firm founded by his grandfather in 1888.*



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Dear Friends:

Health care reform is our most urgent domestic priority. Costs are skyrocketing and unsustainable. While we spend more on health care than any other country, the quality of care patients receive in return has been inconsistent. The United States is home to world renowned medical facilities, and yet we have repeatedly ranked lower in outcomes compared to other developed countries. Millions lack access to our health care system and must rely upon overburdened emergency rooms for routine

care. For those who do have health insurance, oftentimes their coverage is inadequate and they are prohibited from getting the care they need when they need it.

In the past, we have tinkered with the health care system with moderate success—most notably the CHIP program. Unfortunately, incremental solutions are no longer tenable. The problems associated with access, quality, and cost are interrelated and must be addressed simultaneously. Ultimately, the best way to achieve a high-value, high-performance health care system that provides greater quality at lower cost is to enact comprehensive reform.

That is why my colleagues and I at the Bipartisan Policy Center launched the Leaders' Project on the State of American Health Care. By working together across party lines, we hope we can provide policymakers, stakeholders, interest groups, and most importantly, the American people, with a constructive bipartisan solution to our health care crisis.

During the course of our deliberations we found common ground on a number of issues: promoting wellness and prevention and better value for care. However, there are some proposals in our report that would have been different if they had been crafted solely by Democrats or Republicans. If we had made the perfect the enemy of the good in our efforts to reach consensus, it is likely we would have been deeply divided along ideological lines and without a solution to the health care crisis.

President Obama has made it clear that health care reform is one of his highest priorities. Likewise, both the House of Representatives and the Senate are diligently working to draft comprehensive legislation. Stakeholders, who in previous years worked in opposition to each other, are now working together because they understand we have a historic opportunity to finally make health reform a reality.

These developments are a step in the right direction. It is my hope that our work at the Bipartisan Policy Center will contribute to the ongoing dialogue and help further the debate on health care reform.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Daschle", with a large, stylized flourish extending from the end of the name.

TOM DASCHLE

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*Senator Daschle founded the Bipartisan Policy Center, along with Senators Dole, Baker and Mitchell, in 2007, and he is a member of its Advisory Board. He is one of the longest serving Senate Democratic Leaders in history and the only one to serve twice as both Majority and Minority Leader. Today, Senator Daschle is a Special Policy Advisor to the law firm of Alston + Bird.*



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Dear Fellow Americans:

When it comes to the use of health care services, I have as much experience as almost anyone and have come to appreciate how lucky I am to have been able to avail myself of the finest health care system in the world. But I also recognize there are millions who for financial or other reasons cannot say the same.

Over the years we have attempted to address the problems of cost, quality and access. We have expanded our public

programs, Medicare and Medicaid; we have patched up problems as they arose; but we have not made the kind of fundamental changes necessary to give all Americans access to better care. We continue to treat illness, not patients or families. We continue to pay for volume and not value and we continue to leave the most vulnerable of our people without the security of knowing that their families will be cared for when most in need. Most recognize the time has come to reform our system. Without good health care, the American dream eludes too many of our fellow citizens.

When I look back on my 35 <sup>1</sup>/<sub>2</sub> years in Congress it is evident to me that anything that has really lasted, any legislation that has stood the test of time, has been truly bipartisan. The public has more confidence in the final product when the vote represents a serious compromise.

Senator Baker, Senator Daschle, Senator Mitchell—before he left us in March to work for the president in the Middle East—and I all believe we have an opportunity to improve our health care system and the lives of millions of Americans. Working together, this report represents our honest, best effort to reach common ground and perhaps provide a model for the current leadership in Congress as they do the same.

Let's not kid ourselves about the enormity of the health care problems we are confronting and the options being considered. Most importantly, we should be open with the American people when it comes to cost. Based on my long experience the estimated costs are always less than actual costs. That is why my colleagues and I provide a number of options for Congress to consider to ensure that health reform is truly deficit-neutral. Secondly, even though our goal is to provide care for everyone, we need to recognize that this will be a difficult feat to accomplish. The often-cited figure of 46 million uninsured provides a confusing and perhaps inaccurate picture of the problem. We should keep that in mind when we make policy choices. Our goal should be to get more people who can afford coverage to take it up, and provide support to those who might not have the means to purchase it on their own.

I wish to thank my colleagues as well as the outstanding staff of the Bipartisan Policy Center and the many others who participated in our work, as well as the Robert Wood Johnson Foundation, whose financial support was critical.

God Bless America,



BOB DOLE

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*Senator Dole founded the Bipartisan Policy Center, along with Senators Daschle, Baker and Mitchell, in 2007, and he is a member of its Advisory Board. He was elected to Congress from his home state of Kansas in 1960 and to the U.S. Senate in 1968, until he resigned in 1996 to pursue his campaign for President of the United States. Senator Dole currently serves as Special Counsel to Alston + Bird.*

**A**t the founding of the Bipartisan Policy Center (BPC) in March 2007, its Advisory Board, former Senate Majority Leaders Howard Baker, Tom Daschle, Bob Dole and George Mitchell, decided to devote significant time to a specific policy project that would exemplify their commitment to bipartisan action. Recognizing the current flaws in the nation's health care system, as well as the existing political stalemate in the federal reform debate, they selected health care as their signature issue.

Collectively, the Senators believe there are too many gaps between what medical science and health professionals are capable of doing, and what the nation's health system is actually achieving. The American people deserve better than the status quo of uneven quality of care, growing numbers of uninsured, and rapidly increasing costs.

This report presents key findings from the Leaders' Project on the State of American Health Care—an inclusive, year-and-a-half-long effort to develop consensus on bipartisan policy recommendations for health care reform. The goal of the Project was to develop

a comprehensive but achievable set of policies to ensure that all Americans have quality, affordable health insurance coverage, while constraining cost growth, promoting innovative delivery of care, and focusing treatments more on the patient, and not just the illness. These changes are necessary to achieve a higher return on the nation's health care spending, which now exceeds \$2 trillion per year.

Developing these recommendations required exploring solutions to the problems facing the U.S. health care system, and making the same very tough, politically sensitive decisions that Congress and key stakeholder groups will

inevitably have to confront in order to enact comprehensive health reform. Both sides conceded positions that they feel strongly about, but did so recognizing that negotiations often require making tough choices. Since they are no longer sitting members of Congress, Senators Baker, Daschle and Dole do not have any direct purview over the efforts that will be required to enact broad, bipartisan health reform legislation. Rather, they hope to contribute the policy and political expertise they have built over decades of working across party lines to achieve progress on critical policy issues.

As part of the Leaders' Project, advice and input was sought from a broad range of stakeholders, including health care providers, businesses, labor representatives, state and local policymakers, health plans, academics, and consumer advocates, through a series of public policy forums and targeted outreach activities. Ultimately, this report seeks to establish a constructive center in the often polarized health reform debate, and to advance a coherent strategy for modernizing the health care system so that every American has stable, quality health coverage.

### **Core Problems in the Health System**

The problems policymakers seek to resolve through comprehensive health reform are significant. Today, the nation's health care system focuses primarily on treating illness and not improving population health. Additionally, health care spending and premiums are rising at a rate that is

unsustainable for families, businesses, and government. Growth in health care costs is much higher than growth in wages and gross domestic product (GDP). Consequently, despite a wider range of better medical treatments becoming available, more and more people are struggling to afford even the most basic levels of care.

Particularly in the face of the recent economic downturn, growing numbers of people are losing their jobs and the health benefits those jobs provide. Many others are finding that they can no longer afford to pay monthly insurance premiums and out-of-pocket costs for needed medical services. The trend of rising costs also extends to public health care programs. In fact, states have been forced to cut other services, including education, to maintain their Medicaid programs. The federal government's long-term fiscal problem is largely related to cost and demographic trends that are causing unsustainable growth in Medicare and Medicaid spending, as well as rising levels of "tax expenditures" for employer-provided health insurance.

While the U.S. health system features some of the best physicians and facilities in the world, many Americans do not consistently receive high-quality care or achieve good health outcomes. Even those with meaningful health benefits often do not receive preventive services that could delay the onset of chronic diseases and related complications. Chronic diseases account for three-quarters of all

health care costs, but unfortunately, those who develop them frequently receive care that is neither well coordinated nor proven to be effective. These gaps in quality often occur despite the best efforts of health professionals. Because of provider payment mechanisms and health benefit designs, the current health care system is largely focused on the quantity and intensity of services delivered, and not on improving quality and health outcomes. Efforts to control costs in the short term by lowering provider payments or broadly restricting access to coverage or services have only exacerbated existing problems with health care quality.

Finally, U.S. health outcomes are significantly worse than those in many other countries,

number of Americans who are obese. These problems are all reflected in alarming health disparities across racial, ethnic, and socioeconomic groups. To reduce the growth of health care spending while simultaneously achieving better health outcomes, reforms must be implemented in a way that makes fundamental improvements in health care delivery, and supports Americans in their efforts to stay healthy.

An unprecedented combination of political and policy consensus is emerging around the need for comprehensive health reform that accomplishes the complementary goals of affordable coverage and high-value, innovative health care. The policy recommendations put forward in this

**“ AN UNPRECEDENTED COMBINATION OF POLITICAL AND POLICY CONSENSUS IS EMERGING AROUND THE NEED FOR COMPREHENSIVE HEALTH REFORM THAT ACCOMPLISHES THE COMPLEMENTARY GOALS OF AFFORDABLE COVERAGE AND HIGH-VALUE, INNOVATIVE HEALTH CARE. ”**

not just because of the system's problems with health care delivery and coverage, but also because of unhealthy personal behavior, as evidenced by the growing

report recognize that efforts to achieve these goals must be made concurrently, and that neither can be accomplished without the other.

### The Four “Pillars” of Health Reform

The Project’s specific policy recommendations are organized around four substantive “pillars” of health reform. Pillar One includes a package of bold measures to *achieve greater health care quality and value*, building on recent efforts to identify and support more

*develop a workable, sustainable approach to health care financing* in a manner that is budget neutral and credibly slows growth in health care spending.

### Promoting a Bipartisan Process

The Leaders’ Project was motivated by a strong belief in the importance of acting

“ TRULY BIPARTISAN EFFORTS ARE NEEDED IN CONGRESS, ALONG WITH A COMMITMENT TO INCLUSIVENESS AND TRANSPARENCY ACROSS ALL STAGES OF THE PROCESS—FROM POLICY DEVELOPMENT TO FINAL PASSAGE. ”

personalized, reliably high-quality, well-coordinated care. Pillar Two sets forth policies to *make health insurance available, meaningful and affordable* by stabilizing insurance markets, offering subsidies to help individuals and employers purchase coverage, and promoting effective competition to achieve better value. Pillar Three includes proposals to *emphasize and support personal responsibility and healthy choices* by providing better support to develop a culture of prevention and healthy lifestyles, and creating the expectation that individuals will purchase at least basic insurance coverage that promotes wellness and protects against very high expenses. Finally, Pillar Four outlines proposals to

now to find a real, bipartisan solution to the nation’s health care crisis. This requires members of both parties to engage in a collaborative, constructive debate with the goal of achieving a compromise that can be broadly supported. Truly bipartisan efforts are needed in Congress, along with a commitment to inclusiveness and transparency across all stages of the process—from policy development to final passage. Addressing an issue as complex and personal as health reform through the budget reconciliation process may impede the ability of lawmakers to pass durable, lasting legislation that achieves meaningful results for all Americans. Similarly, because timing is so critical, bipartisan legislation

should be considered without extended floor debate or filibuster.

### **Policies That Work Together**

It is important to emphasize that the recommendations in this report are designed to be mutually reinforcing, and they function as a package. Each component is the product

achieved through this project, as well as the structural soundness of the overall policy recommendations it has generated.

### **A Principled Approach to Compromise**

Reaching agreement on the policy recommendations put forward in this report required a willingness to move

**“ THESE POLICIES ARE INEXTRICABLY INTERTWINED; IMPLEMENTED TOGETHER THEY CAN ACHIEVE MORE SIGNIFICANT IMPROVEMENTS IN THE HEALTH CARE SYSTEM THAN COULD BE ACHIEVED IF THEY WERE CONSIDERED SEPARATELY. ”**

of extensive discussions and rigorous analysis, informed by many of the nation's top health care experts. These policies are inextricably intertwined; implemented together they can achieve more significant improvements in the health care system than could be achieved if they were considered separately. There is no one policy in this report, such as a requirement that individuals purchase health coverage, or any single improvement in the way health care is delivered, that will—by itself—resolve the problems currently facing the system. Further, it is the full package of recommendations that constitutes the Leaders' Project approach to bipartisan health reform. As such, extracting any one policy could easily undermine the consensus that has been

beyond many of the key tension points that have contributed to the impasse in the current reform debate. For instance, some policymakers and advocates argue for a system managed exclusively by the government and public entities, while others advocate with equal vigor for a privately-administered system. Likewise, many supporters of health care reform call for a national approach, while others note the country's longstanding tradition of federalism, and endorse a stronger role for states in administering and overseeing the health system. Personal responsibility is often touted as a key health reform priority, but is tempered with concerns that vulnerable individuals, including those who suffer from chronic illnesses, may need additional protections.

Recognizing that these principles have great significance for different lawmakers, stakeholders, and political constituencies—the Leaders’ Project nonetheless reflects a belief that successful health reform must incorporate ideas from both ends of the political spectrum. Accordingly, the policy recommendations presented here envision a strong partnership between the public and private sectors, with government providing a consistent regulatory framework within which the private health care industry operates. They also call for a partnership between the federal government and the states in managing the health system, with the federal government providing minimum standards for states to implement and oversee. Finally, the approach

unique features of the U.S. system is its long tradition of allowing consumers to choose their own physicians and health professionals, hospitals, and health insurers. The policy framework proposed here preserves and enhances that level of choice, and ensures that Americans can keep their current providers and source of coverage if they so choose. While resolving the current cost, coverage, and delivery challenges facing the health care system will require a significant effort, it can and should be done with the least possible amount of disruption.

### Rejecting the Status Quo

The work of this project was guided by a shared belief that the status quo, with

**“ CONGRESS AND THE ADMINISTRATION FACE A UNIQUE OPPORTUNITY THIS YEAR TO TAKE CRITICAL STEPS TOWARD SYSTEMATIC REFORMS THAT WILL PROTECT PATIENTS, PRESERVE AND EXPAND HEALTH INSURANCE COVERAGE, REDUCE SPENDING GROWTH, AND IMPROVE QUALITY OF CARE AND HEALTH OUTCOMES. ”**

outlined in these recommendations empowers individuals to take greater responsibility for their health and health care, but also provides extra support to those who need it.

Ultimately it will be critical to assess the strengths as well as the weaknesses of the health system. One of the most notable and

its large gaps in health care quality, skyrocketing costs, and growing numbers of uninsured, is both unsustainable and unacceptable. Senators Baker, Daschle and Dole strongly believe that the time for meaningful, lasting health reform has arrived. Congress and the Administration face a unique opportunity this year to take critical

steps toward systematic reforms that will protect patients, preserve and expand health insurance coverage, reduce spending growth, and improve quality of care and health outcomes. The American people deserve nothing less than decisive, timely action.

### Promoting Fiscal Responsibility

When considering reforms of this magnitude, it is essential to apply principles of fiscal responsibility. Therefore, while the coverage reforms and other federal infrastructure investments called for in these recommendations are expected to have a gross cost of approximately \$1.2 trillion over the 10-year budget window, the recommendations also include policies that would completely offset this amount. To place the \$1.2 trillion figure in appropriate context, it is important to consider that the nation's projected health expenditures for the next 10 years are expected to total \$35.2 trillion. Moreover, the strong incentives being recommended to improve health care delivery—when combined with coverage and financing reforms—will accrue additional private and public sector savings in the long term.

To pay for this health reform proposal, the Leaders' Project recommends over \$1 trillion

in specified financing, divided between federal health-system savings and health-related revenues. The remaining cost, approximately \$200 billion, should be offset through one of three possible options:

First, Congress could choose to enact a set of specific health-savings and revenue-generating policies that would more than cover the remaining cost. Second, Congress could create an explicit budget “trigger” that would be designed to measure targeted expenditures and automatically implement specified policies that would achieve more savings if needed. Third, if Congress chooses to create an entity like the Independent Health Care Council (an issue discussed later in this report), it could be charged with submitting specific proposals to Congress and the president to reduce any remaining financing shortfalls. The Council's recommendations could be reviewed by the president and submitted to Congress under expedited procedures, with limited opportunity for amendment. These three approaches to ensure budget neutrality are not mutually exclusive and could be reinforcing if implemented together.

## SUMMARY OF RECOMMENDATIONS

## ■ PILLAR ONE

### Preserving and Improving Quality and Value of Care

- Invest in the Meaningful, Effective Use of Health Information Technology (HIT)
  - > Define “meaningful” HIT use
  - > Align provider incentives with new payments to achieve higher-value care
  - > Promote patient-centered care by providing patients useful information about treatments and conditions
  
- Develop a Quality Measurement Infrastructure to Support Patient-Centered Care
  - > Fund the development of consensus-based quality measures
  - > Move to electronic, patient-centered quality reporting
  - > Improve the capacity of the Department of Health and Human Services (HHS) to facilitate systematic use of measurements for care improvement
  - > Improve data collection on health disparities
  
- Reform Provider Payments in Federal Health Programs to Pay for Patient-Centered, High-Value Care
  - > Expand targeted pay-for-reporting and pay-for-performance initiatives
  - > Reduce payments for low-value services
  - > Phase in bundled payments for providers once proven effective
  
- Guarantee Patient-Centered Care for Chronically-Ill Beneficiaries
  - > Create community health teams to provide comprehensive support to prevent chronic illnesses and their complications
  - > Establish a joint program for care coordination for individuals who are eligible for both Medicare and Medicaid (also known as “dual eligibles”)
  - > Ensure new care coordination programs improve outcomes for the chronically ill
  - > Improve quality of palliative care
  
- Develop a Health Care System That is Accountable for Value
  - > Establish Accountable Care Organizations
  - > Share savings with Accountable Care Organizations that meet or exceed quality benchmarks and reduce overall cost trends

- **Expand Comparative Effectiveness Research Relevant to Patient Decisions and Effective Health Care Policy Reforms**
  - > Develop infrastructure to support comparative assessments of the effectiveness of medical treatments and practices
  - > Prioritize comparative effectiveness research topics
  
- **Invest in Health Care Workforce**
  - > Offer funding for providers in underserved areas
  - > Integrate delivery reforms into graduate medical education
  - > Provide funding for the education of nurses and allied health professionals
  - > Revise scope-of-practice laws that discourage use of advanced practice nurses, pharmacists, and other allied health professionals
  
- **Address Racial and Cultural Disparities**
  - > Guarantee that patients are treated with best practices, regardless of race or ethnicity
  - > Realign reimbursement in federal programs to improve patient outcomes and care coordination based on a patient's specific circumstances
  - > Ensure adequate provider capacity in medically underserved areas
  - > Invest in workforce to increase the number of minorities entering the medical and allied health professions
  - > Implement standard collection of patient race and ethnicity information
  
- **Establish an Independent Health Care Council**
  - > Analyze and report on health care quality and cost trends in federal health programs and in the overall health care system
  - > Promote coordination among federal health programs
  - > Issue an annual report to the president with recommendations to improve quality of care and avoid unnecessary costs
  
- **Reform Medical Liability Laws**

## ■ PILLAR TWO

### Making Health Insurance Available, Meaningful and Affordable

- **Reform Health Insurance Markets**
  - > Guarantee access to coverage regardless of health status
  - > Limit variation in premiums
  - > Ensure a high level of participation by expecting individuals to purchase basic health coverage
  - > Achieve lower administrative costs via standardized electronic claims processing, public reporting of medical loss ratios, and administrative simplification
  - > Establish a federal fallback if states do not implement market reforms
  
- **Create a Network of State- or Regional-Level Health Insurance Exchanges**
  - > Establish minimum operating guidelines for exchanges
  - > Provide startup funding for states to establish insurance exchanges
  - > Permit all individuals and small groups to purchase in the exchanges
  - > Ensure coverage is affordable and meaningful
  - > Make available enrollee support tools and adopt strategies to improve plan choice
  - > Risk adjust the premiums paid to plans that participate in exchanges
  - > Implement a federal fallback if states or regions do not create exchanges in a timely manner
  - > Require states to report on progress toward implementing reforms
  - > Provide for competing state plan options
  - > Require further action if coverage affordability and accessibility goals are not met
  
- **Ensure Meaningful Health Insurance Benefits**
  - > Establish minimum creditable coverage standards for health insurance
  - > Set additional standards for plan options available through insurance exchanges
  
- **Guarantee Affordable Coverage for All**
  - > Limit out-of-pocket premiums to no more than 15 percent of income for a minimum benefit package
  - > Offer enhanced protections for Americans with incomes under 400 percent of the federal poverty level
  - > Provide additional protections for retirees
  - > Create new tax credits for small businesses to purchase coverage for their employees
  - > Ensure low-income families have coverage through the Medicaid program

## ■ PILLAR THREE

### Emphasizing and Supporting Personal Responsibility and Healthy Choices

- **Expect Individual Responsibility for Obtaining Basic Health Insurance**
  - > Establish a personal responsibility requirement for all Americans
  
- **Empower Individuals to Make Better Health Care Choices**
  - > Expand the Centers of Excellence program within Medicare
  - > Offer reduced premiums for healthy behaviors
  - > Support the development of educational materials to improve health literacy
  
- **Create a Public Health and Wellness Fund to Provide Support for Evidence-Based Wellness, Prevention, and Care Coordination Programs**
  - > Eliminate cost-sharing for A- and B-rated services by the U.S. Preventive Services Task Force in both Medicare and health insurance exchanges
  - > Extend new authority to the Secretary of HHS to eliminate coverage for D-rated services by the U.S. Preventive Services Task Force, at the Secretary's discretion
  - > Allow Medicare coverage for health risk assessments and personalized prevention plans within routine wellness visits
  - > Provide tax credits for certain worksite wellness programs
  - > Fund the community health teams initiative to help coordinate care for Medicare beneficiaries, including dual eligibles
  - > Invest in grants to schools and community-based prevention and wellness programs

## ■ PILLAR FOUR

### Developing a Workable and Sustainable Approach to Health Care Financing

- Reform Delivery and Payment Systems to Achieve Higher-Value Health Care (Pillar One)
- Implement a Balanced Set of Medicare and Medicaid Payment Reforms in Support of Delivery Reforms
  - > Align Medicare Advantage payments more closely with fee-for-service Medicare
  - > Adjust Medicare market basket updates to account for expected savings from delivery reforms
  - > Adjust funding for uncompensated care to account for coverage expansions
  - > Reduce payments to home health and skilled nursing facilities
  - > Create an approval pathway for competing biologic products
  - > Reform prescription drug payments in Medicare and Medicaid
  - > Restructure Medicare and Medigap cost-sharing
  - > Reallocate Medicare and Medicaid improvement funds
- Raise Additional Revenue from Coverage-Related Reforms
  - > Link the tax exclusion to the value of benefits received by Members of Congress
  - > Institute a fee for certain employers not offering or paying for health benefits
- Ensure Budget Neutrality Through One of the Following Options:
  - > Enact additional, specified savings and revenue-generating policies
  - > Implement pre-specified targets for spending growth and establish a “trigger” mechanism that automatically enforces reductions
  - > Empower the Independent Health Care Council to develop policy recommendations that would be expected to achieve federal spending growth targets, and authorize the president to submit the recommendations for consideration under expedited procedures with limited opportunity for amendment
- Address Medicare’s Sustainable Growth Rate Formula for Physicians

## Summary of Revenue and Expenditure Provisions

RECOMMENDED POLICY	Approximate Budget Effects	
	2013 Effects	Budget Window (2010-2019)
<b>INVESTMENTS</b>		
Ensuring Affordable Coverage: <ul style="list-style-type: none"> <li>• Tax Credits to Ensure Affordable Coverage for All Americans Through Exchanges, with Special Retiree Protections</li> <li>• Ensuring Adults with Incomes Below Poverty Have Access to Comprehensive Coverage through Medicaid</li> </ul>	[-\$131 billion]	[-\$1,135 billion]
Credits to Help Small Businesses Bear the Cost of Offering Employer-Sponsored Health Insurance	[-\$7 billion]	[-\$55 billion]
Public Health & Wellness Fund: New Benefits and Initiatives for Proven Approaches to Prevent Chronic Diseases and Their Complications	[-\$5 billion]	[-\$50 billion]
<b>Subtotal, Investments</b>	[-\$143 billion]	[-\$1,240 billion]
<b>SAVINGS/REVENUE OFFSETS</b>		
Modernization Initiatives to Reform Delivery and Payment Systems, Net of Initial Investment Costs	_____	\$30 billion
Slowing Growth of Medicare and Medicaid Spending through Balanced Reforms That Reflect Expected Savings from Delivery Reforms	\$40 billion	\$500 billion
New Revenues: <ul style="list-style-type: none"> <li>• Revenue from Capping Employer Coverage Income Tax Exclusion at the Value of Benefit Received by Members of Congress</li> <li>• Revenue from Fair Share Fee for Larger Employers Not Offering Coverage</li> <li>• Additional Savings from Changes in Decisions Resulting from These Reforms</li> </ul>	_____ \$54 billion _____	_____ \$510 billion _____
<b>Subtotal, Specified Offsets</b>	[\$94 billion]	\$1,040 billion
Ensuring Budget Neutrality: Further Savings from a Combination of Additional Reforms, Budget Triggers and/or Independent Health Care Council Recommendations	_____	\$200 billion
<b>FINAL BUDGET EFFECT</b>	[-\$49 billion]	Budget Neutral

*Note: Coverage and health insurance tax reform impacts were estimated by Jonathan Gruber of MIT, using his reform simulation model. Estimates of Medicare, Medicaid, and other health system reform proposals reflect published estimates from CBO.*



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