

## Summary of Key Changes in House Health Reform Reconciliation Proposal

On March 18, 2010 the House Democratic leadership released the Reconciliation Act of 2010 (H.R. 4872), which would make changes to the Senate-passed health reform bill (H.R. 3590). The proposed changes were agreed to by House and Senate leadership and will be the basis for a reconciliation bill in the Senate. A preliminary cost estimate from the Congressional Budget Office (CBO) projects the bill with these changes would cost \$940 billion over ten years and would reduce the deficit by \$138 billion over this time. According to CBO's analysis, the cost estimate for the base Senate-passed bill – without the House changes – is \$875 billion and it would reduce the deficit by \$118 billion.

The House Rules Committee is expected to consider the rule for the reconciliation proposal on Sunday, March 21. If the rule is approved, the House will consider the legislation shortly thereafter. If approved by the House, it remains unclear when the Senate would begin consideration of the reconciliation proposal.

Included below is a summary of some of the major changes in the House proposal which impact states.

The proposal is available at: [http://rules.house.gov/bills\\_details.aspx?NewsID=4606](http://rules.house.gov/bills_details.aspx?NewsID=4606)

### Medicaid Expansion

- The House maintains the Senate bill's provisions to expand Medicaid to all individuals under age 65 (children, pregnant women, parents, and adults without dependent children) with incomes up to 133 percent of the federal poverty level (FPL), beginning January 1, 2014.
- The bill would retain the Senate's definition for "newly eligible" as individuals who were not previously eligible for a full benchmark benefit package or who were eligible for a capped program but were not enrolled.
- The amendment proposes to use modified adjusted gross income (MAGI), for eligibility determinations for Medicaid and the federally subsidy to purchase health insurance coverage, as compared to modified gross income in the Senate bill.
- The House would replace the Senate's Medicaid expansion financing provisions for non-expansion states with the following schedule:
  - 100 percent federal funding for the cost of services for nonpregnant childless adults from calendar years (CY) 2014 through 2016;
  - 95 percent for CY 2017;
  - 94 percent for CY 2018;
  - 93 percent for CY 2019; and
  - 90 percent for CY 2020 and subsequent years.
- The House would replace the Senate's Medicaid expansion financing for certain early expansion states. The state share for covering this population would be reduced according to the following schedule:
  - 50 percent in CY 2014;
  - 60 percent in CY 2015;
  - 70 percent in CY 2016;

- 80 percent in 2017;
- 90 percent in 2018; and
- In 2019 and thereafter, the expansion states would have the same state share of the costs of covering nonpregnant childless adults as non-expansion states as noted above.

### **Territories**

- The House bill would allow the territories to establish an Exchange and would appropriate funding for federal subsidies for coverage purchased through the Exchange. In addition, the bill would further increase the Senate bill's update to the Medicaid funding cap for territories beginning July 1, 2011 through September 30, 2019.

### **Medicaid primary care physician reimbursement rate increase**

- In 2013 and 2014, the House bill would mandate that Medicaid physician reimbursement rates for primary care services be at least 100 percent of the applicable Medicare rate.
  - The rate would be based on the applicable rates in the state's Medicaid plan in place as of July 1, 2009.
  - Incremental increases for primary care services would be fully federally funded for services delivered in 2013 and 2014.
  - States would still be permitted to set reimbursement rates above Medicare.
  - Eligible physicians must have a certain primary specialty designations.
  - In 2015, states would either have to maintain the higher reimbursement rates without the enhanced federal match or reduce their rates.

### **Health Insurance Reforms**

- The House bill would establish a Health Insurance Reform Implementation Fund within the Department of Health and Human Services. The bill provides a mandatory appropriation of \$1 billion to the Fund for federal administrative expenses for implementation of the health reform bill.
- The House bill would apply certain insurance reforms to "grandfathered health plans," relating to excessive waiting periods, lifetime limits, rescissions, and extending dependant coverage.
- The House would make changes to the individual mandate, including lowering the flat penalty for noncompliance and raising the percent of income that is an alternative payment amount.
- The House would make changes to the requirements for employers, including providing disregarding the first 30 full time employees from the fee calculation for employers that do not offer qualified, affordable coverage.

### **Tax on high cost employer sponsored plans**

- The Senate bill would impose an excise tax on insurers of employer sponsored health plans with aggregate values that exceed certain thresholds, often referred to as "cadillac plans."
  - The tax would be equal to 40 percent of the value of the plan that exceeds the threshold amounts and is imposed on the issuer of the health insurance policy.
  - The tax would apply to all insurance plans, including those for state and local government employees.

- The House bill makes several changes to the Senate-passed bill, including the following:
  - The effective date for the excise tax would be 2018, rather than 2013 as in the Senate bill.
  - The premium thresholds above which the tax applies are increased from the Senate bill's \$8,500 for singles to \$10,200. For families, it would increase from the Senate bill's \$23,000 to \$27,500.
  - The thresholds would be indexed at the rate of inflation, instead of inflation plus one percent.
  - Standalone dental and vision plans would be exempt from the tax.