

Some Key Elements of the Senate Legislation (as of November 19, 2009)

- **Insurance Market Reforms:** Beginning in 2014, plans would be required to offer coverage on a guaranteed issue basis and would be prohibited from excluding coverage for preexisting conditions (all insured markets). Plans would be allowed to vary premiums based only on age (3:1), tobacco use (1.5:1), family composition, and geographic differences (individual and small group markets).
- **Individual Coverage Requirement:** Beginning in 2014, an individual coverage requirement would take effect, with exemptions allowed in cases of hardship and if the premium exceeds 8% of a person's income. Penalties for failing to obtain coverage would be set at \$95 in 2014, \$350 in 2015, and \$750 in 2016 (with this amount updated for inflation in subsequent years).
- **Government-Run Plan:** Beginning in 2014, a Community Health Insurance Option would be established with an option for states to prohibit the offering of this government-run plan in their state. The HHS Secretary would be directed to negotiate provider reimbursement rates that are not higher than the rates paid by private plans participating in the exchanges. Premiums must be sufficient to cover expected costs. A Start-Up Fund would be established to cover the costs associated with initial operations of the government-run plan and to cover claims during the first 90 days, subject to a requirement that these funds must be repaid within nine years. Providers would not be required to participate in the government-run plan and could not be penalized for non-participation.
- **Health Care Cooperatives:** Federal funding would be authorized for a CO-OP Program to foster the creation of nonprofit, member-run health insurance companies that would offer coverage in the individual and small group markets in one or more states. Federal loans would be provided to assist with start-up costs and federal grants would be provided to meet state solvency standards.
- **Exchanges:** Federal funding would be provided to assist the states in establishing American Health Benefit Exchanges no later than January 2014. The exchanges would facilitate the purchase of qualified health plans, provide for the establishment of a Small Business Health Options Program, implement procedures for the certification of qualified health plans, maintain an Internet website to provide standardized comparative information on qualified health plans, and carry out other responsibilities specified in the legislation.
- **Excise Tax on High-Value Health Plans:** Beginning in 2013, an excise tax would be imposed on employer-sponsored coverage for any health insurance plan with a premium exceeding \$8,500 for single coverage and \$23,000 for family coverage. Higher thresholds would be established for retirees and for plans covering workers in

high-risk professions. The thresholds would be adjusted annually based on the CPI plus one percentage point. The tax would be set at 40% and would apply to the amount of the premium exceeding these thresholds. This provision is estimated to generate \$149.1 billion in new revenue over ten years.

- **Health Insurance Premium Tax:** A \$6.7 billion annual premium tax would be imposed on the health insurance sector, allocated by market share, beginning in 2010. Self-insured coverage and governmental entities would be exempt from the tax, but fees paid to third party administrators would be assessed under this provision. Other fees would be imposed on the pharmaceutical sector (\$22.2 billion) and medical device manufacturers (\$19.3 billion).
- **Interstate Sale of Insurance:** Beginning in 2016, states would be permitted to form “compacts” to allow for the purchase of non-group health insurance across state lines. The HHS Secretary, working in consultation with the NAIC, would issue regulations for the creation of such compacts.
- **Benefit Options:** Four benefit categories would be created with the following actuarial values: Bronze (60%), Silver (70%), Gold (80%), and Platinum (90%). A separate catastrophic plan (i.e., the “young invincibles” policy) would be available for young adults under age 30 and for those who are exempt from the personal coverage requirement due to hardship or coverage not being affordable.
- **Medicaid Eligibility Expansion:** Beginning in 2014, Medicaid eligibility levels would be expanded to 133 percent of the federal poverty level. The costs associated with this expansion would be covered by a 100 percent federal match rate in the first three years.