

Senator's Health Care "Call to Action" Addresses Access, Value and Efficiency

On Wednesday, November 12, 2008, the Chair of the Senate Finance Committee, Senator Max Baucus, released a "white paper" identifying priorities for health care reform in the next Congress. By its own terms, Baucus' "Call to Action" is "a vision and not a legislative proposal." Even so, as the first comprehensive health policy proposal offered for consideration by the 111th Congress, the Baucus paper is significant and is likely to play a role in framing the ensuing debate.

The Baucus "Call to Action" is organized around three overarching goals: access, value and efficiency. Baucus' plan shares elements in common with Representative Pete Stark's AmeriCare Health Care Act, the Healthy Americans Act (proposed by Democratic Senator Ron Wyden and Republican Senator Robert Bennett), as well as the blueprint for health reform on which President-elect Barack Obama campaigned. Moreover, Senator Edward Kennedy has already welcomed the Baucus paper as an important step in the realization of his long-cherished aspiration to achieve universal coverage.

Organizing Principles

Access

The Baucus paper seeks to improve access to health care for millions of Americans who are uninsured or "underinsured," without disrupting coverage for those who are satisfied with their current insurance arrangements. Toward this end, the white paper includes measures to bolster existing public programs, ensure that employers contribute to the cost of employees' health care, and establish a new regulated market for individual insurance.

Senator Baucus seeks to provide coverage for all Americans through a combination of public programs and private insurance offered and regulated through a nationwide insurance pool called the federal Health Insurance Exchange. A presidentially-appointed Independent Health Coverage Council would effectively set quality and affordability standards by developing criteria for participation in the Exchange. Once the Exchange is functioning, the plan would enforce an individual mandate, possibly through the tax code as Massachusetts has done. During the interim, the plan would allow individuals aged 55 to 64 to buy into Medicare as a temporary measure, and would create a state grant program to support care for the uninsured with chronic diseases.

Senator Baucus would strengthen existing public programs by:

- Eliminating the "waiting period" before disabled individuals become eligible for Medicare
- Establishing nationwide Medicaid eligibility at the federal poverty line
- Providing for additional federal Medicaid match in the face of objectively determined economic downturns
- Expanding the Children's Health Insurance Program (CHIP) in collaboration with state governments
- Increasing funding for the Indian Health Service

The plan would ensure that most employers contribute to the cost of employees' health care by:

- Requiring large employers to provide coverage or contribute to a fund that would help to cover the remaining uninsured
- Requiring many employers to offer pre-tax payroll deduction (Section 125) plans
- Granting a small business tax credit and individual premium tax credits

Senator Baucus would maintain the tax exclusion for qualifying employee benefits, but implement targeted reforms to make the incentive less regressive and more equitable.

In short, the proposal would make coverage universal or nearly universal in the United States through a combination of mandates and subsidies.

Value

Value is the second organizing concept in the Baucus paper. By compensating providers based on value rather than volume, the white paper aims to improve health care quality while containing costs. Specific recommendations to enhance health care value include:

- Revising Medicare's payment schedule to place more emphasis on primary care
- Requiring that Medicare pay for services in Federally Qualified Health Centers at a prospectively set rate in lieu of the current cost-based methodology
- Introducing new pay-for-performance mechanisms both for acute-care hospitals and for Medicare Advantage plans
- Gradually introducing Value-Based Purchasing (VBP) for hospital inpatient care and developing the Physician Quality Reporting Initiative (PQRI) into a VBP physician payment program
- Promoting standardization of performance and quality metrics as well as interoperability certification criteria
- Reforming Medicare's Sustainable Growth Rate (SGR) formula to maximize value and make physician payment updates more predictable
- Bundling payments and penalizing hospital readmissions
- Promoting the coordination and integration of care through gain-sharing, medical homes and other mechanisms
- Enlisting a private, nonprofit corporation to conduct comparative effectiveness research and communicate findings on a fully transparent basis
- Investing in information technology infrastructure and health care workforce development

Efficiency

Senator Baucus acknowledges that implementing comprehensive national health care reform will require a substantial upfront investment of resources. He states, however, that, when measured on a ten-year horizon or beyond, the cost of doing nothing will vastly exceed the upfront costs of reform. The white paper cites a Congressional Budget Office estimate that more than one-third of current U.S. spending on health care does not improve health outcomes. Baucus calls for redeploying these wasted dollars—potentially more than \$700 billion—by:

- Bolstering screening, revising payment methodologies, and strengthening oversight to prevent, deter, and combat fraud, waste, and abuse



- Increasing the transparency of physicians' financial interests and providing more meaningful cost and quality information
- Scrutinizing the proliferation of specialty providers in relation to comprehensive community hospitals
- Providing grants to states to develop alternatives to tort litigation, potentially lessening the cost of "defensive medicine"
- Reducing Medicare Advantage (MA) payments to ensure that MA programs are cost-competitive with traditional Medicare
- Monitoring comparative prescription drug discounts to ensure that Medicare and Medicaid programs are receiving competitive prices
- Supporting informal and home-based long term care and innovative institutional care
- Revisiting tax incentives to promote cost sensitivity through employee cost-sharing and the use of personal Health Savings Accounts and Flexible Spending Accounts

Conclusion

The Baucus white paper anticipates imposition of an individual mandate once publicly available insurance options become affordable. It also aims to retain a diverse mix of coverage sources, in contrast to single-payer structures that remain popular within certain wings of the Democratic party. Given his position as the chair of the Senate Finance Committee, Senator Baucus's plan will no doubt play a significant role in what promises to be a spirited public and Congressional debate.

For further information, please contact any of the attorneys listed on this page.s

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