

The Council for Affordable Health Insurance



Federal Initiatives Timeline Reinsuring Health *October 4, 2006*

1950s

Eisenhower Administration (R) – Proposed to deal with the private sector's risk adverse behavior in health insurance by creating a government-sponsored reinsurance program analogous to the Federal Housing Authority.

1970s

Nixon Administration (R) also looked at a somewhat similar proposal.

1996 - 10 Years Ago

Sen. Jim Jeffords (R-VT) – The Health Care Refinancing Act

Established a Federal Health Reinsurance Corporation (wholly owned government corporation) to provide reinsurance limited to a list of reinsurable events as determined by the Corporation. It would have included all health plans as a condition of licensure or other approval (state, private insurers, unions, ERISA, association, etc. – excluded Medicare & Medicaid, but looked at ways to restructure those programs to incorporate reinsurance mechanism). Plans would be assessed reinsurance premiums based upon participating health plans annually on a per-capita basis. The Corporation would develop rules for coordinating reinsurance coverage under the Federal Reinsurance System with other reinsurance coverage that the primary insurer may carry and with any coverage provided by state high-risk funds in which an insurer may participate.

2003

Senators Durbin (D-IL) and Lindsey Graham (R-SC) - The Better Health Act

Medical Malpractice legislation contained provisions that would have instructed the Department of Treasury to study the establishment of a Federal Reinsurance Fund (FRF) to be used for reinsuring malpractice costs. It is envisioned that the FRF would not only help insurers with accurate pricing, but protect them from rising reinsurance costs. The study would examine the feasibility of funding the FRF through insurance user fees and the optimal structure of risk-sharing between the FRF and insurers in addition to other operational questions.

2004

Senator John Kerry (D-MA) Presidential Candidate – Election Year Health Care Proposal

Federal government would reimburse employer insurance plans for 75% of per person cost that exceed \$50,000 in a year.

Two independent analyses found the policy could reduce annual premiums by 10%

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AEI cost estimate - \$573 Billion (over 10 years)

Ken Thorpe (Health Economist, Emory University) cost estimate - \$257 Billion (but would save businesses & employees \$288 billion in premiums) over 10 years

2005

Sen. Bill Frist (R-TN), Senate Majority Leader, January, New England Journal of Medicine wrote *Health Care in 2015*

His health care proposal would establish a new national, publicly chartered, privately run “Healthy Mae,” a mechanism for spreading risk. A transparent and responsible Healthy Mae would help insurers more broadly share risk and reduce administrative costs by creating a vibrant secondary market for health insurance, just as we have done for home mortgages. It would make health insurance – particularly in the individual market more stable and affordable.

Legislation was not introduced.

NOTE: Paul Ellwood, MD (former Jackson Hole member & father of managed competition) in the winter 2005 Stanford Medicine Magazine calls for a HealthFed proposal. To be eligible for optional federally guaranteed reinsurance, patients, providers and insurers would have to meet the data collection and evidence-based quality standards of the HealthFed.

Sen. Ben Nelson (D-NE)

Sen. Nelson was working on a Federal Reinsurance proposal that would have reimbursed insurers 75% for claims above \$50,000 (limited to individual and small group market). Legislation was not drafted or introduced as Sen. Nelson staff worked with Senator Enzi staff on small group health plan bill.

2006

Senators Durbin (D-IL) and Blanche Lincoln (D-AR) - Small Employers Health Benefits Program Act (S.2510)

The bill was the Senate Democratic alternative to S.1955, the Health Insurance Marketplace Modernization and Affordability Act of 2006 introduced by Sen. Mike Enzi (R-WY).

It would have established a national health insurance program to offer private health benefits to small business employees. It also included tax credits for small employers who contributed a significant share of certain employees’ premiums, and **a reinsurance fund that would pay for certain very high claims.**

The federal government would establish and operate a reinsurance fund to cover up to 80% of the amount in claims exceeding \$50,000.

The Senate debate on Small Business Health Plans in May was the most significant health care floor debate held in the 109th Congress.

2006

Sen. John Kerry (D-MA), Health Care for All Americans, July 31

Recommends creating a new federal reinsurance plan for catastrophic care. The federal government will reimburse a percentage of the highest cost cases if you include preventative care and health promotion benefits in your plan and implement practices proven to make care affordable. This means lower costs and lower premiums for both employers and employees.

Everyone must have health coverage by 2012 (the end of the NEXT presidential term).

Health Care that Works for All Americans, September 25

Recommendations reported to President Bush and Congress

- All Americans have access to a set of affordable and appropriate core health care services by 2012.
- **Immediate Action to Improve Security & Access**
 - o *Guaranteed Financial Protection Against Very High Health Care Costs*

Stabilizing employer-based, individual and small group markets – policy experts and professional organizations have proposed different types of federal programs to provide reinsurance or protect individuals from very high out-of-pocket costs.

2 models

The Social Insurance Model provides the following example:

Protection would be provided against out-of-pocket costs for covered services that exceed some percentage of income – or that of a fixed dollar amount of individual liability – such as \$30,000 – whichever is lower.

Alternative Perspective (or Dissenting View) to Working Group Majority

Recommendation authored by

Randy Johnson (30 years of experience in corporate benefits, 22 years working for Motorola designing health care benefits for employees, retirees and their families. He has served on the boards of the ERISA Industry Committee, American Benefits Council and is a member of the Business Roundtable and an employer advisor to the Wye River Group.)

By 2008, adopt legislation that allows individuals and small employers to join private health plan associations under the following provisions:

1. Enable citizens to choose coverage from insurance companies nationwide.
2. **Fund government risk pools in a manner similar to stop-loss insurance.**
3. Ensure that health care conditions do not result in rejection or increased premiums.