Center *for* Public Policy Priorities

Wednesday, March 17, 2010

Dear Member of Congress:

The Center for Public Policy Priorities urges you in the strongest possible terms to cast your vote for both the package of critical improvements to the Senate's health reform bill, and the Senate bill itself. Access to good affordable health care for all Texans has been the center's top priority since our founding in 1985, and the legislation you are considering would transform access to quality, affordable care for millions of Texans.

The Senate bill with House improvements is not perfect, just as the bills enacting Social Security and Medicare were imperfect and have been continuously updated over the years. Still, this legislation represents a monumental step forward in mending our broken health insurance system. It will cover most of our uninsured, increase security and stability of coverage for those now insured, and help control the cost of health care.

The Health Reform compromise package we urge you to pass will deliver these benefits for Texas:

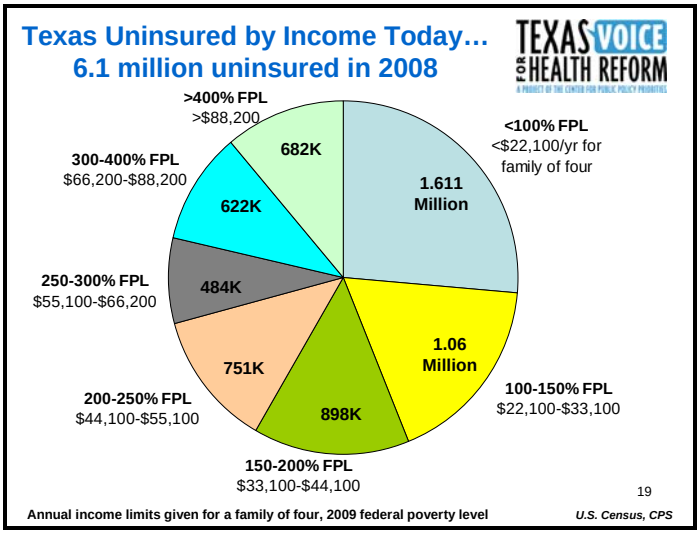
- The Congressional Budget Office (CBO) projects that 92 percent of non-elderly Americans will gain coverage by 2019 under this bill's provisions, meaning 4.3 to 4.4 million of Texas' current 6.1 million uninsured would gain good affordable coverage.
- Individuals and small businesses will be able to buy the same insurance as Congress through new health insurance exchanges and Medicaid will be expanded to cover all citizens living near the poverty level.
- Under the Administration's proposal, the federal budget will pay full Medicaid expansion costs for 4 years (2014-2017); in 2018 & 2019 state would pay 5 percent share, and in 2020 and thereafter a 10 percent share or $9 federal dollars for each $1 the state spends. Adding in federal assistance with premiums and out-of-pocket costs that require no state match, health reform will bring billions of additional federal dollars into the Texas economy each year.
- To illustrate, if Texas were to cover an additional 1 million working poor adults in Medicaid in 2020, at 2009 Medicaid costs the total bill for one year of their health care would be about $3.7 billion in new health care spending, with $3.33 billion funded federally, and a $370 million state share.
- The center's analysis of Texas Health and Human Services Commission (HHSC) reform impact models cited by some lawmakers has revealed that HHSC's cost estimate fails to take into account at all the benefits to Texas' economy from the federal fund related to Medicaid expansion and tax credits for premium assistance. HHSC's cost estimate is further inflated because it includes paying for already-eligible but unenrolled children and a shift of certain costs from local to state budgets that may not actually occur. The HHSC estimate also cannot be compared to official CBO estimates because it covers a different and longer time horizon. We conclude that the agency estimate is unrealistically high, but that by any measure (including the estimate itself) the economic benefit to Texas dramatically outweighs the cost to the state budget. http://www.cppp.org/research.php?aid=920

Congress has worked hard to arrive at a balanced framework that supports continued employer-sponsored insurance by large firms, while providing great flexibility for small firms:

- The Senate bill and proposed amendments do not require employers to offer coverage, but do require larger employers to contribute financially if their employees get tax-payer subsidized coverage in the Exchange. These penalties will be a small fraction of the cost of insuring their workers, but will help offset the costs of assistance provided to uninsured workers.
- Small employers (50 or fewer full-time workers) have no obligation to provide coverage and are exempt from any penalties if they choose not to offer coverage. Small businesses that prefer not to sponsor a health plan can be assured that their workers have guaranteed access to good coverage in the Exchange.
- Entrepreneurs and self-employed Texans will no longer be tied to their jobs for fear of losing coverage, and those now facing pre-existing health condition exclusions will be free to start new businesses.
- Economists from Harvard University and the University of Southern California have estimated that health care reform will result in the net creation of 250,000 to 400,000 additional U.S. jobs each year over the next decade.

We also applaud the strong slate of Medicare improvements, and key insurance reforms that will take effect in the first year of enactment:

- Seniors will benefit from new Medicare preventive benefits including a comprehensive annual check-up with no out-of-pocket costs; closing the Medicare Prescription Drug Benefit "doughnut hole," and extending solvency of the Medicare Trust Fund by slowing growth in Medicare spending from 2010 to 2019 from the predicted 88 percent to 67 percent. The new voluntary insurance program (CLASS) will provide community-based assistance services and support to help seniors remain in their homes.
- First-year insurance reforms include ending lifetime coverage limits as well as pre-existing condition exclusions for children; requiring insurers to devote 80-85 percent of premiums to medical benefits or provide rebates to consumers; banning co-pays or other out-of-pocket expenses for preventive care; prohibiting retroactive cancellation of coverage; and allowing dependent coverage on a parent's plan until age 26. A nationwide high-risk pool for uninsured individuals with pre-existing conditions and investment of $10-$11 billion in Community Health Centers will launch in 2010.



Over the last 10 months, the center has applauded the House's tireless work to develop health reform legislation that would ensure affordable, quality health coverage for Texans of all incomes while improving quality and controlling costs. We know that the scope of this landmark legislation has demanded an enormous amount of hard work from you and your staff in assessing the best way to meet the needs of your constituents. Most important, we recognize the political leadership you have taken in championing real health reform. We thank you. And we urge you once again to stand for Texans and to bring our nation the health care reform we need.

Upon passage of health reform, center staff will turn to the task of educating Texans across our state about the benefits of health reform, and how they will be helped. We will continue to work to provide community advocates statewide with the latest information and analysis at www.texasvoiceforhealthreform.org. If we can help you or your staff with information for your constituents or your district, please do not hesitate to contact us.

Sincerely yours,

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When Parents' Policies No Longer Provide Coverage

Young Texans Struggle to Find Health Insurance They Can Afford

Sarah was covered through her father's job-based insurance. The plan dropped her in early 2009 because she was 23 and no longer a full-time student. She did not find out that she'd lost coverage until she went to the pharmacy to pick up a prescription. While her parents scrambled to get Sarah enrolled in COBRA coverage, she had to pay for three months of medication out-of-pocket as her COBRA enrollment was sorted out, totaling around $1,000. After COBRA was set up, it took more than six months for the health plan to partially reimburse her for those expenses. She now pays $300 a month for her COBRA coverage.

At the time, Sarah worked for a major clothing retail chain that offers health insurance to full-time employees. Sarah, who was working close to 30 hours per week, was not eligible because she was a part-time employee. Because Sarah had worked with the company for more than two years, she was eligible for the "benefit" of access to the company's contracted health insurance agents, who could help her find her own individual health insurance policy with no contribution from the employer. Sarah filled out an application that included information on her health as well as a family medical history. The agents reported back that no insurance company was willing to write a policy for her. She does not know if it is because she has a pre-existing condition or because her family has a history of heart disease.

COBRA coverage is only available for 18 months. Sarah's COBRA will run out in June 2010. She graduated from college last year and is hoping that she'll be able to find a full-time job with coverage before June. But like millions of Americans, Sarah is struggling in this economy to find any full-time work, let alone a job with benefits. If she cannot get job-based coverage by June, Sarah and her parents are thinking of trying to find a catastrophic policy for her, even though it won't cover her $330-a-month medication. Unfortunately, there's no guarantee that an insurance company will offer her a catastrophic policy. Since she's already been denied full coverage in the individual market, she may find that no company will sell her a catastrophic policy either

Sarah is one of millions of young adults who have "aged out" of their parent's coverage but do not have access to their own job-based coverage. Young adults trapped in this position are left to try to buy health insurance in the individual market, where insurance companies can reject people with pre-existing conditions.

How the Current System Fails Young Adults like Sarah

- Young adults often "age out" of previous coverage before they have full-time jobs that offer health benefits. Depending on how they were covered, young adults may lose coverage anywhere between their 19th and 25th birthdays, when they graduate from high school or college, or when they are no longer full-time students.
- Young adults are less likely than older adults to work for employers that offer coverage. And young adults are less likely to be eligible for their employer's health plan, if one is offered. Young adults may not be eligible because the positions they hold are part-time or temporary, or they may be subject to a waiting period for new hires that can last several months or even a year.
- Like all people who do not have access to job-based coverage and must try to buy coverage in the individual market, young adults with pre-existing conditions can be denied coverage.

Top Three Ways Health Reform Will Help Sarah:

1. Young adults will be able to stay on their parent's health coverage until their 26th birthday. This gives young adults transitioning into the working world more time to get jobs that offer coverage before they get kicked off of their parent's policy.
2. Young adults and others who do not have access to job-based coverage will be able to buy good coverage through the new Health Insurance Exchange (just like members of Congress). Coverage in the Exchange will be subsidized so that it is affordable for people with low and moderate incomes. This will be important for young adults who find themselves in lower-paying, entry-level jobs as they graduate from high school and college.
3. Insurers will not be able reject applicants with pre-existing conditions or set premiums based on a person's health status.

Our Current Health Care System Fails Newly-Disabled Texans

The month after his open heart surgery, Mario applied for Social Security Disability benefits. Like many workers who become disabled as adults, Mario was certified for both SSI (income related) and SSDI (work history related) disability cash benefits. His SSI started right away, which automatically qualified him for Medicaid, too. This Medicaid coverage retroactively took care of his surgery bills. By federal law, work-related SSDI benefits do not begin until five months after you are found eligible. Very often, a worker's SSDI benefits—based on their past earnings—are higher than the maximum income allowed for SSI, and this was the case for Mario. So, when his SSDI cash benefits began, he lost his SSI and Medicaid (health coverage for very low-income citizens). Then, he began waiting out the federally-required 24-month period before Medicare health coverage for people over age 65 and adults who become disabled) starts for SSDI beneficiaries. This left Mario uninsured for two more years as he faced high out-of-pocket costs for follow-up care, making it difficult for him to seek regular treatment with a primary care physician.

While he waited without any health coverage, his health worsened and Mario had to go back to the emergency room several times for care. Though his hospital qualified him for assistance based on his low income, he was still harassed by collection agencies for the costs of his cardiac care, and had to get help from Legal Services with his creditors. Only because of help from family members were Mario and his wife able to make their mortgage payments and keep their home. Mario survived the two years and 5 months it took to get Medicare based on his disability, but over 50,000 Americans with disabilities die every year while waiting out the 24 months before they get their Medicare.

Today, Mario has Medicare, plus help from Texas Medicaid with his Medicare premiums, co-payments and deductibles. His wife, however, remains uninsured and must contend with chronic arthritis and back injuries without the benefit of insurance. Once again, they worry about how they will get her the care she needs and keep a roof over their heads at the same time.

How the Current System Fails Newly-Disabled Adults like Mario

"I have helped a lot of people to navigate the health care system, and I share what I've learned. We have to make our voices heard. There are people who have savings, who can draw upon an inheritance to defray medical coasts. But we need health reform for our children, so they can have health insurance."

- Once an adult worker becomes fully disabled and qualifies for SSDI, they must wait two years and 5 months before Medicare coverage begins. It is estimated that about 1.5 million newly disabled adults are in this waiting period today, and about one-third are uninsured and at high risk of either going without needed medical care, or incurring substantial medical debts.
- The Texas high-risk pool is their only option for private coverage unless their spouse is covered by an employer group insurance plan. By definition, to qualify for SSDI, these folks cannot work at all, so very few of the uninsured individuals in the waiting period have adequate income to buy coverage through the pool, which has very high premiums and deductibles.

Top 3 Ways Health Reform Would Help Mario:

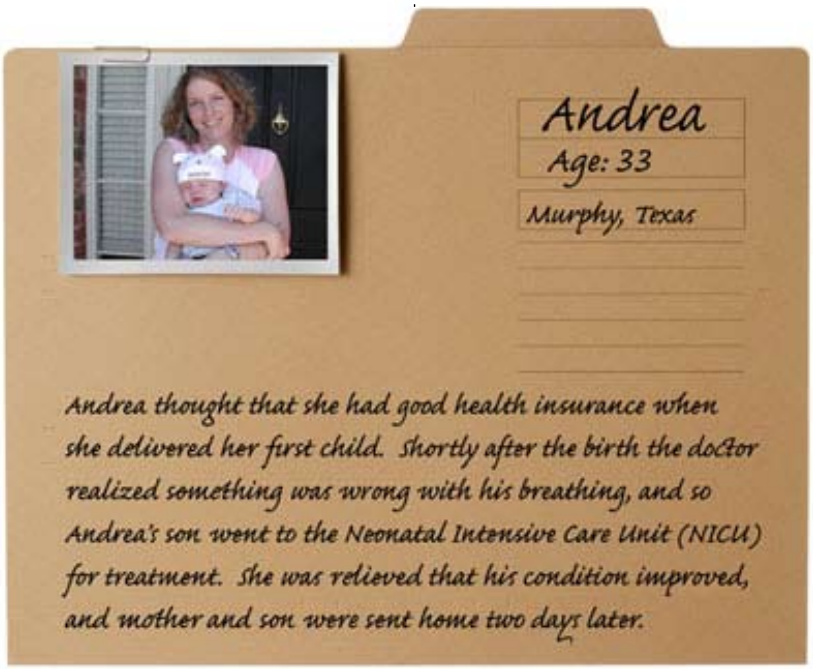
1. As a low-income self-employed man, Mario could have afforded good coverage at a fair price, and accessed routine care that might have detected and treated his heart condition before it became severe, and prevented or delayed his disability.
2. After becoming unable to work and losing Medicaid due to his SSDI benefits, Mario would have been able to purchase affordable coverage through the Health Insurance Exchange that could not be denied or priced higher because of his medical condition, and qualify for help with his premiums and out-of-pocket costs.
3. Mario's wife would also be able to buy good, affordable coverage through the exchange, and get help with her premiums and out-of-pocket costs. She would not have to defer getting the care she needs, or wait until she is too sick to work to qualify for help. She could continue to work for a living and still rely on having affordable health care.

National Health Reform Will Benefit Those With Health Insurance

Andrea arrived home to an unwelcome surprise. Her insurance company sent her a letter explaining that the doctor who treated her son in the NICU was not a part of the provider network. Despite the urgency of her son's condition and the fact that she was not given a choice of which doctor would treat her son in the NICU, the insurance provider refused to pay for the bulk of the NICU doctor's charge of $1,145.

In the end, the doctor gave Andrea a 50 percent discount on the amount she owed. Shortly after, she was slammed once again with expensive out-of-network doctor fees when she had to take her infant son to the emergency room. This time she got a bill for $600, of which the insurance company would only consider paying $200. Because Andrea had not met her annual deductible at that point, she had to pay the full $600, and the insurance company only credited $200 of it toward her deductible.

Andrea filed appeals to her insurance company both times she was hit with unexpected out-of-network bills. All of her appeals were denied.



Concerned about future emergency visits, Andrea asked her insurance provider to clarify where she should take her son if he required urgent care. She was told that **no emergency room doctor in the entire state of Texas was in her plan's network.** She says of this revelation, "I just couldn't believe that something like this was allowed to happen in America."

Andrea's family spends more than $7,000 a year on their health care premiums. She thought insurance would protect her household from crippling out-of-pocket health costs, but they currently **pay close to 25 percent of their gross income on medical care expenses.** With the rising costs of health care, Andrea worries about the point where her family will not be able to afford to pay for care.

How health reform will help ensure that an insurance policy covers what you need and does not leave people exposed to huge medical costs, providing more economic security for families like Andrea's.

How the Current System Fails Those With Health Insuracne like Andrea

- All too often, patients are unexpectedly hit with big bills for out-of-network charges that are beyond their control. Even when patients are careful to go to a network hospital, they may be treated by non-network ER doctors, anesthesiologists, or other providers.
- Often, when a consumer appeals an insurance company decision, insurance policy provisions allow the insurer to be the final judge on the matter, even though the insurer has a financial stake in the outcome.
- Having insurance does not necessarily mean you will be able to afford the health care you need. Many health insurance policies have high deductibles, expensive prescription drug copays, etc., leaving families with coverage exposed to significant out-of-pocket costs.
- Having insurance does not necessarily mean you have protection from financial ruin in the case of serious illness. More than 60 percent of bankruptcies are due to medical problems, and of those, 75 percent had insurance when they got sick.

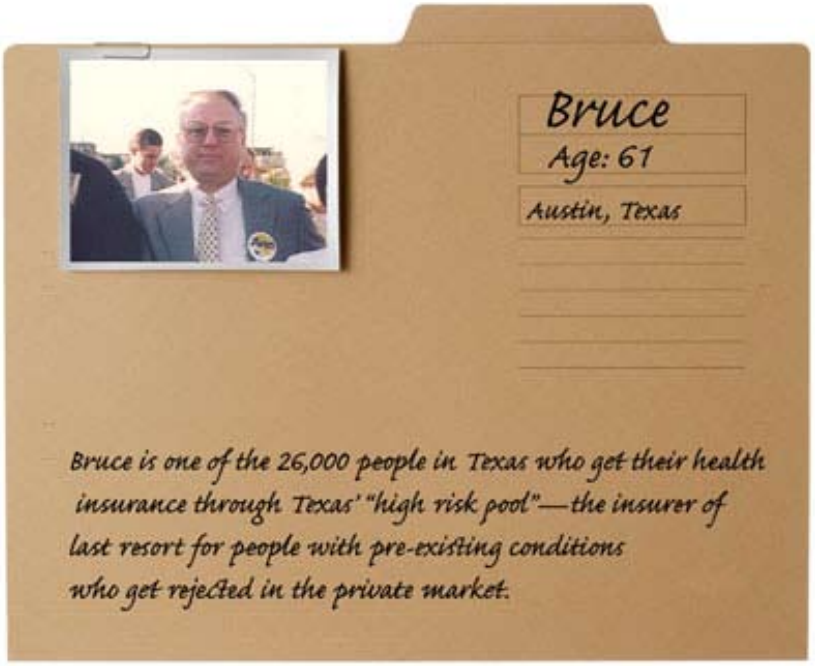
Top 3 Ways Health Reform Would Help Andrea:

1. Provider network standards. Health insurance sold in the Health Insurance Exchange will be required to offer an adequate provider network as defined by the Secretary of Health and Human Services. This focus will hopefully ensure that no policies are sold through the Exchange that have no ER doctors in-network in the whole state.
2. Stronger appeals process. Health insurance companies will be required to have an effective internal appeals process, as well as an external (independent) appeals process that meets consumer protection standards. Health reform makes grants available to states to establish an Office of Health Insurance Consumer Assistance or Health Insurance Ombudsman, that among other important functions, will assist consumers with filing appeals and complaints.
3. Capped exposure to out-of-pocket costs and affordable coverage. Health reform caps the amount of exposure families at all income levels will have to out-of-pocket costs. On top of that, for low- and moderate-income families, premiums and out-of-pocket costs in Exchange coverage will be reduced on a sliding-scale.

Health Reform to Allow Self-Employed Texans to Buy Affordable Health Insurance

Bruce is a 61-year old, self-employed communications and fundraising consultant. As he puts it, his body is "falling apart." He has had several serious health problems including heart attacks and cancer. He relies on his high risk pool coverage to help him access the doctors and prescription drugs he needs to manage his chronic conditions and stay out of the hospital.

For nearly 30 years he had an individual health insurance policy his parents first bought for him in the 1960s. In the 1990s, his insurance company refused to renew his policy, he thinks because he'd had a heart attack. He applied for coverage with other insurance companies and was rejected because of his pre-existing conditions. Considered "uninsurable" by insurance companies, Bruce enrolled in risk pool coverage, the only source of coverage that cannot reject individual applicants in Texas.



Bruce's risk pool coverage comes at a steep price. His premiums just to cover himself are $10,000 per year. By law, premiums in the Texas high risk pool cost twice as much as comparable policy in the private market.

In addition to steep premiums, Bruce pays significant out-of-pocket costs. His annual deducible is $2,500, and on top of that, he pays out-of-pocket for copays, coinsurance and health care services not covered by the high risk pool, like dental services. He estimates that he spends about $20,000 a year in out-of-pocket health care costs on top of his $10,000 annual premiums.

Even though he has to pay and arm and leg for it, Bruce feels fortunate to have been able to maintain coverage and believes that without it, he would not have made it to age 61.

National health reform provides help to the 13.1 million self-employed Americans like Bruce, who are left to try to buy health insurance in the individual market, where insurance companies can reject people with pre-existing conditions.

How the Current System Fails Self-employed People like Bruce

- In Texas, self-employed people cannot buy coverage like small businesses in the "group market." In the group market, small employers cannot be turned down for coverage. Instead, the self-employed have to buy coverage on their own in the individual market, in which insurance companies routinely reject applicants with pre-existing conditions.
- People with serious health conditions will never be able to buy coverage in the individual market, and can only get very expensive coverage in the high risk pool, if they can afford it.
- Treatment for pre-existing conditions can be excluded for up to 18 months in Texas for coverage offered to self-employed people in the individual market—6 months longer than the waiting period in coverage sold to small businesses in the group market.

Top Three Ways Health Reform Will Help Bruce

1. Insurers will not be able reject applicants with pre-existing conditions or set premiums based on a person's health status.
2. With health reform, Bruce will be able buy his coverage in the Health Insurance Exchange (just like members of Congress), where he can choose among competing insurance companies and buy good coverage at the average price for a 61-year old in Austin. This will save him thousands of dollars each year.
3. Like everyone buying coverage through the Exchange, Bruce's policy will have an out-of-pocket cap of $5,950 a year ($11,900 for families). This reliable limit on the out-of-pocket health care costs a person will face in a year provides economic security for families and protection from medical bankruptcy that does not exist for many people today.

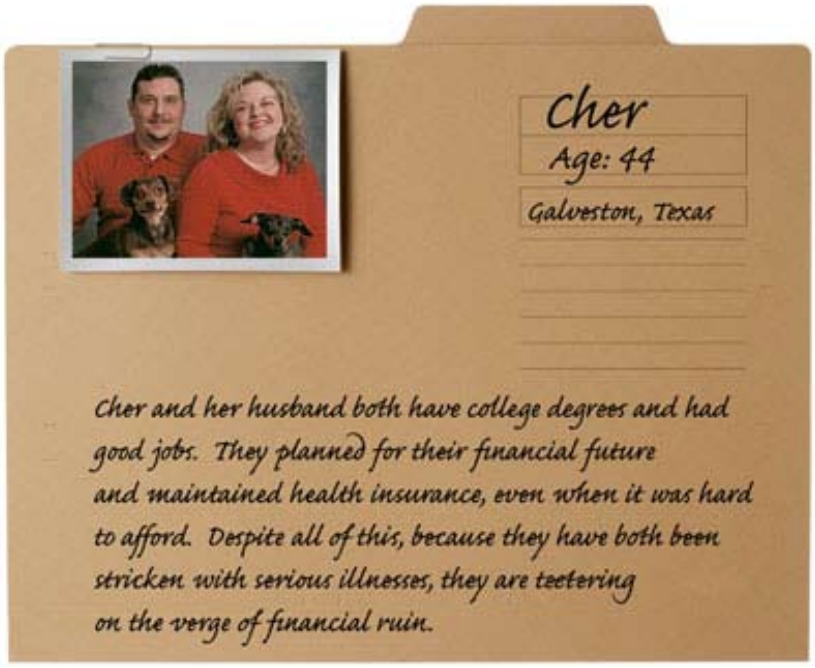
Health Reform Will Cover You, Even When Family, Health and Economic Circumstances Change

Cher's insurance company immediately denied claims, insisting that her disorder was a pre-existing condition. During her 10 months of dialysis, Cher wrangled with her insurer over her denied claims. Ultimately, a financial coordinator working with Cher to help get her kidney transplant approved, helped her overcome the insurer objections to get the care she needed. She received a kidney transplant from her brother in 1999 was able to resume work.

A few years later she was diagnosed with an antibiotic resistant staph infection and herniated discs. Due to her previous kidney treatment and transplant, she was not a candidate for surgery. The conditions were debilitating to the point that she could no longer work and was granted disability.

At this point she was paying premiums of $850 a month for her policy in the individual market. With her medical bills and just one income for the family, they would have had to declare bankruptcy if Cher's parents had not let them move in and helped with bills.

They struggled financially, but worked hard to get to a place when they could buy their own home. When Hurricane Ike hit Galveston in 2008, their home was seriously damaged. They went $30,000 into debt reconstructing their home, but were still able to make their monthly payments until Cher's husband got sick last year. At age 46, he was diagnosed with stage IV appendix cancer. He has since also been diagnosed with type 2 diabetes.



He has good insurance through his work, but due to surgeries, hospitalizations, and chemotherapy, he is just about to exhaust all of the leave he can take from his job. A bad reaction to his treatment led to his readmission to the hospital last week on the day he planned to return to work. He has since returned to work; however, his absences have resulted in small paychecks. If he misses more work, his job and benefits will be at risk.

With a diminished income, they now have medical and credit card bills piling up and creditors calling nonstop. Cher doesn't see any option other than bankruptcy this time. She thinks that she won't lose her house in the bankruptcy, but doesn't know how they will make their monthly payments if neither of them can work.

At a time when Cher wants to focus only on helping her husband get healthier, she is racked with worry about their financial future. She cannot believe with how hard they have worked and their focus on being responsible citizens that a series of really bad luck could result in the degrading position she is in.

Today, illness and disability can lead to financial ruin for a family. Health reform will make health insurance coverage more secure and affordable even when a family's income changes, improving economic security and reducing hardships on struggling families.

How the Current System Fails People with Serious Health Needs like Cher

- Insurance companies can deny coverage for treatment related to pre-existing conditions. Insurance companies can challenge a newly diagnosed condition as "pre-existing" long after people have enrolled in coverage and have been paying premiums each month.
- Having health insurance coverage does not protect people from having enormous and unaffordable out-of-pocket costs for health care. High deductibles, coinsurance, expensive prescription drug copays, etc., leave families with coverage exposed to significant out-of-pocket costs.
- Having insurance does not necessarily mean you have protection from financial ruin in the case of serious illness. More than 60 percent of bankruptcies are due to medical problems, and of those, 75 percent had insurance when they got sick.

Top Three Ways Health Reform Will Help Cher

1. Insurance companies will not be able to reject people with pre-existing conditions, charge them higher premiums, or deny their care once they are covered.
2. Health reform caps the amount of exposure families at every income level will have to out-of-pocket costs. On top of that low- and moderate-income families—including families like Cher's whose income drops due to illness and disability—will get sliding scale help with premiums and out-of-pocket costs in Exchange coverage.
3. Insurance companies cannot impose lifetime and annual dollar limits on coverage, keeping coverage from "running out" in cases of serious illness.