

American Recovery and Reinvestment Act: Lowering Health Care Costs and Securing Health Coverage

Affordable and quality health care is key to strong American economic growth. The American Recovery and Reinvestment Act, signed into law by President Obama on February 17, invests in bringing our health care system into the 21st century with information technology – that is proven to reduce costs, increase quality, and save lives. The package also protects health coverage for millions of Americans who have lost their jobs in this recession by providing up to 9 months of subsidized COBRA health insurance continuation coverage. Modernizing our health care system will create hundreds of thousands of jobs. Economist Mark Zandi estimates that, overall, this recovery package will save or create more than 250,000 jobs in the health care and education sectors.

Modernizing Health Care System to Lower Costs and Save Lives

- Provides \$19 billion to accelerate adoption of Health Information Technology (HIT) systems by doctors and hospitals, in order to modernize the health care system, save billions of dollars, reduce medical errors and improve quality.
- Includes significant financial incentives through the Medicare and Medicaid programs to encourage doctors and hospitals to adopt and use electronic health records that will streamline medical care.
- Directs the federal government take a leadership role in developing HIT standards by 2010 – those standards will allow for the nationwide electronic exchange and use of health information in order to improve the quality and coordination of patients' care, within a framework of enhanced security and privacy.
- Strengthens federal privacy and security law to protect personally identifiable health information from misuse and abuse as the health care sector increases the use of HIT.
- Creates hundreds of thousands of jobs – many in high-tech sectors – by promoting the adoption of HIT.
- Facilitates broad adoption of electronic health records. The nonpartisan Congressional Budget Office (CBO) estimates that, as a result of this legislation, approximately 90 percent of doctors and 70 percent of hospitals will be using electronic health records within the next 10 years.
- Controls health care costs. CBO estimates that this proposal will reduce the health care costs of the federal government by over \$12 billion over 10 years and it will generate additional savings throughout the health sector through improvements in quality of care, care coordination, and reductions in medical errors and duplicative care.

Protecting Health Care Coverage for Millions Through Medicaid

- Throughout the country, the health care coverage of millions of Americans on Medicaid is being threatened by the unprecedented, massive fiscal crisis facing the states – as a result of this recession. Total state budget gaps for FY 2009 (generally running from 7/1/08 through 6/30/09) are about \$99 billion – \$48 billion in gaps before state budgets were adopted last summer, which were closed by cutting services or raising revenues; and \$51 billion in gaps which have opened up since then.
- Budget deficits are also already projected for 43 states for the upcoming FY 2010. Initial estimates of these shortfalls total almost \$94 billion. As the full extent of FY 2010 deficits become known, state shortfalls are likely to equal \$145 billion.
- In response to these shortfalls, at least 28 states have already proposed or implemented cuts that will affect eligibility for Medicaid or reduce services covered. For example, South Carolina is limiting coverage for

many Medicaid services, such as psychological counseling, physician visits, and routine physicals; and California and Utah are reducing services covered by their Medicaid programs.

- To help states avoid these types of cuts in Medicaid enrollment and coverage, provides states an estimated \$87 billion in additional federal matching funds for Medicaid over a two-year period. Under the bill, every state gets an across-the-board increase in matching funds of 6.2% and then there is a schedule of additional bonus payments based on the increase in the state's unemployment rate.
- In addition to shoring up existing Medicaid enrollment and coverage, this \$87 billion in increased federal assistance for Medicaid is an excellent economic stimulus. According to economist Mark Zandi, every dollar of federal Medicaid aid results in \$1.38 in increased economic activity.
- Also provides an 18-month extension of transitional medical assistance (TMA), which is a bridge that protects health coverage for families transitioning from welfare to work.

Providing Health Insurance for Unemployed Workers

- As millions of people are losing their jobs in this recession, they are also losing their health insurance. This bill has a key provision to strengthen COBRA to help maintain health coverage during this downturn.
- COBRA currently provides temporary coverage for workers between jobs, but it is expensive. A typical family premium on COBRA is over \$1,000 a month. To help people maintain their health coverage, the bill provides a 65% subsidy for COBRA premiums for up to 9 months for people who were involuntarily separated from their jobs between 9/1/08 and 12/31/09. The assistance is limited to individuals with incomes up to \$125,000 and families with incomes up to \$250,000.
- This provision is estimated by the Joint Committee on Taxation and CBO as assisting 7 million people with the cost of their health insurance coverage.

Investing in Prevention and Wellness

- Provides \$1 billion for a new Prevention and Wellness Fund.
- Includes funding for immunization programs; because 156 million Americans go without the flu vaccine every year, the bill makes a significant investment in immunizations to remove the cost barrier.
- Funds healthcare-associated infection prevention programs to reduce the incidence of infection.
- Also assures funding for evidence-based clinical and community-based prevention strategies. Over 75 percent of total health care dollars are spent on patients with one or more chronic conditions, including diabetes, heart disease, and high blood pressure. Investing in preventing these chronic conditions is one of the most effective ways to reduce health care spending, saving billions of dollars a year.

Other Key Health Care Investments & Other Provisions

- Invests \$10 billion for NIH, including for expanding good jobs in biomedical research to study diseases such as Alzheimer's, Parkinson's, cancer, and heart disease, and for improving NIH facilities.
- Invests \$2 billion in community health centers (CHCs), to increase the number of uninsured Americans who receive quality health care and to renovate clinics and make health information technology improvements. More than 400 applications for new or expanded CHC sites currently remain unfunded.
- Invests \$1.1 billion in comparative effectiveness research, to evaluate the relative effectiveness of different health care services and treatment options. This research will improve the quality of care.
- Invests \$500 million for the training of doctors, dentists, and nurses, in order to address the shortage of primary care providers; also funds helping pay medical school expenses for students who agree to practice in underserved communities.
- Extends the moratorium on damaging Medicaid regulations for targeted case management, provider taxes, and school-based administration and transportation services through June 30, 2009 and adds moratoriums on the Medicaid regulation for hospital outpatient services and on Medicare regulations cutting payments for teaching hospitals and hospice providers.