EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

7/8/94

Bobby -

This has not been shared with anyone except Leon, for reasons that will be obvious.

I think it will be self-explanatory - but call me if you have questions.

Nancy-Ann
395-5178 (O)
P6/b(6) (H)

P.S. The year by year numbers for Tax expenditures still need to be filled in - we will get you a new copy Monday.

THE WHITE HOUSE

WASHINGTON

P6/b(6)

July 5, 1994

456-6755

MEMORANDUM FOR HAROLD ICKES

FROM: Steve Ricchetti

SUBJECT: Tentative Senate Target List

Democrats	Republicans
Biden	Bond
Boren	Brown
Bradley	Chafee
Breaux	Cohen
Bryan	Danforth
Byrd	Domenici
Campbell	Durenberger
Conrad	Hatfield
DeConcini	Kassebaum
Dorgan	Packwood
Exon	Specter
Feinstein	
Ford	
Heflin	
Hollings	
Johnston	
Kerrey	
Kohl	
Lautenberg	
Leiberman	
Nunn	
Robb	
Shelby	

Mathews

Nebraska: Kerrey/Exon

South Carolina: Hollings

Alabama: Heflin

Colorado: Nighthorse Campell

Nevada: Bryan

North Dakota: Dorgan/Conrad

Connecticut: Leiberman

New Jersey: Lautenberg/Bradley

Virgina: Robb

Louisiana: Johnston/Breaux

Arkansas: Bumpers (?)

Georgia: Nunn

Alabama: Shelby

A (61)

Bevill (AL)
Browder (AL)
Lambert (AR)
English+ (AZ)
Harman (CA)
Lehman (CA)
Schenk (CA)
Hutto (FL)
Bishop (GA)
Darden (GA)
Larocco (ID)
Lipinsky (IL)
Sangmeister (IL)
Hamilton (IN)
Long+ (IN)
Roemer (IN)
Baesler (KY)
Barlow (KY)
Mazzoli (KY)
Meehan (MA)
Barcia (MI)
Stupak (MI)
Minge+ (MN)
Penny (MN)
Peterson (MN)
Skelton (MO)
Lancaster (NC)
Neal (NC)
Valentine (NC)
Pomeroy (ND)
Pallone (NJ)
Brown (OH)
Fingerhut (OH)
Mann (OH)
McCurdy (OK)
Holden (PA)
Klink (PA)
Margolies-Mezvinsky (PA)
McHale (PA)
Spratt (SC)
Clement (TN)
Andrews (TX)
Bryant (TX)
Chapman (TX)
Edwards (TX)
Geren (TX)
Green (TX)
Laughlin (TX)
Pickle (TX)
Sarpalius (TX)
Wilson (TX)
Boucher (VA)
Byrne (VA)
Payne (VA)
Pickett (VA)
Sisisky (VA)
Cantwell (WA)
Inslee (WA)
Barca (WI)
Mollahan (WV)

B

Thornton+ (AR)
Beilenson* (CA)
Skaggs+ (CO)
Thurman+ (FL)
McCloskey* (IN)
Carr+ (MI)
Bilbray+ (NV)
Swett+ (NH)
Maloney* (NY)
Schumer* (NY)
Serrano+* (NY)
Stokes+* (OH)
Traficant+ (OH)
Kanjorski+ (PA)
Murtha+ (PA)
Brooks+ (TX)
Gonzalez* (TX)
Shepherd+ (UT)

Cramer (AL)
Mineta (CA)
Schroeder (CO)
Bacchus (FL)
Peterson (FL)
Costello (IL)
Poshard (IL)
Sharp (IN)
Visclosky (IN)
Glickman (KS)
Fields (LA)
Jefferson (LA)
Neal (MA)
Mfume (MD)
Wynn (MD)
Kildee (MI)
Volkmer (MO)
Whitten (MS)
Hefner (NC)
Price (NC)
Rose (NC)
Menendez (NJ)
Torricelli (NJ)
Hochbrueckner (NY)
Lowey (NY)
McNulty (NY)
Applegate (OH)
Hall (OH)
Kaptur (OH)
DeFazio (OR)
Kopetski (OR)
Wyden (OR)
Derrick (SC)
Johnson (SD)
Gordon (TN)
Coleman (TX)
de la Garza (TX)
Frost (TX)
Ortiz (TX)
Tejeda (TX)
Moran (VA)

C 6/23/94

Coppersmith (AZ)
Condit (CA)
Dooley (CA)
Deal (GA)
Johnson (GA)
Rowland (GA)
Hayes (LA)
Tauzin (LA)
Montgomery (MS)
Parker (MS)
Taylor (MS)
Danner (MO)
Andrews (NJ)
Brewster (OK)
Lloyd (TN)
Tanner (TN)
Hall (TX)
Stenholm (TX)
Orton (UT)

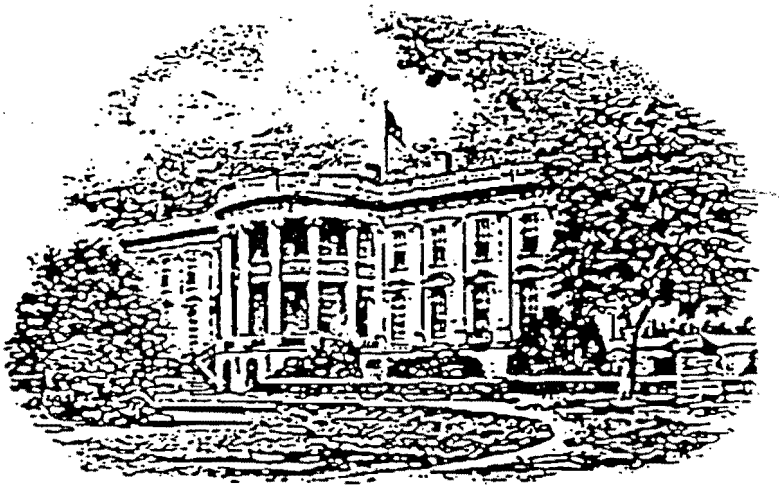
Slattery (KS) ?
Hoagland (NE) ?
Cooper (TN) ?

\+ = HSA Cosponsor
* = McDermott Cosponsor

DATE: _____
TIME: _____

THE WHITE HOUSE

WASHINGTON



FAX COVER SHEET

TO: Ken Thorpe

PHONE: (703) 418-1338

FAX: ( )

FROM:

PHONE: (202) 456-_____

PAGES FOLLOWING COVER SHEET: _____

Medicare Savings Under Health Reform: Adjusted OACT Estimates

	1995-99	2000-04	Total 1995-2004
Hospital Update at MB-0.5 (1997 -2000)	2,428	16,898	19,325
Reduce Indirect Med Ed	13,560	30,920	44,480
Reduce Payment for Capital	4,360	14,430	18,790
Phase Down DSH (20% reduction)	3,354	10,971	14,325
GME Lag	(270)	(70)	(340)
Extend OBRA 93 SNF Savings	690	1,310	2,000
Prohibit PPS Exemptions for New LTC Hosp	360	1,160	1,520
HI Interactions	(558)	(4,158)	(4,716)
S&L Employees	6,122	7,312	13,434
Real GDP per Capita V&I Factor	3,150	21,400	24,550
Set Cumulative Growth Targets	3,975	9,150	13,125
Eliminate Formula Driven Overpayment	6,900	29,550	36,450
Competitive Bidding Labs	1,210	2,130	3,340
Competitive Bidding O2/MRI/Ct	770	1,280	2,050
Income Related Premium	2,603	7,283	9,896
Incen for Phys for Primary Care	(55)	(150)	(205)
Prohibition on Balance Billing	(860)	(1,550)	(2,410)
Extend 25% Part B Premium with Interaction	(3,550)	23,030	19,480
10% HHA Copay	6,210	10,370	16,580
MSP Proposals	1,325	13,850	15,175
HMO Payment Improvements	885	2,450	3,335
Reduction in Routine Limits for HHA	1,870	4,730	6,600
Centers of Excellence	500	550	1,050
Total Savings	54,979	202,856	257,834

07/08/94
03:16 PM

Medicare Savings Under Health Reform: Adjusted CBO Estimates

	1995-99	2000-04	Total 1995-2004
Hospital Update at MB-0.5 (1997 -2000)	1,850	10,160	12,010
Reduce Indirect Med Ed	10,450	23,568	34,018
Reduce Payment for Capital	4,599	12,332	16,931
Phase Down DSH (20% reduction)	2,714	7,528	10,238
GME Lag	608	2,531	3,139
Extend OBRA 93 SNF Savings	605	1,250	1,855
Prohibit PPS Exemptions for New LTC Hosp	360	1,350	1,710
HI Interactions	(352)	1,453	1,100
		0	
S&L Employees	6,099	6,607	12,606
Real GDP per Capita V&I Factor	2,667	21,878	24,545
Set Cumulative Growth Targets	9,372	53,718	63,090
Eliminate Formula Driven Overpayment	7,351	29,028	36,379
Competitive Bidding Labs	1,180	2,393	3,573
Competitive Bidding O2/MRI/Ct	753	1,348	2,099
Income Related Premium	2,660	7,490	10,150
Incen for Phys for Primary Care	0	0	0
Prohibition on Balance Billing	(758)	(1,452)	(2,208)
Extend 25% Part B Premium with Interaction	(5,594)	17,300	11,706
10% HHA Copay	5,859	10,750	16,609
MSP proposals	1,631	12,024	13,655
HMO Payment Improvements	885	2,465	3,350
Reduction in Routine Limits for HHA	1,512	4,415	5,927
Centers of Excellence	380	100	480
Total Savings	54,833	228,129	282,962

07/08/94
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Drug Benefit

(dollars in billions)

with a 70/30 copayment

	FY 95 - 2000	FY 95 - 99	FY 2000 - 4	10 - Year
Clinton Bill 1/1/96 eff, 58% deductible	69.9	52.5	101.1	153.5
$415 d Alternative 1/1/98 eff, 50% deductible	38.6	23.6	86.9	110.6
500 d Alternative 1/1/98 eff, 45% deductible	34.6	21.2	78.0	99.2

94.6
85.8

98

1.3-2.3

Start up at $400 in 1998 - indexed to 50% deductible →

OFFICE OF LEGISLATIVE & INTER-GOVERNMENTAL AFFAIRS FAX COVER SHEET

of Pages: Cover + _____ DATE: _____

TO: Chris Jennings

Fax: _____

Phone: _____

FROM: Peter Hidalgo

Fax: (202) 690 - 8168

Phone: _____

REMARKS:

Here are some tables from what we discussed last night - I was having trouble with my printer otherwise I would have sent them to you yesterday

HEALTH CARE FINANCING ADMINISTRATION

Washington, D.C.

Chris J. - (703) 527-6494 - H
202 668-2764 - P
202 456-5560 O

DRAFT

Nancy-Ann
395-5178-O
363-6928-H

SENATE FINANCE BILL

1. Overview:

Features of the Senate Finance bill
No Mandate Phased-in individual based subsidies Tax on high cost health plans Hard cap on Federal spending Most Medicaid in community rating pool*
Senate Finance bill bottom line
$25 billion increase in the deficit between 1995-1999 $90 billion increase in the deficit between 1995-2004
Ballpark estimates of the Chairman's mark, sans employer mandate trigger
$80 billion decrease in the deficit between 1995-1999 $275 billion decrease in the deficit between 1995-2004
Salient differences between the Senate Finance bill and the Chairman's mark
HSA-like long term care program added ($158B 1995-2004) Corporate assessment dropped ($150B) Smaller tobacco tax increase ($20B) Early and generous expansion for children and pregnant women (Riegle amendment) added to subsidies ($22B)

* Note: highlights differences between Senate Finance Bill and Centrist Proposal.

Pros
Starting small allows time to learn about how to manage subsidies and insurance reforms
Solid fail-safe protection for the Federal budget
Subsidies are targeted very well to low income households
Minimizes job losses
Incentives are improved for insurers and patients

Cons
Will not achieve universal coverage
Very little private sector cost-containment
Premiums in the community rated pool are likely to be high due to adverse selection.

2. Coverage/Insurance Reforms:

No mandate, but firms of 100+ must make plans available.

2 kinds of groups: age adjusted community rated (limited to firms of < 100 and individuals) and experience rated (for all other groups).

Voluntary purchasing pools for individuals and small businesses with 100 or fewer employees with community rating.

Individuals and small groups could also join FEHB plans but would pay the community rate.

Groups of firms under 100, (MEWAs), are grandfathered into their right to receive experience rating. They would be treated as Qualified Association Plans, must cover at least 500 participants, and must meet other stringent conditions.

Firms with more than 100 workers will be experience rated or self-insured.

Guaranteed renewability and limits on pre-existing condition exclusions, including no exclusion for pregnancy.

If 95% not covered by 2002, National Health Commission meets to make (nonbinding) recommendations to Congress on achieving universal coverage.

3. Subsidies:

Once eligible, those below 100% of poverty receive a voucher equal to the average community-rated premium price in a geographic area, less any contribution offered by an employer.

Once eligible, those between 100-200% receive a sliding percentage of the average premium price.

Subsidy eligibility phased-in -- from 100% of poverty in 1997 to 200% in 2000, IF financing allows.

Special subsidies for uninsured pregnant women. Beginning in 1996, those at or below 185% of poverty receive full subsidies for a single policy, which is required to cover pregnancy services. Those between 185-250% receive a sliding percentage of the average premium price.

Special subsidies for children, modeled after New York's "Child Health Plus" program. Beginning in 1996, those at or below 185% of poverty receive full subsidies for a single policy. Those between 185-250% receive a sliding percentage of the average premium price. Funded by the Children's Health Trust Fund.

Cost-sharing subsidies for those eligible for full subsidy as determined by the National Health Benefits Board. At state option for those between 100-200% of poverty, funded by a $2 billion capped entitlement fund.

4. Fail Safe Mechanism to Protect Deficit

A Current Health Spending Baseline (CHSB) is established. Includes Medicare, Medicaid, and Health Related Tax Expenditures.

A Health Reform Spending Estimate (HRSE) is established. Includes everything in CHSB, as well as individual tax deductions, cigarette tax, vouchers, and high cost plan assessment.

In any year the Director of OMB notifies Congress that HRSE will exceed CHSB, the following occurs, unless Congress acts on alterative recommendations made by the National Health Commission:

Delay in voucher phase-in
Slow-down of expanded tax deduction phase-in
Increase in out-of-pocket limits in the standard and basic packages

5. **Benefit package:**

One standard (equal to FEHB's BCBS standard) and one basic (very high cost-sharing).

No Medicare drug benefit

Delayed HSA-like long term care program

6. **High cost plan assessment:**

Within each group of plans (community rated and experience rated/self-insured) the highest priced 40% are taxed.

Tax rate is 25 percent of difference between the average premium in that group and the plan's premium.

7. **Medicaid:**

AFDC and non-cash are eligible for Federal subsidies and enrollment in certified health plans on the same basis as other low income individuals. State MOE payments required for services covered under the standard benefit package.

State option to enroll SSI/Medicaid recipients in private health plans on a capitated basis. SSI/Medicaid recipients are not included in the community rated market.

Disproportionate share payments are gradually phased down beginning in 1997, but not out. Remaining payments are targeted to compensate hospitals for uncompensated care.

Long term care benefits expanded.

8. **Medicare:**

Program savings much smaller than HSA

No Medicare drug benefit

9. Other Federal Programs

FEHB remains as is, but those eligible for community rating pool are allowed to join.

Indian Health Service, Veterans' health care, and DoD apparently unaffected.

PHS programs to promote development of community health networks and to provide capital assistance to physicians, community health networks, and facilities in underserved rural and urban areas. Funded by an "infrastructure development account", which is part of the Health Security Trust Fund.

10. Tax incentives:

100% deduction of health insurance premium payments for individuals without employer-subsidized health coverage. Begins January 1, 1996, does not appear to be phased-in.

11. Financing:

Fail-safe mechanism protects Federal budget

Medicaid and Medicare savings

Cigarette tax increased $1 per pack

Assessment on high cost plans

Medicare HI tax levied on State and local workers

Premium assessment dedicated to academic health centers

Many new tax spending features, of which the individual tax deduction is the most significant

Fiscal Summary

Changes from Baselines

($ Billions)

	1995-1999	1995-2004
Outlays		
Net Subsidies	223	794
Medicare	(37)	(207)
Medicaid	(121)	(559)
PHS/AHC Spending	40	120
Long Term Care	19	158
Revenues		
Tobacco Tax*	(66)	(137)
Corporate Assessment/High Cost Plan Tax	(5)	(17)
Net Other Revenues	(31)	(65)
Net Deficit Effect	22	87

All Estimates are preliminary and unofficial.

These estimates assume no changes in VA, DOD, FEHB, and other Federal health spending programs.

*Tobacco revenues are too high, but are adjusted for in the Net Other Revenues line.

Year by Year Analysis of Low Income Voucher Program ($ Billions)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Baseline										
Medicaid	96.4	108.2	121.5	136.3	152.2	170.4	190.8	213.6	239.1	267.6
Medicare	158.1	176.0	194.0	213.1	235.5	260.8	289.1	321.1	357.0	397.9
Tax Expenditures	84.7	92.4	99.5	107.4	117.0	127.3	137.8	149.2	161.5	174.5
Baseline Total	339.2	376.6	415.0	456.8	504.7	558.5	617.7	683.9	757.6	840.0
Reform										
Low Income Voucher Program	0	7	74.5	100.6	110.9	125.0	135.1	145.0	157.2	169.6
Medicaid	96.4	108.2	101.1	90.3	97.3	105.4	113.8	126.8	141.2	157
Medicare	157.7	172.1	187.5	203.7	219.7	238.85	262.1	288.1	317.2	351.3
Tax expenditures										
Reform Total										
New Revenues Tobacco High Cost Plans	 -17.4 0	 -15.2 0	 -14.8 - 1.1	 -14.3 - 1.7	 -13.5 - 1.9	 -13.1 - 2.1	 -12.7 - 2.3	 -12.3 - 2.5	 -12.0 - 2.7	 -11.8 - 2.9
Net Expected Surplus (-) or Shortfall (+)										
Percent Insured	85%	86%	90%	90%	90%	90%	90%	90%	90%	90%

STAFF ESTIMATES. PRELIMINARY AND UNOFFICIAL.

ISSUES AND POSSIBLE SOLUTIONS

1. Coverage:

Issues	Possible Solutions
Many remain without coverage, perpetuating uncompensated care and cost-shifting to the privately insured.	Add triggered mandates, maybe 50% employer obligation with proportionately lower individual wage based subsidies (e.g., 8%).
Premiums will be high in the community rating pool due to adverse selection.	Enlarge the community rating pool to include firms with less than or equal to 1000 or even 500 workers. Can still preserve voluntary nature of purchasing cooperatives.
Some moderate-sized firms will be vulnerable to bad experience rating.	Enlarge the community rating pool to include firms with less than or equal to 1000 or even 500 workers.

2. Subsidies:

Issues	Possible Solutions
Subsidy schedule produces very high marginal tax rates (phases out between 100% and 200% of poverty, as did Cooper/Breaux).	Smooth it out by having the poor pay something.

3. Benefit Package:

Issues	Possible Solutions
Offering both a basic and a standard package will lead to adverse selection and uncompensated care.	Limit access to basic plan to those above specified income levels (e.g., 250% of poverty. The Centrists recommended 200% in their draft mark).

4. High Cost Plan Assessment

Issues	Possible Solutions
Assessment is likely to fall on plans with a sicker than average enrollment.	Enlarge the community rating pool to include firms with less than or equal to 1000 or 500 workers.
Little revenue will be raised from the assessment.	Enlarge the community rating pool to include firms with less than or equal to 1000 workers. Also, have assessment rate apply to a larger base, for example, to the difference between the premium and a target, where the target is set below the market average by a certain percentage.
Assessment design has been sketchy. As currently written, it is unlikely to lead to significant cost containment in the private sector.	Have assessment rate apply to a larger base, for example, to the difference between the premium and a target, where the target is set below the market average. Maximum cost containment effect requires taxing excessive levels of premiums as well as growth rates.

5. Medicaid:

Issues	Possible Solutions
Abolishing Medicaid in a voluntary universe may lead to some reduction in services for those who will not qualify for 100% subsidies.	Reigel amendment (special subsidies for pregnant women and kids) solves the most pressing of these problems, but it may be vulnerable to cost cutting pressures.

6. Medicare:

Issues	Possible Solutions
Proposal includes Medicare program reductions, but no fee-for-service benefit expansions. Some benefit expansions are available through managed care option.	Phase-in Medicare drug benefit as savings allow.

7. Financing:

Issues	Possible Solutions
Financing will be insufficient to fully fund subsidies on a year by year basis, limiting the expansion of subsidies to more income groups.	Broaden the measure of full financing from a year by year metric to a multi-year (3, for example) metric. Alternatively, other sources of increased revenue could be introduced, or the long term care benefit dropped.

Proof that I gave this earlier,

Bob R:

Fiscal Summary → Bob R: Bruce Mark

Changes from Baselines

($ Billions)

	1995-1999	1995-2004
Outlays		
Net Subsidies	223	794
Medicare	(37)	(207)
Medicaid	(121)	(559)
PHS/AHC Spending	40	120
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Tobacco Tax	(66)	(137)
High Cost Plan Tax	(5)	(17)
Net Other Revenues	(31)	(65)
Net Deficit Effect	22	87

All estimates are preliminary and unofficial.

These estimates assume no changes in VA, DOD, FEHB, and other Federal health spending programs.

7/8/94 3:45 pm

NOTE TO: Jerry Klepner
cc: Health care team

FROM: Bridgett Taylor
Diane Dugard
Lori Davis

SUBJECT: Finance Committee mark up

DATE: Wednesday, July 6, 1994

Thursday, June 30, 1994

Chairman Moynihan called the committee to order.

Senator Baucus offered the first amendment to exempt small low wage businesses (with 50 or fewer employers) from the triggered employer mandate. The amendment was defeated. The roll call vote: 6-14. (The five Senators voting with Baucus were Mitchell, Daschle, Rockefeller, Conrad, and Pryor.)

Senator Packwood offered the second amendment to strike the hard trigger employer mandate and employer subsidies. The amendment was agreed to. The roll call vote: 14-6. (The six Senators voting against Packwood were Moynihan, Mitchell, Pryor, Riegle, Rockefeller, and Daschle.)

Senators Breaux and Chafee offered the third amendment to create a commission to submit formal, specific recommendations to Congress if universal coverage (95%) is not achieved by 2002. The amendment was agreed to. The roll call vote: 12-8.

Senator Bradley offered the fourth amendment to strike the cost containment provisions in the Chairman's mark and replace them with a "high cost plan assessment". *[Begining in 1996, an annual assessment will be imposed on High Cost Plans (HCP). The IRS will determine a target each year. The targets will be set in such a manner that 40% of plans in each group for each area are above that amount. The assessment on a HCF is equal to 25% of the difference between the premium charged for the Certified Standard Health Plan plus supplementals, if any, and a reference premium.]* The amendment was agreed to. The roll call vote: 11-9.

Friday, July 1, 1994

Chairman Moynihan called the committee to order.

Senator Grassley offered the fifth amendment to provide Medicare reimbursement at 85 percent of the physician RBRVS for nurse practitioners (NP) and physician assistants in

all outpatient settings and to reimburse NPs practicing in rural areas at 65 percent of the RBRVS rate for assisting-at-surgery when referred and provided in an urban setting. The amendment's costs were offset by making Medicare reimbursement to long-term care hospitals under the Prospective Payment System. The amendment was agreed to by a voice vote.

Senator Mitchell offered the sixth amendment to provide pilot projects to test alternative methods for establishing Medicare volume performance standard rates of increase for service furnished by States. The Secretary of HHS would establish the projects and provide physicians or physician groups with the necessary data. The amendment was agreed to by a voice vote.

Senator Roth offered the seventh amendment to strike the provision which required the U.S. Postal Service to prefund health benefits for its retirees. The amendment was agreed to by a voice vote.

Senator Riegle offered the eighth amendment to modify the timing and extend subsidies in the Chairman's Mark assuring health insurance is available and affordable for all children and pregnant women in the first year of the program. The amendment creates a children's trust fund to finance these subsidies by increasing all revenue raising measures in the Senate Finance Committee document across-the-board. The amendment was agreed to. The roll call vote: 12-8.

Senator Baucus offered the ninth amendment to strike the proposed increase in excise tax on handgun ammunition and the occupational tax on importers and manufacturers of this ammunition. Also, the amendment struck the requirement that importers and manufacturers of handgun ammunition register with the Secretary of Treasury. The amendment was agreed to. The roll call vote: 15-5.

Senator Hatch offered the tenth amendment to strike the one percent assessment on large employers. The amendment was agreed to. The roll call vote: 12-7.

Senator Moynihan offered the eleventh "compromise" amendment to the Chairman's Mark. The committee staff walked through the compromise amendment. The Chairman, hearing no objection, announced the amendment was agreed to.

Senators Pryor, Rockefeller, Riegle, Conrad and Chafee offered the twelfth amendment to create a new home and community based care program for individuals with significant levels of disability, without regard to age or income. The amendment increases the current FMAP by 15 points for this program. The amendment was agreed to. The roll call: 16-4.

Senate Finance Committee Mark Up, cont.

Senator Danforth offered the thirteenth amendment on malpractice reforms, including alternative dispute resolution procedures (ADR), damage caps, severe liability, puniative damage reform, etc.. The amendment was agreed to. The roll call vote: 12-8.

Senator Wallop offered the fourteenth to strike the 1.75% premium assessment to fund academic health centers and graduate research centers. The amendment was defeated. The roll call vote: 7-13.

Senator Rockefeller offered the fifteenth amendment to sunset the age rating from the community rate in 5 years. A commission will report on whether it should continue after that time. The amendment was defeated. The roll call vote: 6-14.

Senator Hatch offered the sixteenth amendment to exclude abortion services from the comprehensive benefits package. The amendment was defeated. The roll call vote: 9-11.

Senator Grassley offered the seventeenth amendment to preserve constitutional State authority regarding abortions. The amendment was agreed to. The roll call vote: 11-9.

Senator Danforth offered the eighteenth amendment stating nothing in the Act shall be construed to require the creation or maintenance of abortion clinics or other abortion providers within any state or region of a state. The amendment was agreed to. The roll call vote: 12-8.

Senator Danforth offered the nineteenth amendment to include a conscience clause for employers, health plans and purchasers of health insurance. The amendment was agreed to. The roll call vote: 12-8.

Senator Danforth offered the twentieth amendment to strike forced subsidization of abortions by those with strong moral obligations. The amendment was defeated. The roll call vote: 12-8.

Saturday, July 2, 1994

Chairman Moynihan called the committee to order.

Senator Packwood offered the twenty-first amendment to extend the open enrollment period for preexisting conditions from 30 to 90 days. The amendment passed on a voice vote.

Senator Grassley offered the twenty-second amendment on "anti-discrimination of providers based on academic degree". The amendment was withdrawn (and reoffered later

Senate Finance Committee Mark Up, cont.

in the mark up).

Senator Packwood offered the twenty-third amendment to allow individuals who work for employers that do not contribute toward health insurance premium for their employees to have the option to buy insurance at the community rate. The amendment was defeated. The roll call vote: 6-14.

Senators Breaux and Conrad offered the twenty-fourth amendment clarifying existing law to make it clear that state risk pools are tax-exempt if they are subsidized, there is no private inurement and the state is involved in their governance. The amendment was agreed to on a voice vote.

Senator Roth offered the twenty-fifth amendment to allow employees and the self-insured to offer / purchase a plan consisting of both (1) a catastrophic plan and (2) a medical savings account. The amendment was defeated. The roll call vote: 7-13.

Senator Wallop offered the twenty-sixth amendment to strike language allowing the automatic general revenue funding to be provided to the health insurance subsidy trust fund whenever the sources of funding for the trust fund do not fully fund the benefits. The amendment passed. The voice vote: 11-9.

Senator Conrad offered the twenty-seventh amendment regarding a premium credit for mandatory premiums paid to the United Mine Work combined fund. The amendment failed. The roll call vote: 8-12.

Senator Wallop offered the twenty-eighth amendment regarding Medicare physician self-referrals with exemptions for rural providers. The amendment was agreed to on a voice vote.

Senator Durenberger offered the twenty-ninth amendment regarding deferred compensation paid to certain group medical practices. The amendment passed on a voice vote.

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Attachments:

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Kyr

Before

(1.) Trigger

- MOE for all employers
- Employers must pay 50% of [illegible] for [illegible] worker
- capped [illegible] non-workers [illegible]

workers - 4-6% & total family obligation

& other without & total

& without 50% coverage

Issue Areas

The following is a list of issues that closely approximates the summary provided by the Majority Leader's Office. Slight revisions have been made to better consolidate Administration expertise in a more workable manner.

1. Insurance Reform and Health Plan Standards
   a. insured and self-funded plans
   b. market structure (HIPC's)
   c. supplemental policies
   Gary Claxton and Larry Levitt

2. Benefits and the National Health Board
   Jennifer Kline and Ken Thorpe

3. Budget Controls (fail-safe)
   Nancy Ann Min, Alan Cohen, Berry Anderson

4. Market Incentives/Private Cost Containment
   Larry Levitt and Eric Toder

5. Revenue Provisions
   Eric Toder and Marina Weiss

6. Medicaid
   Don Johnson, Rick Kronick, Andy Allison

7. Long Term Care
   Robyn Stone and Lu Zawistowich

8. Medicare
   Barbara Cooper

9. Academic Health Centers; Graduate Medical and Nursing Education, and Research; Workforce
   Brian Biles, Arnie Epstein, Lynn Margherio

10. Access to Health Care in designated Urban and Rural Areas
    Bill Corr and Bob Van Hook

11. Quality and Health Services Research
    Arnie Epstein, Lynn Margherio, Bill Corr, Barbara Gagle

12. Information Systems, Privacy and Confidentiality
    John Silva and Nan Hunter

13. State Flexibility; ERISA
    Meredith Miller and Rick Kronick

14. Malpractice
    Jennifer Kline

15. Antitrust
Neil Roberts and Bob Potter

16. Other Committees

Coordination of Administration personnel will be handled by Chris Jennings and Karen Pollitz. In general, Chris will oversee issue area groups 1-5 and 13-15. Karen will oversee all other groups. If you have any questions or concerns, please contact Chris (456-5560) or Karen (690-7450).

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    George Grob

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NOTE TO: Jerry Klepner
cc: Health care team

FROM: Bridgett Taylor
Diane Dugard
Lori Davis

SUBJECT: Finance Committee mark up

DATE: Wednesday, July 6, 1994

Thursday, June 30, 1994

Chairman Moynihan called the committee to order.

Senator Baucus offered the first amendment to exempt small low wage businesses (with 50 or fewer employers) from the triggered employer mandate. The amendment was defeated. The roll call vote: 6-14. (The five Senators voting with Baucus were Mitchell, Daschle, Rockefeller, Conrad, and Pryor.)

Senator Packwood offered the second amendment to strike the hard trigger employer mandate and employer subsidies. The amendment was agreed to. The roll call vote: 14-6. (The six Senators voting against Packwood were Moynihan, Mitchell, Pryor, Riegle, Rockefeller, and Daschle.)

Senators Breaux and Chafee offered the third amendment to create a commission to submit formal, specific recommendations to Congress if universal coverage (95%) is not achieved by 2002. The amendment was agreed to. The roll call vote: 12-8.

Senator Bradley offered the fourth amendment to strike the cost containment provisions in the Chairman's mark and replace them with a "high cost plan assessment". *[Begining in 1996, an annual assessment will be imposed on High Cost Plans (HCP). The IRS will determine a target each year. The targets will be set in such a manner that 40% of plans in each group for each area are above that amount. The assessment on a HCP is equal to 25% of the difference between the premium charged for the Certified Standard Health Plan plus supplementals, if any, and a reference premium.]* The amendment was agreed to. The roll call vote: 11-9.

Friday, July 1, 1994

Chairman Moynihan called the committee to order.

Senator Grassley offered the fifth amendment to provide Medicare reimbursement at 85 percent of the physician RBRVS for nurse practitioners (NP) and physician assistants in

all outpatient settings and to reimburse NPs practicing in rural areas at 65 percent of the RBRVS rate for assisting-at-surgery when referred and provided in an urban setting. The amendment's costs were offset by making Medicare reimbursement to long-term care hospitals under the Prospective Payment System. The amendment was agreed to by a voice vote.

Senator Mitchell offered the sixth amendment to provide pilot projects to test alternative methods for establishing Medicare volume performance standard rates of increase for service furnished by States. The Secretary of HHS would establish the projects and provide physicians or physician groups with the necessary data. The amendment was agreed to by a voice vote.

Senator Roth offered the seventh amendment to strike the provision which required the U.S. Postal Service to prefund health benefits for its retirees. The amendment was agreed to by a voice vote.

Senator Riegle offered the eighth amendment to modify the timing and extend subsidies in the Chairman's Mark assuring health insurance is available and affordable for all children and pregnant women in the first year of the program. The amendment creates a children's trust fund to finance these subsidies by increasing all revenue raising measures in the Senate Finance Committee document across-the-board. The amendment was agreed to. The roll call vote: 12-8.

Senator Baucus offered the ninth amendment to strike the proposed increase in excise tax on handgun ammunition and the occupational tax on importers and manufacturers of this ammunition. Also, the amendment struck the requirement that importers and manufacturers of handgun ammunition register with the Secretary of Treasury. The amendment was agreed to. The roll call vote: 15-5.

Senator Hatch offered the tenth amendment to strike the one percent assessment on large employers. The amendment was agreed to. The roll call vote: 12-7.

Senator Moynihan offered the eleventh "compromise" amendment to the Chairman's Mark. The committee staff walked through the compromise amendment. The Chairman, hearing no objection, announced the amendment was agreed to.

Senators Pryor, Rockefeller, Riegle, Conrad and Chafee offered the twelfth amendment to create a new home and community based care program for individuals with significant levels of disability, without regard to age or income. The amendment increases the current FMAP by 15 points for this program. The amendment was agreed to. The roll call: 16-4.

Senate Finance Committee Mark Up, cont.

Senator Danforth offered the thirteenth amendment on malpractice reforms, including alternative dispute resolution procedures (ADR), damage caps, severe liability, puniative damage reform, etc.. The amendment was agreed to. The roll call vote: 12-8.

Senator Wallop offered the fourteenth to strike the 1.75% premium assessment to fund academic health centers and graduate research centers. The amendment was defeated. The roll call vote: 7-13.

Senator Rockefeller offered the fifteenth amendment to sunset the age rating from the community rate in 5 years. A commission will report on whether it should continue after that time. The amendment was defeated. The roll call vote: 6-14.

Senator Hatch offered the sixteenth amendment to exclude abortion services from the comprehensive benefits package. The amendment was defeated. The roll call vote: 9-11.

Senator Grassley offered the seventeenth amendment to preserve constitutional State authority regarding abortions. The amendment was agreed to. The roll call vote: 11-9.

Senator Danforth offered the eighteenth amendment stating nothing in the Act shall be construed to require the creation or maintenance of abortion clinics or other abortion providers within any state or region of a state. The amendment was agreed to. The roll call vote: 12-8.

Senator Danforth offered the nineteenth amendment to include a conscience clause for employers, health plans and purchasers of health insurance. The amendment was agreed to. The roll call vote: 12-8.

Senator Danforth offered the twentieth amendment to strike forced subsidization of abortions by those with strong moral obligations. The amendment was defeated. The roll call vote: 12-8.

Saturday, July 2, 1994

Chairman Moynihan called the committee to order.

Senator Packwood offered the twenty-first amendment to extend the open enrollment period for preexisting conditions from 30 to 90 days. The amendment passed on a voice vote.

Senator Grassley offered the twenty-second amendment on "anti-discrimination of providers based on academic degree". The amendment was withdrawn (and reoffered later

in the mark up).

Senator Packwood offered the twenty-third amendment to allow individuals who work for employers that do not contribute toward health insurance premium for their employees to have the option to buy insurance at the community rate. The amendment was defeated. The roll call vote: 6-14.

Senators Breaux and Conrad offered the twenty-fourth amendment clarifying existing law to make it clear that state risk pools are tax-exempt if they are subsidized, there is no private inurement and the state is involved in their governance. The amendment was agreed to on a voice vote.

Senator Roth offered the twenty-fifth amendment to allow employees and the self-insured to offer / purchase a plan consisting of both (1) a catastrophic plan and (2) a medical savings account. The amendment was defeated. The roll call vote: 7-13.

Senator Wallop offered the twenty-sixth amendment to strike language allowing the automatic general revenue funding to be provided to the health insurance subsidy trust fund whenever the sources of funding for the trust fund do not fully fund the benefits. The amendment passed. The voice vote: 11-9.

Senator Conrad offered the twenty-seventh amendment regarding a premium credit for mandatory premiums paid to the United Mine Work combined fund. The amendment failed. The roll call vote: 8-12.

Senator Wallop offered the twenty-eighth amendment regarding Medicare physician self-referrals with exemptions for rural providers. The amendment was agreed to on a voice vote.

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Community Rating Pool: Target is adjusted mean in the community rated pool, with growth equal to HSA rates plus 1% (lagged to begin in 1997).

Experience Rated Group: Target is adjusted mean in the experience rated pool, with growth equal to HSA rates plus 1% (lagged to begin in 1997). Plan premium will be adjusted to take the pool's experience into account for firms of < 1000.

Rate is set such that revenue and subsidy losses due to growth in excess of targets is recaptured.

- Household subsidies available for 50% worker share for households up to 200% of poverty. Non-worker/Carve-out subsidies available for other 50% share to households up to 200% of poverty.

- Tax credit expansion for individual premium contributions.

- Tobacco tax

- 1% payroll assesssment on the 500+ firms.

Options For Covering the Uninsured

GENERAL THESIS: In the interim, the goal is to target federal dollars to the uninsured. Thus, "target efficiency" (federal dollars spent per newly insured person) becomes a major criterion of alternative policy choices. The following general tools appear the most target efficient.

Second issue concerns affordability. Depending on the specific policies pursued, and our ability to entice individuals and employers to expand coverage, federal costs to cover all the uninsured would range from $30 Billion (if the private/public mix of payments under the HSA were achieved) to $72 Billion (if the uninsured were covered entirely through public spending) per year when all are insured.

SPECIFIC POLICY OPTIONS

A. COVERING THE LOW-INCOME CHRONICALLY UNINSURED.

1. Covering Low Income Populations (5-7 million uninsured)

Individual-based subsidies. Those under 75% of poverty receive free care. Between 75%-150% based on sliding scale.

2. Medicaid Options (6 million currently uninsured).

Provide a second year of Medicaid funding for those leaving welfare for work (current law is one year).

Provide financial incentives for states to increase participation in Medicaid (see if any way states can enroll categorically eligible that want Medicaid but not AFDC). Financial incentives would operate through changing the FMAP. For instance, a 5% increase in participation would increase the FMAP by X% Alternatively, the MOE payments could be adjusted as participation rates increase.

Speed up coverage for low-income children and pregnant women. OBRA 90 mandates that all children living in poverty are to be covered by 2002--change to 1999.

B. COVERING THE SHORT-TERM UNINSURED: INCREASING COVERAGE AMONG WORKERS

3. Transitional Insurance Coverage (to be determined).

Those losing their jobs who were previously insured would receive coverage Eligibility is based on prospective income over the next quarter (could have a different time period defined). Alternatively, we could use the same rules used for determining payments from nonworkers under the HSA. Coverage would be through a community-rated pool (under 250).

Costs

Who + details

4. Nondiscrimination rules (11.6 million currently uninsured).

Use language similar to Chafee. Goal here is to provide assistance to individuals in firms that are not insured. Could use same general approach as Medicaid option; employers that increase the percentage of their total workforce insured would receive some level of support for those (uninsured) workers. Intent in the interim is not to provide employer subsidies to currently insured workers.

5. Specially marketed program for those employers not currently offering insurance (7-8 million in firms under 25).

Target product for employers that have not offered insurance over the past 18 months (basis of eligibility)--the national demonstrations (see below) used 6 to 12 months as their guide. Product would be HSA-8% (same as the ultimate mandated package) with 50% employer contribution. Worker share would be subsidized. Subsidies for low-income workers would reduce employer payments as well.

We have substantial experience with these projects from several state demonstrations; most were relatively unsuccessful in expanding enrollment. Some, however, particularly in Florida were--the Florida demo was able to enroll nearly 20% of previously uninsured firms between the size of 2 and 19. Average group size was small--under 5. (Side note: in the Florida experience the toughest sell was the owner; 85% of those owning small firms were insured! The Florida strategy was to sell the policy as 50/50 in a broader pool--saved the owner money and seemed fair).

Self-employed

Financing.

1. 2% of payroll assessed on those workers currently uninsured (free rider assessment). A per capita assessment would be levied using firms average payroll as base. > Bobby won't go.

2. Tobacco Tax.

3. Risk adjustment assessment on firms outside the community rate.

4. Bradley tax revenue.

Trigger

See attached page. Would generally require 50/50% with individual-based subsidies.

Policy	Currently Uninsured (millions)	Newly Covered
Covering Low-Income Uninsured	8	6
Transitional Coverage	8	3-4
Medicaid	4-5	4-5
Nondiscrimination Rules	9-10	2-3
Programs For Firms Not Currently Offering	8-10	2
TOTAL	38-41	17-20