



## 2006 Federal Legislative Agenda

### **The Uninsured**

NAHU's principle public policy goal has always been to reduce the number of uninsured Americans through private health insurance market solutions. Our association feels very strongly, though, that there is no one magic answer to solve the problem of the uninsured. However, NAHU feels that the number of uninsured Americans could be drastically reduced through the implementation of the following ideas:

- Advanceable and refundable federal health insurance tax credits that can be used in either the individual or employer-based market.
- Expansion of access to consumer-directed health insurance options.
- The development of creative ways to insure high-risk individuals, such as the use of high-risk and reinsurance pools.
- The availability of a health care safety net for the lowest-income segments of our population that utilizes the private market wherever possible to provide individuals with high-quality medical options.

NAHU feels that the ability to use a health insurance tax credit in the employer-based and individual markets is crucial. Two measures currently pending in Congress follow along with NAHU's tax credit goals. H.R. 2089, introduced by Rep. Kay Granger (R-TX), provides a refundable tax credit for low-income individuals. Provisions of the bill include a \$1,000 tax credit (\$3,000 per family) for eligible employees to purchase health insurance outside an employer-sponsored plan. The measure also would allow individuals and families to use 25% of the credit amount for purchase of employer-based coverage.

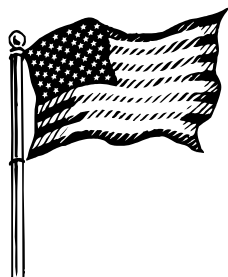
S. 160, the SAVE Act, introduced by Sen. Lisa Murkowski (R-AK), is similar to Rep. Granger's bill. It uses 350% of the Federal Poverty Level as the income requirement, and includes additional provisions NAHU supports, such as funding for state high-risk health insurance pools, an employer tax credit for contributions made to an employee's HSA, and HSA premium deductibility for individuals.

### **Long-Term Care**

Although we are very pleased that long-term care partnership legislation has passed and will be implemented soon, we would still like to see more accomplished in this area. Lack of long-term financial preparation has forced many Americans to self-finance their long-term care or rely on Medicaid programs, which are already over-burdened. We believe one of the best ways to address this growing problem is by creating incentives for individuals to purchase private LTC insurance.

NAHU encourages legislation that would change the current long-term care insurance deduction to an above-the-line deduction so LTC premiums would be tax-deductible for everyone, not just individuals who itemize deductions. We also believe LTC insurance should be available through cafeteria plans and Flexible Spending Accounts, and that benefits from both tax-qualified and non-tax-qualified policies should be received without income tax liability.

In May 2005, Rep. Nancy Johnson (R-CT) introduced the Long-Term Care and Retirement Security Act, which encompasses the proposals that NAHU has advocated. The bill would: allow an above-the-line tax deduction for LTC premiums; include LTC insurance in cafeteria plans and FSAs; allow a tax credit for certain LTC costs; and would set forth certain consumer protections. A companion bill was introduced in the Senate by Charles Grassley (R-IA) in June 2005.



## **Market Reforms**

NAHU remains opposed to the types of Association Health Plan proposals that have been put forth in recent years. We are concerned that AHPs, which would not be subject to state-mandated benefit laws, would have a pricing advantage over the fully insured small-group health insurance markets already operating in the states, thus creating an unlevel playing field. This pricing advantage could have a negative impact on reforms already passed at the state level and existing small employer markets.

NAHU is also concerned about AHP proposals that would make coverage available to one-person groups on a guaranteed-issue basis. Allowing “business groups of one” to purchase guaranteed-issue group coverage has proven disastrous to small-group markets in the states that have tried it, due to problems with both adverse selection and fraud. Allowing one-person groups to purchase AHP coverage will prove equally problematic, increasing the likelihood of plan failure and resulting in significant cost increases for all state small-group market participants.

NAHU is pleased that during the 109th Congress, an alternative market reform bill was brought forward. On November 2, 2005, Senator Michael Enzi (R-WY) introduced the Health Insurance Marketplace Modernization and Affordability Act, S. 1955, aims to create a level playing field through small-group market rating and mandate uniformity. It would achieve these objectives without harming state-based regulation.

The intent of the bill is to reduce costs and improve access, principally in the small-group market. It would allow AHPs only if they are fully insured and if they play by all market rules that apply to other plans, including state rating and mandate requirements. The bill also would allow plans with limited mandates to be sold nationwide. In addition, changes to rating, consumer protection, mandates and certain other state laws would be required to provide uniformity nationwide on a phased-in basis.

NAHU has worked closely with Senator Enzi and his staff on this legislation. Upon introduction, it was referred to the Senate Committee on Health, Education, Labor and Pensions. We expect to see action and discussion on this measure in upcoming months.

## **Health Information Technology**

The use of information technology in the health care industry has gained increased attention in the past year. Senate Majority Leader Bill Frist (R-TN) stated that passing a comprehensive health IT package is one of his priorities for the second session of the 109th Congress. At the forefront of the health IT debate is the use of electronic medical records. Advocates say that the adoption of health IT initiatives, like making medical records electronic, will reduce medical errors, increase quality of care and, ultimately, reduce costs for consumers. Many have pointed to the crisis along the Gulf Coast after the 2005 hurricane season, when thousands of paper medical records were lost, and many seniors were stranded without their medication and/or without knowing what medication they were taking. Crises such as this could have been averted, or at least ameliorated, if electronic medical records had been in place.

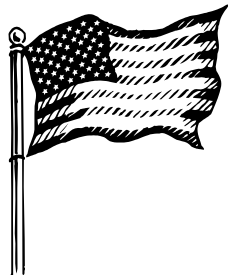
However, before a nationwide effort to adopt electronic medical records can be made, a solution must be agreed upon to address interoperability and confidentiality of records.

Some of the proposals currently pending before the 109th Congress that NAHU is watching with interest are:

H.R. 4157—The Health Information Technology Promotion Act, sponsored by Rep. Nancy Johnson (R-CT) and Rep. Nathan Deal (R-GA)

H.R. 4642—The Wired for Health Care Quality Act, sponsored by Rep. Darrell Issa (R-CA)

S. 1262—The Health Technology to Enhance Quality Act, sponsored by Sen. Bill Frist (R-TN) and Sen. Hillary Clinton (D-NY)



S. 1418—The Wired for Health Care Quality Act, sponsored by Sen. Mike Enzi (R-WY)

### **Consumer-Directed Health Care**

NAHU continues to work to advance legislation and regulations that will make consumer-directed health care options more accessible and affordable to all Americans. One measure we strongly support is H.R. 1872/S. 978, introduced by Reps. Sam Johnson (R-TX), Eric Cantor (R-VA), Paul Ryan (R-WI) and J.D. Hayworth (R-AZ), and Sens. Rick Santorum (R-PA) and Jim DeMint (R-SC). This bill would make qualified high-deductible health plans (HDHPs) tax-deductible on an above-the-line basis. The legislation also includes a tax credit for small employers who contribute to an employee HSA, and a tax credit for low-income individuals/families to help pay for health coverage.

In addition, Sen. DeMint and Rep. Jim McCrery (R-LA) have again introduced S. 309/H.R. 1998, which would allow individuals to roll over \$500 of unused FSA funds either to the next year's FSA or to an HSA. NAHU also continues to work very closely with the Department of Treasury and the IRS on forthcoming guidance on the implementation of HSAs.

### **Medical Liability Reform**

The skyrocketing cost of medical malpractice insurance is estimated to cost American health care consumers \$24 billion per year. The trickle-down effects of these costs are increased health insurance premiums and medical costs for all Americans. The malpractice insurance crisis has also driven many providers out of the marketplace, leaving many consumers without access to adequate care, especially in rural areas.

NAHU has advocated medical liability reform over the past several years. We support H.R. 5, the HEALTH Act, sponsored by Rep. Phil Gingrey (R-GA). It establishes a \$250,000 cap on non-economic and punitive damages and creates a federal statute of limitation for health care liability action. This bill passed the House on July 27, 2005, and similar legislation has passed the House each of the past three years. We will continue to press for action on this measure in the Senate during the coming year.

### **Containing the Cost of Health Care**

In addition to traditional insurance issues, talk in Washington, DC, has increasingly been about the overall cost of health care in this country and what can be done to decrease it. Health insurance costs will continue to rise if medical care costs remain unchecked and, like the problem of the uninsured, there is no one solution to this systemic problem.

One idea to contain costs being discussed with great regularity is the transparency of medical costs. Medical-cost transparency is particularly important as we see the increased use of consumer-directed health care, since medical care is perhaps the only thing American consumers regularly purchase without having any knowledge of actual price. NAHU is watching the development of measures in many states and at the federal level that would compel providers to publish the costs of common procedures in a consumer-friendly and accessible way.

NAHU is also beginning to explore public-policy initiatives regarding wellness promotion. Factors such as aging, obesity and smoking are critical to increasing health care costs. Employer requirements regarding smoking, wellness incentives in health plan offerings, and other means to encourage healthy lifestyles are all under debate.

Other ideas NAHU is monitoring closely include pay-for-performance initiatives, the cost of medical errors, the use of electronic medical records, prescription drug costs, over-utilization of health care services, the reimbursement rates for Medicaid and Medicare, and related cost-shifting.

