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cents of every premium dollar to pay for marketing, administration, and profit instead of paying out the money in benefits. In the smallest businesses, insurance companies keep as much as 40 to 50 cents of every premium dollar. By contrast, as little as five cents of the premium dollar is kept by insurance companies for policies provided by the largest businesses.

In addition, small businesses are often unable to buy health insurance at any price if an employee has a serious illness. Pre-existing condition exclusions are common. And if someone in a firm with insurance becomes seriously ill, the insurance company often drops the coverage at the next renewal period, or premiums may be raised to such unaffordable levels that the company is forced to drop the policy.

HEALTH AMERICA: AFFORDABLE HEALTH CARE FOR ALL AMERICANS (EXECUTIVE SUMMARY) Universal access for all American families

All employers will be required to (1) provide coverage meeting basic standards to their workers and their families, or (2) contribute a percentage of their payroll to a new public insurance program called AmeriCare. AmeriCare will provide coverage to the unemployed, and to workers whose employers have chosen to contribute to the public program. AmeriCare, which will be administered by the states, will replace the current Medicaid program. Premiums under AmeriCare will be tied to ability to pay. Through the combination of coverage on the job or through AmeriCare, every citizen will be guaranteed adequate, affordable health insurance.

The basic benefit package will set minimum standards for coverage on the job. The same benefits also will be provided

through AmeriCare. The package includes coverage of hospital care, physician care, diagnostic tests, and limited mental health coverage. In addition, key preventive services are covered, including prenatal care, well-baby and child care, pap smears and mammograms. Services will be fully covered except for co-payments and deductibles. AmeriCare will subsidize the cost of premiums for low-income citizens, whether working or unemployed.

Comprehensive Cost Reduction Program

The cost containment program in the proposal will address all four parts of the problem: cost-shifting, unnecessary care, excessive administrative costs and open-ended reimbursement to providers. This program has been conservatively estimated by Lewin, ICF, a well-known consulting firm, to save the nation almost \$80 billion in health expenditures over the next five years.

Cost-shifting will be eliminated by universal coverage.

Unnecessary care will be reduced by (1) a program of outcomes research to determine which care is necessary or unnecessary, (2) development of practice guidelines to assist physicians in providing only necessary care and assist insurers in deciding what care should be reimbursed, and (3) an enhanced program of technology assessment to help determine the usefulness of expensive medical techniques. In addition, the program will help develop private and public managed care programs, which will encourage patients to use providers who practice efficient, high quality medicine.

Excessive administrative costs will be addressed by requiring the use of standardized billing forms, by requiring small

insurers to work together at the state level for the purpose of paying bills, and by reforming the small business insurance system to cut the overhead costs paid to insurance companies.

Skyrocketing health care costs and open-ended reimbursement to providers will be curtailed by creating an independent Federal Health Expenditure Board coordinated with state purchasing consortia, which will be encouraged to develop innovative cost containment programs at the state level. The Board will establish a process of rate negotiations between purchasers and providers of health care within overall national health expenditure goals. The Board will also gather and publish cost and quality data on providers, so that patients, insurers and others can use the most efficient, high quality providers.

The state consortia will be able to take additional steps at the state level to control costs. For example, the state purchasing consortia may elect to negotiate rate and volume levels with providers within the state. In addition to these steps, states will be encouraged to set up new programs to deal with abuse of the medical malpractice system and a new program of research on cost control will be initiated.

Small Business Assistance

A number of programs to assist small business are included in the bill. Small business insurance reform will reduce the share of the small business premium that goes to insurance companies instead of toward paying medical costs. The requirement to provide coverage or contribute to a public plan will be phased-in, and will not be applied to small business if 75 percent of currently uninsured workers for these businesses are covered voluntarily. Subsidies will be provided for small

businesses whose profitability is so low that they would have difficulty in affording coverage. More favorable tax treatment for health insurance expenses will be available for the self-employed. The opportunity to contribute to public coverage rather than provide coverage directly will reduce costs for businesses with low-wage or part-time workers. New businesses will not be required to provide coverage or make a contribution to the public program during their first two years of operation.

The program will be implemented in three phases. In the first phase - the first year of full implementation - firms with more than 100 employees will be required to cover their workers and their families or contribute to the public plan. All uninsured children, as well as pregnant women, will be covered, either through an employer or through AmeriCare.

In the second phase, beginning in the fourth year, all businesses with 25 employees or more will be covered either through private insurance or through AmeriCare.

In the third and final phase, beginning in the fifth year, all Americans will be covered either on the job or through AmeriCare. The public program will be extended to cover unemployed adults.

The average per worker cost of coverage is an estimated \$1,680. The employer will be responsible for 80 percent of this amount and the worker for up to 20 percent. Use of a managed care plan will reduce these premiums by an estimated fifteen percent.

The cost to the Federal government in the first year of the plan will be approximately \$6 billion. A program of financing will be developed before this plan comes to the floor to assure that it does not add to the Federal budget deficit.