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BAUCUS MODIFIES CHAIRMAN'S MARK TO IMPROVE HEALTH CARE AFFORDABILITY, MAINTAIN DEFICIT REDUCTIONS

*Finance Chairman releases modification to Chairman's Mark that would
increase tax credits, lower penalties for low and middle income families*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) today released his modification to the Chairman's Mark of the America's Healthy Future Act, landmark health care reform legislation to lower costs and provide quality, affordable health care coverage. The modifications focus largely on making care more affordable for low and middle income Americans by increasing the Health Care Affordability Tax Credit, lowering the penalties for people who fail to meet the individual requirement to have health insurance and increasing the High Cost Insurance Excise Tax threshold for people whose basic health care is more expensive. Baucus called the modification the first step in an important process that will continue to improve the bill.

"My modification to the Chairman's Mark focuses on making health care more affordable for middle class families, while ensuring the legislation reduces the deficit and effectively slows the growth of skyrocketing health care costs," said Baucus. **"This modification incorporates important ideas from my colleagues on both sides of the aisle. Crafting a bill that addresses all of the concerns of our broken health care system is no easy task, and I'm confident that, working together, we are even closer to that goal today. The legislative process is an important one and I look forward to improving this bill as it advances in the coming days and weeks."**

Baucus introduced his Chairman's Mark of the America's Healthy Future Act on September 16. The legislation is designed to make it easier for families and small businesses to buy health care coverage, ensure Americans can choose to keep the health care coverage they have if they like it and slow the growth of health care costs over time. It will bar insurance companies from discriminating against people based on health status, denying coverage because of pre-existing conditions, or imposing annual caps or lifetime limits on coverage. The bill will improve the way the health care system delivers care by improving efficiency, quality and coordination.

The Finance Committee will begin considering the modification of the Chairman's Mark today. The full text and summary of the original Chairman's Mark to the America's Healthy Future Act as well as of the full text of the modification to the Chairman's Mark is available on the Finance Committee website at www.finance.senate.gov. A summary of the major modifications to the Chairman's Mark follows here.

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MODIFICATIONS TO THE CHAIRMAN'S MARK OF THE AMERICA'S HEALTHY FUTURE ACT

Increasing Health Care Affordability

Increasing the Health Care Affordability Tax Credits for premiums – The modified Chairman's Mark increases the amount that low and middle income Americans will receive through the Health Care Affordability Tax Credit. The modified Chairman's Mark would lower the maximum amount of income that families would contribute to their health insurance premium to two percent of income for those at 100 percent of the Federal Poverty Level (FPL) on a sliding scale up to 12 percent of income for those at 300 percent of poverty. Individuals between 300-400 percent of FPL would be eligible for a premium credit based on capping an individual's share of the premium at a flat 12 percent of income. This policy was submitted by Senators Menendez, Kerry, Bingaman and Schumer as amendment C1, Senators Kerry and Menendez as amendment C9 and Senator Stabenow as amendment C1.

Making out-of-pocket costs more affordable – The modified Chairman's Mark would make out-of-pocket costs for middle class families more affordable by reducing out-of-pocket limits for families between 200 and 300 percent of poverty to an amount equal to two-thirds of the HSA out-of-pocket limit, which would be a maximum of \$3,987 for an individual and a maximum of \$7,973 for a family in 2010. This policy was submitted by Senator Menendez as amendment C13.

Reducing health care costs for older Americans – the modified Chairman's Mark would reduce costs for older Americans by lowering the amount by which insurance companies could vary premiums based on age. The policy would prohibit insurance companies from varying premiums by more than a ratio of 4:1 for age. This policy was submitted by Senator Wyden as amendment C9 and Senator Kerry as amendment C15.

Decreasing affordability threshold for employer-sponsored insurance – The modified Chairman's Mark would lower the affordability threshold for employer-sponsored insurance to make it easier for people who cannot afford the insurance offered by their employer to instead receive tax credits in a health insurance exchange. The modified Mark would reduce this affordability test to ten percent of a person's income, so that if employer-sponsored coverage would cost an individual more than ten percent of his or her income, that person would be eligible to receive a Health Care Affordability Tax Credit in an exchange. This policy was submitted by Senator Snowe amendment number C2.

Indexing the threshold for the High Cost Insurance Excise Tax – The modified Chairman's Mark would index the threshold above which insurance companies would be subject to the High Cost Insurance Excise Tax to an amount equal to CPI-U (Consumer Price Index for all urban consumers) plus one percent. This policy would give employers the time necessary to find quality, affordable plans beneath the threshold, increasing downward pressure on the growth of health care costs and ensuring that, over the long term, fewer families will be impacted by this policy. This policy was submitted by Senators Kerry, Rockefeller, Schumer, Stabenow, Cantwell, and Menendez as amendment F2.

Modifying the threshold for the High Cost Insurance Excise Tax – The modified Chairman’s Mark would raise the threshold above which insurance companies would be subject to the High Cost Insurance Excise Tax by \$750 for individual plans and \$2,000 for family plans for workers with high risk jobs or for non-Medicare retirees aged 55 and up. This policy was submitted by Senators Kerry, Rockefeller, Schumer, Stabenow, Cantwell, and Menendez as amendment F2.

Reducing the individual requirement penalty – The modified Chairman’s Mark would reduce the maximum penalty for individuals above 300 percent of FPL who fail to meet the requirement to have health insurance from \$3,800 per family to \$1,900 per family. The penalty for families between 100-300 percent of poverty would be \$750 per person per year with a maximum of \$1,500 per family. Individuals below 100 percent FPL would not be subject to the penalty.

Preserving employer-sponsored retiree coverage – The modified Chairman’s Mark would help employers struggling with rising health care costs to continue to provide health care benefits to retirees without increasing premiums. The policy would add \$5 billion to the reinsurance program to apply to employer-sponsored retiree coverage. This policy was submitted by Senators Kerry and Stabenow as amendment C7.

Protecting employees at midsize and large companies – The modification to the Chairman’s Mark would bar insurance companies from discriminating against employees of midsize and large companies by eliminating annual and lifetime limits for all plans participating in state exchanges and precluding midsize and large employers with group health plans from imposing unreasonable annual or lifetime limits on coverage. This policy was submitted by Senator Rockefeller as amendment C3.

Improving access to inexpensive plans – The modification to the Chairman’s Mark would allow individuals who would otherwise qualify for the exemption from the individual requirement penalty in the exchange to purchase the “young invincibles” policy, which is effectively a catastrophic with no coverage below the HSA out-of-pocket limit except for preventive benefits and services. This policy was submitted by Senator Snowe as amendment F5.

Making coverage for small businesses workers more affordable – The modification to the Chairman’s Mark would require small employers to provide a plan with a deductible that does not exceed \$2,000 for individuals and \$4,000 for families, unless offering contributions which offset any increase in deductible above these limits. This specified deductible limit is accommodated with no change in actuarial value, including not affecting the actuarial value of Bronze plans. This amendment does not apply to “young invincible” plans. This policy was submitted by Senator Snowe as amendment C6.

Increasing the cap on FSA contributions – The modified Chairman’s Mark would increase the cap on contributions to Flexible Spending Accounts (FSAs) to \$2,500. This policy would provide more tax-free dollars for families to contribute to FSAs and use for out-of-pocket health care expenses. This policy was submitted by Senator Schumer as amendment F1, Senator Snowe as amendment F3, Senator Roberts as amendment F3, and Senator Enzi as amendment F1.

Extending the Small Business Health Care Affordability Tax Credit – The modified Chairman’s Mark would allow non-profit companies to take advantage of the Small Business Health Care Affordability Tax Credit. In 2011 and 2012, eligible non-profits could receive a credit for up to 25 percent of their contribution. Once the exchanges are up and running in 2013, qualified non-profits purchasing insurance through the exchanges could receive a tax credit for two years that covers up to 35 percent of the employer’s contribution. This policy would help non-profit companies offer health insurance to their workers. This policy was submitted by Senators Kerry, Snowe, Schumer, Lincoln, Cantwell as amendment C2.

Making Indian Tribal Health Services more affordable – The proposal would allow Native Americans to exclude the value of specified Indian tribe health benefits from gross income for tax purposes. This policy was submitted by Senator Conrad as amendment F1.

Increasing Incentives for Wellness and Prevention

Creating small business wellness programs – The modified Chairman’s Mark would provide \$200 million for grants to small businesses to provide access to comprehensive, evidence-based workplace wellness programs that would help employees make healthier choices. Programs should provide health-awareness activities like preventive screenings and behavior change, employee engagement activities like counseling, on-line programs and a supportive environment so employees could take a break to exercise. This policy was submitted by Senator Carper as amendment C1.

Protecting Seniors in Medicare

Improving the Medicare Advantage benefit stability for seniors in high cost areas – The modified Chairman’s Mark would preserve Medicare Advantage (MA) benefit stability for seniors living in high cost areas where plans deliver benefits below the average cost of traditional Medicare. This policy grandfathers MA plans in areas where plans currently bid at or below 85 percent of traditional fee-for-service Medicare to deliver benefits, so plans will continue to offer the plans they currently offer and pay what they currently pay to deliver benefits for existing beneficiaries only.

Making prescription drugs more affordable for seniors – The modified Chairman’s Mark would make prescription drugs more affordable by making the co-payment for full-benefit, dual-eligible seniors who are receiving Home and Community Based Services (HCBS) equal to co-payments for dual-eligible seniors who reside in long-term care facilities. This policy was submitted by Senator Rockefeller as amendment D6, by Senator Bingaman as amendment D4, and Senator Nelson as amendment D4.

Improving beneficiary access to services – The modified Chairman’s Mark would improve beneficiary access to primary and preventive care by adding a modified version of the Medicare Fracture Prevention and Osteoporosis Testing Act (S.769). This policy would improve beneficiary access to bone density tests. This policy was submitted by Senator Lincoln as amendment D2.

Improving hospice care in Medicare – The modified Chairman’s Mark would create a three-year Medicare Hospice Concurrent Care (HCC) demonstration program that would allow patients who are eligible for hospice care to also receive all other Medicare-covered services during the same period of time. This policy would ensure people in hospice do not have to give up the prospect of a cure. This policy was submitted by Senator Wyden as amendment D1.

Bolstering America’s Health Care Workforce

Training more doctors in areas of need – The modified Chairman’s Mark would increase the number of Graduate Medical Education (GME) training positions in states with the lowest resident physician-to-patient ratios. This policy was submitted by Senator Nelson as amendment D7.

Increasing community-based primary care – The modified Chairman’s Mark would provide new resources to increase community-based training sites for primary care residency programs. This policy was submitted by Senator Bingaman as amendment D8.

Training a diversity of health care professionals – The modified Chairman’s Mark would provide \$200 million for the training of advanced practice nurses. This policy was submitted by Senator Stabenow as amendment D4.

Creating Options for Long Term Services and Supports

Improving access for low-income individuals – The modified Chairman’s Mark would improve access to Home and Community Based Services (HCBS) for low income individuals in Medicaid who are in need of long term care. This policy was submitted by Senator Kerry as amendment C16.

Creating nursing home alternatives – The modified Chairman’s Mark would create incentives for states to offer Home and Community Based Services (HCBS) as alternatives to nursing homes for people in need of long term care. This policy was submitted by Senator Cantwell as amendment C1.

Creating choices for disabled individuals – The modified Chairman’s Mark would create Home and Community Based Service (HCBS) alternatives to nursing home care for disabled individuals who are eligible for Medicaid. This policy was submitted by Senator Schumer as amendment C13.

Improving the Medicaid Program

Improving access to mental health care in Medicaid – The modified Chairman’s Mark would establish a three-year, \$75 million demonstration project that would allow Medicaid funding to be directed to non-publicly owned and operated psychiatric hospitals for some Medicaid beneficiaries. This policy was submitted by Senator Snowe as amendment D1.

Help for high-need states – The modified Chairman’s mark would provide help for states that will experience a significant increase in Medicaid enrollment due to the size of their current programs and their current rates of unemployment. These states would receive full federal funding for newly eligible Medicaid beneficiaries for five years.

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Financing an Investment in Quality, Affordable Health Care

Surplus funds from the Chairman's Mark – The modified Chairman's Mark would use \$28 billion of the existing surplus funds from the Chairman's Mark to offset these modifications.

Incentivizing generic prescription drugs – The modified Chairman's Mark would create a specific exemption to allow health plan sponsors to encourage beneficiaries to utilize lower-cost generic drugs by allowing them to waive co-pays as an incentive. This policy was submitted by Senator Stabenow as amendment D11.

Using surplus Medicaid funds – The modified Chairman's Mark would use funds from the existing Medicaid Improvement Fund (MIF) for improvements to the Medicaid program.

Change tax rate for High Cost Insurance Excise Tax – The modified Chairman's Mark would increase the tax rate for the High Cost Insurance Excise Tax to 40 percent.

Change effective date for FSA and HSA limitations – The modified Chairman's Mark would move the effective date of the limit of tax-free contributions to Flexible Spending Accounts (FSAs) and the increase in the additional tax for Health Savings Account withdrawals prior to age 65 that are not used for qualified medical expenses to December 31, 2010.

Increase Health Insurance Provider Fee – The modified Chairman's Mark would increase the health insurance provider fee from \$6 billion per year to \$6.7 billion per year.

Exempting retail products from Annual Fee on Manufacturers and Importers of Medical Devices – The modified Chairman's Mark would exempt sales of Class II devices that are sold at retail for up to \$100 per unit, in addition to exempting all sales of Class I devices from the calculation of the fee.

Removing mandate for Medicaid prescription drug – The modified Chairman's Mark would remove a provision from the original Chairman's Mark that requires states to cover prescription drugs for all Medicaid beneficiaries.

Reducing waste in long term care pharmacies – The modified Chairman's Mark would direct the Secretary of Health and Human Services to implement programs to reduce waste in the way drugs are dispensed to seniors in long term care facilities.

Creating state options for family planning – The modified Chairman's Mark would allow states to use a state plan amendment to offer family planning services as a stand-alone benefit.

Clinical laboratories fee schedule adjustments – The modified Chairman's Mark would eliminate the Clinical Laboratories fee and replace it with a temporary reduction in the Medicare clinical laboratory test fee schedule.

Increase the threshold for claiming the itemized deduction for medical expenses – The modified Chairman’s Mark would increase the adjusted gross income threshold for claiming the itemized deduction for medical expenses to 10 percent, effective in 2013.

Effective date of Health Care Affordability Tax Credits – The modified Chairman’s Mark would set the effective date of the Health Care Affordability Tax Credits at July 1, 2013.

Defining income in the Chairman’s Mark – The modified Chairman’s Mark would calculate income for purposes for the Health Care Affordability Tax Credit as an individual’s total income on their tax return, including tax-exempt interest and certain foreign exclusions.

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