

Estimated NJ Impacts of National Health Reform Bills Passed by the House and Senate

A Report by New Jersey Policy Perspective

~ Summary ~

National health reform proposals passed by both the US House of Representatives and the US Senate would, if signed into law, make major inroads to address the health care crisis in New Jersey. President Obama's Plan, announced on February 22, 2010, which adopts many of the Senate and House proposals, would also improve access to health care for tens of thousands of New Jersey residents.

Security and Peace-of-Mind

- No more insurance company denials for pre-existing conditions, dropping coverage when you get sick, or placing lifetime caps on benefits

More Regulation of Insurance Companies & Better Quality Health Care

- Cap insurance company profits and administrative costs; increase premiums dollars spent on care
- No more out-of-pocket costs for preventive care or higher premiums for women
- Make the health delivery system more efficient and focused on good health outcomes
- Improve mandatory insurance benefits such as Rx drug coverage and vision care for children

Expand Coverage and Lower Costs

- Lower premiums for insured families through an individual insurance mandate which will add more healthy individuals to the insurance pool
- An estimated \$23 billion to \$29 billion in federal funds to New Jersey over a decade to provide subsidies to families up to four times the poverty level (\$88,200 for a family of 4)
- Insure between 867,000 and 1 million of the 1.5 million New Jerseyans projected to be uninsured by 2019, increasing NJ's current insurance rate from 85% to between 92% and 94%
- Expand drug coverage for seniors by partially or fully closing the Medicare Part D gap in coverage (a.k.a. the "donut hole") and improve the financial solvency and efficiency of Medicare without cutting benefits
- New federal subsidies for childless adults, currently offered no financial assistance to afford health coverage in NJ
- Expanded eligibility for premium subsidies for low and middle income children and increase benefits beyond what is currently available in NJ FamilyCare
- Tax credits for small businesses providing health coverage to their employees
- More competitive rates, reduced costs and transparency through a health insurance Exchange
- Cost containment measures to reduce the federal deficit and benefit middle class taxpayers

President Barack Obama's Health Reform Proposal and New Jersey

The President's proposal is basically a compromise between the House and Senate bills although he adds some new and important features. While specific details are not yet available regarding the proposal, based on preliminary estimates of its cost; it appears that the impact would fall within the range of the House and Senate bills. Thus, the amount of federal funds that would likely be spent in New Jersey would be between \$23 billion and \$29 billion over ten years and the number of persons insured would be between 867,000 and 1 million. This would greatly reduce the uninsured in New Jersey and improve the state's economy.

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The President's Proposal would benefit New Jerseyans by:

- Going beyond both bills and prohibiting excessive and unjustified increases in insurance premiums. New Jersey already has some of the highest insurance premiums in the nation. This is one of the fastest rising components of budgets in both the private and public sectors. In addition to working families, State and local governments (including school districts), small businesses and non-profit agencies simply can no longer afford annual increases that are often in the double digits.
- Making health insurance more affordable. Compared to the Senate bill, it would increase tax credits to make insurance premiums more affordable for families with incomes below \$44,000 and above \$66,000. Compared to the House bill, families with incomes between \$55,000 and \$66,000 would also pay less for premiums. Cost sharing would be reduced for families with incomes below \$55,000 compared to the Senate bill.
- Eliminating the prescription drug "donut hole" in Medicare. This would expand coverage to about 600,000 seniors and people with disabilities in New Jersey, which would also prevent more costly hospitalization.
- Protecting more people with insurance. There are 4.4 million people in New Jersey with commercial insurance but often the coverage is inadequate. Under the President's Proposal, plans that are "grandfathered" in the Senate bill would have to provide some of the insurance market reforms and benefits that would be required for all other plans, like no limits on lifetime limits and denial of insurance due to preexisting conditions.
- Making the excise tax on higher cost insurance plans fairer. The Senate bill's excise tax would have affected the plans of about 100,000 moderate income families in New Jersey. The Proposal would greatly reduce that number by increasing the threshold amount of insurance policies from \$23,000 to \$27,500 and delaying implementation from 2013 to 2018 for all of these plans.
- Increasing federal support to states. The recent cuts in NJ FamilyCare in the FY 2010 budget proposed by Gov. Chris Christie demonstrates the state's fiscal plight and need for additional federal support from Washington for medical assistance. The Proposal would reimburse New Jersey with all federal funds for all new eligible people in the first four years compared to the current federal matching rate of 50%.

~ Recommendations ~

While many of the President's proposals are a major step in the right direction, NJ for Health Care is concerned that other important reforms were not included in his plan.. These include a public insurance option, a clear employer mandate, and a national insurance exchange. NJ for Health Care looks forward to working with the NJ Congressional Delegation to assure that the final legislation benefits all New Jerseyans.

The following are the key provisions of the Senate and House proposals that NJ for Health Care recommends as the best approach for New Jersey.

use Bill

- Funding for Medicaid and premium subsidies
- Number of people insured
- Premiums subsidies for families below 250% of the poverty level
- Cost sharing subsidies for all income groups below 400% of poverty level
- Extension of Medicaid stimulus funds
- Increase in Medicaid rates for primary care
- Allow undocumented immigrants to pay for the full cost of insurance in the Exchange
- Individual and employer insurance mandates
- National Health Insurance Exchange
- Public insurance option
- Anti-trust exemption for insurance companies
- Prevent excessive increase in premiums if wellness goals are not achieved
- Insurance market reforms
- Guaranteed rehabilitative and habilitative services
- Completely close Medicare prescription gap
- Millionaire's tax to fund reform

Senate Bill

- Funding to extend NJ FamilyCare for two years
- Subsidies for families above 250% of the poverty level
- Funding for tax credits to small businesses that provide health coverage
- Independent board to recommend ways to reduce cost of Medicare without cutting benefits
- Additional insurance benefits not guaranteed in House
- Assist states with individuals with chronic conditions
- Premium subsidy eligibility level for employees with access to employer-based insurance
- New options for home and community-based services
- Funding for reinsurance program
- Increase the Medicare Part A tax for the wealthy
- New fees on pharmaceutical firms and insurance companies
- Require that all members of Congress and their staff obtain their insurance through the Exchange



The NJ For Health Care Campaign is a broad-based alliance of health care, consumer, senior, student, disability, women's, labor, faith-based, civil rights and social justice organizations working to bring guaranteed, high quality, affordable health care to all New Jersey residents. Our 66 organizations represent over 2 million New Jersey families. We are working to build strong alliances with patients, providers, small and large businesses and health care and social service agencies across the State.

Consumer Voices for Coverage is a joint initiative of Community Catalyst and the Robert Wood Johnson Foundation (RWJF) focused on ensuring consumer concerns are represented in both state and national health care reform.

The NJ Consumer Voices for Coverage Leadership Team is represented by the following organizations: AARP New Jersey, Camden Churches Organized for People, Communication Workers of America, Health Professionals and Allied Employees, Hispanic Directors Association of NJ, NJ Appleseed Public Interest Law Center, NJ Catholic Conference, NJ Citizen Action Education Fund, NJ Health Care Quality Institute, NJ Public Interest Research Group, NJ Policy Perspective, NJ State Conference of the National Association for the Advancement of Colored People, PICO New Jersey, and the Women's Fund of NJ.

