



SENATOR BAUCUS RELEASES PLAN TO REFORM HEALTH CARE—"A CALL TO ACTION"

On November 12, 2008, Senate Finance Committee Chairman Max Baucus (D-Mont.) released a paper, titled "Call to Action, Health Reform 2009," which sets forth his vision for health care reform (the "Baucus plan").1 The Baucus plan was unveiled against the backdrop of a variety of health care reform discussions. President-Elect Obama spent a great deal of time during his campaign for presidency outlining his own plan for health care reform. Senator Edward Kennedy, chairman of the Health, Education, Labor and Pensions Committee, is also working on a proposal to reform health care. The convergence of health care reform discussions in a multitude of venues and with various parties will inevitably serve as a catalyst for dialogue and a health care reform bill or multiple bills. Baucus emphasized the urgency for health care reform and called on the Congress to take action in 2009. He stated that "[i]f we fail to act...we will double our current national expenditure on health care from

\$2 trillion to \$4 trillion, continue to witness the plight of tens of millions of our citizens without health insurance cost shifting to those who do, continue to tolerate poor quality that leads to nearly 100,000 deaths a year, and watch our businesses become less competitive and our nation go further into debt."

The Baucus plan, at 89 pages, is a detailed and thorough proposal. Baucus makes it clear that his "Call to Action" is not intended to be a legislative proposal or an exhaustive list of items that should or will be considered in the development of new health care initiatives. It is presented in the context of increasing access to affordable health coverage, improving value by reforming the health care delivery system, and financing a more efficient health care system. The following is a general discussion of some of the key elements of the Baucus plan.

^{1.} See http://finance.senate.gov/healthreform2009/support.html for information related to the "Call to Action."

INCREASING ACCESS TO AFFORDABLE HEALTH COVERAGE

Baucus aims to provide all Americans with access to highquality health care by requiring individual responsibility, strengthening the employer-based system of offering health coverage, providing additional assistance to individuals and small businesses to secure health insurance, strengthening public programs, focusing on prevention and wellness, and addressing health disparities.

The Baucus plan would establish a system of individual responsibility by requiring individuals to have health care coverage. Coverage would be verified via the tax system, because most Americans have already established contact with the Internal Revenue Service through their annual filing of a tax return. If an individual does not file a tax return, the Baucus plan also provides for a premium subsidy for health care, which arguably would make more people feel inclined to voluntarily file a tax return and therefore allow for verification of their health care coverage.

Baucus acknowledges the success of many employer-sponsored insurance programs. In an effort to build on that success, under the Baucus plan, all employers (except the smallest ones) would offer a Section 125 plan, which allows employees to pay their health insurance premiums through payroll deduction and with pre-tax dollars. Mid-sized and small employers would pay less than larger employers. If an employer chose not to provide health insurance options, it would have to contribute to a fund to cover employees who remained uninsured. Employers with the fewest workers and lowest wages would be offered tax credits to purchase health insurance for their employees, and they would not have to contribute to the general coverage fund if they were still unable to offer health insurance.

The Baucus plan calls for the creation of a nationwide insurance pool called the Health Insurance Exchange. The Health Insurance Exchange would be an independent entity created to organize and compare affordable health insurance options and to develop a standard health insurance application form. People could keep the health insurance they already have,

but those needing coverage could use the Health Insurance Exchange as a portal for purchasing health insurance plans. Private insurers offering health insurance plans via the Health Insurance Exchange would not be allowed to discriminate based on preexisting conditions.

As the Health Insurance Exchange was being created, Baucus would make health care coverage available to more people by providing a Medicare buy-in option for individuals aged 55 to 64 who lack other forms of health insurance. Baucus makes clear that the Medicare buy-in option would be temporary until the Health Insurance Exchange was established.

The Baucus plan also calls for insurance reform. Insurance companies could no longer deny coverage to individuals or discriminate against individuals with preexisting conditions. Also, rules for rating insurance policies would be developed with input from interested parties and supported by statutory specifications.

Baucus would also increase access to affordable health care by reforming Medicaid eligibility standards. Medicaid eligibility would be standardized, and individuals would be eligible if their income was less than 100 percent of federal poverty level. Some states have eligibility requirements at higher percentages of the federal poverty level, and the Baucus plan would not change those eligibility determinations. Further, the Baucus plan would require states to use the Children's Health Insurance Program ("CHIP") to cover all children at or below 250 percent of the poverty level and who are not eligible for Medicaid.

Another key component of the Baucus plan focuses on increasing prevention and wellness programs. As part of this initiative, the plan would provide for a temporary program, called "RightChoices," to allow the uninsured access to certain preventive services. In addition, the Baucus plan would reduce or eliminate copayments for recommended preventive services provided to Medicare, Medicaid, and CHIP beneficiaries. States and communities would also be provided grants to develop and implement evidenced-based prevention and wellness programs in their local communities.

IMPROVING VALUE BY REFORMING THE HEALTH CARE DELIVERY SYSTEM

Baucus intends to reform the current health care delivery system and improve its value by increasing the role of primary care and chronic care management, refocusing payment incentives toward quality, promoting provider collaboration and accountability, and improving health care infrastructure.

The primary health care system would be strengthened through a series of initiatives. First, primary care services would be valued according to their significant value, while overvalued services would be reduced so that the fee schedule rates reflected the priorities of the health care system. Second, Medicare payments would be increased for primary care services. By reviewing claims history, and not via selfidentification, Medicare providers that focus on primary care would be identified for increases in payment. Baucus notes that this initiative should be budget neutral, and increases in payments to primary care providers would require corresponding cuts to specialists. Third, Baucus calls for continued growth of patient-centered medical homes and evaluation of other primary care models that focus on comprehensive care management and coordination. Finally, it would revise the way the Medicare system pays for Federally Qualified Health Centers and Rural Health Clinics.

Baucus intends to improve the value of health care by refocusing payment incentives toward quality. He would establish a pay-for-performance program for hospitals, growing physician programs focused on quality improvements, and evaluating pay-for-performance programs in additional health care settings such as home health, nursing homes, and the Medicare Advantage program.

Baucus proposes promoting collaboration and accountability as a way to increase quality in the health care system. This would be accomplished by reducing hospital readmissions by requiring the Centers for Medicare and Medicaid Services ("CMS") to provide data to hospitals and providers regarding resource utilization, creating financial incentives in the Medicare program to encourage providers to help reduce readmissions and increase coordination, and exploring the idea of Medicare making bundled or global payments for all services for inpatient care and some post-discharge care.

Baucus also discusses ways to reward providers who provide cost-effective and high-quality services. In an effort to promote collaboration, the Baucus plan would evaluate potential gainsharing opportunities through collaboration by CMS, the Department of Health and Human Services Office of the Inspector General, and other stakeholders.

The Baucus plan also discusses the need to improve health care infrastructure. First, it advocates comparative effectiveness research to identify potential gaps in clinical knowledge. There would be a push for increased adoption and use of health information technology, including tracking patient care, ordering lab work and accessing test results, and providing evidenced-based decision support to other physicians. In order to encourage the adoption of health information technology, there would be financial incentives and information sharing among providers. Another aspect of improving the health care infrastructure is to grow the health care work force. Some steps would include evaluating the number of allowable Graduate Medical Education ("GME") training slots, increasing accountability for Indirect Medical Education ("IME") funding, and increasing racial and ethnic diversity in the health care workforce.

FINANCING A MORE EFFICIENT HEALTH CARE SYSTEM

Baucus notes that most of the proposals set forth in his plan, such as improving quality, focusing on prevention and primary care, and investing in health information technology, will ultimately play a large role in making the health care system more efficient. However, the Baucus plan sets forth additional initiatives that will help save the health care industry money, including a five-step plan to reduce waste, fraud, and abuse: (1) the government should do a better job screening providers; (2) government payment programs and methodologies should discourage providers from engaging in fraud, waste, and abuse; (3) the government should engage health care providers and suppliers regarding compliance initiatives and goals; (4) the government must provide oversight of programs, including collecting and reviewing data and investigating providers; and (5) problematic behaviors must be addressed quickly, and punishments must be a form of deterrence for others. There would be increased transparency in the areas of physician-industry relationships, physician self-referrals, and cost and quality information. The Baucus plan also calls for medical malpractice reform, including developing alternatives to civil litigation.

CONCLUSION

According to Senator Baucus, his plan was developed in response to nine United States Senate Finance Committee hearings on health care reform, a one-day event related to discussing problems in the health care industry, and various discussions he had with health care stakeholders and the public. Senator Baucus acknowledges that to implement his plan, "initial investments" would be needed. However, he states that "[t]he policies...are designed so that after ten years the U.S. would spend no more on health care than is currently projected, but we would spend those resources more efficiently and would provide better quality coverage to all Americans." As indicated by Senator Baucus' comment that he looks forward to discussing the plan with President-Elect Obama, we should anticipate further dialogue about this plan, and possibly others, in the future.

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