

The Patient Choice, Affordability, Responsibility, and Empowerment Act

A Legislative Proposal

REPEAL THE PRESIDENT'S HEALTH CARE LAW

Despite promises that Obamacare would lower health care costs, costs continue to skyrocket for patients, families, taxpayers, and businesses. Today's health care law is not the solution to the health care crisis facing our nation. An alternative approach is necessary to fulfill the promise to lower health care costs, advance patient-centered reforms, and provide needed relief from job-crushing mandates, while at the same time ensuring affordable health care for patients and taxpayers. The first step toward achieving sustainable, affordable, health care that puts patients – not the government – in charge of their health decisions and pocketbooks is repealing Obamacare.¹

REPLACE OBAMACARE WITH SUSTAINABLE, PATIENT-CENTERED REFORMS AND PROTECTIONS

We believe all Americans deserve access to common-sense consumer protections in health coverage. Our proposal adopts a series of commonsense measures that do not have costly mandates, which drive up health care costs, or put the federal government between patients and their doctors. The Patient CARE Act would:

- **Ensure NO ONE can be denied coverage based on their pre-existing condition;**
- Prohibit insurance companies from imposing lifetime limits on a consumer;
- Adopt an age rating ratio that limits the amount an older individual will pay to no more than five times what a younger individual pays (5 to 1) as a baseline, unless a state affirmatively elects to have a different ratio;
- Require health plans to offer dependent coverage up to age 26, unless a state opts out of this provision;
- Ensure guaranteed renewability for patients to be able to renew their coverage;
- Create a new “continuous coverage protection” that rewards individuals moving from one health market to another—regardless of whether in the individual, small group, or large employer markets—by allowing them to get a similar plan at a similar cost and not be rated on health status.

EMPOWER SMALL BUSINESS AND INDIVIDUALS

While repealing Obamacare is a crucial step in lowering costs, we believe small businesses and individuals should also be empowered with purchasing power. The Patient CARE Act not only lowers cost through structural insurance reforms, but helps stabilize the market and encourage it to be more competitive and transparent through a targeted tax credit to certain individuals solely for the purpose of helping to buy health care.

- Individuals working for a small business with 100 or fewer employees would be eligible to receive the credit – individuals who do not work at a large employer would also be eligible for the credit.
- Individuals with an annual income up to 300% of the Federal Poverty Level (FPL) would be eligible to receive an age-adjusted, advanceable, refundable tax credit to buy health care coverage or services.
- The value of the tax credit would reduce in value as an individual's income increases between 200-300% of FPL.

EMPOWER STATES TO HELP PROVIDE COVERAGE AND REDUCE COST

States have a key role to play in extending access to coverage and helping to lower costs. As traditional regulators of health insurance, under the Patient CARE Act, states would have new tools and authorities to help citizens manage their costs.

- States would be allowed to use auto-enrollment to design sustainable insurance options with premiums equal to the value of the tax credit for individuals who have a health tax credit, but who fail to make an affirmative choice in choosing a plan within a specified timeframe. If an individual did not like the initial default plan selected, they would be able to switch plans or opt-out of coverage altogether—no American is forced to have health insurance they don't want.
- State high-risk pools will help patients with the costliest chronic medical conditions, who are otherwise without insurance, access coverage while balancing the cost impact for other consumers in that state.

STRENGTHEN CONSUMER DIRECTED HEALTH CARE

Consumer directed health care accounts have been critical for empowering patients' to help manage their health care costs, particularly for patients with chronic conditions. Repealing the health care law takes the critical step of restoring the ability to use funds in a Flexible Spending Account (FSA) or Health Savings Account (HSA) for the purchase of over-the-counter medications as a qualified medical expense. For the first time, under the Patient CARE Act, HSA funds could be used to pay premiums for HSA-qualified policies, long-term care insurance, and COBRA. This is a significant step forward in correcting a long-time tax distortion which only allowed those with employer coverage to purchase coverage through pre-tax dollars.

MODERNIZE MEDICAID

The status quo of today's Medicaid program is unsustainable. Federal spending is on an unsustainable course, and federal mandates and bureaucracy too often restrict states' ability to make their programs more efficient, effective, and compassionate. The Patient CARE Act would empower states with the financial certainty and programmatic flexibility to implement reforms to strengthen and improve care for the low-income patients within their state. Building on bipartisan proposals of the past, states would adopt a capped allotment, where federal Medicaid dollars would "follow the patient".

- The state capped allotment would be based on the patient's health status, age, and life circumstances.
- States would continue to receive taxpayer-provided pass-through health care grants for pregnant women, low-income children, and low-income families. Funding for health grants would be allocated to states based on the number of low-income individuals at or below 100% of FPL. This capped allotment would grow over time at CPI+1 and reflect demographic and population changes.
- States would receive a defined budget for long-term care services and support for low-income elderly or disabled individuals who do not avail themselves of the tax credit.
- The Patient CARE Act would reauthorize Health Opportunity Accounts to empower Medicaid patients.
- No changes would be made to the funding for the acute care of low-income elderly and disabled individuals.
- Adopts the majority of Medicaid program management reforms outlined by the Republican governors and in the Upton-Hatch Medicaid reform blueprint, *Making Medicaid Work*.

REDUCE DEFENSIVE MEDICINE PRACTICES

Experts agree that the practice of unnecessary defensive medicine adds billions to our nation's health care costs. Many of these costs come in the form of unnecessary medical tests, which are not based on the patient's benefit, but driven by a provider's worry about protecting themselves from costly junk lawsuits. The Patient CARE Act envisions adopting or incentivizing states to adopt a range of solutions to tackle the problem of junk lawsuits and defensive medicine.

CREATE TRANSPARENCY FOR CONSUMERS AND PATIENTS

The Patient CARE Act would lower health costs while adopting new measures to increase transparency on cost, quality, and outcomes, so all consumers are empowered with better information for their health care decision-making.

REDUCE A TAX CODE DISTORTION

While recognizing the role of the employer sponsored system in our health care system, it is also important to address the unfair tax treatment of individuals and families who do not receive the same tax preference as those with employer-sponsored health insurance. This proposal repeals the employer mandate in Obamacare, a major reason for employers dropping coverage, and leaves the employer deduction untouched. To help lower the cost of health coverage, the Patient CARE Act reduces a distortion in the tax code—the unlimited exclusion from a worker's taxes of employer-provided health coverage. This proposal institutes a modest cap on the exclusion for the most generous high-cost plans; specifically, a cap at 65 percent of the average market price for a high-option plan. The cap would be indexed to grow at an annual rate of CPI +1.

ⁱ We believe it was unfair and wrong that Obamacare effectively treated Medicare as a piggybank to pay for new programs. Certainly, Medicare is in dire need of structural reforms that will put the program on a sustainable path and prevent its insolvency. That's why we each have supported a range of proposals that would help shore up Medicare's financing. We believe these reforms should be adopted—as soon as possible—as part of blunting the worst of Obamacare's cuts to providers and plans. Over the longer-term, we believe that broader changes to Medicare should be addressed in the context of larger bipartisan Medicare reforms that not only put Medicare on a sustainable path, but modernize the Medicare benefit for seniors.