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Prospects for Health Reform Optimistic

In mid-September, optimism has returned to supporters of President Obama's health care reform agenda. On September 5, Senator Max Baucus (D-MT), Chair of the Senate Finance Committee, released a draft health reform proposal to the bi-partisan "Gang of Six" members and shared publicly the 18-page framework for his proposal. The Gang of Six discussions seemed to have been buoyed by the President's nationally televised address to a joint session of Congress on September 9. Reactions to the President's speech were divided largely along party lines. However, polling following the President's

address showed a significant increase in public support for the President's health reform proposals.

In today's latest breaking news, Chairman Max Baucus announced that his health reform bill will be unveiled by midweek. According to Senate leadership aids, work could begin on the Finance Committee bill as early as next week and then melded with the Senate HELP Committee bill for action on the Senate floor by the following week. The Senate Finance Committee proposal is expected to cost below \$880 billion over the next 10 years (\$20 billion less than President Obama's health reform plan).

Baucus "Framework" for Health Reform Considered

As Congress returned to work after Labor Day, Senator Baucus presented his Framework for Comprehensive Health Reform to the Gang of Six, the unofficial subcommittee who have been working through the summer to complete a bi-partisan health reform bill for Senate consideration. The Baucus effort is a consolidation of ideas discussed by the group as well as a number of concepts that have been floated in both the House and the Senate over the past few months. The Framework addresses both the availability of health care coverage and the delivery of cost effective care. Notably, the Framework does not include a government-run public option but does include provisions for a Co-op option to compete with commercial insurers. On Friday, the group postponed further consideration of the package until the week of September 14, while they worked through several pending issues over the weekend, including how to limit the availability of health reform coverage to illegal immigrants.

standardized format. These exchanges would be established in each state, and would be expanded to facilitate enrollment for individuals and small groups. In addition to standardized enrollment applications and marketing materials, the exchanges also would feature call-center support and customer service. The exchanges would be required to be self-sustaining after the first year, although the source of their financing remains murky.

Mandatory Individual Coverage - All U.S. citizens and legal residents would be required to purchase health insurance coverage, have coverage through an employer, through a public program such as Medicare, Medicaid or CHIP, or have coverage through some other source that meets a minimum creditable coverage standard. This requirement, effective starting in 2013, would result in penalties for failing to have required coverage, as well as various exemptions based on coverage affordability.

Selected provisions of the Framework are discussed below and additional components will be reviewed over the next few weeks as agreements begin to evolve from the subcommittee's discussions.

Medicare Part D Coverage Gap - Baucus' package includes previously negotiated provisions such as new Medicare drug discounts that would take effect in 2010 to help fill the coverage gap under the Medicare Part D prescription drug program known as the donut hole. To have their drugs covered under the Medicare Part D drug formularies, the manufacturers would be required to provide a 50 percent discount off the negotiated drug prices of drugs paid for by Medicare beneficiaries while in this coverage gap. Eligible beneficiaries would include those who do not have employer-sponsored prescription drug coverage and do not qualify for low income subsidies.

Standardized Coverage - Four benefit categories for health care insurance would be created with specified actuarial values associated with each. In addition, a separate "young invincible" policy could be available that would be a less-expensive catastrophic option, but with required preventive care benefits covered below the catastrophic floor amount. All health insurance policies, other than those that met "grandfather" criteria, would be required to meet the actuarial standards for the four types of plans.

Health Exchanges - Health coverage reforms in the Baucus Framework include the implementation of Health Insurance Exchanges, as early as 2010, to provide information about health care coverage and cost-sharing in a

Health Insurance Market Reforms - Beginning in 2013, health insurers in the individual market would be required to offer coverage on a guaranteed issue basis, with no pre-existing condition exclusions. Lifetime limits would be prohibited, and coverage could not be rescinded. Premiums would be allowed to vary only based on tobacco use, age and family composition. Small group coverage rules would be the same as for individual coverage, but the changes would be phased in over five years beginning in 2013. Individual and small group policies would be required to cover a wide array of services including preventive care and prescription drugs.

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Baucus “Framework” for Health Reform Considered (cont’d.)

Cross-Border Insurance - Starting in 2015, states would be allowed to form “health choice compacts” that will allow for the purchase of individual health insurance across state lines. The compacts can include any two or more states, and insurers would be allowed to sell policies in any state participating in the compact. Insurers selling through the compacts would be subject to the laws of the state in which the policy was issued.

Although Republican reaction to the Baucus proposal has not been made public yet, Democratic negotiators expressed optimism over the weekend that the Gang of Six is very close to an agreement which could be announced later this week.

President Assumes Leadership on Health Reform

In a rare speech before a joint session of Congress last week, the President regained a leadership role in promoting his health care reform agenda and promised to deliver on health care reform for the American people. As stated simply by the President, his health reform plan is intended to:

- Provide more security and stability to those who have health insurance;
- Provide coverage to those who do not have health insurance coverage;
- Lower the cost of health care for families, businesses and the government without adding to the federal deficit; and
- Cost approximately \$900 billion over 10 years.

The President used this opportunity to identify the types of health reform measures and objectives which he supports without dictating how Congress must achieve these objectives. Although the President’s speech was criticized by many Republican lawmakers, at this juncture, the White House seemed more intent on building a bridge that would allow Democratic lawmakers, with divergent and irreconcilable views on certain measures such as a government-run public option, to reach across the ideological divide and support final health reform legislation. The President’s remarks also were expected to attract fewer than a handful of the most moderate Republican Senators needed to pass legislation in the Senate.

With respect to the government-run public option, the President provided a strong endorsement Wednesday night, but acknowledged the viability of other options both during the speech and in remarks made subsequently. To address the concerns of an increasingly skeptical and wary American public, the President made clear specifically how Americans would benefit from his health reform plan.

For individuals with health insurance today and who are happy with their coverage, the President’s health reform plan would:

- End discrimination against people with pre-existing conditions.

- Limit premium discrimination based on gender and age.
- Prevent insurance companies from dropping coverage when people are sick and need it most.
- Cap out-of-pocket expenses so people don’t go broke when they get sick.
- Eliminate extra charges for preventive care like mammograms, flu shots and diabetes tests to improve health and save money.
- Protect Medicare for seniors.
- Eliminate the “donut hole” in Medicare Part D prescription drug coverage.

For individuals who do not have health insurance coverage, the President’s health reform plan would:

- Create a new insurance marketplace – the Exchange – that allows people without insurance and small businesses to compare plans and buy insurance at competitive prices.
- Provide new tax credits to help people buy insurance.
- Provide small businesses tax credits and affordable options for covering employees. Offer a public health insurance option to provide the uninsured and those who cannot find affordable coverage with a real choice.
- Immediately offer new, low-cost coverage through a national “high risk” pool to cover people with pre-existing conditions who cannot find insurance until the new Exchange is created.

Furthermore, the President vowed that his health reform plan would not add to the burgeoning federal deficit and, if such was not the case, promised further cuts to government spending. By embracing reform measures proposed by Republican lawmakers – such as measures to address the goals of tort reform and the low-cost catastrophic coverage for individuals with pre-existing conditions (a measure supported by former Presidential candidate, John McCain) – the President signaled to the American people that he has not abandoned a bi-partisan approach to health reform even if he no longer believes that final legislation will garner significant numbers of Republican votes.