

Federation of American Hospitals (FAH)

Universal health care through affordable private insurance and federal premium subsidies

Organization Description: FAH is a national organization representing large investor-owned hospitals, which make up about 15 percent of all hospitals in the U.S.

Proposal Summary: FAH released a comprehensive health reform proposal in February 2007, called the Health Coverage Passport, which would require all U.S. residents to have health insurance. The plan would make private coverage via employer-sponsored insurance and individual insurance products more affordable. It would also expand Medicaid and the State Children's Health Insurance Program (SCHIP) for some very low-income residents. In addition to their own proposal, FAH has joined the Health Coverage Coalition for the Uninsured (HCCU)¹ to promote principles to reform the U.S. health care system.

- **Coverage:** FAH's coverage plan would (1) establish an individual mandate for health insurance; (2) expand enrollment in Medicaid and SCHIP; (3) offer premium subsidies for low-income individuals to purchase private insurance; (4) reform the individual insurance market to create more affordable options for individuals who do not have access to coverage through their employers; and (5) create new tax exemptions for people who purchase individual coverage.
 - **Individual Mandate:** Under the FAH plan, all U.S. residents would be required to purchase health insurance. The mandate would be enforced through the tax code. Individuals who are uninsured will be charged the annual premium cost of coverage, less any federal subsidies for which they qualify.
 - **Public Coverage:** Medicaid and SCHIP would be expanded to cover all uninsured adults under 100% of the federal poverty level (FPL); this expansion would be fully funded by the federal government.² The plan would also increase federal funding for SCHIP to enroll all children currently eligible. The plan would simplify Medicaid and SCHIP enrollment procedures to facilitate automatic eligibility determinations and re-enrollment. FAH estimates that the public program expansions would cover an additional 16.4 million uninsured people.
 - **Premium Subsidies:** The FAH plan would create federal sliding-scale premium subsidies, called Health Coverage Passports (HCPs), for individuals below 400% of FPL. The HCPs could be used to pay the employee premium for employer-sponsored insurance or to purchase individual coverage. People with access to qualifying employer-sponsored coverage³ could not use the HCP to enroll in individual coverage. FAH estimates that 61 million people would use the HCPs for employer plans and 26 million would use them to purchase individual coverage.
 - **Individual Insurance Market:** The FAH plan relies on the availability of affordable individual health insurance. Therefore, it proposes that states establish

¹ The HCCU is comprised of sixteen national organizations that play leading roles in every aspect of federal health policy, including health plans, provider groups, advocacy organizations, a business alliance, and a pharmaceutical manufacturer.

² States would not have to contribute matching funds to cover these expansion populations.

³ All employers currently offering coverage qualify for the subsidy as long as the employer contributions increase by at least the Consumer Price Index (CPI) plus 1.25 percent per year.

purchasing pools as a centralized market for private, individual coverage. Participating individual plans would have to be equivalent to the Federal Employees Health Benefit Plan (FEHBP), the state workers' health plan, or the largest managed care plan in the state. Plans could not deny coverage to an individual, and premiums would have to be community rated – meaning they would not vary by age, gender, health status, or other risk factors.

- *Tax Exemptions:* FAH supports changing the tax treatment of individual insurance coverage to make premium payments tax deductible. This change extends to the individual market the tax benefits of employer-sponsored insurance.

HCCU's proposal initially aims to remove barriers for children to enroll in established public programs. The plan would also give tax credits to families to help offset the cost of purchasing health insurance for all children. The second phase of the initiative concentrates on expanding Medicaid eligibility to cover all adults with incomes below the federal poverty level. For those with higher incomes, HCCU recommends establishing a refundable tax credit to help cover the cost of private insurance.

- *Cost:* FAH estimates that its proposal would increase state and federal health care spending by \$115.2 billion per year. FAH believes the plan would lower public spending on uninsured individuals by reducing uncompensated care costs by \$11.9 billion per year. HCCU would fund its proposal through the expansion of public programs and refundable tax credits for individuals.

Proposal Date: 2007

Sources: Health Coverage Passport, 2007. <http://www.fah.org/passport/>. HCCU: Press Release, 2007, http://www.coalitionfortheuninsured.org/news/pressrelease_20070118.html.