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POLICY NOTE

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Health Care Proposals in the 2012 Presidential Campaign

Shana Alex Lavarreda, Sophie Snyder, and Dylan H. Roby

During the 2012 presidential campaign, health care reform and the expansion of health insurance coverage to a substantial number of uninsured Americans has again emerged as an issue of great importance. Unlike previous years, an existing law has already been enacted, upheld by the Supreme Court, and partially implemented. The Patient Protection and Affordable Care Act of 2010 (ACA) was signed into law in March 2010, and most of the law was upheld by the Supreme Court in an opinion written by Chief Justice John Roberts in June 2012, with the individual mandate standing in its entirety and the Medicaid expansion surviving as a voluntary measure.[1] As a result, the debate over health policy in the current Presidential campaign is largely focused on whether to move forward with full implementation of the ACA, or whether to repeal it and replace it with a different set of reforms.

This policy note provides a side-by-side examination of the health care proposals of Republican presidential nominee Governor Mitt Romney contrasted with the provisions of the ACA signed into law in 2010 by President Barack Obama (the Democratic nominee), which is currently being implemented. The goal of this policy note is to provide a clearer understanding of how the two candidates differ on selected major components of U.S. health policy, specifically the private insurance market, Medicare, and Medicaid markets. It is not a comprehensive comparison of every aspect of the candidates' positions on health care.

President Obama's positions are presented as the components of the law he signed that both have been and will be implemented. Governor Romney has delineated his own proposals to repeal and replace the ACA, and has also embraced much of the *Path to Prosperity* report describing the House Budget Committee's federal budget plan authored by his running mate, Representative Paul Ryan. Therefore, we include positions from both Governor Romney and Representative Ryan where the Romney campaign has clearly stated support for provisions in Representative Ryan's committee report, *Path to Prosperity*.[2]

[1]U.S. Supreme Court ruling, June 2012, http://www.scribd.com/doc/98544425/Supreme-Court-ACA-Ruling.
[2]U.S. House Budget Committee, "The Path to Prosperity," March 2012, http://budget.house.gov/uploadedfiles/ pathtoprosperity2013.pdf.

Major Provisions on Health Policy of the Presidential Candidates, October 2012

	OBAMA	ROMNEY/RYAN	
	Affordable Care Act	Romney Plan	Ryan Plan (*Path to Prosperity*, unless noted)
Private Insurance			
Dependent Coverage	Young adults up to age 26 are able to enroll in parent's private coverage as dependents, regardless of student status or co-habitation, as of 9/23/10. Beginning in 2014, spouses will also be allowed to enroll in the same plan. [1]	Stated that this provision would remain, regardless of repealing the ACA. [2] However, repeal of the ACA would actually remove coverage for non-students up to age 26 and students from age 23 to 25 on their parents' plans.	Proposed repeal of the ACA would remove coverage for non-students up to age 26 and students from age 23 to 25 on their parents' plans. Some employers have said they would continue this expansion, but it would not be required by law.
Elimination of Annual Dollar Limits on Covered Benefits	Allowable annual benefit limits on coverage were increased as of 9/23/10, and have continued to increase annually. Beginning in 2014, annual benefit limits will no longer be allowed. [1]	Would repeal this ACA provision and limit federal standards and requirements on private insurance. [3]	Not specified.
Elimination of Lifetime Dollar Limits on Covered Benefits	Lifetime limits on coverage were eliminated as of 9/23/10. [1]	Would repeal this ACA provision and limit federal standards and requirements on private insurance. [3]	Not specified.
Health Savings Accounts (HSAs)	Limits the funds able to be deposited into HSAs according to IRS regulations ($3,250 per individual and $6,450 per family for 2013). [4] Incorporates HSAs into plans in the new Exchanges.	Would permit Health Savings Account funds to pay for health insurance premiums in addition to health care services. [3] Supports eliminating the minimum deductible requirement for HSAs. [5]	Not specified.
Individual Mandate	Requires eligible taxpayers and their families to be insured by 2014 or pay a federal tax penalty, starting in 2015. [6]	Would repeal this ACA provision.	Not specified.

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	OBAMA	ROMNEY/RYAN	
	Affordable Care Act	Romney Plan	Ryan Plan (*Path to Prosperity*, unless noted)
Private Insurance			
Marketplace Reforms	Creates state-based Health Insurance Exchanges, to be operational in January 2014. If a state does not create an Exchange, the U.S. Department of Health and Human Services (DHHS) will create an Exchange on behalf of the state. States can also operate Exchanges in partnership with DHHS, allowing certain aspects to be run by either entity. Citizens and authorized immigrants with household incomes between 133% and 400% FPL will qualify for federal subsidies to help purchase insurance. [7] Exchanges are allowed to partner with other states to authorize the interstate sale of insurance policies (Health Care Compact). [8]	Would repeal the ACA provisions and will establish "public-private partnerships, exchanges, and subsidies" but does not specify how these are different from The Exchange under the ACA or the source of subsidies. Allows consumers to purchase insurance across state lines. [3]	Not specified.
Medical Liability	The ACA authorized state medical malpractice demonstrations to be awarded to several states. [9] These demonstrations would allow for testing different models of reform. President Obama has stated a willingness to look at other ideas to bring down costs, including medical malpractice reform to rein in frivolous lawsuits. [10]	Proposes caps on non-economic damages in medical malpractice litigation. Provides innovation grants to states for additional medical liability reforms, such as alternative dispute resolution or health care courts. [11]	Imposes limits on medical malpractice litigation along the lines of H.R. 5, which the House passed on March 22, 2012, capping awards for punitive damages and requiring that a claimant initiate a claim within one year. [12] CBO estimates these changes would lower costs for Medicare and other health programs by reducing premiums for medical malpractice insurance and reducing the use of health care services by medical providers when faced with less pressure from medical malpractice suits. [13]

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Private Insurance			
Medical Loss Ratio (MLR)	MLR provisions require private insurers to spend 80% (individual/small group) to 85% (large group) of their collected premiums on medical costs, or issue rebates to their policyholders, as of premium year 2011. Approximately $1.1 billion in rebates were issued in August 2012. [14] The ACA also requires Medicare Advantage plans to maintain an 85% MLR.	Would repeal this ACA provision and limit federal standards and requirements on private insurance. [3]	Not specified.
Pre-Existing Conditions	Maintains currently operating Pre-Existing Condition Insurance Program (PCIP) for adults without insurance for at least 6 months and pre-existing conditions until 12/31/13. Insurers are required to disregard pre-existing conditions in children after 9/23/10 and in adults after 1/1/14. [1]	Would repeal Pre-Existing Condition Insurance Program (PCIP). Supports coverage for preexisting conditions for people who have had continuous coverage. [4]	Not specified.
Prevention (Including Contraception and Abortion)	New insurance plans required to cover preventive care with no out of pocket beneficiary costs, including check-ups, mammograms, and immunizations after 9/23/10. Contraception services for women included after 8/1/12. [15] Supports current federal law that does not restrict abortion before 24th week of pregnancy. Maintains funding for Planned Parenthood, prohibiting federal funds from being used for abortion services. Does not allow for federal insurance subsidies to be used to purchase abortion coverage.	Would repeal these ACA provisions and eliminate free preventive care provisions. [3] Supports banning abortion, except to save the life of the mother, or in cases of rape or incest. Would end federal funding for Planned Parenthood. [16] Would reverse the president's decision on allowing U.S. foreign aid to go to organizations providing abortion outside this country. Supports reversing *Roe v. Wade*. [16]	Supports banning abortion except to save the life of the mother. Has stated that Romney's positions are "a good step in the right direction." [17]

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Medicare – Federal health insurance for the elderly and disabled workers			
Cost Reduction	Cuts growth in payments to Medicare Advantage plans to match the costs per enrollee under traditional Medicare. Establishes the Independent Payment Advisory Board (IPAB) to recommend to Congress how Medicare can reduce growth by cutting provider or insurer fees. The IPAB cannot propose anything that would ration health care, such as raising taxes, raising premiums or cost-sharing, or otherwise restricting benefits or eligibility. [18]	Requires the government to issue an annual balance sheet outlining Medicare and Social Security spending. [19] Restores reductions in Medicare growth in fees and Medicare Advantage payment changes enacted by the ACA and currently in federal budget ($716 Billion from 2013-2022). Repeals the IPAB and returns all cost-cutting authority to Congress (i.e., no legal restrictions).	Caps current overall Medicare spending at GDP + 0.5%. Repeals the IPAB. Limits the premium support for new beneficiaries from year to year, starting in 2023, to the growth rate of GDP per capita + 0.5%. The Congressional Budget Office (CBO) projects that under the Ryan budget, federal Medicare expenditures on behalf of an average new beneficiary would be $400 to $700 (6 to 11 percent) less in 2023, $1,200 to $2,200 (14 to 23 percent) less in 2030, and $5,900 to $8,000 (35 to 42 percent) less in 2050 than under current law. [20] Allows the 2-percent "sequestration" cuts in Medicare that the 2011 Budget Control Act (BCA) requires for 2013 through 2021 to take effect.
Cost to Beneficiaries	Savings under the ACA per traditional Medicare beneficiary were estimated to be $86 in 2011, rising to $649 in 2020. For a beneficiary with spending in the donut hole under Medicare Part D (uncovered medication costs), estimated savings increase from $553 in 2011 to $2,217 in 2020. [1]	Governor Romney has endorsed the Path to Prosperity proposal (see next column). [3]	Seniors will receive a fixed payment to purchase insurance (i.e., voucher), and will have to pay the extra premium if they choose a more expensive plan, which may include traditional Medicare. If they choose a plan cheaper than the fixed payment, they will be able to keep the difference.

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Medicare – Federal health insurance for the elderly and disabled workers			
Eligibility	No change.	Not specified.	Would keep same age eligibility until 2022. In 2022, begin raising the Medicare eligibility age each year until it reaches the Social Security normal retirement age. By 2034, the age to qualify for Medicare would be 67.
High-Income Beneficiaries	Increased premiums for high-income beneficiaries by freezing the threshold for the income-related Part B premium at 2010 levels through 2019, became effective in 2011. [21] Has proposed raising the income-related premiums by 15% and freezing the income thresholds until 25% of Medicare beneficiaries are subject to the income-related premiums.	Higher-income seniors would receive less support than lower-income seniors, but details are not specified. [3]	Would apply the same income-related premium thresholds as under current law. The high income means testing thresholds for the Parts B and D programs would apply, such that certain high-income seniors would pay an increased share of their premiums. Would raise Medicare's income-related premiums.
Low-Income Beneficiaries	Subsidizes drug benefits for people whose incomes are at or below 150% of the federal poverty level and who have limited assets.	Premium support would be higher for low-income seniors than higher-income seniors. [3]	Low-income beneficiaries who are not eligible for both Medicare and Medicaid ("dual eligibles") would receive a medical savings account (MSA) from which to pay premiums, co-pays, and other out-of-pocket costs. Low-income seniors would be offered the same range of plan options offered to other seniors. Eligibility levels for low-income beneficiaries are not specified.

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Medicare – Federal health insurance for the elderly and disabled workers			
Marketplace Reform	Medicare Advantage and Part D plan information (e.g., benefits, cost-sharing, premiums and quality ratings) are available on Medicare Compare website.	Not specified.	Traditional Medicare would be offered through a Medicare Exchange along with other private plans, and available to all Medicare beneficiaries.
Part A (Hospital care trust fund) & Part B (Primarily outpatient care, funded by recipient premiums and federal general revenues)	Maintains solvency of Part A and B through additional payroll tax. Medicare is now estimated to have enough money to cover 100% of claims until 2025; After that date revenues are projected to cover 87% of hospital bills, assuming no changes in the interim. [22]	Governor Romney has endorsed the Path to Prosperity proposal. [3]	Medicare Part A and B converted from guaranteed coverage to vouchers indexed for inflation.
Part D (Prescription medications, funded by recipient premiums and federal general revenues)	Close the Part D coverage gap for generic drugs gradually until completely closed in 2020. [1]	Not specified.	Would repeal ACA provisions that close the Medicare prescription drug donut hole. Unclear if current Part D coverage terms would be retained.
Payments to Private Medicare Plans	Reduces payments to Medicare Advantage plans by revising bidding process, 5-10% bonuses are allowed based on quality measures reported by plans. Uses risk adjustment to spread risk among participating plans. [1]	Not specified.	Federal payments to plans would be based on the benchmark bid, which would be defined as either the second least expensive approved plan or FFS Medicare, whichever costs less. Premium support payments would be adjusted for health status and geography through risk adjustment.

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Medicare – Federal health insurance for the elderly and disabled workers			
Payments to Private Medicare Plans	Payments will be lowered to facilities with higher than normal rates of readmission. Coverage of unpaid premiums and copayments capped at 25% (currently they are 70%). Creates a new "value-based payment modifier," which, starting in 2015, will be used to provide differential payments based on quality and cost of care. Demonstration projects to test new payment models, including bundled payments and care coordination through Accountable Care Organizations. [1]	Not specified.	Private insurance plans purchased with vouchers would each negotiate prices with providers; the traditional Medicare option would continue to pay providers as previously.
Physician Payments in Medicare Fee for Service	Previously scheduled Sustainable Growth Rate (BBA of 1997) cuts (27.4% physician fee reduction) went into effect on March 1, 2012 and extend current professional fees through January 1, 2013.	Not specified.	The growth in Medicare payments per beneficiary could not exceed GDP + 0.5%. Establishes a "reserve fund" that would allow Congress to repeal the cuts required by Medicare's sustainable growth rate (SGR) formula for physicians in a deficit-neutral manner. Does not specify how policymakers would offset the ten-year, $300-billion cost. If Congress does not find a way to do so, assumes that the SGR cuts will take effect. In 2013, the SGR will call for reducing physician payments rates by 27.4%.

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Medicaid – State administered health insurance for low-income persons without other insurance			
Financing	Medicaid expansion under the ACA will be 100% paid by the federal government for the first three years, and will pay 90% of new costs over the next three years. Remains an entitlement program with growth in costs linked to growth in enrollment and services.	Governor Romney has endorsed the Path to Prosperity proposal (see next column). [3]	Would change Medicaid financing from current matching of state Medicaid spending to a fixed block grant to states. Would allow states unspecified flexibility in how to spend those grants. Would cap federal Medicaid spending at 2011 levels with an inflation rate based on population growth and GDP + 0.5%.
Eligibility	Beginning in 2014, expands Medicaid eligibility to all individuals under age 65 with family incomes up to 133% of the Federal Poverty Level. Medicaid enrollment is estimated to increase by 13 million under this expansion. [23]	Would repeal the ACA Medicaid expansion. [3]	Would repeal the ACA Medicaid expansion.
Payments to Providers	Increases Medicaid fees for primary care (family medicine, general internal medicine, pediatric medicine, and related subspecialists) so that they are equal to fees paid by Medicare for calendar years 2013 and 2014. [1]	Left to states to decide.	Left to states to decide.

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Authors

Shana Alex Lavarreda, PhD, MPP, is the director of the Health Insurance Studies Program and a research scientist at the UCLA Center for Health Policy Research. Sophie Snyder is a graduate student in the department of Health Policy and Management in the UCLA Fielding School of Public Health and a graduate student researcher with the Center. Dylan H. Roby, PhD, is the director of Health Economics and Evaluation Research with the Center and an assistant professor of Health Policy and Management in the UCLA Fielding School of Public Health.

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