



America's  
Health  
Insurance  
Plans

**WE BELIEVE EVERY AMERICAN  
SHOULD HAVE ACCESS TO  
AFFORDABLE HEALTH CARE COVERAGE**

**Principles for State Reform**



**We believe all Americans should have access to health care coverage, and we believe this goal is within our nation's reach.**

On behalf of the Board of Directors and members of American's Health Insurance Plans (AHIP), we are pleased to offer a set of principles as a resource for state policymakers who are crafting proposals designed to make health care more affordable and accessible.

These principles complement AHIP's new plan, "A Vision for Reform," which, among other provisions, calls for federal legislation that incentivizes states to develop plans to expand access to health care coverage. These principles include specific recommendations on how states can shore up their health care safety nets and help make health care coverage more affordable.

We welcome the opportunity to discuss our principles and to work with all stakeholders in pursuit of the shared goal of access to health coverage for all Americans.



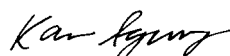
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# AN URGENT NATIONAL PRIORITY

A parent hears her child crying in pain in the night. A woman discovers a lump in her breast. A man worries about his recurring headaches. A worker suddenly feels unsteady and doesn't know why.

Countless events like these occur every day across our country. Often they lead to an encounter with the health care system, the conclusion of which may depend on many factors. But for far too many people, each encounter inevitably begins with one urgent question:

*“Am I covered?”*

For the great majority of Americans the answer is “yes.” They know they can count on having access to medical care when they need it—with the added assurance that most of the increasingly high cost of 21st-Century medical care will be met by their coverage.

But more than 46 million Americans—including 8.3 million children—lack such protection at any given time. For them, all too often, even a routine illness is a crisis waiting to happen: a symptom noticed but ignored for fear of the costs likely to be incurred in doing something about it; a chronic condition that for too long goes undiagnosed and untreated; a fearful midnight visit to an overcrowded emergency room instead of a calm, carefully communicated course of care in a doctor's office.

This situation exists largely because millions of Americans fall between the cracks. They may not be living in absolute poverty and they may not qualify for public programs, but they are simply unable to afford health care coverage. Or perhaps they work for employers that are too burdened by global competitive pressures to offer health insurance.

Millions of other Americans worry that they may lose their insurance because they change jobs, or their employer drops coverage, or their income or assets increase just enough to disqualify them from public programs. They, too, may postpone needed care or encounter difficulty managing a chronic illness.

While many uninsured people lay awake at night trying to figure out how to get health insurance for themselves and their loved ones, far too many others miss the opportunity to secure the coverage that is already available to them. In fact, millions of uninsured Americans are eligible for but not enrolled in public programs such as Medicaid. Millions more have the means to obtain private coverage but fail to do so.

Some public policies also have inadvertently contributed to the problem. The tax code effectively promotes many vital social goals, from home ownership to higher education to charitable giving, but offers very little encouragement to those lacking access to employer-based coverage. Eligibility requirements for public programs vary greatly, meaning many who are truly in need are left behind. An inconsistent patchwork of burdensome mandates and regulations puts the cost of coverage out of reach for millions. The unchecked medical liability system sends medical costs soaring further.

Although those without insurance suffer the most, we all pay an increasingly intolerable price for the gaps in coverage that characterize the health care system in the United States today. Needless



costs include the tragedy of inadequate prenatal, infant, and child care; the expense and complications of acute care instead of prevention; widespread failure to proactively treat chronic illnesses; lost productivity from untreated or inadequately treated medical conditions; and, as a result of all of these problems, rampant cost-shifting from the uninsured to all those who must ultimately pay the bills for their unaddressed conditions and substandard care—a huge burden for hospitals, physicians, employers, insurers, governments, charities, and taxpayers.

The access crisis has profound consequences. It inflicts hardship on millions of families, strains the social fabric of our nation, and undermines our economy. We are less productive, less secure financially, and less healthy because of it.

### **What Can We Do About It?**

For starters, we should transcend the rigidly partisan political debates that have led only to stalemate. Another key is to focus on building on the strengths of the system that is already in place and meeting the needs of most Americans. Our nation needs a pragmatic approach driven by a broad understanding of the nature of the challenge and a strong commitment to the goal of covering all Americans.

Ours is an incomparably diverse population working in complex local, regional, and national economies within a hypercompetitive global marketplace. Those lacking coverage reflect that diversity. And no one-size-fits-all solution can meet their needs. The challenge, then, is for the federal and state governments and the private market to work together in a flexible and consumer-oriented, private-public partnership that provides the help needed by the uninsured and their employers within a structure and at a cost that our society as a whole can embrace and afford.

■ *We believe now is the time for this country to meet this challenge head-on.*

■ *We believe that every American should have access to health insurance.*

■ *We believe that every child should be covered as soon as possible. We believe the health care safety net should be significantly strengthened. We believe employers should be incentivized to offer coverage to their employees. We believe those who have the means should be encouraged to obtain coverage. We believe that private coverage options should be exhausted before an individual turns to a public program.*

■ *We believe access to health insurance should be a top priority for policymakers at the federal and state levels and that meaningful and sustained resources should be devoted to this priority in a fiscally responsible fashion.*

■ *We also believe that government alone cannot solve this problem. Health insurance plans, health care providers, employers, and individuals all have essential roles to play.*

■ *We stand ready to do our part. We look forward to working with all stakeholders in a spirit of collaboration and compromise. And we offer the following plan to expand access to coverage in the hopes that it sparks a new national conversation on this critical issue.*

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*...to build a sustainable system and minimize cost-shifting, federal and state policymakers must ensure that reimbursement mechanisms are adequate and that the nation prioritizes prevention, which will improve health outcomes.”*



The members of America's Health Insurance Plans (AHIP)  
**SEEK TO ADVANCE POLICIES THAT RESULT IN ALL AMERICANS HAVING ACCESS TO HEALTH CARE**  
 through insurance coverage that is affordable to the nation and to individuals.  
 In our view, this goal should be the nation's top domestic policy priority.

If all Americans have access to health insurance coverage, we believe productivity will be enhanced through a healthy workforce, child development will be improved by preventing childhood diseases, and illnesses can be prevented or handled more effectively by encouraging early intervention. We believe that individuals should be encouraged to work with their health care professionals to take responsibility for maintaining their health and that public and private resources should be allocated efficiently and effectively.

We believe consumers should be able to choose from a variety of affordable policies and that health insurance plans should be given flexibility to design and market these products. In turn, states should encourage individuals with adequate income to purchase coverage and encourage employers to facilitate, provide, and maintain coverage.

In addition, states should work together to encourage the federal government to provide incentives that will assist them in developing proposals that expand access to health care coverage. AHIP has developed a proposal for the federal government to do its part in supporting state efforts by:

- expanding the State Children's Health Insurance Program (SCHIP);
- contributing to state efforts to provide Medicaid coverage to all adults with incomes under 100 percent of the federal poverty level;
- creating a new children's federal health credit to reward moderate and low-income families who provide coverage for their children;
- establishing a new federal tax account with subsidies for low- and moderate-income individuals and families who purchase coverage; and
- providing additional incentives for states that develop strategies to ensure that all children and adults have access to coverage.

Achieving these objectives will require a multi-faceted, public-private approach, combining federal and state resources to create incentives that build upon the employer-based health insurance system and encourage individuals to purchase coverage. However, to build a sustainable system and minimize cost-shifting, federal and state policymakers must ensure that reimbursement mechanisms are adequate and that the nation prioritizes prevention, which will improve health outcomes. We believe that in pursuing strategies to expand access, states should partner with the private sector, encouraging and drawing upon its innovative approaches. We have proposed specific strategies for discussion with state officials.

AHIP and its members strongly

## SUPPORT STATES' EFFORTS TO EXPAND COVERAGE TO THEIR UNINSURED CITIZENS.

We will work with governors, state legislators, and other state policymakers to pass federal legislation that provides assistance to states that are working to expand access. At the state level, we will support the development of proposals that build on the following principles.

### Federal Responsibility

#### *Shoring Up the Safety Net*

- The federal government should provide incentives to states to develop strategies that lead to—and sustain—coverage of children within three years and adults within 10 years.
- The federal government should establish incentives for states to provide coverage through the Medicaid program for all adults with incomes under 100 percent of the federal poverty level, including single adults, and through SCHIP for children under 200 percent of the federal poverty level.
- The federal government should coordinate efforts to promote healthy lifestyles for children that focus on addressing obesity and chronic conditions.
- The federal government should streamline the Medicaid waiver process to allow states to make innovative changes more rapidly.

#### *Supporting the Purchase of Insurance*

- The federal government should provide subsidies for the purchase of private coverage to individuals and families with incomes under 400 percent of the federal poverty level. Individuals with incomes under 300 percent of the federal poverty level should receive proportionally greater assistance, with assistance levels phasing down for individuals with incomes approaching 400 percent of the federal poverty level.
- The federal government should add a new health tax credit to the existing children's tax credit for individuals and families who can demonstrate that their children have health insurance coverage and create a new Universal Health Account (UHA) to allow full tax deductibility for health insurance premiums.

- If the federal government creates UHAs, then it also should establish rules to allow states to make contributions to UHAs.

### State Responsibility

#### *Shoring Up the Safety Net*

- States should provide coverage through Medicaid and SCHIP for low-income individuals. At a minimum, they should provide coverage for all adults under 100 percent of the federal poverty level through Medicaid and for children under 200 percent of the federal poverty level through SCHIP. States should encourage individuals who are eligible for coverage under government programs to enroll in these programs.
- States should leverage state resources for health insurance coverage with federal sources of funding whenever it is possible and reasonable to do so. For example, if appropriate, a state should seek a waiver from CMS to obtain federal matching funds for an expansion of the state's Medicaid program.

- States should undertake a study of the impact on consumers, purchasers, and health care practitioners of uncompensated care and payment shortfalls under government programs. Such studies should analyze whether consumers and purchasers are paying higher premiums because costs are being shifted to private-sector payers.

#### *Supporting the Purchase of Insurance*

- States should create incentives to build upon the employer-based health insurance system and encourage individuals to purchase coverage. For example, states should provide premium subsidies to those individuals without the financial means to purchase health insurance coverage or give an employer or individual a state tax credit for part of the premiums paid for coverage.



- States should allow product flexibility so health insurance plans can offer a wide variety of affordable products to consumers. If states establish minimum benefit requirements for purposes of determining an appropriate level of coverage or eligibility for premium subsidies, such requirements should allow health insurance plans to offer policies that do not include all mandated coverage.
- States should explore the possibility of working with the federal Department of Labor to allow employers to establish §125 cafeteria plan arrangements that do not require amending ERISA, allowing employees to purchase coverage with pre-tax dollars and creating a level playing field for employees for whom an employer makes no contribution to coverage.
- States already have developed strategies, such as establishing high-risk pools or requiring guaranteed issuance of products, to enable those who are medically uninsurable to obtain coverage, and they should continue these strategies. States that currently use or are looking to develop high-risk pools should fund them through a broad base to ensure that individuals and small employers who purchase health insurance do not bear a disproportionate burden for providing the coverage.

- If the federal government creates a new UHA, then the states should also allow full deductibility from any state-imposed income tax for contributions to the UHA.

### **Individual and Employer Responsibilities**

- All Americans should have health insurance coverage. The worksite should remain the primary source of coverage for working individuals and their families, and the individual insurance market should remain the primary source of coverage for working-age individuals who do not have access to employer-sponsored insurance.
- Individuals with the financial means should purchase and maintain health insurance coverage, either under a policy purchased on their own or through enrollment in an employer-sponsored plan. Employers should be encouraged to facilitate, provide, and maintain coverage for their employees.
- Individuals who are eligible for a premium subsidy to purchase coverage should be encouraged to do so through existing market mechanisms before seeking coverage through new state coverage programs or a current federal government program. Employed individuals who are eligible for employer-sponsored coverage should be encouraged to use their premium subsidies to enroll in such coverage.

### **Health Insurance Plan Responsibility**

- Health insurance plans should offer a variety of affordable products that comply with state guidelines to promote flexibility in meeting the needs of consumers seeking choices when purchasing insurance coverage.
- Health insurance plans should establish reimbursement mechanisms that reward quality and promote the use of evidence-based medicine and high-quality care.
- Health insurance plans should work with states to enact the NAIC model that makes innovative products more readily available to consumers by improving the speed-to-market of new products through uniform, streamlined form and rate filing processes.

- In addition to working to streamline form and rate filings, health insurance plans should continue to work with state legislators and insurance regulators to develop and enact uniform processes and procedures, helping to control administrative costs and improving the affordability of coverage.

- Health insurance plans should continue efforts to improve transparency, giving consumers information about the quality and efficiency of health care services.

- Health insurance plans should encourage use of information technology to streamline claims and administrative processes and adoption of personal health records to promote efficiency and add value to health care services.

- Health insurance plans should work cooperatively with other private-sector participants in the health care delivery system, the federal government, and the states to help keep health care services and coverage affordable for consumers and purchasers.

### **Improvements in the Insurance Market**

- In developing strategies to expand access to insurance coverage, states should work to avoid cumbersome and costly new administrative processes by maximizing use of current state agencies and existing private market mechanisms when considering new approaches to providing coverage.
- As part of their strategies to expand health insurance coverage, states should support efforts among doctors, hospitals, and other health care professionals and health insurance plans to create uniform approaches to quality performance measurements; provide consumers with more information about the efficiency and effectiveness of health care services; reduce medical errors; and help consumers make more informed health care choices.



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