

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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Center for Medicaid, CHIP and Survey & Certification

April 27, 2010

The Honorable Andre Carson
223 Cannon House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Carson:

Thank you for your letter highlighting important concerns and seeking clarification on claims that have been made about the Affordable Care Act, specifically in regards to Indiana. I am hopeful these answers will help to dispel any false claims now and in the future.

Question: Will Indiana have to terminate its Healthy Indiana Plan (HIP)?

Answer: Indiana is in no way required to terminate its Healthy Indiana Plan, which is currently approved through December 31, 2012. In 2014, parents and childless adults under 133 percent of poverty will be eligible for and can enroll in Medicaid. And adults above 133 percent of poverty can receive coverage through the exchange with federal premium tax credits.

Question: In as much as you can predict, what will be the impact on state budgets due to the Medicaid provisions contained within the bill?

Answer: Currently, Indiana pays the full costs of its State-funded program and, as it stands now, the program is closed to all new enrollees. Health insurance reform will bring relief to the Indiana budget as well as more comprehensive coverage to adults with incomes under 133 percent of poverty. In 2014, adults who become eligible to enroll in Medicaid will receive benchmark benefit coverage at little to no out-of-pocket cost.

In addition, Indiana will get new Federal support for providing this coverage, relieving the State of some of its current costs. The Federal government will cover 100 percent of the costs for the newly eligible for 2014 -2016, 95 percent in 2017, 94 percent in 2018, 93 percent in 2019, and the federal government will pay 90 percent of these costs indefinitely. In 2014, adults with incomes above 133 percent of poverty can enter into the Exchange and receive tax credits paid completely by the Federal government. These individuals will receive assistance with finding quality, affordable health coverage and Indiana will be relieved of their costs.

Question: Would the Indiana State budget benefit from shifting State employees, who currently receive their health coverage from Indiana state government health insurance plans, into coverage through the insurance Exchange?

Answer: Health insurance reform will ensure that coverage on the individual market is not only meaningful but also affordable. It is the State's decision whether or not to provide their employees health coverage, but if the State decides not to offer coverage, workers will have options for quality, affordable coverage through the Exchange. This Exchange is a marketplace which provides easy one-stop shopping for individuals and families to be able to choose the plan that fits their needs. Affordability tax credits will be available for people that qualify to reduce their health coverage costs. If the State decides to drop its coverage and at least one worker gets the taxpayer-funded assistance, then it must pay an assessment to support the cost of the new tax credits.

States that continue to provide benefits will save money. States now spend an estimated \$95 billion on employee health benefits. By reducing paper work, reforming the delivery system, and tackling cost drivers like chronic illness, health insurance reform will reduce the burden of rising premiums on State and local governments. In addition, States may qualify for reinsurance for early retirees, offsetting the premium costs of both retirees and active workers in the near term.

Question: How will this bill affect Hoosier employers?

Answer: Small businesses are also helped under reform: About 4 million small businesses are eligible for a tax credit to help make employer coverage a more affordable, attractive option. Tax credits of up to 35 percent of employer premiums (25 percent for nonprofit firms) will be immediately available to firms that choose to offer coverage, and starting in 2014, tax credits will cover up to 50 percent of employer premiums (35 percent for nonprofit firms). The full credit will be available to firms with 10 or fewer employees with average annual wages of \$25,000, with the amount gradually decreasing on a sliding scale up to firms with 25 employees and average annual wages of \$50,000.

In addition to the tax credit, reform will create health insurance Exchanges that pool small businesses and their employees to increase purchasing power and competition in the insurance market (a luxury that only large firms currently enjoy). Increased purchasing power and competition, in turn, make premiums more affordable. The Exchanges will also reduce administrative costs for small businesses and their employees by enabling them to easily and simply compare the prices, benefits, and quality of health plans.

Lowering health care costs also creates jobs – estimated at more than 250,000 per year. And insurance market reforms that ensure that nobody can be turned down for a pre-existing condition will eliminate “job lock” where people feel trapped in their current job because of needing their health benefits – which costs upwards of \$3 billion a year in lost wages. Finally, creating Exchanges for easy, affordable purchase of health insurance will enable entrepreneurship and innovation.

Question: Would Hoosier taxpayers be served well by Indiana joining other States in a lawsuit challenging the patient Protection and Affordable Care Act?

Answer: Opponents of health insurance reform failed in Congress, and now they are trying to turn to the courts to block tax cuts for small businesses, a coverage expansion to 32 million Americans, and the end of the worst practices of the insurance industry.

This is nothing new. Historically, opponents of reform have turned to the courts when major legislation they disagree with is signed into law. The Social Security Act, the Civil Rights Act, the Voting Rights Act – constitutional challenges were brought to all three of these monumental pieces of legislation; and all three were upheld.

Question: What roll will the Indiana Department of Insurance play in this system?

Answer: The State-based Exchanges will likely build upon the State Departments of Insurance, and health reform provides grants to States to set up consumer assistance offices for insurance queries and support their efforts at premium rate review. State insurance offices will now play a greater role.

Question: Will Hoosiers be able to purchase insurance across state lines as a result of the Patient Protection and Affordable Care Act?

Answer: Health reform provides tax credits, encourages insurance competition and allows for the purchasing of coverage across state lines.

Question: Are there incentives in this Act for states, as they see fit, to address frivolous law suits perpetrated against medical professionals?

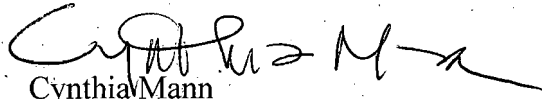
Answer: Section 10607 of The Affordable Care Act authorizes grants to States to test alternatives to civil tort litigation that enhance patient safety, promote a reduction of health care errors, and encourage the efficient resolution of disputes. These demonstration grants give States the flexibility to propose reforms that work best for them. Patients would be able to opt-out of these alternatives at any time. The Secretary of Health and Human Services would be required to conduct an evaluation to determine the effectiveness of the alternatives.

Question: Does the plan created by the bill in any way mirror the systems operated by countries such as Great Britain, France or Canada?

Answer: The Affordable Care Act builds on what works and allows Americans who like the health plan they have keep it. It relies on a combination of public and private insurance to extend coverage to nearly all Americans and it offers a uniquely American solution.

Thank you for contacting me about this important matter. I will also provide this response to the co-signer of your letter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cynthia Mann', with a stylized flourish at the end.

Cynthia Mann
Director