

# National Insurance Exchange Proposed by Panel

BY MARY ELLEN SCHNEIDER

A national health insurance exchange that would allow individuals to choose among private plans or a new nationwide public plan is the cornerstone of an expert panel's proposal to cover nearly all Americans within 2 years and slow the growth of health care spending.

The health reform proposal unveiled by the Commonwealth Fund last month is similar to plans outlined by President Obama and Senate Finance Chairman Max Baucus (D-Mont.). It was developed by the Commonwealth Fund's Commission on a High Performance Health System, a 19-member panel formed in April 2005 to study possible changes to the delivery and financing of health care.

The difference between this plan and other policy proposals under consideration is that it provides the details on how to implement these broad policies, as well as the financial and clinical consequences of the policies, said Karen Davis, president of the Commonwealth Fund. Modeling and estimates outlined in the report were performed by the Lewin Group.

Under the proposal, individuals could choose to keep their own coverage or obtain new coverage through the insurance exchange. The public plan would initially be available to those seeking insurance on the individual market and those working for small employers, but by 2014 it would be available to the entire under-65 population, including individuals working for large employers. The public plan would offer benefits similar to the standard option available to federal employees and members of Congress, but at premiums at least 20% lower than those of private plans offered in small group markets.

Private plans would be required to guarantee the issue and renewal of policies regardless of health status, and to provide community-rate premiums. But they would be able to stay competitive with the public plan, according to Cathy Schoen, lead author of the report and senior vice president of the Commonwealth Fund, because they would be able to reduce costs such as underwriting and marketing.

The Commonwealth Fund proposal would impose an individual insurance mandate, but would cap premiums at 5% of income for low-income individuals and 10% for those in higher income tax brackets. It would also require employers to either offer coverage or contribute about 7% of payroll into a coverage trust fund.

On the payment side, the Commonwealth Fund proposal endorses moving away from the fee-for-service system currently in use for Medicare and Medicaid and replacing it with a number of reforms, including bundling payments for acute care episodes, increasing payment for primary care while decreasing payment for specialty and procedural care, and providing additional payments

for practices that provide a patient-centered medical home.

Under the proposal, all payment reforms would apply to Medicare, Medicaid, and the new public health plan. The proposal would also raise Medicaid rates to Medicare levels and invest in health information technology, population health, and comparative effectiveness research.

The proposal would not lower current costs but could slow the rate of health

care spending, according to the Commonwealth Fund. Instead of health care spending rising 6.7% each year over the next 11 years, as predicted by current trends, the increase in spending would slow to about 5.5% per year if the reforms were implemented in 2010. The combination of the proposed insurance and payment system reforms could slow spending by nearly \$3 trillion by 2020. Costs incurred by the federal govern-

ment would climb sharply during the first years of implementing these changes, but could be largely recouped by 2020, according to the report.

Under the proposal, the number of uninsured Americans would drop from about 48 million this year to about 4 million by 2012. Without reforms, the uninsured would increase to about 61 million by 2020, according to the Commonwealth Fund. ■

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