

# Panel's Reform Plan Includes Insurance Exchange

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 by nearly \$3 trillion over the next decade.

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

The difference between the Commonwealth Fund's plan and other proposals is that it provides the details on

how to implement these broad policies, as well as the financial and clinical consequences, 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 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. It would offer benefits similar to the standard option available to federal employees, 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 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 endorses increasing payment for primary care while decreasing payment for specialty care, and providing extra payment for practices that provide a medical home.**

"The report's central message is that we all stand to gain by taking bold action," Ms. Schoen said at a press briefing to release the report. "With middle- and low-income families at risk, and businesses struggling to provide insurance for their employees, there is broad public support for significant reforms."

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 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 endorses moving away from the fee-for-service system now 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 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. ■

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