



How does health reform work?

Part 1: How does health care reform work?

The new health system will build on what works and fix what doesn't. People will be covered in three ways:

1 Covered by employer

If you already have coverage through your employer—as it is for most Americans, you keep it. And the government would offer small businesses incentives to provide coverage to their workers.



This insurance is strengthened by:

- Banning exclusions for pre-existing conditions
- Banning lifetime and annual caps on how much insurers will pay out for care
- Capping consumers' annual out-of-pocket expenses
- Requiring full coverage for preventive care
- Allowing young adults to stay on the family's plan until they turn 26 years old

2 Covered by government

The government will expand Medicaid and strengthen Medicare, improve quality, and reduce waste.



Medicaid will be expanded to cover an additional 16 million Americans.

Medicare will be strengthened by:

Closing the “donut hole”—the current gap in Medicare prescription drug coverage that leaves many senior citizens to pay for their prescriptions on their own.

Extending Medicare's solvency to 2026 without cutting benefits.

3 Covered through a new health insurance exchange

The uninsured and small businesses will be able to negotiate for affordable coverage with a large pool of others who are also not covered by the government or an employer.



How the exchange works:



Families and individuals who need to purchase coverage outside their job are currently forced to pay exorbitant prices since they cannot exert the purchasing power of a large group.



State-based health insurance exchanges will enable these individuals, families, and small businesses to join together in larger risk pools to purchase private health insurance coverage at affordable prices.



In this new marketplace, private insurance companies will compete for this business based on cost and quality and will be held to the same standards as insurance offered through larger employers.

So now we will have a health system that *can* provide coverage for everyone, sick or not, rich and poor. Now, why *must* we cover everyone?

Part 2: Why do we need to cover everyone?

Our current system allows insurance companies to deny coverage to anyone who has a pre-existing condition. The new system would prevent insurance companies from denying coverage to those with pre-existing conditions.



But:

If insurance companies are required to cover pre-existing conditions, but everyone is not required to have coverage, then healthy people could go without coverage and only sign up when they're sick. This would leave insurance companies with rosters of the sick. That's expensive, and premiums would skyrocket for everyone.



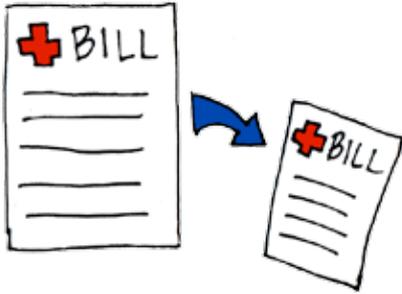
Health insurance only works when lots of people pay into the system—the healthy help pay for the sick, and the risks and costs are shared by both the healthy and the sick.



But the system has to be affordable if we're going to make everyone buy into it.

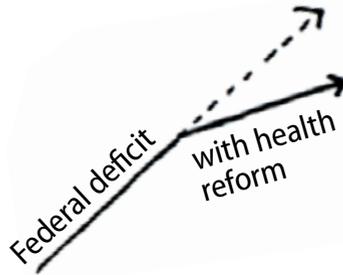
Part 3: Why do we need to cover everyone?

The new system will cost about \$100 billion each year. Much of these new funds will be used to provide tax credits to offset costs for those individuals, families, and small businesses that still cannot afford to buy insurance and other improvements to the health care system.



This is a lot of money, but the proposal includes a way to pay the entire cost so that none of these changes will add to the nation's deficit. In fact, health reform will actually reduce health care costs and leave the nation better off, reducing the federal deficit by billions of dollars over the next 10 years.

Much of the money to pay for these changes comes from paying closer attention to the over \$2 trillion we now spend every year on health care.



We will save money by:

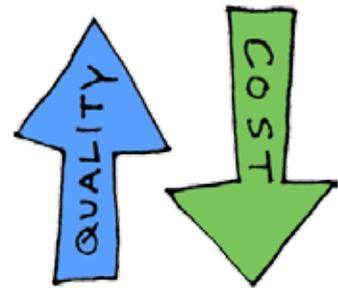
Eliminating waste, fraud, and abuse, as well as subsidies for health insurance and pharmaceutical companies

Better coordinating care to eliminate unnecessary hospitalizations and duplicate tests

Better utilizing electronic medical records

Paying for quality and not just quantity

It also raises additional money by charging insurance companies a fee to help pay for new reforms and making sure the wealthiest Americans pay their fair share of Medicare, while lower-income beneficiaries pay less.



And that's how health reform can ensure better care for all Americans, all while saving us money.