FREQUENTLY ASKED QUESTIONS

Why do we need to reform the health care system?

A significant number of Americans do not have health insurance. In 2007, 46 million Americans—about one in six—were uninsured. Given that these data were gathered before the national economic downturn, this number is likely to be an underestimate.

Under the current system, premiums for employer-provided plans have risen four times faster than wages and are now double their cost nine years ago. In Texas, the situation is even worse. From 1996 to 2006, the cost of family coverage in Texas increased 86 percent—ten times faster than Texans' wages increased (8.6 percent). Rates are projected to increase another 7.3 percent in 2009.

More and more, American businesses suffer too. The recent contract negotiations between General Motors Corp. (GM) and the United Auto Workers turned on who would pay for health care. For automakers especially, health care costs are increasingly the driver on whether a GM car is competitive or not. When each GM car carries $1200 to $1500 in health care costs—significantly more than a Toyota or Honda—it's easy to understand why the costs of health insurance and health care top the list of President Obama's priorities.

In Texas, about 72.5 percent of all private businesses are small businesses with less than 50 employees. With health care costs increasing an average of 11 percent per annum since 2001, more and more small business are saying "no" when it comes to health insurance. In fact, over two-thirds of small employers in Texas do not provide health insurance for their employees.

In 2010, the Texas Medicaid program costs are projected to be $25.3 billion. The federal government will pay for approximately $17.1 billion and the state will cover $8.2 billion. These numbers reflect a 19.9 percent increase from 2007 to 2010.

The U.S. spends far more money per capita on health care than any other developed country—16 percent of our Gross Domestic Product versus 10.1 percent for Canada and 8.4 percent for the United Kingdom (U.K.). In 2007, we spent $2.2 trillion on health care or $7,290 per person versus Canada's $3,895 per person and the U.K.'s $2,992 per person. Despite these enormous expenditures, the U.S. ranks far worse on numerous health quality indicators, including life expectancy, infant mortality, and heart disease mortality. Japan, Sweden, France, Germany, Italy, Denmark, Australia, Canada and the U.K. all have better health outcomes. In fact, our infant mortality rate is about that of Croatia and Estonia. Moreover, the U.S. has fewer physicians per capita than most other developed countries. In 2007, the U.S. had 2.43 physicians per 1,000 population while the OECD average was 3.1.

In other words, Americans are spending more and more on health care, but getting less and less in return. In fact, a Harvard study published in the August issue of The Journal of American Medicine shows 62.1 percent of personal bankruptcies filed in America in 2007 were the result of medical debt. In 1981, only 8 percent of bankruptcies were related to medical debt.

The great majority of these bankruptcies were filed by those who had health insurance but were "underinsured." A recent study released by the Center for Studying Health System Change estimates that 89 percent of Americans who are having problems paying their medical bills million are insured—about 43 million Americans.

Almost everyone in the debate now agrees that our health care system is broken.

What impact will health care reform have on Texas?

By any measure, Texas is now "the ground zero of health care" in America. Texas has more uninsured than any state in the country. One out of four Texans—5.7 million—does not have health insurance. Not a single Texas city meets the national average in citizens covered with insurance—not Austin, not Dallas, not Houston. In fact, El Paso has more insured by percentage than any large city in the U.S. today.

Moreover, one in six uninsured American children lives in Texas. We have 1.5 million uninsured children, more than any other state in percentage and total number.

Here's more:

- The percent of Texans with employer-sponsored coverage fell from 57 to 50 percent between 2000 and 2007.
- About 12 million Texans get health insurance on the job, and the average family premium runs about $13,525 annually.
- 17 percent of middle-income Texas families spend more than 10 percent of their income on healthcare.
- About 20 percent of people in Texas report not visiting a doctor due to high costs.
- 25 percent of people in Texas are uninsured and 75 percent of them are in families with at least one full-time worker.
- Texas businesses and families shoulder a hidden health tax of roughly $1,800 per year on premiums as a direct result of subsidizing the costs of the uninsured.

As a result, Texas (and El Paso in particular) stands to benefit more than any other state in the U.S. from health care reform that decreases the number of uninsured, reduces medical costs and makes businesses more competitive. H.R. 3200 is estimated to reduce the national uninsured rate from 15 percent to less than 3 percent. That means health coverage for about 5 million Texans who do not have health insurance today.

Are illegal immigrants to blame for Texas' high uninsured rate?

Although non-citizens are more likely to be uninsured than citizens, undocumented immigrants are not the reason behind Texas' high uninsured rate. One out of four Texans is uninsured. Of these 5.7 million uninsured residents, about 25.4 percent are "non-citizens," which includes legal residents as well as undocumented immigrants. If all non-citizens—including legal residents—were removed from the statewide estimate, Texas would still have the highest uninsured rate in the country with 4.1 million uninsured residents (20.1 percent).

What is America's Affordable Health Choices Act (H.R. 3200)?

Here are the elements of H.R. 3200 and similar U.S. Senate bills:

- Requires all Americans to have health insurance.
- Most employers would have to provide coverage to employees or pay a fee equivalent to 8 percent of their payroll. Employers with less than $500,000 in payroll would be exempted. Tax credits would be available to employers with less than 25 employees who wanted to offer their employees health insurance.
- Creates a public insurance plan that would offer several policies with varying levels of benefits.
- Gradually closes a gap in Medicare coverage of prescription drugs known as the "donut hole," where seniors are forced to pay their full drug costs even though they are paying for drug coverage. Under the House bill, the costs of brand name drugs would be cut in half immediately.
- Provides government subsidies to make insurance more affordable for people with incomes up to 400 percent of the federal poverty level, which is $88,000 for a family of four. These individuals and families would be able to select coverage from various policies offering different levels of benefits.
- Expands Medicaid eligibility to cover those who make less than 133 percent of the federal poverty level (up to $29,300 for a family of four).

How will we pay for this plan?

The House and Senate bills are estimated to cost $100 billion per year to provide health coverage to almost all of the 46 million uninsured Americans as well as the 25 million Americans who are "underinsured." By comparison, the war in Iraq costs $114 billion per year.

Under H.R. 3200, the cost of health care reform will be revenue neutral—in other words, reform would not add to the federal deficit. As of last week, current budget estimates indicate changes to Medicare and Medicaid would save about $540 billion would pay for about half of the costs.

The remaining costs would be paid for by a surtax on the income of the wealthiest households—those that earn more than $350,000 a year. The people in this income bracket—the top one

percent—have seen their effective tax rates have drop by 15 percent since 1979 while their after-tax incomes have more than tripled.

Both Congressional chambers will continue to hammer out the details in the coming months.

If we do nothing to reform the current system, then nation health care expenditures are projected to increase from 2.2 trillion (16.2 percent of the GDP) in 2007 to $4.4 trillion (20.3 percent of the GDP by 2018.

What if I'm satisfied with my current health insurance policy?

The House and Senate bills do not require anyone to change their current coverage in any manner. The President and Congressional leaders have repeatedly stated that no one will be forced to switch to a government-run plan.

How will reform help those who already have insurance?

The House bill would establish a minimum quality standard by requiring that all new insurance policies offer "essential benefits." These benefits may include dental and vision for children, preventative services and mental health services.

Insurers would no longer be able to exclude or charge higher rates to people with pre-existing conditions. Also, insurers would not be allowed to rescind policies after people come down with a serious illness. Finally, insurers would not be able to set an annual or lifetime limit on what a policy would pay.

All this would kick in immediately for all new policies. These rules would start in 2013 for policies purchased on the exchange, and, after a grace period, would apply to employer-sponsored plans as well.

What about "socialized medicine?"

In recent weeks, many have maligned health care reform efforts as a push towards "socialized medicine." Let's be clear. President Obama is NOT advocating for reform that would result in the government being the sole provider and payer of health care (like the British system and the U.S. Veterans Administration). Instead, the President's reform is focused on enhancing the current system of employer-subsidized health coverage coupled with private doctors and hospitals providing services. Individual citizens would be required to have health insurance, and they would be responsible for paying their premiums with assistance from their employers and/or government subsidies. This is the type of system found in many countries, including France, Germany and Switzerland. It's also how Medicare works in America.

Since its inception over four decades ago, Americans over the age of 65 yrs have relied on Medicare for health care. Almost all of the hospitals and doctors in the country participate in Medicare. In addition, Medicare's administrative expenses are 2 percent while private insurers carry administrative costs around 29 percent. And, as many have pointed out in recent weeks, no one considers Medicare "socialized medicine" or associates Medicare with rationing or bankruptcy.

What about people over 65 years of age?

Even though Americans over 65 yrs of age already have guaranteed, government-run health insurance (Medicare), these citizens will still benefit from H.R. 3200 and similar U.S. Senate bills. The House bill gradually closes a gap in Medicare coverage of prescription drugs known as the "donut hole," where seniors are forced to pay their full prescription drug costs even though they are paying monthly premiums for prescription drug coverage. In addition, under the House bill, the costs of brand name drugs would be cut in half immediately.

AARP, the largest organization in the U.S. for people over 50 years of age, has actively endorsed H.R. 3200.

What about "death panels?"

These accusations—of "death panels" and forced euthanasia—are absolutely not true. As an article from the Associated Press puts it: "No 'death panel' in health care bill." What's the real deal? Reform legislation includes a provision, which is supported by the AARP, to offer senior citizens access to a professional medical counselor who will provide them with information on preparing a living will and other issues facing older Americans

What if I can't afford health insurance?

Subsidies will be provided to assist people who can't afford insurance on their own. The House bill provides government subsidies for people with incomes up to 400 percent of the federal poverty level (up to $88,000 for a family of four), which covers at least 80 percent of households in El Paso.

What about small businesses?

Today, Texas businesses and families shoulder a hidden health tax of roughly $1,800 per year on premiums as a direct result of subsidizing the costs of the uninsured. More uninsured means higher premiums on Texans who are insured—and the U.S. Census Bureau predicts many more Texans will lose health insurance this year.

What about small businesses—those with a payroll of less than $500,000 or fewer than 25 employees? In Texas, 87 percent of all employer firms have fewer than 20 employees. That's why the President made clear that small businesses will be exempt from the requirement to offer health insurance. Small business owners who choose to offer health insurance to their employees will be eligible for significant tax credits of up to 50 percent of the costs of providing health insurance based on their size and payroll.

In all of the proposed bills, the smallest employers would gain quick access to new insurance exchanges where plans would compete for their business with rates comparable to those enjoyed by large employers. Today, small businesses in Texas pay 18 percent more on average than large businesses for the same benefits policy.

Finally, all across Texas, many small businesses with low-wage workers would be eligible for substantial tax credits to subsidize their coverage. All of the House and Senate bills under consideration offer subsidies for families up to 400 percent of the federal poverty level (up to $88,000 for a family of four). In El Paso, this would cover at least 80 percent of households.

How will health care reform benefit El Pasoans?

The House bill would provide significant benefits to El Paso County (16th Congressional District). According to a report released by the House Committee on Energy and Commerce:

- Of the 232,000 uninsured individuals in the district (33 percent of the district), 211,000 uninsured individuals would gain access to high-quality, affordable health insurance—the most by percentage in all of America.

- 10,700 small businesses would be eligible to receive tax credits of up to 50 percent of the costs of providing health insurance to provide coverage to their employees.

- In 2008, 1,010 families in the district were bankrupted as a result of health care costs not covered by insurance. The House bill provides health insurance for almost every American and caps annual out-of-pocket costs at $10,000 per year, ensuring that no citizen will have to face financial ruin because of high health care costs.

- 5,000 seniors would avoid the "donut hole" in Medicare Part D, and therefore be able to better afford prescription drug coverage.

- In 2008, health care providers in the district provided $190 million worth of uncompensated care, care that was provided to individuals who lacked insurance

coverage and were unable to pay their bills. With the House bill, these costs of uncompensated care would be virtually eliminated.

- The surtax on the wealthiest individuals in El Paso who make over $350,000 per year would affect only 1,300 households or 0.05 percent of El Pasoans.

Who is opposed?

Many Americans rightly have legitimate concerns as to the details of the final legislative product. However, these concerns should not be conflated with an opposition to health care reform. A recent survey by the Commonwealth Fund shows four out of five Americans (82 percent) believe the health care system needs a fundamental overhaul.

Even so, as Congress adjourned for the August recess, the Republican Party and the insurance industry began a campaign aimed squarely at derailing current efforts to reform our failing health care system. During the past week, there have been several reports of Congressional Democrats being confronted by "angry, sign-carrying mobs and disruptive behavior" at local town halls. In New York, these protesters surrounded Rep. Tim Bishop (D-NY), which forced police to have to escort him to his car. Rep. Lloyd Doggett (D-TX) received a similar response in Austin.

Although these protests give the appearance that these members' constituents do not support current health care reform efforts, many, if not all, of these protests are being coordinated by those who have a vested interest in opposing current reform efforts—for profits or political gain.

Lobbyist-run groups, like FreedomWorks, which orchestrated the tea parties earlier this year, are now pursuing an aggressive strategy to create an image of mass public opposition. A leaked memo from Bob MacGuffie, a volunteer with the FreedomWorks web site Tea Party Patriots, details how members should be infiltrating town halls and harassing Democratic members of Congress. Here are some excerpts:

- **Artificially Inflate Your Numbers:** "Spread out in the hall and try to be in the front half. The objective is to put the Rep on the defensive with your questions and follow-up. The Rep should be made to feel that a majority, and if not, a significant portion of at least the audience, opposes the socialist agenda of Washington."

- **Be Disruptive Early And Often:** "You need to rock-the-boat early in the Rep's presentation. Watch for an opportunity to yell out and challenge the Rep's statements early."

- **Try To "Rattle Him," Not Have An Intelligent Debate:** "The goal is to rattle him, get him off his prepared script and agenda. If he says something outrageous, stand up and shout out and sit right back down. Look for these opportunities before he even takes questions."

The memo above is similar to the talking points being distributed by FreedomWorks for pushing an anti-health reform assault all summer. Patients United, a front group maintained by

Americans for Prosperity, is actively busing people all over the country for more of these staged protests. Representatives of the health insurance industry have also been sending staffers to "monitor" town halls across the country.

The National Republican Congressional Committee (NRCC) has endorsed this strategy of staged protests at local town halls. Published memos from Rep. Pete Sessions (R-TX), chairman of the NRCC, and Minority Leader John Boehner (R-OH) are very similar to FreedomWorks' talking points.

Moreover, Republicans willingly admit that their opposition is not just about what's best for the American public, but rather their interest in defeating a top priority of a sitting Democratic U.S. President. In a recent interview, U.S. Senator George Voinovich (R-Ohio) admitted that Republican opposition to health care reform is driven as much by their political opposition to President Obama as it is by the actual policy of health care and how to best fix the current system.

QUESTIONER: *...on health care, how much of this disagreement with the Administration is about the policy of health care and how to fix it, and how much of it is Republicans' obvious and understandable desire to declaw the President politically? How much of that does fit into the equation.*

VOINOVICH: *I think it's about 50/50...*