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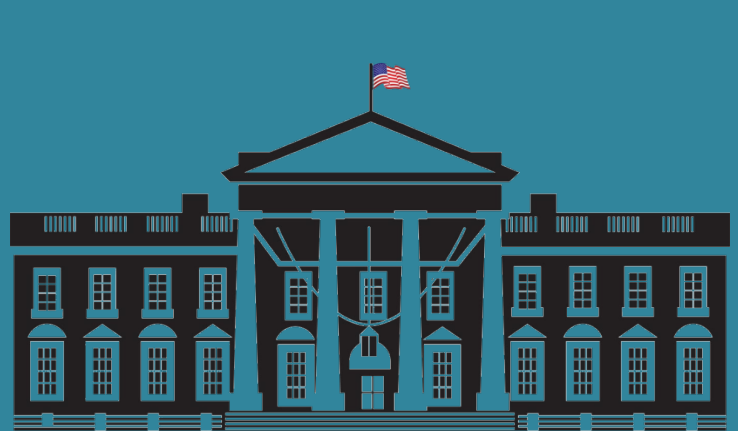
Presented by Janet Trautwein, NAHU CEO



NAHU and Advocacy

- NAHU conducts advocacy efforts at the state and federal levels of government to advance the interests of health insurance professionals and to promote affordable and responsible financing of private health care.
- NAHU is a non-partisan organization.
- The Government Affairs team works to build relationships with members of Congress and the administration to effect legislation and regulation, and works with state chapters to have a lobbying presence in all 50 states.

Current Politics

- Although Democrats control the House, Senate and White House, the majorities are narrow (1 vote in Senate and 11 in House)
- Because the Senate is technically 50/50, Majority Leader Chuck Schumer and Minority Leader Mitch McConnell have also forged a power-sharing agreement.

Implications of 50-50 Senate and Narrow Democratic House

Policy

- Legislation in the House will most likely pass if favored by most Democrats but it will be difficult with a more narrow majority to pass legislation that is controversial among Democrats.
- In the Senate, most legislation must be passed under regular order, which means that it would take 60 votes to bring something to a vote rather than a simple majority as in the House.
- This is due to most measures being subject to parliamentary procedures like the Filibuster, and it means that most measures would take the support of at least 10 Republicans to pass.

Implications of 50-50 Senate and Narrow Democratic House

Reconciliation

- Reconciliation, the process used to pass the Trump tax bill, Affordable Care Act, and the Bush tax bills with simple majority votes, is now back in play and is an exception to the 60 vote requirement.
- Reconciliation can only be used for revenue/direct spending items and allows measures to pass with a simple majority.
- This type of proposal still needs either bipartisan support or unanimous Democratic support to reach a simple majority.
- There are 3 reconciliation options available to be used in 2021 and 2022, and one has already been used to pass the American Rescue Plan.

Budget Reconciliation 1: COVID-19 Relief American Rescue Plan

AMERICAN RESCUE PLAN

Exchange Subsidies

- An adjustment to the premium tax credit guidelines temporarily – for this year and next year – eliminates the income cap for premium subsidies. That means that – regardless of income – no one would have to pay more than 8.5 percent of their household income for the benchmark plan.
- Subsidies would phase out gradually as income increases. Plan buyers would not be eligible for a subsidy if the benchmark plan's full price would not be more than 8.5 percent of the household's income.
- Subsidy enhancements will be retroactive to the start of 2021. Current enrollees will be able to start claiming any applicable extra subsidy immediately, or they can wait and claim in on their 2021 tax return. The additional premium subsidies would also be available for 2022, but would no longer be available as of 2023 unless additional legislation is enacted to extend them.

Budget Reconciliation 1: COVID-19 Relief
Biden Administration & 117th Congress

AMERICAN RESCUE PLAN

COBRA

- Under the relief bill, the government would pay the entire COBRA premium from April 1 through Sept. 30.
- A person who qualified for new, employer-based health insurance someplace else before Sept. 30 would lose eligibility for the no-cost coverage. And someone who left a job voluntarily would not be eligible, either.

Dependent Care FSAs

- For 2021 — and only for 2021 — you could set aside $10,500 in a dependent care account instead of the normal $5,000. But employers would have to allow the change

Budget Reconciliation 1: COVID-19 Relief
Biden Administration & 117th Congress

AMERICAN RESCUE PLAN

Unemployment and Economic Stimulus

- $300 a week in unemployment benefits through Sept. 6 and up to $10,200 in tax relief for unemployed workers.
- Up to $1,400 checks with tighter eligibility restrictions

PPP loans and Aid to Businesses

- $7.25 Billion added to PPP loans, extends eligibility to larger nonprofits
- $15 Billion added to Economic Injury Disaster Loan (EIDL)
- Extends the Employee Retention Credit through 2021

Implications of 50-50 Senate and Narrow Democratic House

What Else is Likely to Happen

- Two more reconciliation options will be available – one likely to be used in 2021 would probably used for infrastructure improvements.
- Other must-pass legislation could become a vehicle for other issues such as the Medicare trust fund pending insolvency in 3 to 4 years, expiration of sequester relief, expiration of the debt limit extension, Supreme Court ACA decision
- **Other than reconciliation, expect to see fewer big legislative deals and continued flexing up of Executive Branch authority**

Implications of 50-50 Senate and Narrow Democratic House

Filibuster

- There is no immediate threat of changing the filibuster rule, but pressure may build
- It would take the support of all 50 Democratic Senators to eliminate or reduce the 60-vote threshold of the filibuster rule
- Numerous Democratic Senators have said they oppose changing the rule, but that could change if virtually every bill, especially those with bipartisan support, is filibustered

Options on Next Reconciliation Bill

- **Go big or go home**: Put everything (spending on physical infrastructure, human infrastructure, tax increases, etc.) in one multi-trillion dollar reconciliation bill and hope he can keep all 48 Democratic and 2 Independent Senators on board.
- **Go bipartisan**: Negotiate a bipartisan physical infrastructure bill that can get 60 votes and then attempt to pass the remainder of the President's agenda via the FY22 budget resolution reconciliation instructions (still needs all Democrats and Independents for reconciliation)
- **Go nuclear**: Change Senate rules on the filibuster (not an option given Manchin's non-support
- **Schumer wants to move forward in July**, but he may not have the votes at that time. Manchin, Sinema and others want bipartisan negotiations.

Congressional Direction on Health Care

- House Democrats may push Medicare for all, but it is unlikely to pass given narrow margins and opposition within Democratic caucus
- Public Option could be in play but hard to see how it could overcome 60 vote requirement and opposition in Senate
- Lowering Medicare age to 62 or 60 is more likely but could be impacted by issues relating to Medicare solvency
- Meanwhile, states are proposing public options at a rapid pace
- Administration could advance public option plans at the state level through 1332 waivers
- Also expect Congress to address Prescription Drug Issues overall - beyond the Medicare program

Public Option Proposals

- There is a significant amount of difference in various proposals at the federal and state level.
- At the federal level, some proposals envision a public option run entirely by CMS.
- Other federal proposals envision programs run by other claims paying entities, such as carriers that already participate in the Medicare program.
- Some proposals are only individual market, others include the small employer market and a few extend to the large employer market.

Medicare Buy-in Proposals

- Usually proposed for ages 50-64
- Unclear how premiums would be calculated
- Some proposals are for a buy-in only to Original Medicare and others allow for Medicare Advantage.
- Some proposals also create a Medicare Supplement public option
- Most proposals have this coverage offered on the Exchange and allow for a premium tax credit to offset the cost of coverage.
- **Unclear if there is a role for brokers.**
- Access to providers could be reduced because of the reduced payment for services.

Changes to Medicare Eligibility

- This type of proposal is different from a buy-in.
- Creates actual change to the Medicare eligibility age.
- Unclear what the cost of accepting coverage at a lower age would be.
- Employees would be able to opt of employer-sponsored coverage in favor of this program.
- Unclear if it would be offered on the Exchange or eligible for a premium tax credit.
- **Proposed by Biden presidential campaign – also being discussed by Sen. Bernie Sanders**.

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State Public Option Proposals

- There have also been a number of state proposals and this is likely to increase.
- Some state proposals require all carriers in the market to have a public plan offering if they want to otherwise participate in the market.
- Key issues about both federal and state public options involve provider payments – those that tie provider payments to Medicare pricing are seen as the most damaging to the market due to the creation of an un-level playing field – private coverage would be pushed out of the market.
- Reduced provider payments have caused speculation about the ability of some providers to remain open, particularly rural providers.
- Depending on provider payment issues, waiting times could increase due to lower provider availability.

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Additional Problems

- Some proposals allow employees to opt out of employer coverage in favor of this program.
  - Unclear if employer would be required to contribute for these employees
  - Unclear if employee would be eligible for a tax credit if they had a valid offer of employer coverage (whether same rule would apply as individual private market)

Medicare Solvency

- Projected to become insolvent in 3-4 years
- Solvency will become a catalyst for reforms, and will be tied to an effort to extend the debt limit sometime after it expires on June 30, 2021
- Democrats will push for fee-for-service benefit expansions, including hearing, dental and vision benefits
- Difficult to see how hospitals and other providers would be cut during a pandemic but some items and services may be eligible for reform including nursing home payments, quality and staffing requirements, Medicare Advantage coding intensity adjustments, more aggressive risk sharing in provider models and expansion of site neutral payment policies
- **The big question is how to pay for solvency, whether through new taxes or through removal of current tax preferences**

Biden on Health Care

- Expansion of ACA subsidies
- Fixing Family Glitch
- Changes to enrollment
- Increased Cost-sharing reduction subsidy payments
- Tighten ACA rules (possibly for self-funded plans)
- Regulatory roll back of short-term plans to duration of up to 3 months and 1 renewal
- AHP rules will be revised and perhaps rescinded
- Additional state dollars for reinsurance

Healthcare Policy Outlook: Biden Administration & 117th Congress

Drug Pricing

- Similar to President-elect Biden's proposals on the ACA, major sections of his drug pricing proposals would also require legislative action.
- Concerns around the cost of prescription drugs run across the political spectrum and include proposals to redesign the Medicare Part D benefit, reform how Medicare Part B drugs are paid for, cap drug price increases in public programs to the rate of inflation, and encourage value-based purchasing for prescription drugs.
- If President Biden is unable to achieve his drug pricing agenda legislatively, he would likely have to rely on regulatory action; key areas of focus could include a continuation of President Trump's international reference pricing efforts, other potential reforms of the Medicare Part B reimbursement system, and modifying Part D's protected classes.

California v. Texas

- The U.S. Supreme Court heard oral arguments for California v. Texas, the case challenging the Affordable Care Act's (ACA) constitutionality, on November 10th 2020
- While the California v. Texas case questioning the constitutionality of the ACA loomed large in campaign rhetoric, the oral arguments on November 10th seemed to indicate the law will survive when the court rules sometime before July
- Nevertheless, a surprise ruling that finds critical parts of the law unconstitutional could jumpstart some very complex negotiations between Biden, and bipartisan congressional leadership on how to preserve the law

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Cutting Edge Information

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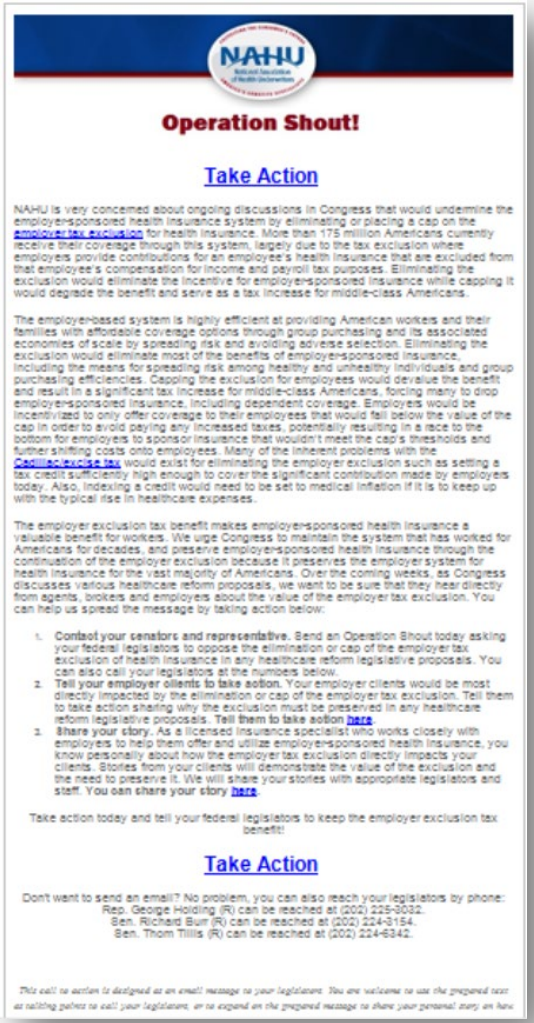
Get Engaged!

NAHU activates Operation Shout! to help members make their voices heard by policymakers.



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Operation Shout!

Take Action

NAHU is very concerned about ongoing discussions in Congress that would undermine the employer-sponsored health insurance system by eliminating or placing a cap on the employer tax exclusion for health insurance. More than 175 million Americans currently receive their coverage through this system, largely due to the tax exclusion where employers provide contributions for an employee's health insurance that are excluded from that employee's compensation for income and payroll tax purposes. Eliminating the exclusion would eliminate the incentive for employer-sponsored insurance while capping it would degrade the benefit and serve as a tax increase for middle-class Americans.

The employer-based system is highly efficient at providing American workers and their families with affordable coverage options through group purchasing and its associated economies of scale by spreading risk and avoiding adverse selection. Eliminating the exclusion would eliminate most of the benefits of employer-sponsored insurance, including the means for spreading risk among healthy and unhealthy individuals and group purchasing efficiencies. Capping the exclusion for employees would devalue the benefit and result in a significant tax increase for middle-class Americans, forcing many to drop employer-sponsored insurance, including dependent coverage. Employers would be incentivized to only offer coverage to their employees that would fall below the value of the cap in order to avoid paying any increased taxes, potentially resulting in a race to the bottom for employers to sponsor insurance that wouldn't meet the cap's thresholds and further shifting costs onto employees. Many of the inherent problems with the Cadillac tax/cap tax would exist for eliminating the employer exclusion such as setting a tax credit sufficiently high enough to cover the significant contribution made by employers today. Also, indexing a credit would need to be set to medical inflation if it is to keep up with the typical rise in healthcare expenses.

The employer exclusion tax benefit makes employer-sponsored health insurance a valuable benefit for workers. We urge Congress to maintain the system that has worked for Americans for decades, and preserve employer-sponsored health insurance through the continuation of the employer exclusion because it preserves the employer system for health insurance for the vast majority of Americans. Over the coming weeks, as Congress discusses various healthcare reform proposals, we want to be sure that they hear directly from agents, brokers and employers about the value of the employer tax exclusion. You can help us spread the message by taking action below:

1. **Contact your senators and representative.** Send an Operation Shout today asking your federal legislators to oppose the elimination or cap of the employer tax exclusion of health insurance in any healthcare reform legislative proposals. You can also call your legislators at the numbers below.
2. **Tell your employer clients to take action.** Your employer clients would be most directly impacted by the elimination or cap of the employer tax exclusion. Tell them to take action sharing why the exclusion must be preserved in any healthcare reform legislative proposals. **Tell them to take action here.**
3. **Share your story.** As a licensed insurance specialist who works closely with employers to help them offer and utilize employer-sponsored health insurance, you know personally about how the employer tax exclusion directly impacts your clients. Stories from your clients will demonstrate the value of the exclusion and the need to preserve it. We will share your stories with appropriate legislators and staff. **You can share your story here.**

Take action today and tell your federal legislators to keep the employer exclusion tax benefit!

Take Action

Don't want to send an email? No problem, you can also reach your legislators by phone:
Rep. George Holding (R) can be reached at (202) 225-3032.
Sen. Richard Burr (R) can be reached at (202) 224-3154.
Sen. Thom Tillis (R) can be reached at (202) 224-6342.

This call to action is designed as an email message to your legislators. You are welcome to use the prepared text as talking points to call your legislators, or to expand on the prepared message to share your personal story on how

- Few other industries are as heavily regulated as health insurance
- Your success, and that of your clients, is directly dependent upon the actions of Congress.
- It is absolutely critical that we help those Congressional candidates who support private health care financing

Contribute!

Questions?

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