

# The Patient Choice, Affordability, Responsibility, and Empowerment Act

## *Frequently Asked Questions*

### Q. If consumers like the health care plan they have, with your plan, can they keep it?

**A.** We want individuals who like their plan to be able to keep it. And we want all Americans to be able to find a plan that meets their needs. That's why, unlike Obamacare, our proposal does not change health insurance in a way that prohibits consumers from keeping their current plan. Our proposal would actually lower the cost of health coverage, not increase it and force Americans to buy it. Our proposal does not include federal mandates that all health plans must cover a long list of benefits—even benefits like hair loss or acupuncture. Our proposal does not include burdensome insurance rating restrictions that increase the cost of coverage for consumers. Our proposal does not include an individual mandate, nor does it include an employer mandate. And in addition to lower prices, our proposal would give millions of consumers extra purchasing-power to choose a plan they want.

### Q. How is this proposal different than Obamacare?

**A.** There are lots of differences, but here are a few examples:

- *Costs* - Obamacare increased the cost of health coverage. We lower it.
- *Medicaid* - Obamacare expanded the broken Medicaid program. We reform it and put it on a sustainable path.
- *Taxes* - Obamacare included more than a dozen new taxes, including taxes on pharmaceutical drugs and medical devices. We simply reduce a distortion in the tax code that economists across the political spectrum agree helps to artificially inflate the growth in health care costs.
- *Medicare* - Obamacare treated Medicare as a piggybank to pay for new programs. We don't. We believe we also need to reform Medicare, and have endorsed a range of bipartisan ideas outside the context of this proposal that would put the program on sounder footing and shore it up for the millions of seniors who depend on the program. Our specific proposal focuses on advancing patient-centered insurance reforms and reforming Medicaid.
- *Government Control* – In many ways, Obamacare put the federal government in much greater control of Americans' health care: through the dozens of new offices and programs it created, through the new taxes and mandates it burdened American businesses and families with, and through the vast and far-reaching powers granted to the HHS Secretary and federal bureaucrats. We repeal all that.

### Q. How many people will be covered under your plan compared with Obamacare?

**A.** We believe that our proposal is competitive in terms of coverage when compared to Obamacare, but through a more competitive, transparent, and fair insurance market, in a manner that is market-driven and sustainable, rather than a government-centered approach that will balloon the federal deficit and threaten economic growth. Obamacare depended on the expansion of an unsustainable Medicaid program for half of the projected newly insured Americans under the law. But shoving more Americans in a broken entitlement that promises them coverage but too often denies them care—that's not really health reform. Our proposal restructures Medicaid's financing and management of the Medicaid program so it is more sustainable, fair, and better equipped to help the indigent and low-income Americans in need.

## Q. Obamacare has a subsidy, and your proposal has a tax credit. Is your proposal just “Obamacare-lite”?

**A.** No. Obamacare increases the cost of health care through restrictive rating changes and expensive mandates, and then forces virtually every consumer and business to buy this overly-expensive, federally-dictated health insurance. Obamacare grants the IRS vast new powers for administering a series of very costly and complicated subsidies. Our proposal simply repeals Obamacare and provides purchasing power for individuals in the small group and individual markets in the way of an advanceable, refundable tax credit for health coverage. Under our proposal, consumers have the freedom to use the credit to purchase the health coverage they want, not just what the government tells them they have to buy. And if consumers do not want to buy coverage, they don’t have to.

## Q. How much does your proposal cost?

**A.** We believe our proposal is roughly budget-neutral over a decade and achieves significant savings for consumers and taxpayers over the longer-term for several reasons:

- Our proposal includes provisions that actually reduce the cost of health coverage and restrain the growth in health care spending –both for businesses and families, and for taxpayers financing government programs.
- We reform Medicaid’s financing and program management, reducing the pressure on taxpayers at a state and federal level.
- Our proposal also reduces the distortion in the tax code caused by the unlimited exclusion of employer-sponsored health coverage from taxation. Economists across the political spectrum agree the unlimited exclusion from taxation of employer-provided health coverage actually artificially inflates the growth in health care costs.
- We provide a new continuous coverage protection for individuals in the small group and individual insurance markets. In addition to this change, which rewards individuals for acting responsibly by keeping their health coverage, we use savings from a tax reform to provide targeted tax credits to consumers in the individual and small group markets.

## Q. What are the three or four most important things about your proposal?

**A.** Our proposal repeals Obamacare, lowers health care costs, increases consumers’ choices and control over their health care, provides help for individuals with pre-existing conditions, and reforms Medicaid so it is sustainable for taxpayers and better for patients. We do this without raiding Medicare, creating more than a dozen new taxes, or putting the federal government in charge of Americans’ health care.

## Q. Are you growing government by creating an office to administer the tax credits in your proposal?

**A.** No. We repeal Obamacare which created hundreds of new offices and programs. We simply create a new Office of Health Financing at the U.S. Department of Treasury to ensure that the tax credits are administered in a secure, responsible, and safe manner. The new office includes strong consumer protections, with reporting requirements that ensure the credits are administered in a transparent and accountable approach.

## Q. Do you have State or Federal Exchanges (“Marketplaces”) or a federal website?

**A.** No. We remove the federal government as the prime regulator of health insurance and return that authority to the states. Consumers can compare plans and purchase health coverage in their state through insurance websites or with the aid of an agent or broker. Some states may choose to run a website or other information portal for consumers in their state, but under our proposal, that is not required. Moreover, under our proposal, no federal tax dollars could be used by a state for such purposes.

## Q. You repeal Obamacare's ban on insurance companies denying people coverage based on a pre-existing condition. How do you address the problem of pre-existing conditions?

**A.** Before Obamacare passed, polls consistently showed that about 85-90% of Americans were satisfied with their health coverage – they just thought it cost too much. The Obama Administration should have worked on a bipartisan basis to provide targeted help to the relatively small percentage of lower-income and middle-class Americans who experienced a hard time accessing affordable coverage due to a denial based on a pre-existing condition. However, the Administration instead used the pre-existing condition issue as political cover to ram through Congress a massive bill that raids Medicare, expands the broken Medicaid entitlement, increases costs, levies more than a dozen new taxes, stifles jobs, crushes innovation, and redistributes wealth.

So, here is what we propose. Today, if Americans who have employer-sponsored health coverage in Fortune 500 companies change jobs and go work for another large employer, they may change health insurance plans, but their new health insurance company cannot deny them health coverage because of a pre-existing condition. We believe that every American—whether they work for a Fortune 500, a family business, or a start-up company—deserves this same kind of protection. We believe if Americans moving from a large employer into the individual insurance market to purchase coverage on their own maintain continued health coverage, they should be protected against being medically unwritten and having health coverage denied based on a pre-existing condition.

The problem with Obamacare is that it dramatically increased the cost of health coverage, forced everyone to buy it, yet in many ways, *discouraged* consumers from buying health coverage. We have already seen that this approach is having a sweeping and negative impact on health insurance markets. Rather than disrupting the entire health insurance system, our proposal takes a more targeted approach. After our proposal repeals Obamacare, it would create a new consumer protection--“continuous coverage” protection--under which individuals moving from one health plan to another –regardless of whether it was in the individual, small group, or large employer markets—could not be medically unwritten and denied a plan based on a pre-existing condition. This new consumer protection actually helps reward good behaviors and encourages consumers to keep their health coverage. By doing so, this approach will help reduce the turn-over of consumers coming in and out of the individual market, thus making this market more stable, predictable, and ultimately affordable for consumers.

## Q. What happens to consumers with employer-sponsored health insurance?

**A.** Our proposal protects employer-sponsored health coverage and helps lower the costs so it is more affordable for businesses and employees. Under our proposal, virtually nothing changes for employers who offer health coverage. Businesses will continue to offer health insurance, while adopting innovative ways to encourage prevention and wellness among their employees. Under our proposal, small businesses will benefit from lower-cost options, and individuals working at companies with 100 or fewer employees will be eligible for extra help in the way of a tax credit. Economists across the political spectrum agree that the unlimited exclusion of an employee's health coverage from taxation is a serious distortion in the tax code that helps to artificially inflate the growth in health care costs. So our proposal would cap the amount of an individual's employer-sponsored health coverage that is excluded from taxation. This approach will provide for a more equitable tax treatment of health coverage and will help empower millions of Americans with new purchasing power to buy a plan that fits their needs.

## Q. Why is this plan a good one if the value of the credit will not cover the full cost of a health insurance plan?

**A.** No one is suggesting that under a proposal to repeal Obamacare and fix health insurance in our country the government should cover all the cost of health care for every American. Not even the government-centered approach of Obamacare did that! Historically, the cost of health coverage for most consumers was borne by some combination of businesses, taxpayers, or consumers in the way of premiums and out-of-pocket costs. Before

Obamacare, the only people who truly paid the entire cost of their health coverage were Americans who bought a plan in the individual market. However, under Obamacare, millions of Americans are losing their coverage and facing higher costs, reduced choices, and less control of their health care. Our proposal takes the opposite approach by lowering costs, increasing choices, and empowering consumers.

Lower-income and middle-class Americans are given extra help buying a plan, in the way of a tax credit. The tax credit is targeted toward their income level and age. This approach helps the indigent and those who need help the most, while also recognizing that individual consumers are responsible and can be savvy shoppers. You, not Uncle Sam, know how to best use your health care dollars. Under our proposal, consumers would be empowered to find the plan that meets their needs, instead of being forced to choose between plans the Federal government thinks they need. To help all Americans, our proposal increases transparency, competition, and choice, which economists agree can help lower health care costs.

### **Q. How does your proposal work without an individual mandate?**

**A.** We believe Obamacare’s individual mandate is still, in principle, unconstitutional. But more importantly, it is unworkable, unfair, and unneeded.

- The individual mandate is unworkable because, under Obamacare, unlike when enforcing other provisions of federal law, the government has very limited means to be able to take action against individuals who do not comply with the individual mandate. This means the mandate is very likely to be unworkable and fail to have the intended effect of forcing every American to have health coverage.
- The individual mandate is unfair because it makes it cheaper for individuals to be irresponsible and not buy insurance than it does to pay for the expensive. The financial penalties under the law for not buying government-mandated insurance are much lower than the cost of purchasing an expensive government-dictated plan. The mandate is also unfair because it allows the Administration to pick winners and losers. In fact, we have already seen the Administration delay the employer mandates for big businesses, while refusing to delay the individual mandate for individual consumers and families.
- The individual mandate is unneeded to fix the problems in the health insurance market that could exist if we repeal Obamacare. Under our proposal, a new consumer protection—the “continuous coverage” protection— prevents individuals moving from one health plan to another from being denied a plan based on a pre-existing condition. As long as an individual maintains continuous coverage from one plan to another, they cannot be medically unwritten and denied coverage based on a pre-existing condition. This new protection applies whether they are moving from employer-based coverage to the individual market, or within the individual market. This policy will increase the incentive for individuals to become insured, and stay insured. This change will also encourage portability of health plans. For the currently uninsured, our proposal includes a one-time open enrollment period during which individuals would be able to purchase coverage regardless of their health status or pre-existing conditions.

### **Q. Why do you believe your proposal will lower costs for consumers?**

**A.** Unlike Obamacare, our proposal does not include a federally-mandated package of benefits, nor does it include the drastic insurance rating changes that are dramatically increasing premiums. We do not include the unpopular individual mandate or job-reducing employer mandate that forces consumers and businesses to buy expensive coverage. Instead, our plan includes new consumer protections that will make health insurance markets more stable and empower individuals with better health care choices. Basic economic principles hold that increasing choice, competition, and transparency in health care can help lower health care costs. We are confident the market will respond with a range of innovative health care plans from which individuals will be able to select the plan that best meets their needs.

**Q. How do you know your plan will not bust the budget? Why do you believe your plan will save taxpayer dollars and make federal spending more sustainable?**

**A.** Our proposal makes fundamental changes to lower the cost of health coverage and restrain the growth in health care spending—for consumers and for taxpayers financing government programs. One of our structural reforms is a reduction in the distortion in the tax code of the unlimited exclusion of employer-sponsored health coverage from taxation. Another structural reform is a modernization of Medicaid’s financing and program management, which helps reduce the pressure on taxpayers at a state and federal level. The new continuous coverage protection for individuals in the small group and individual insurance markets is another structural reform which rewards individuals for acting responsibly and helps make the market more stable.

**Q. Are consumers guaranteed to get a health plan under your blueprint?**

**A.** Under our proposal, every American is guaranteed the offer of a health insurance plan. They can either choose to enroll in a plan during the open enrollment period, or they can purchase health coverage later. Under either scenario, health insurance companies must quote them a price for a health plan. If an individual consumer has maintained continuous coverage, under our proposal, this offer of coverage cannot be based on a consideration of health status, i.e., that individual cannot be medically unwritten.

**Q. Is this a universal coverage proposal?**

**A.** Obamacare claimed to be a “universal coverage” proposal, but the Congressional Budget Office (CBO) said that about 30 million Americans will still be without health coverage, even after Obamacare is fully implemented. Rather than focusing first on *coverage*, our proposal is designed to reduce costs, increase affordable choices like Health Savings Accounts, and put federal spending on a more sustainable path. By reducing costs—which are the reason many Americans are without health coverage—we believe as many or more consumers will be in private coverage as are projected to be covered in private coverage under Obamacare. We also take targeted steps to adopt specific measures to make the health insurance market more fair, transparent, stable, and competitive, which will help give millions more Americans access to high quality coverage.