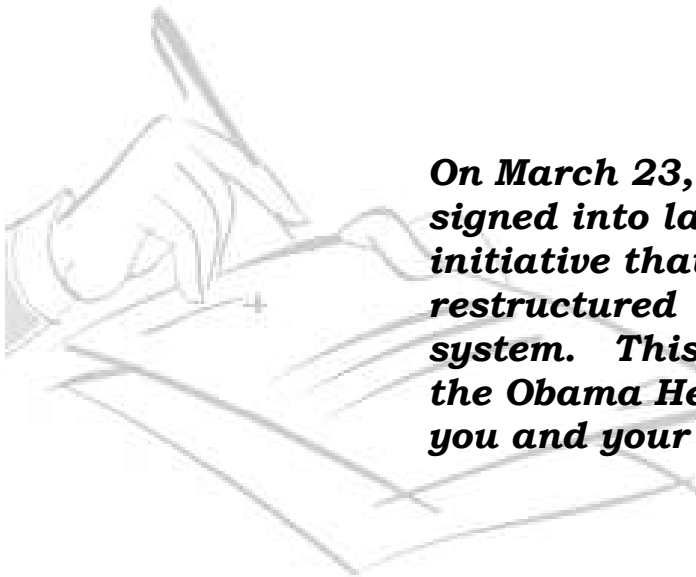


LIFE AT RISK

How the Obama Health Care Plan Will Ration Your Family's Medical Treatment - A Factsheet

Revised November, 2012



On March 23, 2010 President Obama signed into law a major health care initiative that fundamentally restructured the American health care system. This document describes what the Obama Health Law will mean for you and your family.



www.nrlc.org/healthcarerationing

ROUTES TO RATIONING IN THE OBAMA HEALTH CARE LAW

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1. HOW THE OBAMA HEALTH CARE LAW WILL LIMIT WHAT HEALTH CARE PROVIDERS CAN DO TO SAVE THE LIVES OF YOUR FAMILY MEMBERS

A Powerful Rationing Commission:

An 18-member “Independent Payment Advisory Board” is given the duty, on January 15, 2015 and every two years thereafter, with regard to *private* (not just governmentally funded) health care, to make “recommendations to slow the growth in national health expenditures” *below* the rate of medical inflation¹:

IPAB Must Limit HC Spending Growth to the LESSER OF:

Year	Limit	Year	% below projected spending
2015	Halfway between medical and general inflation	2015	.5 %
2016	Same	2016	1%
2017	Same	2017	1.25%
Later Years	Nominal GDP per capita + 1% [President Obama has proposed lowering to Nominal GDP per capita + .5%]	2018	1.5%
		Later Years	1.5%

How the Federal Government Can Force Doctors to Limit Care:

The Commission’s recommendations are to be ones “that the Secretary [of Health and Human Services] or other Federal agencies can implement administratively.”² In turn, the Secretary of Health and Human Services is empowered to impose “quality and efficiency”

measures on hospitals, requiring them to report on their compliance with them.³ Doctors will have to comply with quality measures in order to be able to contract with any qualified health insurance plans.⁴

What This Will Mean for Your Family's Health Care:

Essentially, doctors, hospitals, and other health care providers can be told by Washington just what diagnostic tests and medical care are considered to meet “quality and efficiency” standards. These standards will be enforced not just for health care paid for by federally funded programs like Medicare, but also for health care paid for by private citizens and by the health insurance they or their employers purchase..

These standards are specifically designed to limit the funds that Americans may choose to spend on health care so that they cannot keep up with the rate of medical inflation. Treatment that a doctor and patient deem needed or advisable to save the patient's life or preserve or improve the patient's health but which runs afoul of the imposed standards can be denied, even if the patient is willing and able to pay for it.

In effect, Washington bureaucrats can create one uniform, national standard of care, established by Washington bureaucrats, that is designed to limit what private citizens are allowed to spend to save their own lives.

On its face, the law maintains that this limitation does not amount to “rationing.” Indeed, the statute states, “The proposal [by the Independent Advisory Board] shall not include any recommendation to ration health care...”⁵ However, the law never actually defines what it means by the word “ration.” If the “quality” standards limiting treatment are challenged, the law's administrators and supporters will claim they are simply “cost-effective” means of assuring patients get “appropriate” care. *Consequently, the prohibition on a “recommendation to ration” will not be an enforceable restraint courts could use to protect Americans from denial of medical care.* Rather than a shield against treatment denial, it is no more than a rhetorical sword to ward off the law's critics.

The Britannica Concise Encyclopedia describes rationing as “Government allocation of scarce resources and consumer goods, usually adopted during wars, famines, or other national emergencies.” Whether health care actually need be “scarce” is open to debate.⁶ However, when government bureaucrats tell you what treatments, paid for with your own money, you can and can't have – that is certainly “government allocation” of health care.

The Obama Health Care Law authorizes federal bureaucrats to impose limits on what life-saving medical treatments Americans are allowed to get. It may not *call* this “rationing.” But that doesn't mean that it isn't.

2. MEDICARE: HOW THE OBAMA HEALTH CARE LAW LIMITS SENIOR CITIZENS' RIGHT TO USE YOUR OWN MONEY TO SAVE YOUR OWN LIVES

Denying Senior Citizens the Right to Make Up Medicare Cuts With Your Own Money

According to an August 2010 Congressional Budget Office estimate, the Obama Health Care Law will cut \$555 billion from Medicare over the next ten years.⁷ Most senior citizens know that the law will significantly cut government funding for their Medicare. Less widely known is the law's provision allowing Washington bureaucrats *to prevent older Americans from making up the Medicare shortfall with their own funds—taking away their right to spend their own money to save their own lives.*

The Medicare Shortfall

Even before the Obama Health Care Law's cuts, Medicare—the government program that provides health insurance to older people in the United States—faced grave fiscal problems as the baby boom generation aged. Medicare is financed by payroll taxes, which means that those currently working are paying for the health care of those now retired. As the baby boom generation moves from middle into old age, the proportion of the population that is retired will increase while the proportion of the population that is working will decrease. The result is that the amount of money available for each Medicare beneficiary, when adjusted for health care inflation, will shrink significantly.

The Alternatives: Increase Taxes, Ration, or Allow Seniors to Add Your Own Money

In theory, taxes could be increased dramatically to make up the shortfall; however, such a proposal would be unlikely to attract popular and political support. The second alternative is rationing. Less money available per senior citizen means less treatment, including those necessary to prevent death. Many people whose lives could have been saved by medical treatment would perish against their will. The third alternative is that, as the government contribution decreases, the shortfall could be made up by voluntary payments by senior citizens. Thus, your Medicare health insurance premiums could be financed partly by the government and partly from your own income and savings.

Private Fee-for-Service Medicare Insurance

As a result of legislative changes in 1997 and 2003 undertaken at the instance of the National Right to Life Committee, this third alternative became law. Under the title of “private fee-for-service plans,” an option was created in Medicare under which senior citizens could choose health insurance whose value was not limited by what the government might pay toward it. These plans could set premiums and reimbursement rates for health care providers without upward limits imposed by government regulation.⁸ Such plans would not be forced to ration

treatment, as long as senior citizens were free to choose to pay more for them. For information on whether it would be possible to *afford* health care without rationing, see www.nrlc.org/MedEthics/AmericaCanAfford.pdf.

What About Seniors Who Can't Afford to Add Their Own Money?

Medicare covers everyone of retirement age, regardless of income or assets. Yet, because of budget constraints, the Medicare reimbursement rates for health care providers tend to be below the cost of giving the care—a deficit that can only accelerate as cost pressures on Medicare increase with the retirement of the baby boomers. To cope with this, health care providers engage in “cost shifting”—using funds they receive in payment for treating privately insured working people to help make up for losses providers incur when treating retirees under Medicare.⁹ As a result, comparatively low-income workers effectively subsidize higher-income retirees.

However, when middle-income retirees are free voluntarily to add their own money in addition to the government contribution through a private fee-for-service plan, those who take advantage of this opportunity stop being the beneficiaries of cost-shifting and become contributors to it.^{*} This puts more money into the health care system, making it feasible for health care providers to offer more below-cost care to senior citizens with limited means.

The Obama Health Law's Assault on Seniors' Right to Add Your Own Money:

Section 3209¹⁰ of the Obama Health Care Law [codified at 42 U.S.C.A. § 1395w-24(a)(5)(C)(i)] indirectly amended the section in existing law allowing private fee-for-service plans to set their premiums without approval by the Centers for Medicare & Medicaid Services (CMS) by adding, “Nothing in this section shall be construed as requiring the Secretary to accept any or every bid submitted by an MA organization under this subsection.” Therefore, CMS may now refuse to allow senior citizens the choice of private-fee-for-service plans that charge what CMS, in its standardless discretion, regards as premiums that are too high. Indeed, the provision literally authorizes CMS, if it decides to do so, to refuse to allow private-fee-for-service plans altogether.

Thus, this provision could eliminate the only avenue that senior citizen may use to escape rationing—using their own money to save their lives.

^{*} It may seem strange to describe the ability to pay more as an “opportunity.” Senior citizens, like others, would prefer to pay less, not more, for health care—just as they would for *any* good or service. However, those who can afford to do so nevertheless frequently are willing to pay *more* for goods and services of higher quality, e.g., automobiles, houses, vacations, or restaurant meals. Because one cannot enjoy these goods or services after death, it is entirely rational to pay more for health insurance when convinced that paying a higher price will offer greater assurance of gaining access to high-quality health care, and will reduce the likelihood that the insurance company will deny authorization or payment for treatments that are more costly, but more likely to be effective and are less likely to have deleterious side effects.

Reading the text of the Obama Health Care Law:

What Is the Exact Language That Allows the Federal Government to Limit What Senior Citizens Can Choose to Spend for Health Insurance?

[Warning: To ordinary human beings trying to make sense out of the Obama Health Care Law’s language: it is written in extremely convoluted legalese. To figure out what is hidden in this law requires intense concentration – try not to let your head spin while you attempt to follow the explanation below (especially in the endnotes); unfortunately, it is the opposite of “plain language”!]

1. Under a provision in effect both before and after adoption of the Obama Health Care Law, the Secretary of Health and Human Services has authority to “negotiate” the premiums to be charged by private Medicare plans (“Medicare Advantage” health insurance plans)—meaning that CMS can keep senior citizens from being able to choose a Medicare Advantage plan unless that plan agrees to charge a premium acceptable to CMS [42 U.S.C. §1395w-24 (a)(6)(B)¹¹]. Importantly, however, this authority *did not apply to private fee-for-service plans* [42 U.S.C.A. § 1395w-24 (a)(6)(B)¹²] – meaning that CMS had no power to impose a premium price control on private fee-for-service plans, which senior citizens could be kept from choosing only if the plans failed to meet other applicable standards.

Thus, under the law before Obamacare, senior citizens *could* choose, if they wished, to add extra money of their own on top of the government payment in order to get health insurance less likely to ration, and Washington bureaucrats could not limit their right to do this.

2. However, Section 3209 of the Obama Health Care Law, [codified at 42 USCS § 1395w-24(a)(5)(C)(i)¹³], indirectly amends the section allowing private fee-for-service plans to set their premiums without approval by CMS by adding, “Nothing in this section shall be construed as requiring the Secretary to accept any or every bid submitted by an MA organization under this subsection.”

This means that the pre-existing law that effectively forbade the Secretary to exclude a private fee-for-service plan on the basis that CMS considers its premiums to be too high has been trumped by the new ability of the Secretary to reject “any or every” premium bid submitted by a private fee-for-service plan.

Thus, under Obamacare, Washington bureaucrats are given the authority to limit – or even eliminate – senior citizens’ ability, if they choose, to spend their own money on health insurance less likely to ration.

3. HOW INSURANCE EXCHANGES WILL LIMIT YOUR RIGHT TO USE YOUR OWN MONEY TO SAVE YOUR FAMILY MEMBERS' LIVES

The Role of State-Based Health Insurance Exchanges

Under the Obama Health Care Law, beginning in 2014 there will be state-based health insurance “exchanges.” The exchanges were designed to be marketplaces through which individuals and employees of small businesses and, later, employees of large employers could choose their health insurance plan for the next year. Originally, state-based “exchanges” were designed to allow comparison shopping among all insurance plans that provided basic benefits. Instead, consumers may only choose plans offered by insurers who do not allow their customers to spend more than what state bureaucrats deem an “excessive or unjustified” amount for their health insurance.

Exclusion of Health Insurers Who Allow Their Clients to Choose “Excessive” Insurance*

Section 1003 of the law¹⁴, codified at 42 U.S.C.A. § 300gg-94, together with Section 1311(e)(2), codified at 42 U.S.C.A. § 18031(e)(2)¹⁵, implemented at 45 C.F.R. Part 154, has the effect of instructing and authorizing state bureaucrats to limit the value of the insurance policies that Americans using the exchanges may purchase. Under it, state insurance commissioners are to recommend to their state exchanges the exclusion of “particular health insurance issuers ... based on a pattern or practice of excessive or unjustified premium increases.”¹⁶ Not only will the exchanges exclude *policies* from competing in an exchange when government authorities do not agree with their premiums,⁺ but the exchanges will even exclude *insurers* whose plans **outside** the exchange offer consumers the ability to reduce the danger of treatment denial by paying what those government authorities consider an “excessive or unjustified” amount. This will create a “chilling effect,” deterring insurers who hope to be able to compete within the exchanges from offering adequately funded plans even outside of them, with the result that even outside the exchanges consumers will find it difficult to obtain health insurance that offers adequate and unrationed health care.

Limits on What You Are Permitted to Pay Restrict What You Are Allowed to Buy

When the government limits what can be charged for health insurance, it restricts what people are allowed to pay for medical treatment. While everyone would prefer to pay less – or nothing – for health care (or anything else), government price controls prevent access to lifesaving medical treatment that costs more to supply than the prices set by the government.

⁺ Ironically, Section 1311(e)(1)(B)(ii), 124 Stat. at 178, (codified at 42 U.S.C.A. § 18031(e)(1)(B)(ii)), retains a provision barring an exchange from excluding health plans “through the imposition of premium price controls.” Following standard norms of statutory construction, the two provisions would presumably be construed together to prevent state officials from imposing specific, explicit premium price controls on plans offered in an exchange while nevertheless allowing these officials to exclude insurers they deem to have a pattern or practice of what they consider “excessive or unjustified” premium increases.

ENDNOTES:

¹ Obama proposal (cited in chart) to lower post-2017 limit to nominal rate of GDP + .5% : Office of Management and Budget, "The President's Plan for Economic Growth and Deficit Reduction," September 2011, p. 39 (available at <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/jointcommitteereport.pdf>).

Understanding the legislative language in the Obama Health Care Law (Patient Protection and Affordable Care Act, § 3209, Pub. L. No. 111-148, 124 Stat. 119, 460 [2010]) that sets the required target below the rate of medical inflation requires following a very convoluted path:

42 U.S.C. A. § 1395kkk(o) states:

“Advisory recommendations for non-Federal health care programs. (1) In general. Not later than January 15, 2015, and at least once every two years thereafter, the Board shall submit to Congress and the President recommendations to slow the growth in national health expenditures (excluding expenditures under this subchapter and in other Federal health care programs)... such as recommendations-- (A) that the Secretary or other Federal agencies can implement administratively;...(2) Coordination. In making recommendations under paragraph (1), the Board shall coordinate such recommendations with recommendations contained in proposals and advisory reports produced by the Board under subsection (c).

The reference to “subsection (c)” is to 42 U.S.C.A. § 1395kkk(c)(2)(A)(i), which provides for Board reports with recommendations that “will result in a net reduction in total Medicare program spending in the implementation year that is at least equal to the applicable savings target established under paragraph (7)(B) for such implementation year.”

The “applicable savings target” is whatever is the lesser of two alternative targets. 42 U.S.C.A. § 1395kkk(c)(7)(B).

First alternative: 2015 through 2017: The reduction necessary to limit the growth in medical spending to equal a percentage *halfway between* medical inflation and general inflation (using 5-year averages). 42 U.S.C.A. § 1395kkk(c)(6)(C)(I).

In 2018 and later years: The reduction necessary to limit the growth in medical spending to “the nominal gross domestic product per capita plus 1.0 percentage point.” 42 U.S.C.A. § 1395kkk(c)(6)(C)(ii).

Second alternative: The reduction necessary to force actual spending below projected spending by a specified percentage of projected medical spending; the specified percentage differs by year (in 2015, .5%; in 2016, 1%; in 2017, 1.25%; in 2018 and in subsequent years, 1.5%).42 U.S.C.A. § 1395kkk(c)(7)(C)(I).

² 42 U.S.C.A. § 1395kkk(o)(1)(A).

³ 42 U.S.C.A. § 1395l(t)(17) [“Each subsection (d) hospital shall submit data on measures selected under this paragraph to the Secretary in a form and manner, and at a time, specified by the Secretary for purposes of this paragraph”...and “(A) Reduction in update for failure to report. (i) In general . . . a subsection (d) hospital ...that does not submit, to the Secretary in accordance with this paragraph, data

required to be submitted on measures selected under this paragraph with respect to such a year, the . . . fee schedule increase factor . . . for such year shall be reduced by 2.0 percentage points.”], 1395l(i)(7) [similar language applicable to ambulatory surgical centers], 1395cc(k)(3) [similar language applicable to certain cancer hospitals], 1395rr(h)(2)(A)(iii) [similar language applicable to end-stage renal disease programs], 1395ww(b)(3)(B)(viii) [similar language otherwise applicable to hospitals], (j)(7)(D) [similar language applicable to inpatient rehabilitation hospitals], (m)(5)(D) [similar language applicable to long-term care hospitals], (s)(4)(D) [similar language applicable to psychiatric hospitals], and 1395fff(b)(3)(B)(v) [similar language applicable to skilled nursing facilities], 1395(i)(5)(D) [similar language applicable to hospice care], and (o)(2) [applicable to the way in which value-based incentives are paid].

⁴ 42 U.S.C.A. § 18031(h)(1) provides, “Beginning on January 1, 2015, a qualified health plan may contract with . . . (B) a health care provider only if such provider implements such mechanisms to improve health care quality as the Secretary may by regulation require.”

⁵ 42 U.S.C. A. § 1395kkk (c)(2)(A)(ii) states:

The proposal shall not include any recommendation to ration health care, raise revenues or Medicare beneficiary premiums under section 1818, 1818A, or 1839 [42 USCS § 1395i-2, 1395i-2a, or 1395r], increase Medicare beneficiary cost-sharing (including deductibles, coinsurance, and copayments), or otherwise restrict benefits or modify eligibility criteria.

⁶ See <http://www.nrlc.org/MedEthics/AmericaCanAfford.pdf>

⁷ *The Budget and Economic Outlook: An Update*, CONGRESSIONAL BUDGET OFFICE (Aug. 2010) www.cbo.gov/sites/default/files/cbofiles/ftpdocs/117xx/doc11705/08-18-update.pdf

⁸ For more information on the private fee-for-service alternative and its history, see www.nrlc.org/MedEthics/RationinginMedicare.html.

⁹ Allen Dobson, , Joan DaVanzo, & Namrata Sen, *The Cost-Shift Payment 'Hydraulic': Foundation, History, And Implications*, 25 HEALTH AFF. 22 (2006).

¹⁰ Patient Protection and Affordable Care Act, § 3209, Pub. L. No. 111-148, 124 Stat. 119, 460 (2010).

¹¹ 42 U.S.C.A. § 1395w-24 (a)(6)(B) reads, in relevant part (emphasis supplied):

(B) Acceptance and negotiation of bid amounts.

(i) Authority. *Subject to clauses (iii) and (iv)*, the Secretary has the authority to negotiate regarding monthly bid amounts submitted under subparagraph (A) [I]n exercising such authority the Secretary shall have authority similar to the authority of the Director of the Office of Personnel Management with respect to health benefits plans under chapter 89 of title 5, United States Code [5 U.S.C.A. §§ 8901 et seq.].

(ii) Application of FEHBP standard. *Subject to clause (iv)*, the Secretary may only accept such a bid amount or proportion if the Secretary determines that such amount and proportions are supported by the actuarial bases provided under subparagraph (A) and reasonably and equitably reflects the revenue requirements (as used for purposes of section 1302(8) of the Public Health

Service Act [42 U.S.C.A. § 300e-1(8)][relating to the standards for setting different rates for individuals and families and for individuals, small groups, and large groups]) of benefits provided under that plan.

(Clause iv is quoted in the next endnote.)

42 U.S.C.A. § 1395w-24 (a)(6)(B) provides:

(iv) Exception. In the case of a [private fee-for-service] plan described in section 1851(a)(2)(C) [42 U.S.C.A. § 1395w-21(a)(2)(C)], the provisions of clauses (i) and (ii) [quoted in the previous endnote] shall not apply and the provisions of paragraph (5)(B), prohibiting the review, approval, or disapproval of amounts described in such paragraph, shall apply to the negotiation and rejection of the monthly bid amounts and the proportions referred to in subparagraph (A).

The “provisions of paragraph (5)(B)” incorporated by reference are:

(B) Exception. The Secretary shall not review, approve, or disapprove the amounts submitted under paragraph (3) or, in the case of an MA private fee-for service plan, subparagraphs (A)(ii) and (B) of paragraph (4).

Paragraph (4), subparagraph (A)(ii) reads:

“the amount of the Medicare + Choice [now called Medicare Advantage] monthly basic beneficiary premium”;

Paragraph (4), subparagraph (B) reads:

“Supplemental benefits. For benefits described in section 1852(a)(3) [42 U.S.C.A. § 1395w-22(a)(3)], the amount of the Medicare + Choice monthly supplemental beneficiary premium (as defined in subsection (b)(2)(B)).”

¹³ The new subparagraph (C) is added to 42 U.S.C.A. § 1395w-24 (a)(5). Since the language of subparagraph (a)(6)(B) that prevents the Secretary from “negotiating” private fee-for-service plan premiums is based on incorporating by reference subparagraph (a)(5)(B), as explained in the previous endnote, and because clause (i) of (a)(5)’s new subparagraph (C) would prevent subparagraph (B) from being construed to limit the Secretary’s authority to reject bids, it effectively makes meaningless the premium negotiation prohibition of subparagraph (a)(6)(B).

¹⁴ Patient Protection and Affordable Care Act, § 1003, Pub. L. No. 111-148, 124 Stat. 119, 139-40 (2010).

¹⁵ *Id.*, § 1311(e)(2), 124 Stat. at 178. It provides:

The Exchange shall require health plans seeking certification as qualified health plans to submit a justification for any premium increase prior to implementation of the increase. Such plans shall prominently post such information on their websites. The Exchange may take this information, and the information and the recommendations provided to the Exchange by the State under section 2794(b)(1) of the Public Health Service Act (relating to patterns or practices of excessive or unjustified premium increases)[this is the section cited in endnote 1 above], into consideration when determining whether to make such health plan available through the Exchange. The Exchange shall take into account any excess of premium growth outside the Exchange as compared to the rate of such growth inside the Exchange,

including information reported by the States.

¹⁶ *Id.*