



THIRD WAY

Executive Summary: Cost Caps and Coverage for All

By David Kendall, Gabe Horwitz, Jim Kessler

Overview

The United States must ensure that every single person in the country has stable health coverage and lower out-of-pocket costs—all without disrupting anyone's coverage through their employer, Medicare, Medicaid, or the exchanges. The Affordable Care Act (ACA) laid the foundation for this transformational change by protecting everyone with a pre-existing condition and expanding coverage. But rising health care costs still squeeze paychecks and drive up deductibles. Forty-one million people still struggle to pay health care bills due to coverage gaps. Twenty-nine million people still lack coverage altogether.

Cost Caps and Coverage for All is a comprehensive approach to health care. It protects everyone through two main parts:

- **Cost Caps:** Caps premiums, deductibles, and other out-of-pocket costs for everyone based on income.
- **Universal Coverage:** Ensures health care is a basic human right by automatically covering everyone not currently insured in an affordable plan.

Cost Caps and Coverage for All would be paid for by protecting patients against high prices, realigning incentives to deliver better value for patients, reducing complexity for patients, and targeted tax increases on the wealthy.

Components

Part 1. Cost Caps: Cap premiums, deductibles, and other out-of-pocket costs for everyone. Cost Caps and Coverage for All provides a simple guarantee to everyone in the country: you will be protected from paying too much for your health care, no matter where you get your coverage.

- *For those in the ACA exchanges:* people with low-incomes will pay less in premiums, and those in the middle class will finally have premium protection. Out-of-pocket caps will be fairer across income levels.
- *For those in employment-based coverage:* out-of-pocket costs will be capped to make it more affordable for individuals, and employers will have options to adjust coverage they provide.
- *For those in Medicaid:* the current cap on premiums and out-of-pocket costs will be reduced for the most vulnerable.
- *For those in Medicare:* out-of-pocket caps will be added to help the middle class, and there will be an overall cap on drug costs.

Part 2. Universal Coverage: Automatically cover everyone not currently insured in an affordable plan. Cost Caps and Coverage for All would complete the coverage expansions achieved under the ACA, Medicare, and Medicaid to create a system that is stable and secure for every single American.

- *Automatic enrollment:* 14.2 million people who qualify for free coverage but have not enrolled will be automatically enrolled in the best-valued health plan in their region.
- *Automatic application:* 10.3 million people who qualify for subsidized coverage but have not enrolled will receive an automatic, one-click application to activate coverage for the highest-valued plan in their region.
- *Automatic backstop:* Catastrophic-like coverage through a new program called Critical Care Backstop will be provided for those who choose to remain unenrolled.
- *Optional Medicare-E:* Those 55 to 64 years old currently in the individual exchange market will have the option to enroll in an expanded Medicare program.

Making the Numbers Add Up

To make health coverage available and affordable for everyone, we need to ensure the overall cost of care is under control and projected cost increases are dramatically reduced. Cost Caps and Coverage for All would focus health care delivery on the best value for patients instead of the highest price, putting patients before the health care industry.

- *Replace expensive fee-for-service:* Payments to providers will be based on value instead of wasteful fee-for-every-service, and drug manufacturers will be held accountable for the value of prescription drugs.
- *Ban surprise bills:* Out-of-network charges will be capped and patients will no longer receive surprise bills.
- *Reduce complexity:* A single health record will be provided to all individuals to reduce duplicative services and administrative costs.

Any remaining costs of the proposal not covered by the actions above would be paid for through targeted tax increases on the wealthy.