



Healthy DC



Program and Legislation Preview

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John A. Wilson Building



Healthy DC



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Healthy DC Program

Proposal Preview

In order to achieve the goal of universal health coverage by 2010, the District must ensure that health insurance is affordable and accessible to all residents. To do so, the District will have to undertake a comprehensive review of the current insurance market, promote individual responsibility for maintaining coverage, and look to employers to maintain their current commitments to their workers. In addition, there must be full implementation of the Healthy DC Program as established in the Fiscal Year 2007 Budget Support Act of 2006 (A16-0476).

Designed to reach those uninsured District residents who do not qualify for Medicaid or the DC Healthcare Alliance, Healthy DC was established to provide a low-cost insurance product to eligible District residents. The information below provides a preview of the proposed Program.

Healthy DC: Affordable, Accessible, and Comprehensive

Through a cost-sharing partnership between the District and CareFirst Blue Cross Blue Shield, Healthy DC will provide affordable, accessible, and comprehensive health insurance benefits for District residents.

Affordable

For eligible individuals, Healthy DC premiums will cost no more than 3% of their gross income. The District will provide a sliding scale subsidy that is proportionate to income to cover any remaining premium cost. All other costs associated with participating in the program will not exceed 6% of an individual's gross income. In addition, CareFirst has proposed reducing individual deductibles by 50% if enrollees select a medical home, take a health risk assessment, and comply with prescribed disease management programs.

Income by Federal Poverty Guideline	Premium* (Annual)	Deductible*	Healthy Behavior Deductible*
200-299 % FPL	\$20 per month (\$240)	\$750	\$375
300-399 % FPL	\$61 per month (\$732)	\$1,500	\$750
400+ % FPL	\$100 per month (\$1200)	\$2,500	\$1,250

**As proposed by CareFirst*

Accessible

Healthy DC will be available to any District resident who earns more than 200% of the federal poverty guidelines and is uninsured, regardless of pre-existing conditions or health status. This includes any resident who has gone without health coverage for 6 months prior to Healthy DC enrollment, or who had health coverage during that time period but lost it due to specific circumstances, such as:

- Loss of employment;
- Divorce or dissolution of marriage or domestic partnership;
- Death of the primary beneficiary;
- New employment that does not offer health insurance;
- Change in student status; or
- Loss of Medicaid or the DC Healthcare Alliance financial eligibility.

In addition, current CareFirst Open Enrollment subscribers will be eligible to join the Healthy DC Program.

Applicants will have to submit proof of District residency and financial status, such as the front page of a District tax return or a pay stub. In addition, applicants will be required to identify their employer and certify that they do not have access to employer-sponsored insurance.

Comprehensive

Healthy DC will be a comprehensive, commercial insurance product offered exclusively by CareFirst. Healthy DC is a new idea in benefit design that provides financial incentives for wellness and has no life-time benefit or prescription drug maximum. As proposed, the Program will include:

- Comprehensive benefits that include primary and preventative care, hospitalization, maternity, mental health and substance abuse treatment;
- Full coverage on all medical services after deductible; and
- Low-cost generic pharmaceuticals.

Implementation

Through a contract between the District and CareFirst, the Healthy DC Program will become available to eligible District residents on July 1, 2009. To ensure maximum enrollment, the District and CareFirst are proposing a joint outreach campaign designed to raise awareness about the importance of obtaining and maintaining health insurance and of the availability of the new Healthy DC Program. At the same time, CareFirst will maintain the Open Enrollment Program through June 30, 2009 to ensure that subscribers can have coverage through to Healthy DC's implementation.

Funding

Healthy DC is based on a shared responsibility model between the District, CareFirst, and the individual enrollee. CareFirst will provide the District with an affordable and unique plan that provides real financial incentives for wellness. Enrolled individuals will contribute an affordable

amount towards their health costs. The District will subsidize the difference for those individuals who meet specific financial criteria. The District's subsidy will be paid from the Healthy DC Fund, a fund dedicated to supporting and maintaining the Healthy DC Program.

To ensure that funds are continually available to support the Healthy DC Program, the District will amend the Healthy DC Fund establishment language to allow for additional monies to be deposited and utilized for its intended purpose. As proposed, these additional revenues stem from a variety of sources. The following chart depicts the sources of these revenues and the nature of their expenditure.

<u>Revenues*</u>	
Commercial Premium Tax	\$ 5,000,000
HMO Premium Tax	\$ 14,300,000
Individual Mandate Penalty	\$ 400,000
CareFirst Premium Tax	\$ 7,500,000
CareFirst Matching Contribution	\$ 5,000,000
Total Revenues	\$ 32,200,000
<u>Expenditures</u>	
District Premium Subsidy	\$ 21,000,000
Medicaid Reimbursement Rate Increase	\$ 10,000,000
Program Administration	\$ 600,000
Total Expenditures	\$ 31,600,000

Revenue estimates based upon available data.

*The Healthy DC Act of 2008 also proposes to increase the tax on a pack of cigarettes from \$1 to \$2.

This increase is expected to generate between \$15 and \$19 million in additional revenues.

These revenues may be used to supplement the DC Medicaid and Alliance programs.

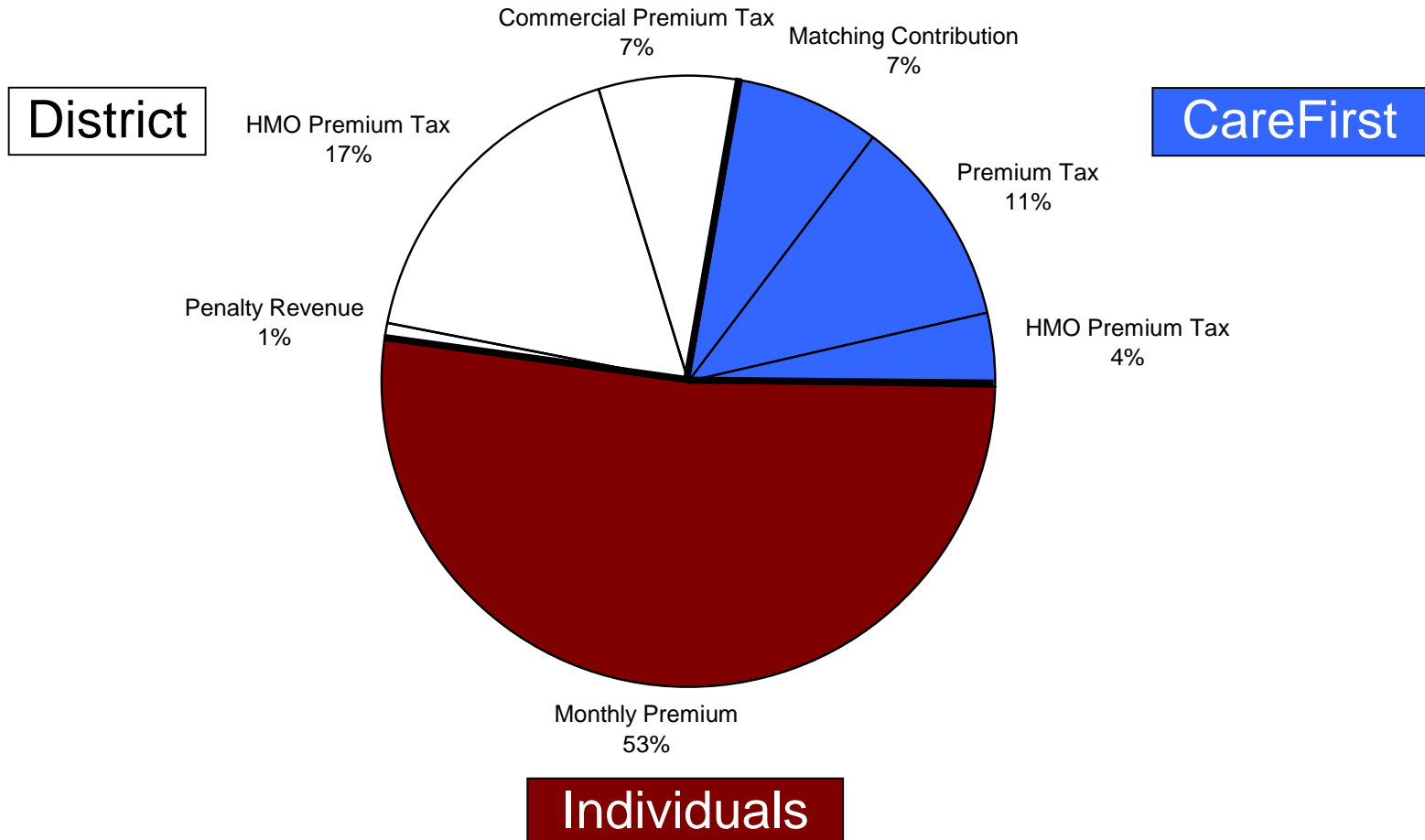
Shared Responsibility

Healthy DC will provide uninsured individuals with critical access to affordable, accessible, and comprehensive health insurance benefits. Access alone, however, is not enough. To meet the goal of universal health coverage by 2010, all qualified District residents must take on the responsibility of obtaining and maintaining health insurance.

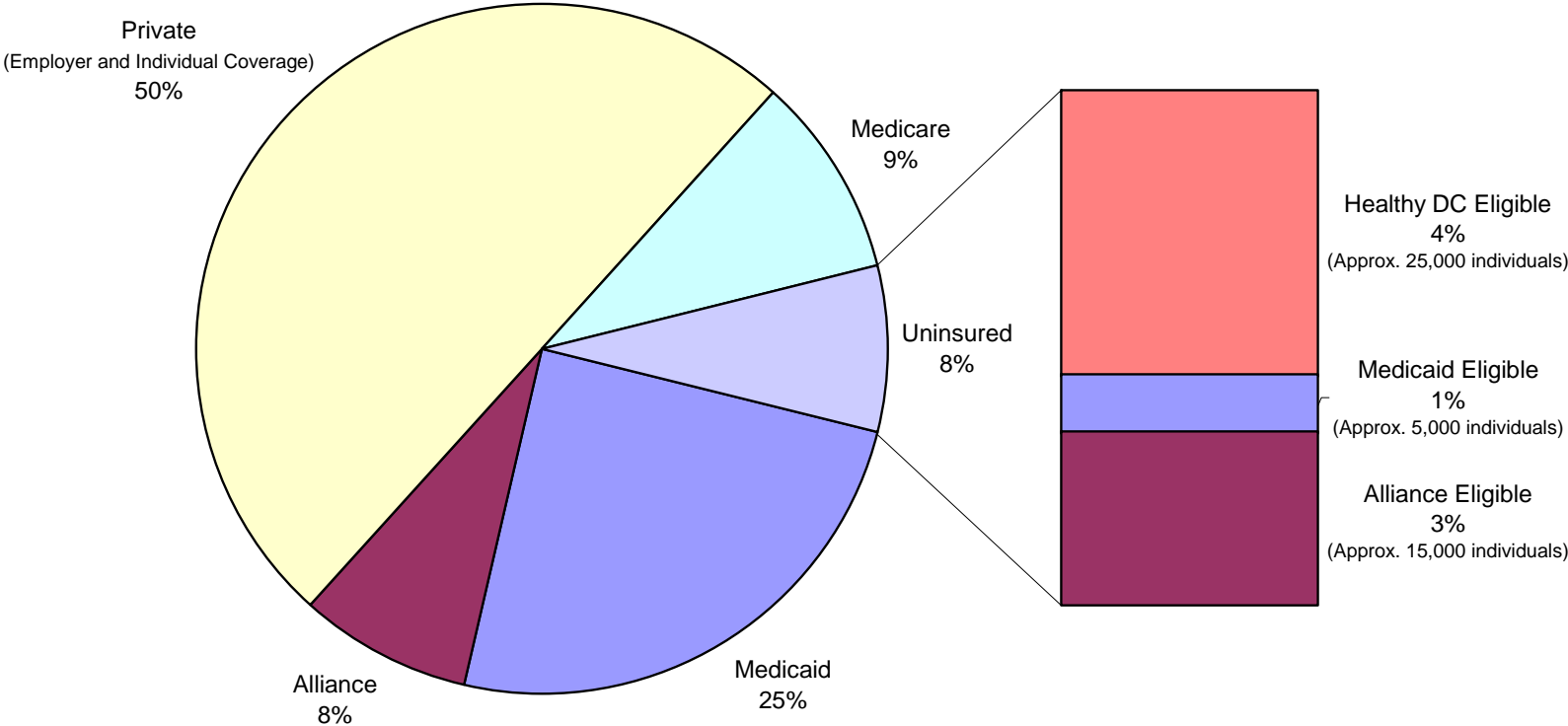
Without health insurance, an individual receives less preventative care and has a higher mortality rate. In addition, the lack of insurance shifts health care costs to the community at large through the over-utilization of emergency rooms and higher levels of avoidable hospitalizations for manageable diseases. As such, once Healthy DC becomes available all District residents will be required to obtain and maintain health insurance coverage, subject to appropriate hardship waivers.

By implementing a city-wide requirement, the District will be able to better address poor health outcomes, such as high chronic disease rates, while also ensuring that limited health care dollars are supporting front end preventative care programs.

Healthy DC Cost-Sharing



Current Health Insurance Coverage in the District of Columbia



Estimates based upon blended analysis from the Urban Insitute, Behavioral Risk Factor Survey, Current Population Survey and Medical Expenditure Panel Survey

Healthy DC Act of 2008

Legislation Summary

Title I

- The Healthy DC Program will provide eligible individuals with access to affordable and comprehensive health insurance.
- The Program will include primary and preventative care, hospitalization, mental health, substance abuse, maternity, and prescription drug coverage.
- The Program limits the premium for the coverage to no more than 3% of an individual's gross income.
- The Healthy DC Fund established by Title IV will subsidize the difference between the cost of the health insurance and the amount paid by the eligible individual.
- The Mayor is authorized to enter into a contract with CareFirst to implement the Program.
- Employers are required to report to the District on annual employee health expenditures.
- Employers and insurance companies are prohibited from changing benefit packages or dropping coverage for individuals with the intention of shifting these individuals to the Program.

Title II

- Beginning on July 1, 2009, all District residents over the age of 18 will be required to maintain continuous health insurance coverage.
- Individuals will be assessed a penalty of at least \$250 per year for non-compliance.
- The Mayor may grant individual hardship waivers if compliance with the mandate would not be affordable or would violate religious beliefs.

Title III

- By July 1, 2010, the District will increase the Medicaid fee-for-service reimbursement rates for speciality and primary care physician services to match the Medicare reimbursement rates.

Title IV

- Amends the Healthy DC Fund to subsidize the Healthy DC Program and allow for additional revenues to be deposited.
- Requires that the Fund maintain an annual minimum reserve balance equivalent to one year's expenses of the Healthy DC Program.
- Any funds not dedicated to the Healthy DC Program can be used to support Medicaid and the DC HealthCare Alliance.

Title V

- The tobacco excise tax will increase from \$0.05 per cigarette to \$0.10 per cigarette.
- Health Maintenance Organizations will be required to pay a 2.0 % premium tax.
- Premium taxes for commercial health insurers will increase from 1.7 % to 2.0 %.
- Premium taxes collected from this Title will be deposited in the Healthy DC Fund.

Title VI

- Beginning on July 1, 2009, health insurance companies in the individual market will not be able to deny a request for coverage.
- Beginning on July 1, 2009, the premiums that an individual pays for individual coverage will be based upon the average cost of a large group, not on the individual's age, gender or health condition.

Healthy DC Act of 2008

Title I

- The Healthy DC Program will provide accessible, affordable and comprehensive health insurance for eligible individuals.
- To be eligible for the Program, an individual must:
 - Reside in the District for at least 6 months;
 - Earn more than 200 percent of the federal poverty level;
 - Not qualify for any other District or federal low-income health program; and
 - Be uninsured for 6 months prior to enrollment.
- The 6 month uninsured requirement will not apply if the individual had insurance but lost coverage due to:
 - Loss of employment;
 - Death of a spouse, domestic partner, or family member who was the primary beneficiary;
 - Change in student status;
 - Change to new job that does not offer health insurance;
 - Separation, divorce, dissolution of domestic partnership;
 - Loss of eligibility for Medicaid or the Alliance; or
 - Loss of insurance due to the termination of a plan by a health insurer.
- The 6 month uninsured requirement will also not apply if the individual has insurance on the individual market, including the Open Enrollment Program.
- The Program provides comprehensive benefits, including primary and preventative care, hospitalization, mental health, substance abuse, maternity, and prescription drug coverage.
- The Program sets affordability guidelines so that no individual pays more than 3% of gross income in annual premium costs and no more than 6% for all other costs. The Healthy DC Fund established by Title IV will subsidize the difference between the cost of the insurance and the amount paid by the eligible individual.
- In order to implement the Program, the Mayor is authorized to enter into a contract with CareFirst by July 1, 2009.
- Financial viability of the Program is protected through “crowd-out” prohibitions, including a required maintenance of efforts on the part of employers who provide health insurance to employees.

Healthy DC Act of 2008

Title I (continued)

Purpose

While much of the District's population is enrolled in an employer-sponsored health plan, and another 182,000 individuals are covered under Medicaid or the DC HealthCare Alliance, approximately 45,000 individuals remain uninsured. Many of these uninsured are working District residents who are not offered or cannot afford employer-sponsored benefits and earn too much money to qualify for Medicaid or the Alliance. As a result, they often go without primary and preventative care, have poorer health outcomes, and over-utilize already stressed emergency rooms.

To address this critical gap in coverage, in 2006 the Council approved the Healthy DC Program with the goal of providing eligible individuals access to an affordable product on the private market. Title I of this legislation fully implements the Program and ensures that it best meets the needs of the District's uninsured. Through a cost-sharing partnership with CareFirst, the District will make available a comprehensive and affordable private insurance product for eligible uninsured residents. Specifically, Healthy DC will be a commercial insurance product offered exclusively by CareFirst Blue Cross Blue Shield and will limit annual premium costs to 3% of gross income. In addition, the District will provide a sliding scale subsidy that is proportionate to an individual's income in order to ensure that all residents can access the program.

Healthy DC represents a major advance towards the goal of universal healthcare by 2010. However, its success requires steps to protect the financial viability of the Program by protecting against "crowd out." Crowd out occurs when private insurers and employers shift the responsibility for health coverage to a publicly sponsored program. Thus, Title I requires employers to maintain the same per employee health expenditures as the previous calendar year, subject to a hardship provision. Employers will be required to report these expenditures annually to the Mayor. Title I also prohibits individuals who have been insured within the previous 6 months from dumping their employer-based coverage in favor of Healthy DC. Violations of both requirements will result in financial penalties, which will be deposited into the Healthy DC fund.

In order to achieve the goal of universal coverage by 2010, the District must ensure that affordable and accessible health insurance is available to *all* District residents. Full implementation of the Healthy DC Program is a critical step in that direction.

Healthy DC Act of 2008

Title II

- Beginning on July 1, 2009, all District residents over the age of 18 will be required to maintain continuous health insurance coverage.
- To determine compliance, individuals will be asked to certify that they maintained coverage as part of their annual income tax filings.
- The Mayor will be able to waive this requirement for individuals if compliance would result in an economic hardship or a religious violation.
- Individuals will be assessed a penalty of at least \$250 per year for non-compliance, which the Mayor may also waive pursuant to regulations.

Purpose

An estimated 45,000 District residents are currently uninsured and often suffer poor health outcomes because they lack a regular source of care. These individuals often seek care only during a medical emergency, increasing hospital emergency room utilization rates and uncompensated care expenditures. These costs are passed on to the insured population in the form of higher insurance premiums and to the government in the form of higher expenditures for safety net programs.

Title II requires all individuals to have health insurance beginning in 2009. This requirement will improve health outcomes for District residents, ease the burden of rising health coverage costs, and move the District closer to the goal of universal coverage by 2010.

The District would not be the only jurisdiction to require individuals to have health insurance. In 2006, Massachusetts was the first state to move toward universal coverage by requiring all residents over the age of 18 to maintain health coverage in 2007. By utilizing the income tax process to monitor compliance and assess penalties, Massachusetts has minimized the administrative burden of this requirement. Since passage, Massachusetts has enrolled over 70% of its uninsured population and spurred other states to action. Today, more than 20 states are considering individual mandates as part of universal coverage initiatives.

In order for an individual mandate to be an effective component of universal coverage, individuals must be able to access affordable health coverage through the private market or public programs. Critical market reforms included in Title VI will help to improve access and affordability in the private insurance market. Full participation in the Healthy DC program as envisioned in Title I, coupled with enrolling all of our residents currently eligible but not enrolled in DC HealthCare Alliance and Medicaid Programs, will ensure that all uninsured individuals have comprehensive health coverage for the first time in the history of the District of Columbia.

Healthy DC Act of 2008

Title III

- By July 1, 2010, the District will increase the Medicaid fee-for-service reimbursement rates for speciality and primary care physician services to match the Medicare reimbursement rates.

Purpose

In order to achieve the goal of universal health coverage by 2010, the District must ensure that medical care is affordable and accessible to all residents. This includes taking steps to adequately support our provider community. Having insurance is one thing; being able to access health services when needed is another. Title III takes an important step to align critical Medicaid fee-for-services rates with those of the federal Medicare program.

The Medicaid fee-for-service program serves low-income individuals who are elderly, disabled, and developmentally disabled. Currently, the program's primary and specialty physician reimbursement rates are approximately 50% of what Medicare pays. Given these low reimbursement rates, it is difficult to recruit and retain physicians who are willing to participate in the program. As a result, many insured individuals cannot access necessary services, including critical preventative and chronic disease care. They often delay or forego treatment, or are forced to rely on already over-crowded emergency rooms. Not only does this lead to poorer health outcomes for these insured District residents, but it drives up the cost of the overall health care system.

Title III's increase of Medicaid fee-for-service speciality and primary care physician rates is an up-front investment in the health of the District. Higher reimbursement rates will draw more physicians into the Medicaid program and provide enrollees with greater access to care. Title III will increase investment in primary care and also help reduce unnecessary emergency room visits thereby improving overall health outcomes in the District.

Healthy DC Act of 2008

Title IV

- Amends the Healthy DC Fund as established in the Budget Support Act of 2006 in order to support the new Healthy DC Program.
- The Fund will be nonlapsing.
- The Fund will not revert to the District's General Fund.
- The Fund will maintain an annual minimum reserve balance equivalent to one year's expenses of the Healthy DC Program.
- Any funds not dedicated to the Healthy DC Program may be used to support Medicaid and the DC HealthCare Alliance.

Purpose

The purpose of the Healthy DC Fund is to provide a continual revenue source to implement and support the District's Healthy DC Program. The Fund is designed to permit flexibility by accepting revenue from various sources. Specifically, the Act states that monies collected from employers and insurance carriers found to be in violation of Title I, fines collected against individuals not in compliance with the mandate set forth in Title II, and additional tax revenue generated from Title V will be deposited into the Fund.

To ensure that revenues collected for the purpose of supporting the health care programs are not utilized for other non-health related purposes, this title specifies that monies deposited into the Healthy DC Fund shall remain in the Healthy DC Fund. Furthermore, the Fund will maintain a minimum balance sufficient to support costs for the Healthy DC Program for a full year at all times. By establishing a secure Fund, this title helps to ensure that the Healthy DC Program is not compromised due to funding limitations in the future.

In addition to supporting the Healthy DC Program, the Fund is designed to assist the District's other low-income health benefit programs. Funds that are not committed to the Healthy DC Program may be made available to Medicaid and the DC HealthCare Alliance.

Healthy DC Act of 2008

Title V

- Health Maintenance Organizations (HMOs) will be required to pay a 2.0% premium tax.
 - The tax shall not apply to HMO premiums for Medicaid, the DC HealthCare Alliance or any other federal health benefit programs.
 - HMOs will continue to pay real estate taxes and insurance regulatory fees.
- The tobacco excise tax will increase from \$0.05 per cigarette to \$0.10 per cigarette.
- Premium taxes for commercial insurers, including CareFirst, will increase from 1.7% to 2.0%.
- Premium taxes collected from this Title will be deposited in the Healthy DC Fund.

Purpose

HMOs were originally structured to help insurance companies control their overall costs. The early HMOs generated smaller funds from their members' premium rates than did insurance companies, and as such, HMOs were not subject to premium taxes to protect their viability. Thirty-five years later, HMOs and insurance companies have virtually identical roles in our health care system, yet HMOs continue to be exempt from premium taxes in some jurisdictions. To address this imbalance, over twenty states have acknowledged these market changes and have enacted legislation to apply a premium tax on HMOs. For example, Maryland applied a 2.0% premium tax on HMOs in 2004.

Premium taxes on HMOs allow states to directly invest in their health care systems. At present, the District does not apply premium taxes to HMOs. The bill creates a uniform 2.0 % tax on all health insurance carriers regardless of their business classification. The revenue generated from these taxes will be deposited into the Healthy DC Fund to support program operations.

In addition to establishing equal tax regulation among health insurance carriers and HMOs, the legislation will increase the District's tobacco excise tax from \$.05 per cigarette to \$.10 per cigarette. The adverse affects of smoking are well-known. The District's Department of Health currently administers smoking cessation and prevention services, but we can do more to discourage smoking. According to the American Lung Association DC, of the 19 states that increased their tobacco excise tax between 2004-2005, all experienced a drop in cigarette pack sales and an increase in revenue. By increasing the cigarette tax, the District will join many other states that have used an increase in the cigarette tax to deter our residents from smoking while simultaneously investing in health care.

Our neighbors, Maryland and Virginia, have increased tobacco excise taxes in recent years. This additional excise tax will effectively raise the tax on a pack of cigarettes from \$1 to \$2 in the District.

Healthy DC Act of 2008

Title VI

- Beginning on July 1, 2009, no application for individual health coverage can be denied by a health insurance company.
- Beginning on July 1, 2009, the premiums that an individual pays for individual coverage will be based upon the experience of a large group, not any one particular individual.
- All individual health insurance policies issued prior to July 1, 2009, shall continue in force until renewal.

Purpose

In order to achieve universal coverage by 2010, every District resident must be able to access health coverage. This is not possible if insurance companies are allowed to deny individuals because they are too sick, too old, or too risky. Beginning in July 2009, insurance companies will be required to offer coverage to *all* individual applicants, a practice known as “guaranteed issue.”

Prohibiting denials of coverage is only part of the equation. District residents must also be able to afford the health coverage that they are approved for. Currently, many individuals cannot afford individual health coverage because the premium price is highly weighted to account for the individual’s gender, age, health status or occupation. As a result, older and sicker individuals are often priced-out of coverage. To adjust for this imbalance, beginning in July 2009 the premium price offered for health coverage on the individual market will be based upon a “community rate” and not that of a particular applicant. The community rate is the annual cost of the entire pool divided by the number of people covered in the pool. Community rating does not allow for particular traits— such as gender, age, health status or occupation—to be used in price calculations, resulting in a simple and affordable rate to many individuals.

These market reforms provide a critical foundation for the proposed legislation and are necessary to support the goal of universal coverage by 2010. Other states, including New York, New Jersey, Massachusetts, Vermont and Maine, have used similar tools to promote universal coverage. By guaranteeing issue and charging all individuals the same amount for insurance, coverage through the individual market—including the Healthy DC Program—would always be available and affordable.

Chairman Vincent C. Gray

Councilmember David A. Catania

Councilmember Jack Evans

Councilmember Kwame R. Brown

Councilmember Tommy Wells

Councilmember Harry Thomas, Jr.

Councilmember Yvette Alexander

Councilmember Mary Cheh

Councilmember Phil Mendelson

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To establish the Healthy DC Program; to require that District residents maintain health insurance coverage; to increase Medicaid fee-for-service reimbursement rates; to amend the Healthy DC Fund to allow for additional revenue to be deposited; to require health maintenance organizations to pay a premium tax; to increase the cigarette tax and to raise the premium tax imposed on health insurers in the District; and, to require that all products on the individual health insurance market be guaranteed issue and community rated.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Healthy DC Act of 2008”.

TITLE I - Healthy DC Program

Sec. 101. Definitions.

For purposes of this title, the term:

(1) “Employer” means any individual, firm, association, or corporation, any receiver or trustee of any individual firm, association, or corporation, or the legal representative of a deceased employer who uses the services of another individual for pay in the District.

(2) “Employee” means any individual who has been employed by the same employer for 1 year and has worked at least 1000 hours without a break in service, except for regular holiday, sick, or personal leave granted by the employer.

(3) “Health insurer” means any person that provides one or more health benefit plans or insurance in the District of Columbia, including an insurer, a hospital and medical services corporation, a fraternal benefit society, a health maintenance organization, a multiple employer welfare arrangement, or any other person providing a plan of health insurance subject to the authority of the Commissioner of the Department of Insurance, Securities and Banking.

Sec. 102. Establishment of Healthy DC Program; administration.

(a) There is established the Healthy DC Program (“Program”) which shall provide affordable health insurance benefits to eligible individuals.

(b) The Program shall be administered by the Department of Health Care Finance, established by the Department of Health Care Finance Establishment Act of 2007, effective February 27, 2008 (D.C. Law 17-109; 55 DCR 216).

Sec. 103. Program eligibility.

An individual shall be eligible for the Program if the individual:

(1) Has resided in the District for at least 6 months at the time of application to the Program;

(2) Resides in a household having a gross household income greater than 200% of

the Federal Poverty Guidelines as updated periodically in the Federal Register by the U.S. Department of Health and Human Services under the authority of 42 U.S.C. 9902(2);

(3) Does not qualify for the District of Columbia HealthCare Alliance, Medicare, Medicaid, or other federal health benefits programs; and

(4)(A) Has not had health insurance during the 6-month period prior to application to the Program;

(B) Has had health insurance during the 6-month period prior to application to the Program but the insurance was terminated due to:

- (i) The loss of employment;
- (ii) A death of a spouse, domestic partner, or family member who maintained the individual as a beneficiary on a health insurance plan;
- (iii) Changes in student status, including graduation, a leave of absence, or reduction to part-time study;
- (iv) A change of employment to a new employer who does not provide group health insurance;
- (v) A legal annulment, separation, divorce, or the dissolution of a domestic partnership;
- (vi) The loss of financial eligibility under Medicaid or the District of Columbia HealthCare Alliance;
- (vii) The cancellation or discontinuation of a group health insurance contract by a health insurer; or
- (viii) Any other reason as determined by the Mayor;

(C) Has employer-based health insurance but the annual premium cost to the individual is deemed unaffordable as determined by the Mayor; or

(D) Has insurance coverage as an individual through a health insurer, including participation in the Open Enrollment Program as established by section 15 of the Hospital and Medical Services Corporation Regulatory Act of 1996, effective April 9, 1997 (D.C. Law 11-245; D.C. Code § 31-3514).

Sec. 104. Program benefits; affordability.

(a) The Program shall provide, at minimum, the following health benefits:

- (1) Hospitalization, both in-patient and out-patient;
- (2) Physician services;
- (3) Mental health services;
- (4) Substance abuse treatment;
- (5) Maternity; and
- (6) Prescription pharmaceuticals.

(b) The Program shall maintain the following affordability criteria for individual participants:

(1) Annual premium costs shall not exceed 3% of the individual's gross income;

and

(2) All other annual costs, excluding annual premium costs, shall not exceed 6% of the individual's gross income.

Sec. 105. Program implementation; funding.

(a) The Mayor shall make the Program available to eligible individuals by July 1, 2009.

(b) To meet the deadline set forth in subsection (a) of this section, the Mayor is authorized to enter into a contract with CareFirst, Inc. to implement and carry out the Program.

(c) Any contract entered into pursuant to this section shall require annual reporting of clinical quality measurements and utilization data to the Mayor.

(d) The Program shall be funded through the Healthy DC Fund as established by section 15b of the Hospital and Medical Services Corporation Regulatory Act of 1996, effective March 2, 2007 (D.C. Law 16-19; D.C. Code § 31-3514.02) (“Fund”).

Sec. 106. Notice of change in insurance requirement.

(a) Prior to eliminating or restricting the availability of any health insurance plans offered in the District, a health insurer shall submit a notice of change to the Commissioner of the Department of Insurance, Securities and Banking explaining the proposed change. The notice of change shall be submitted in a manner and form determined by the Mayor.

(b) The failure or refusal to submit a notice of change required by this section shall be subject to a civil penalty not to exceed \$10,000 for each such failure or refusal.

Sec. 107. Employer reporting requirement.

(a) Beginning in 2010, employers shall submit an annual report, in a manner and form determined by the Mayor, attached to their tax return that includes the following information for the prior calendar year:

(1) The number of its employees who were located in the District of Columbia;

(2) The total cost to the employer of providing health insurance benefits on an expense reimbursed or prepaid basis to those employees who were located in the District of Columbia;

(3) The average per employee cost to the employer of providing health insurance benefits on an expense reimbursed or prepaid basis to those employees who were located in the District of Columbia; and

(4) Any other information as required by the Mayor.

(b) Any employer that refuses or otherwise fails to submit the report required by this section shall be subject to a civil penalty not to exceed \$10,000 for each such refusal or failure.

Sec. 108. Employer maintenance of effort.

(a) Beginning in 2009, an employer shall be required to maintain the same level of per employee health care expenditure as it did during the prior calendar year, unless granted a waiver of compliance with this requirement by the Mayor. For purposes of this subsection, the per employee health care expenditure shall be the average per employee cost to the employer of providing health insurance benefits on an expense reimbursed or prepaid basis to those employees located in the District of Columbia.

(b) An employer found by the Mayor to be in violation of this section shall be subject to a fine of not less than double the difference between the employer's total required expenditure to provide health insurance benefits on an expense reimbursed or prepaid basis to its employees located in the District and the employer's actual expenditure.

Sec. 109. Prohibitions.

(a) It shall be unlawful for a health insurer to eliminate or restrict the availability of a health insurance plan offered in the District with the intent of shifting beneficiaries to the Program. A health insurer found to be in violation of this subsection shall be subject to a fine of not less than \$10,000.

(b) It shall be unlawful for an employer that provides or contributes toward the cost of group health insurance benefits on an expense reimbursed or prepaid basis for its employees to eliminate such benefits or to change the terms of an employee's employment with the intent of shifting responsibility for employee health insurance to the Program. An employer found by the Mayor to be in violation of this section shall be subject to a fine of not less than double the difference between the employer's required health expenditure and the employer's actual health expenditure for the calendar year in which the violation was found.

Sec. 110. Disposition of fines and penalties.

Fines and penalties collected pursuant to this title shall be deposited in the Fund.

Sec. 111. Rulemaking.

The Mayor, pursuant to Title I of the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1204; D.C. Official Code § 2-501 *et seq.*), shall issue rules to implement the provisions of this title.

TITLE II - Individual insurance mandate

Sec. 201. Definitions.

For purposes of this title, the term "continuous health coverage" means the ongoing participation by an individual in a health insurance plan, either as an individual or as a named beneficiary on another individual's coverage, with no lapse in coverage exceeding 63 days in any calendar year.

Sec. 202. Individual mandate.

By July 1, 2009, each District resident who is 18 years of age or older shall obtain and

maintain continuous health coverage.

Sec. 203. Compliance; penalties.

(a) Beginning January 1, 2011, each individual required to maintain continuous health coverage pursuant to section 202 shall certify under penalty of perjury in his or her income tax return for the prior calendar year that for that prior calendar year, the individual either:

- (1) maintained continuous health coverage; or
- (2) was exempt pursuant to section 204.

(b)(1) The failure to meet the requirement set forth in section 202 for a calendar year shall result in a penalty. The amount of the penalty shall be determined by the Mayor; provided, that it shall be no less than \$250.

(2) The failure to meet the requirement set forth in section 202 for any two consecutive calendar years shall result in a penalty. The amount of the penalty shall be determined by the Mayor; provided, that it shall be no less than \$500.

(c) Any penalties collected pursuant to this section shall be deposited in the Healthy DC Fund as established by section 15b of the Hospital and Medical Services Corporation Regulatory Act of 1996, effective March 2, 2007 (D.C. Law 16-19; D.C. Code § 31-3514.02).

Sec. 204. Exemptions; waiver.

(a) An individual for whom the requirement set forth in section 202 would violate the established tenets and practices of his or her religion shall be exempt from the requirements of this title.

(b)(1) The Mayor may grant an economic hardship waiver from the requirement set forth in section 202 to an individual whose annual premium costs would exceed 6% of gross income.

(2) The Mayor may grant a hardship waiver from the penalties set forth in section 203(b).

(3) Any waiver granted pursuant to this subsection shall be based on regulations issued in accordance with this title.

Sec. 205. Rulemaking.

The Mayor, pursuant to Title I of the District of Columbia Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1204; D.C. Official Code § 2-501 *et seq.*), shall issue rules to implement the provisions of this title.

TITLE III - Medicaid reimbursement rates

Sec. 301. Reimbursement rates.

The Department of Health Care Finance, established by the Department of Health Care Finance Establishment Act of 2007, effective February 27, 2008 (D.C. Law 17-109; 55 DCR 216), shall increase the specialty physician and primary care physician reimbursement rates under the District Medicaid fee-for-service program to match the specialty physician and primary care physician reimbursement rates under the federal Medicare program.

Sec. 302. Funding.

Implementation of this title shall be subject to appropriations.

TITLE IV - Healthy DC Fund amendment

Sec. 401. Section 15b of the Hospital and Medical Services Corporation Regulatory Act of 1996, effective March 2, 2007 (D.C. Law 16-192; D.C. Official Code § 31-3514.02.), is

amended to read as follows:

“Section 15b. Establishment of Healthy DC Fund.

“(a) There is established a segregated, nonlapsing fund designated as the Healthy DC Fund ("Fund"). Funds deposited into the Fund shall not revert to the General Fund of the District of Columbia at the end of any fiscal year, or at any other time, but shall be continually available to support the Healthy DC Program (“Program”), established by the Healthy DC Act of 2008, as introduced on April 1, 2008 (D.C. Bill 17-___), and, if funds remain in the Fund in any given fiscal year after the Program has been fully funded, to support other publicly financed health care programs, including the District’s Medicaid program and the DC HealthCare Alliance; provided, that the Fund shall at all times maintain a minimum balance as determined by the Mayor so as to secure funding for the Program for a minimum of 12 months.

“(b) There shall be deposited into the Fund:

“(1) All tax revenue derived pursuant to section 15a;

“(2) Any other local funds, including any fees, penalties and other tax revenue required by District law;

“(3) Annual appropriations, if any;

“(4) Federal grant funds;

“(5) All fines and penalties collected pursuant to Titles I and II of the Healthy DC Act of 2008, as introduced on April 1, 2008 (D.C. Bill 17-___); and

“(6) Grants, gifts, or subsidies from public or private sources.”

TITLE V - Tax amendments.

Sec. 501. The Health Maintenance Organization Act of 1996, effective April 9, 1997 (D.C. Law 11-235; D.C. Official Code § 31-3401 *et seq.*) is amended by adding a new section 4a to read as follows:

“(4a) Premium tax.

“(a) Effective January 1, 2009, all health maintenance organizations shall pay to the District of Columbia, for each calendar year, a sum of money as taxes equal to 2.0% of their policy and membership fees and net premium receipts or consideration received in such calendar year, excluding those fees, receipts or consideration received pursuant to District Medicaid program, the District of Columbia HealthCare Alliance, any federal employee health benefit program or Medicare, on all policies or contracts in the District of Columbia. Such tax shall be in lieu of all other taxes except:

“(1) Taxes upon real estate; and

“(2) Fees and charges provided for pursuant to the Health Maintenance Organization Act of 1996, effective April 9, 1997 (D.C. Law 11-235; D.C. Code § 31-3401 *et seq.*).

“(b)(1) Except as provided in paragraph (2) of this subsection, the tax imposed for calendar year 2009, and for each calendar year thereafter, shall be paid on or before the first day of June of the calendar year in which the income to be taxed is received and before the first day of March following the close of each calendar year. The June payment shall be an amount equal to 1/2 of the total premium tax liability determined for the preceding calendar year. In accordance with rules prescribed by the Mayor, each company shall determine its total tax liability for each calendar year and pay the remainder, if any, on or before the first day of March

following the close of each calendar year. Overpayments of tax may be refunded to the company or credited to the company's next installment payment, at the election of the company.

“(2) The installment payment provision of subsection (b)(1) of this section shall not apply in the case of any company having a tax liability for the preceding calendar year less than \$1,000. In such cases the tax shall be paid on or before the first day of March following the close of the calendar year.

“(c) The certificate of authority of any health maintenance organization may be revoked for failure to pay the required premium tax.

“(d) All revenues collected pursuant to this paragraph shall be deposited in the Healthy DC Fund as established by section 15b of the Hospital and Medical Services Corporation Regulatory Act of 1996, effective March 2, 2007 (D.C. Law 16-192; D.C. Code § 31-3514.02).”

Sec. 502. Title 47 of the District of Columbia Official Code is amended as follows:

(a) Section 47-2402(a) is amended by striking the phrase “\$.05 for each cigarette.” and inserting the phrase “\$.10 for each cigarette.” in its place.

(b) Section 47-2608(a) is amended as follows:

(1) Paragraph (1) is amended by striking the phrase “All such companies” and inserting “Except as provided in paragraph (1A), all such companies” in its place.

(2) A new paragraph (1A) is added to read as follows:

“(1A)(A) All companies which issue contracts of insurance against accident and loss of health shall pay to the District of Columbia, for each calendar year, a sum of money as taxes equal to 2.0% of their policy and membership fees and net premium receipts or consideration received in such calendar year on all policies or contracts in the District of

Columbia. Such tax shall be in lieu of all other taxes except:

“(i) Taxes upon real estate; and

“(ii) Fees and charges provided for by the insurance laws of the District including amendment made to such laws by this chapter.

“(B) All funds collected pursuant to this paragraph shall be deposited in the Healthy DC Fund as established by section 15b of the Hospital and Medical Services Corporation Regulatory Act of 1996, effective March 2, 2007 (D.C. Law 16-192; D.C. Code § 31-3514.02).”

TITLE VI - Insurance market regulation

Sec. 601. Definitions.

For purposes of this title, the term:

(1) “Community rated” means an insurance premium that is calculated based on the costs for all covered individuals divided by the number of covered persons so as to produce a single per person rate that reflects the average total costs of all members in an individual coverage plan.

(2) “Guaranteed issue” shall mean that no carrier shall decline coverage for an individual.

Sec. 602. Individual insurance market.

Beginning July 1, 2009, all health insurance policies issued to individual subscribers, including any policies issued pursuant to the Healthy DC Program established by the Healthy DC Act of 2008, as introduced on April 1, 2008 (D.C. Bill 17-___), shall be guaranteed issue and community rated.

Sec. 603. Policy maintenance.

All individual health insurance policies issued prior to July 1, 2009, shall continue in force until renewal. Upon renewal, the policy shall comply with section 602.

TITLE VII

Sec. 701. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

Sec. 702. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), a 60-day period of Congressional review, as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.