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Federal Relations

Federal Relations Report

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"It's not easy to become a law, is it?"
--Boy talking to Bill the bill in the classic Schoolhouse Rock educational video "I'm Just a Bill," 1975.

Clocking in at just three minutes, "I'm Just a Bill" taught an entire generation of Americans that the lawmaking process can be long and difficult. Still, even with that fair warning in mind, the passage of the health care reform bill and the subsequent reconciliation bill that tweaked it and revamped the federal student loan program was a rich, if probably unwanted, lesson in parliamentary procedure. If today's children's television producers wanted to create an "I'm Just a (Health Care) Bill" video, it is doubtful they could reduce it to anything less than an hour-long after-school special!

We in federal relations lack the resources and creativity to create such a video, but we have been digging, along with folks in human resources, financial aid, student health, and the Academic Health Center, for answers about how the new health care and financial aid laws will affect the University and the University community.

Financial aid flies in under the radar

Incorporated into the budget reconciliation bill that modified the health care reform bill was a stripped down version of student aid legislation that had passed the House last year. Dubbed the Student Aid and Fiscal Responsibility Act, or SAFRA for short, the legislation made good on President Obama's intention to convert the federal student loan program from a hybrid public-private arrangement, where colleges either secure loans from federally subsidized private lenders or directly from the federal government, to a Direct Loan-only system.

Although SAFRA's scope is small compared with that of health care reform, it nevertheless represents a sea change in financial aid. Because the University of Minnesota has long been a Direct Loan school, students will see little change in the awarding of federal loans at the U.

Over the next ten years, however, the federal dollars that have been subsidizing loans from private lenders under the Federal Family Education Loan (FFEL) program will now largely be diverted to Pell grants. The administration's hope is that this infusion of roughly $36 billion in mandatory funding (vs. the other flavor of federal funds, which are discretionary dollars) will protect against possible cuts in the maximum Pell award in the short-term and augment funds to increase

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the Maximum Pell Grant in the long-term.

Although the infusion of funds into Pell is significant, advocates for the program have had to scale back their expectations. At one point, the DL shift was estimated to free up more than $80 billion in funding over ten years. Ultimately, the Congressional Budget Office (CBO) scored the change at $61 billion because many schools were, at the strong urging of the Obama administration, already making the shift to Direct Loan before the bill's final passage, and therefore the savings of those current shifts would not count toward the bill's future savings. Lawmakers also used SAFRA to make up part of a current $20 billion shortfall in Pell that is the result of a dramatic increase in the number of Pell applicants now qualifying for this need-based program, to offset the cost of health care reform and to reduce the federal deficit. For a detailed explanation of the Pell changes, follow this link.

The version of SAFRA that passed the House last year had a broader agenda than diverting funds from FFEL to PELL. In the end, the legislation was scaled back significantly due to the rules that govern what the Senate can include in a reconciliation bill and the reduced CBO projections of savings. Notably eliminated were a significant expansion and revamping of the Perkins Loan program, and $3 billion to reduce student loans rates. Congress also reduced proposed funding for community colleges and for efforts to encourage college completion.

One set of changes that did pass in the bill sweetened the terms of the Income Based Repayment (IBR) program for federal student borrowers, and added a new component that will benefit borrowers who go into public service jobs. New borrowers who assume loans after July 1, 2014, will be able to cap their student loan repayments at 10 percent of their discretionary income and have the balance forgiven after 20 years, compared with the current 15 percent and 25 years, respectively. (Discretionary income is the amount of the borrower's adjusted gross income that exceeds 150 percent of the poverty line for the borrower's family size.)

Public service workers, such as teachers, nurses, and those in military service, will see any remaining debt forgiven after 10 years. More than 1.2 million new borrowers are projected to qualify and take part in the expanded IBR program.

Health care reform: defying simple description

One reason that health care reform struggled for passage in Congress was the bill's complexity, which did not lend itself to easy political messaging or sloganeering. Complexity–including the many hard-to-foresee secondary and tertiary effects–remains a challenge as the University of Minnesota examines how health care reform will affect it as a key educator of health care professionals, as an employer, as an insurer for its students, and as a provider through its clinics.

The health care reform bill reflects lawmakers' concern that our current system of educating health care professionals does not produce enough primary health care providers, and that providing insurance for tens of millions more Americans, as the new law seeks to do, will make this shortage more acute. Consequently, in the medical and health professional education area, lawmakers included provisions that will:

• Redistribute currently unused residency training slots for physicians, with priority given to primary care and general surgery training, and to states with the lowest resident physician-to-population rates.

• Promote residency training in outpatient facilities and in new Teaching Health Centers outside of traditional hospital settings.

• Provide scholarships and loans, including a public health workforce loan repayment program and grants to train family nurse practitioners in qualified settings.

• Support the development of training programs that focus on primary care models such as medical homes and team management of chronic disease, and that integrate physical and mental health services.

The University is already a leader in many of the areas that the legislation highlights. Our medical school, for example, was ranked second in the nation for production of primary care physicians for rural communities in a recent academic article and ranked highly in USNews' category for primary health. In theory, that leadership should put the University in a position to benefit from the law's funding and incentives, but much will depend on how the government administers it.

In the area of employer-provided health plans, the University should also benefit–at least in theory–for already emphasizing many of the new law's areas of focus, such as employee wellness programs and health plans oriented toward prevention-based medicine.

In a little less than six months, the University will need to comply with the first wave of health insurance reforms for its employees, including extending parents' ability to insure dependent children up to the age of 26 on their health insurance (state law now requires an option to cover up to age 25), and eliminating annual and lifetime limits on coverage (currently, the University has a $5 million lifetime limit for individuals). The new law also prohibits excluding coverage for preexisting conditions for children, but the University does not currently exclude such coverage for any dependent or employee. Next year the law removes over-the-counter medicines from eligibility for reimbursement by medical flexible spending accounts (FSAs), and beginning in 2013 it limits FSAs to $2,500 annually, versus the current $5,000 limit.

Perhaps the most drastic effect of health care reform as it relates to U employees will arrive in 2018, when a 40 percent excise tax will apply to employer health plans valued over $10,200 for individual coverage and $27,500 for family coverage. This is the so-called Cadillac health plan provision, which lawmakers in the Senate designed to slow down health care cost inflation and to provide a source of funding for other elements of the health reform package.

The University's current plan offerings appear to fall below those limits, but if the cost of plans the University purchases continues to rise at even a modest rate, the ceilings prescribed in the law could easily affect the ability of the U to maintain the level of benefits it now offers to employees.

Since the excise tax provision goes into effect in 2018, there is a good chance that lawmakers will revisit the tax, its benefit limits, and the employee groups to which it might apply. Lawmakers in the House, in particular, do not like this provision. The House's original draft of health legislation relied on a surtax on wealthy individuals to finance a part of the bill's new costs instead of an excise tax, but the Senate's provision prevailed.

The future of the University's ability to offer low-cost, high-quality health insurance to students is one of the foggier aspects of health care reform. The University was part of a coalition of schools that expressed concern over previous versions of the health reform bill, which appeared to make it very difficult for a university to offer an affordable, high quality student health plan. Some of these concerns were addressed in the bill that became law, but important questions remain:

• Will student health plans be subject to community rating; i.e., will students be pooled with a larger population (which would presumably increase student costs, because students tend to be younger and healthier than the larger population)?

• Will universities be allowed to offer health plans that are limited to a student's term of study when health reform law appears to require that insurers guarantee renewal of an individual's health care plan?

• Will student health plans be required to be offered on the health insurance exchanges that are set to begin 2014? If they are, will students opt for outside insurance that has fewer benefits and a much higher deductible–to their possible detriment should they become ill? And, because the University's student health plan has been comparatively generous in the benefits it provides, will less healthy individuals not associated with the University be attracted to a plan set up for students, thereby driving costs for the plan higher because of what economists term adverse selection.

It is still early, but the University's administration, its human resources and student health professionals, and its Academic Health Center, are still studying the possible effects of health care reform on the institution and the people it serves. There are dimensions of health care reform, for example, that will affect the University as a health care provider, as a partner with hospitals and hospital systems (notably Fairview), and as an institution that relies on state supports.

Many of these effects will become clearer as the government creates the regulations that implement the broader legislation. The University will continue to monitor and address health care reform's possible impacts to ensure that we can continue to serve the public as a creator of medical innovation and a source of tomorrow's health care professionals.

On Campus and on the Hill

Dr. Deb Swackhamer attended the National Institutes for Water Resources (NIWR) meetings in Washington, D.C., and made numerous visits on the Hill with staff and members of Congress. The Water Resources Research Act of 1964 authorized the creation of an institute or center in each state, whose responsibility would be research, training, and the dissemination of research. The program is administered by the U.S. Geological Survey as the Water Resources Research Act Program under the general guidance of the Secretary of the Interior. Dr. Swackhamer is the institute's president-elect.

Tom Schmidt, U of M director of the office of student financial collections and a colleague from Concordia College, Moorhead, Larry Rock, made Hill visits to our delegation and attended the annual conference of the Coalition of Higher Education Assistance Organizations. This was in follow-up to previous meetings the two had ealier this year.

Bill Miller (NovA/Soudan), Ken Heller (Physics) and Alec Habig (Physics) met with Senator Amy Klobuchar in International Falls to update the senator on the construction at the NOvA (Ash River) lab and the plans for this Department of Energy/Fermi collaborative research facility.

The leadership of the College of Veterinary Medicine met with Rep. Betty McCollum to brief her on issues of global food security, public health issues including zoonotic disease, antibiotic resistance, and other emerging issues.

Rep. Betty McCollum met with faculty and researchers to discuss Emerald Ash Borer in Minnesota and to get an update from the U's Center for Farm Financial Management.

Senator Al Franken participated in a School of Public Health roundtable entitled "Health Care Reform: What Just Happened?", a discussion of the passage of the health care legislation and what it entails.

Article of interest

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Obama Reaffirms Support for Community Colleges at Signing of Student-Loan Bil
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Economic Scene - If Health Reform Fails, America's Innovation Gap Will Grow

http://www.nytimes.com/2009/12/16/business/economy/16leonhardt.html
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With or Without Health Reform, We Pay for Others' Bad Habits
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3 Cheers for the New Student Lending Law
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Summary of Coverage Provisions in the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010
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It's Really Over This Time; Chambers Pass Reconciliation
http://www.nationaljournal.com/congressdaily/hca_20100326_1277.php
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Ezra Klein for the Washington Post

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