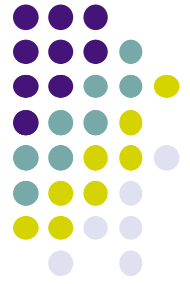
The Patient Protection and Affordable Care Act: ITUP's Overview



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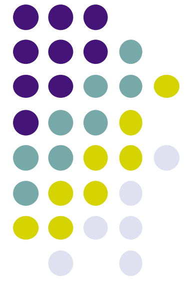
6/28/2010

Overview of Reform



- Expands coverage to 33 million individuals by 2019, covering nearly 95% of Americans
- Bending the cost curve
  - Extends solvency of Medicare Trust Fund by 10 years through 2-3% annual reduction in spending growth (e.g. 6% growth to 4% growth)
  - Slows private health care expenditure growth annually by 1% (e.g. 6% growth to 5% growth)
  - Reduces federal deficit by $130B over 10 years, and over $1T in second decade

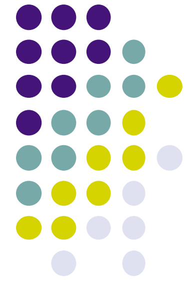
Sources: CBO Score of Senate Bill, White House Council of Economic Advisors

HEALTH CARE REFORM COST AND SAVINGS ESTIMATE
FULL IMPLEMENTATION: CALIFORNIA

(Dollars in Thousands)

COST/(SAVINGS) ELEMENT	FY 2018-19 H.R. 3590 Patient Protection and Affordable Care Act	
	Total Funds	General Funds
Eligibility expansion (MIAs and Parents)	$ 6,815,000	$ 682,000
Healthy Families Shift (to Medi-Cal)	648,000	324,000
Coverage of eligible but unenrolled (Medi-Cal and Healthy Families)	1,400,000	700,000
Exchange coverage subsidies	$11,130,000	
Administrative Costs (Ongoing)	16,000	8,000
Direct Costs (Savings)	(636,000)	(425,000)
Bright Line (Savings)	(954,000)	(477,000)
State Program (Savings)	(1,435,000)	(608,000)
County Program (Savings)		(1,440,000
Federal Reform Dividend for CA	**$16,984,000**	**($1,236,000)**
Outpatient rate increase (80% of Medicare)	4,318,000	1,974,000
Primary care rate increase (80% of Medicare)	537,000	255,000

Health Reform in California



Before Reform: 2006

Population (total)	Population (0-64)	Uninsured (0-64)	% uninsured (0-64)
36,099,400	32,219,015	6,570,366	20.4%

County Indigent Health Expenditures
$1,770,894,079

Full Implementation: 2018

Share of Medicaid/CHIP Expansion Funds (2014)	Share of Exchange Coverage Subsidies (2014)	Estimated Population (total) (2018)	Estimated Population (0-64)	Estimated Uninsured Without Reform (0-64)	Total Share of Expansion Funds and Subsidies (2018)
$2,608,000,000	$2,400,000,000	40,431,328	36,085,297	7,358,810	$17,945,000,000

Share of Medicaid/CHIP Expansion Funds (2018)	Share of Exchange Coverage Subsidies (2018)	Uninsured Eligible for Medicaid Expansion	Uninsured/Insured Eligible for Premium Subsidies in Exchange	Residual Uninsured (0-64)	Estimated % Uninsured (0-64)
$6,815,000,000	$11,130,000,000	1,689,000	3,231,000	1,592,782	3.9%

The Uninsured after Health Reform: California

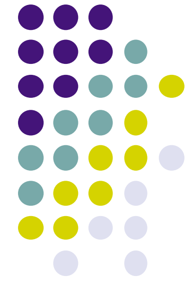
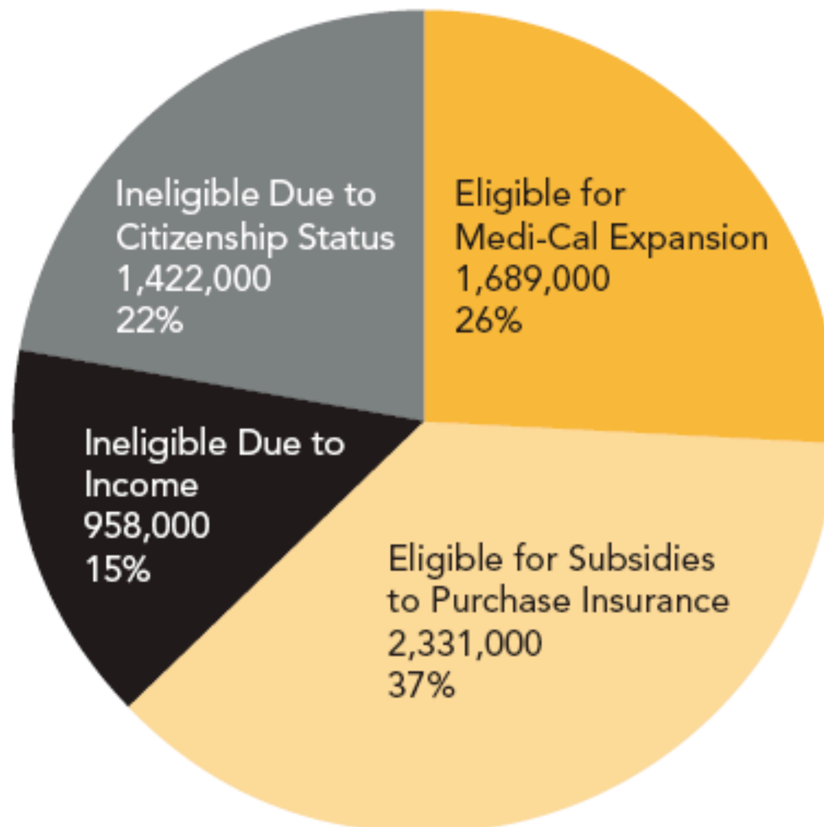
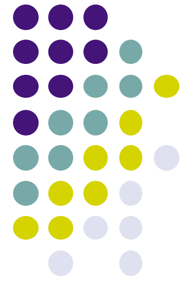


Exhibit 1. Eligibility for Health Insurance Expansions Under Proposed National Health Care Reforms, Ages 0-64, California, 2007



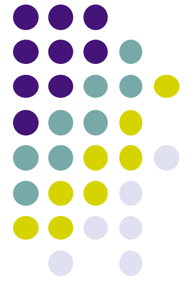
Source: *Health Policy Fact Sheet*, UCLA Center for Health Policy Research, Oct 2009

Medi-Cal Expansion – 25%



- Medicaid eligibility expansion to 133% FPL for parents and MIAs (100% federal financing from 2014-2016, phasing down to 90% in 2020)
  - •UCLA estimates 1.7 million newly eligible in CA
  - •50% increase in managed care enrollment
  - •MOE for CHIP eligibility through 2019
  - •MOE for Medi-Cal eligibility through 2014
  - •New legal and undocumented – emergency & perinatal
  - •Benchmark coverage (i.e. essential benefits, prescriptions and mental health) or Medi-Cal

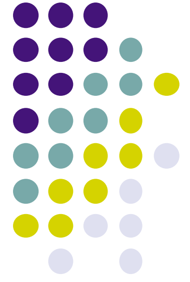
Health Insurance Exchange



- State exchanges with federal oversight
  - Incomes between 133-400% FPL eligible for refundable tax credits (premium subsidies)
  - Individuals pay sliding scale premiums capped at 2% - 9.5% of income
  - Would cover 2.3 million uninsured in CA (UCLA)
  - Would subsidize 45% of individually purchased private insurance in CA (CHIS calculation)
  - Up to 50% premium subsidy for small low wage employers
  - Choice of plan, benefit level and provider

- Initial focus – individual and small group (50, then 100) markets; 3 to 5 million lives

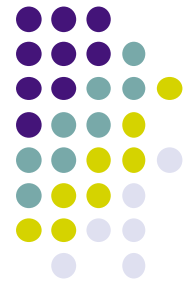
Sliding Scale Premiums and Out of Pocket – tied to Price



Income Level (FPL)	Max premium contribution, % of income	Actuarial value floors
<133%	2.0%	94%
133-150%	3.0-4.0%	94%
150-200%	4.0-6.3%	85%
200-250%	6.3-8.05%	73%
250-300%	8.05-9.5%	70%
300-400%	9.5%	70%

Source: HR 4872, The Reconciliation Act

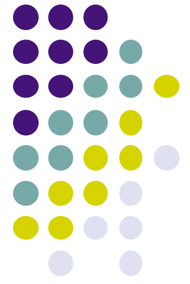
Exchange for Individuals in CA



	Uninsured		Private individual	
Poverty Level	Est. N	%	Est. N	%
0-99% FPL	1,491,000	31	150,000	8
100-199% FPL	1,494,000	31	224,000	11
200-299% FPL	733,000	15	260,000	13
300% - 399% FPL	397,000	8	253,000	13
400% FPL and Above	701,000	15	1,101,000	55
Total	4,817,000	100	1,988,000	100

CHIS, 2007

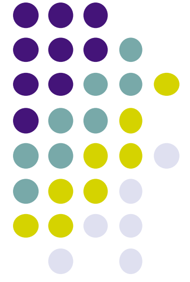
Individual Market Transformation



New protections across entire market

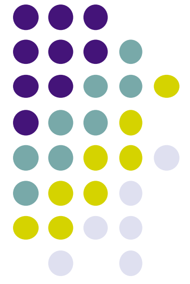
- Guaranteed issue and renewal (kids in 2010, adults in 2014)
- Minimum benefits package (grandfathering exceptions)
- Minimum medical loss ratio of 80% for individual and small employer markets (2011)
- Transparency in claims, costs, enrollment, etc. (begins 2010)
- Standardizing administrative processes (begins in 2011)
- No copays for effective preventive services (2010)

Individual Market Transformation



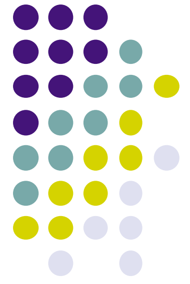
- Exchange plans in 2014
  - Compete on price and quality, not medical underwriting
  - Rating variation limitations: age, geography, family size, and tobacco use
  - Risk-adjustment mechanisms
  - ‘Essential community providers’ must be included in plan networks
  - Statewide cooperatives and national plans and public plans
  - Informed comparison shopping

Minimum Benefits



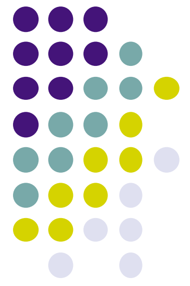
- Covered Benefits
  - 4 benefits categories ranging from 60 to 90% of the actuarial value of the covered benefit packages (Bronze 60%, Silver 70%, Gold 80%, Platinum 90%), <u>mandate tied to bronze</u>
  - Grandfathers existing benefits (you like it, you keep it)
  - HHS sets essential benefits: hospitals, doctors, drugs, prevention, child dental and vision
  - Prohibits annual/lifetime limits, covers effective preventive services with no copays
  - Young invincible coverage:
    - Prevention and catastrophic coverage for those up to age 30 or individuals exempt from mandate due to financial hardship
  - Exchange subsidies vary by income, linked to 2nd lowest cost plan for that income level; subscribers pay the incremental cost difference (**Enthoven on steroids**)
  - Exchanges can offer supplemental benefits, such as adult dental and vision coverage, but states pay incremental cost of any state mandates above federal floor (e.g. adult dental)

Potential for System Savings



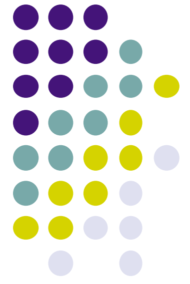
- “Hard Savings” (scored by CBO)
  - Cadillac tax
  - IPAB (MedPAC with teeth)
  - Medicare Advantage payment reductions and productivity formula changes
  - DSH payment reductions and drug discounts
- Changing incentives: Pay-for-Performance and ACOs (accountable care organizations)
- Exchange, data transparency and competition
- HIT, care coordination, and delivery evolution
- Focus on and investment in prevention and wellness

Reform Financing: ½ savings and ½ taxes



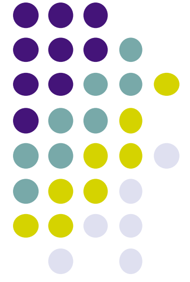
- Savings in Medicare and Medicaid
- Pay or play for employers with over 50 employees
- Excise tax on Cadillac plans
- Insurance industry, device and pharmaceutical manufacturer fees
- 0.9% Medicare payroll tax increase on individual/joint incomes over $200K/$250K
- 3.0% Medicare tax on unearned income of individual/joint incomes over $200K/$250K
- CBO finds law will reduce deficit by $130B over 10 years, $1.2T over 20 years

Reform Effects – California's Safety Net



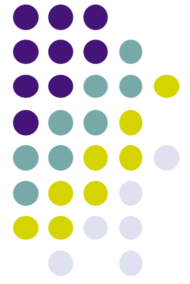
- Program Simplification and Reinvestment Opportunities
  - Freed-up funds in county programs
    - $1.44 billion (up to 80% of $1.8 billion spent in 2006)
  - Freed-up funds in state programs
    - $1.3 billion (up to 80% of DHCS 2013 projections)
  - Freed up mental health and public health funds
- Increased §330 funding for FQHCs -- $1 billion over 5 years for CA clinics
- Payments for "uncompensated" care to the uninsured in hospitals, clinics and doctor offices, reduced DSH funding and increased patient choice

Safety Net Transformations Under Reform – the end of silos



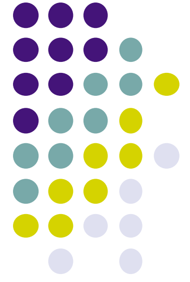
- Becoming **systems of care** for low income uninsured, existing Medi-Cal and Medicare patients
  - Focal point of managing care for patients with complex conditions
  - Managing relationships
    - Medical and mental health
    - Clinics and safety net hospitals
    - EHR and HIT
  - Central role of local MCO's (managed care organizations) in system evolution; changing role of county government

Safety Net Transitions Under Reform



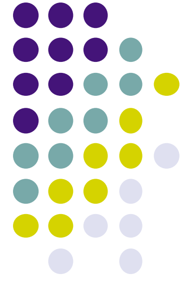
- Five to ten year transformation into a true system of care
  - Local MCOs and clinics are the lynch pin of safety net transition
  - Must integrate, coordinate and collaborate: safety net hospitals, clinics, and local MCOs cannot go it alone
- Becoming a superior network in a highly competitive environment (the Exchanges) -- the higher income uninsured, individual and small employer markets
  - Improved patient outcomes and patient satisfaction
  - Pay for performance, price per outcome and gain sharing

Investments in Primary Care



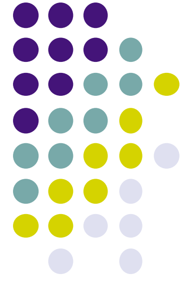
- Community clinics will be a lynchpin in reform
  - $11B in infrastructure development
  - Substantial increase in revenue due to newly insured
  - Must collaborate, manage care and integrate effectively
- Physician incentives
  - 10% increase in Medicare reimbursement
  - Medicaid payments increased to 100% of Medicare rates for 2 years
  - Improving/expanding primary care training

Bolstering the Workforce



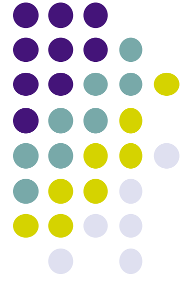
- National Health Care Workforce Commission
- Grant programs for health professional education and training
  - Primary Care education, loan forgiveness and residency slots
  - National Health Service Corps
  - Public health fellowships
  - Nursing grants
  - Community health worker scholarships

Public Health and Prevention



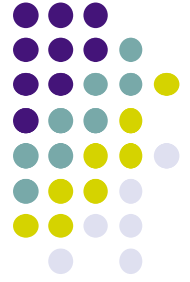
- National Prevention, Health Promotion and Public Health Council
  - Surgeon General convenes representatives from relevant Federal agencies to establish a national prevention and health promotion strategy with detailed goals and objectives for improving U.S. health
- Prevention and Public Health Fund
  - $500M in 2010 phased up to $2B in 2015 and each year thereafter
- National campaign to promote evidence-based preventive services and encourage healthy behavior ($500M)
  - Collaborative effort with HHS and CDC

Health and Wellness



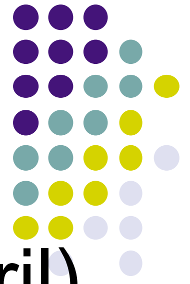
- Workplace wellness programs
  - $200M for small businesses that initiate a new program
  - Premium incentives for employee participation
- Program to monitor health disparities in minorities
- Medicaid grants to states and local entities that provide incentives for participation in health promotion programs
  - Emphasis on chronic disease, obesity, tobacco use, and mental illness
- Mandated coverage of tobacco cessation services for pregnant women in Medicaid

Other Notable Changes



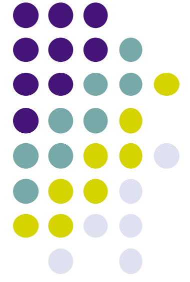
- Patient-Centered Outcomes Research Institute – national comparison of the effectiveness of treatments
- Nutrition information disclosure on chain restaurant menus
- Community transformation grants

Stepping Stones



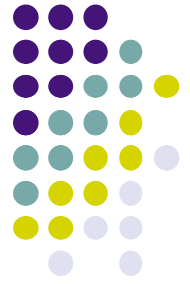
- 50/50 match for MIAs up to 133% FPL (April)
- Early retiree reinsurance program (June)
- Medicare Part D rebate checks (June)
- Medical Loss Ratios (June and January)
- Temporary high-risk pool for uninsured (July)
- Young adult dependent coverage and removal of pre-existing condition exclusions for children (September)
- Small business tax credits (immediately)

Stepping Stones



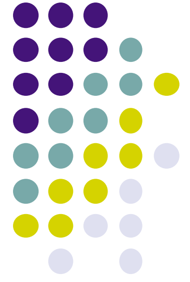
- California Health Benefit Exchange
- California Health Reform Task Force
- HHS Office of Consumer Information and Insurance Oversight (OCIIO)
  - Exchange implementation
  - High risk pool programs (CA gets $760M)
- §1115 Waiver Renewal Recommendations
  - Maximizing County Funding
    - Uncapped federal match for MIAs, retroactive to April 2010
    - Mental health
  - HIT investment
  - Building blocks to Medi-Cal managed care in 2014

Coverage Initiatives: the Waiver, Transition to Federal Reform



- Building blocks for swift implementation of federal reform:
  - Coordinated care and case management
  - Inclusion of community clinics, upgrade towards medical homes
  - Development and dissemination of HIT
  - Improved communication/coordination between county and clinics, clinics and hospitals
  - Use of local managed care organizations in three CI counties
  - <u>Identification of MIAs eligible for federal match</u>

Additional Resources from ITUP



For more information on federal reform, see the Reports and Conference sections at www.itup.org

- “Cost containment, Value Purchasing” May 2010
- “Primary Care and Prevention” April 2010
- “California Impacts of Federal Reform” April 2010
- “Covering the MIAs: Federal Reform and the State Waiver” April 2010
- “Designing Success for California’s Health Insurance Exchange” April 2010
- “Implementing Health Reform: High-Risk Pool” March 2010
- “Implementation Timeline for Health Reform, 2010-2011” March 2010