

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



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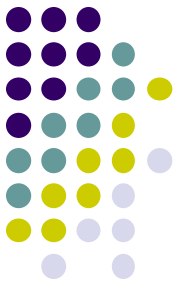
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9/25/2010



Overview of Reform

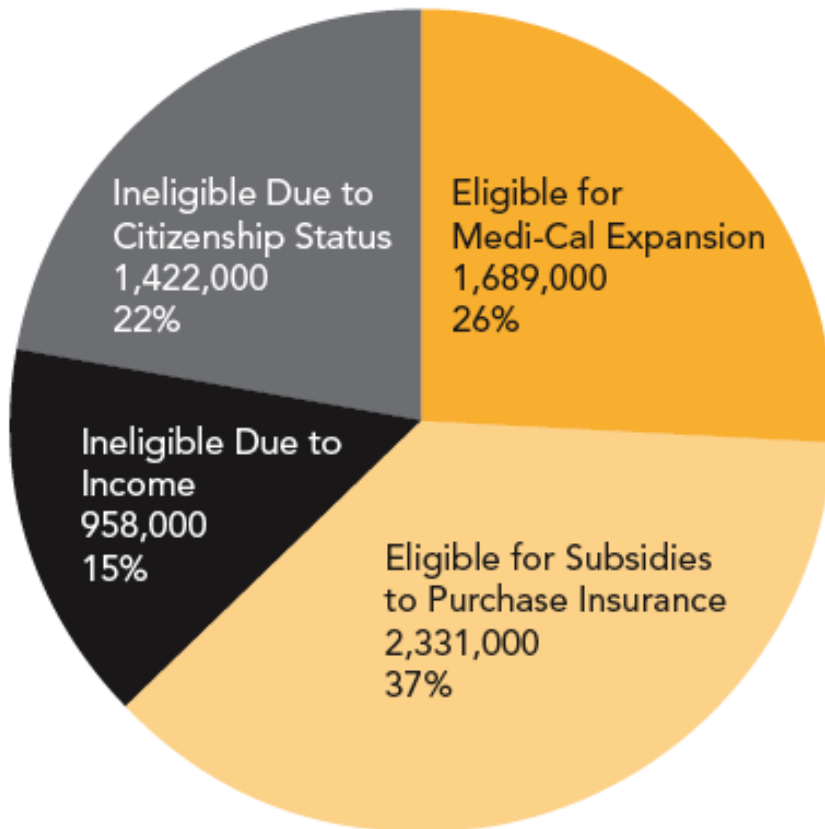
- Expands coverage to 33 million individuals by 2019, covering nearly 95% of Americans
- Bending the cost curve
 - Extends solvency of Medicare Trust Fund by 10 years through 2-3% annual reduction in spending growth (e.g. 6% growth to 4% growth)
 - Slows private health care expenditure growth annually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



The Uninsured after Health Reform: California

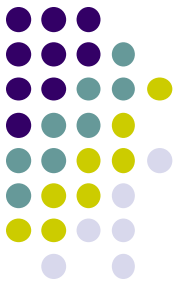
Exhibit 1. Eligibility for Health Insurance Expansions Under Proposed National Health Care Reforms, Ages 0-64, California, 2007

Total Uninsured Ages 0-64 = 6.4 Million



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

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

Estimated Population (total) (2018)	Estimated Population (0-64)	Estimated Uninsured Without Reform (0-64)	Total Share of Expansion Funds and Subsidies (2018)
40,431,328	36,085,297	7,358,810	\$17,945,000,000

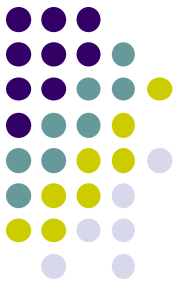
Uninsured Eligible for Medicaid Expansion	Uninsured/Insured Eligible for Premium Subsidies in Exchange	Residual Uninsured (0-64)	Estimated % Uninsured (0-64)
1,689,000	3,231,000	1,592,782	3.9%

Medi-Cal Expansion (2014)



- Medicaid eligibility expansion to 133% FPL for parents and MIAs (100% federal financing from 2014-2016, phased down to 90% in 2020)
 - UCLA estimates 1.7 million newly eligible in CA
 - New legal and undocumented – emergency & perinatal
 - Benchmark coverage (i.e. essential benefits, prescriptions and mental health)

Health Insurance Exchange (2014)



- State exchanges with federal oversight
 - Incomes between 133-400% FPL eligible for subsidies
 - Individuals pay sliding scale premiums capped at 2% - 9.5% of income, subsidized with refundable tax credits
 - 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
 - Transparent price and quality information
- Initial focus – individual and small group (50, then 100) markets – separate risk pools likely

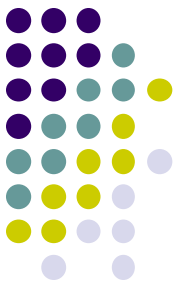
Sliding Scale Premiums and Out of Pocket – tied to Income



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

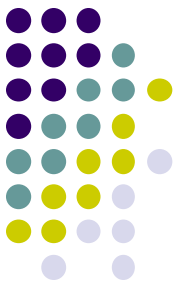
Individual Market Transformation (2014)



New protections across entire market

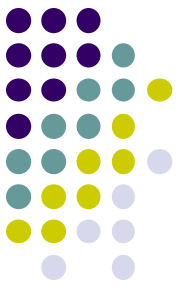
- Individual mandate (2014)
- Minimum benefits package (grandfathering exceptions)
- Guaranteed issue and renewal (kids in 2010, adults in 2014)
- Rating variations limited to age (3-1), family size, geography and tobacco use
- Minimum medical loss ratio of 80% for individual and small employer markets (2011)
- Transparency in claims, costs, enrollment, etc. (begins 2010)
- Standardizing administrative processes (begins in 2011)
- No copays for effective preventive services (2010)

Minimum Benefits (2014)

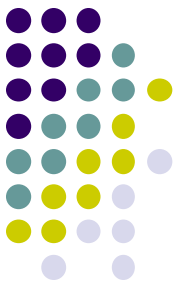


- Covered Benefits
 - 4 benefits categories ranging from 60 to 90% of the actuarial value of the covered benefit packages (Bronze 60%, Silver 70%, Gold 80%, Platinum 90%), mandate tied to bronze (2014)
 - Grandfathers existing benefits (you like it, you keep it)
 - Covers effective preventive services with no copays or deductibles (2010)
 - Prohibits annual/lifetime limits (lifetime in 2010, annual in 2014)
 - Young invincible coverage: (2014)
 - 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 silver plan for that region; subscribers pay the incremental cost difference (**Entoven 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)

Reform Effects – California's Safety Net



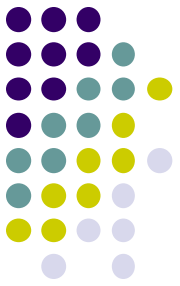
- Program Simplification and Reinvestment Opportunities
 - Freed-up funds in county programs
 - \$1.44 billion (up to 80% of \$1.8 billion spent in 2006)
 - Freed-up funds in state programs
 - \$1.3 billion (up to 80% of DHCS 2013 projections)
 - Freed up mental health and public health funds
- Increased §330 funding for FQHCs
 - Around \$1 billion over 5 years for CA clinics
- Cost of primary care rate increase to 80% of Medicare (\$255 million General Fund)
- Cost of outpatient care rate increase to 80% of Medicare (\$1.97 billion General Fund)



Safety Net Transitions Under Reform

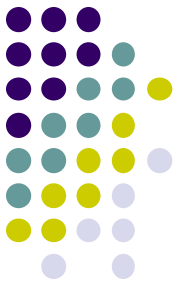
- Five to ten year transformation into a true system of care
 - Choice: leader(s) or laggards
 - Local MCOs and primary care practitioners are the linchpin of safety net transition
 - Must integrate, coordinate and collaborate: safety net hospitals and doctors, community clinics, and local MCOs cannot 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
 - Evolving role of state and county governments and enhanced role of Exchange and of the most successful MCO's

Investments in Primary Care



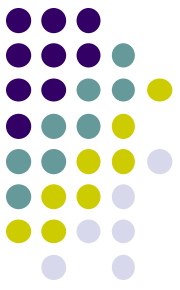
- Community clinics are a linchpin of reform
 - \$11B in infrastructure development
 - Substantial increase in revenue due to newly insured
 - Must collaborate, integrate effectively
- Primary care physicians are a linchpin of reform
 - 10% increase in Medicare reimbursement
 - Medicaid payments increased to 100% Medicare rates for 2 years
 - Improving/expanding primary care training

Bolstering the Workforce



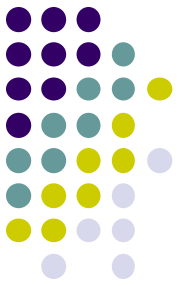
- National Health Care Workforce Commission
- Grant programs for health professional education and training
 - Primary Care Extension Program
 - \$120M annually to educate primary care providers about preventive medicine, health promotion, chronic disease management, evidence-based medicine, and mental health
 - National Health Service Corps
 - Public health fellowships
 - Nursing grants
 - Community health worker scholarships

Stepping Stones (2010)



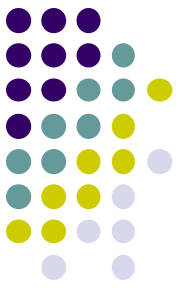
- 50/50 match for MIAs up to 133% FPL (April)
- Early retiree reinsurance program (June)
- Medicare Part D rebate checks (June)
- Uniform MLR definitions and methods (June)
- Temporary high-risk pool for uninsured (July)
- Young adult dependent coverage and removal of pre-existing condition exclusions for children (Sept.)
- Small business tax credits (immediately)
- HIT (?)

Potential for System Savings



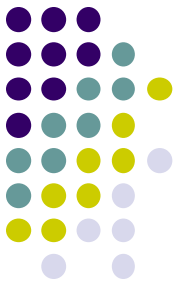
- “Hard Savings” (scored by CBO)
 - Cadillac tax (2018)
 - IPAB (MedPAC with teeth) (2018)
 - Medicare Advantage payment reductions and productivity formula changes
 - DSH payment reductions and drug discounts
- Changing incentives: Pay-for-Performance and ACOs (accountable care organizations)
- Exchange, 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 (2014)
- Excise tax on Cadillac plans (2018)
- Insurance industry, device and pharmaceutical manufacturer fees
- 0.9% Medicare payroll tax increase on individual/joint incomes over \$200K/\$250K (2013)
- 3.0% Medicare tax on unearned income of individual/joint incomes over \$200K/\$250K (2013)
- CBO finds law will reduce deficit by \$130B over 10 years, \$1.2T over 20 years

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
- ITUP Conference presentations and discussion