Understanding National Health Reform: *A work in progress….*

NC Association of Free Clinics

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April 8, 2010

NCIOM North Carolina Institute of Medicine
shaping policy for a healthier state

Background

- Estimates of the uninsured (2008-2009):
  - Census estimated that there were approximately 1.4 million non-elderly uninsured in North Carolina (17%) in 2008
  - More recent NCIOM estimates suggest that there were approximately 1.75 million non-elderly uninsured in 2009 (21%), after factoring in the downturn in the economy

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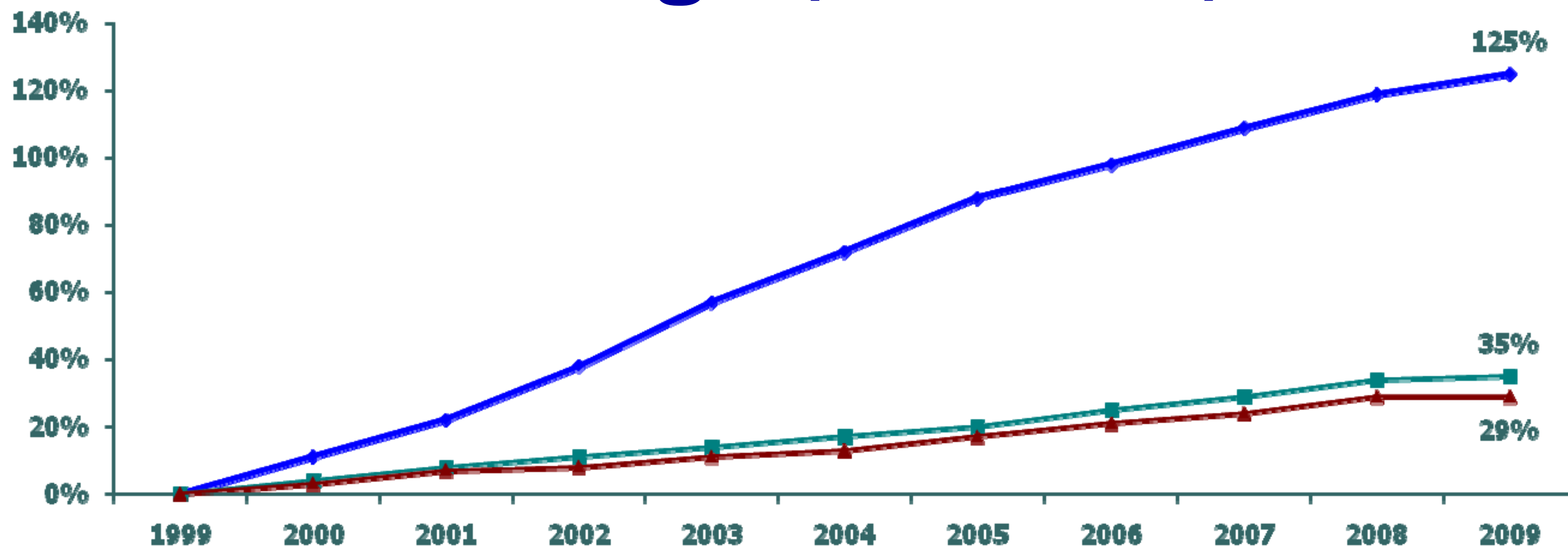
Source: US Census, Historical Health Insurance Tables. HI6. NCIOM. North Carolina's Increase in the Uninsured: 2007-2009

US Health Care Costs Rising More Rapidly Than Inflation or Earnings (1999-2009)



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000-2008. Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 2000-2008; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2000-2008 (April to April). Claxton G. et. al. Job-Based Health Insurance: Costs Climb at a Moderate Rate. Health Affairs. Sept. 15, 2009.

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Health Care: Three Legs of a Stool

Health reform must address the three critical components of our health care system—costs, quality and access

Costs

Access

Quality

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Legislation

- Senate Bill: Patient Protection and Affordable Care Act (HR 3590) (signed into law March 23, 2010)
- Health Care and Education Affordability Act of 2010 (HR 4872)(signed into law March 30, 2010)
  - References in the slides are to sections of HR 3590, unless noted as part of Reconciliation
  - Most of the new provisions include *authorizations* for future funding (some or all of which may be included in a future appropriations bill). Occasionally, the bill includes direct *appropriations*. The amount of the direct appropriations are specifically noted in the text.

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- Overview of health reform legislation
- Immediate implementation
- Changes in public coverage
- Private coverage
- Other provisions
- Cost containment and financing
- CBO estimates

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Basics of National Health Reform--Overview

- **Overview of health reform legislation**
- Immediate Implementation
- Changes in public coverage
- Private coverage
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Overview of Health Reform

- By 2014, most people will be required to have health insurance, and most employers will be required to provide health insurance or pay financial penalty
  - Most low-income people eligible for Medicaid
  - Most individuals/families with incomes below 400% FPG are eligible for premium subsidies, unless they have employer or governmental insurance
  - Large employers (50+) required to provide insurance coverage or pay penalty
  - Small employers exempt from mandates, but some eligible for tax credits if they offer insurance

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Overview of Health Reform

- Insurance reform to:
  - Cover more people and make it more affordable to many
  - Cover preventive services and essential health benefits
- New funding for:
  - Health promotion and wellness initiatives
  - Expansion of the safety net
  - Health professions education
- Increased emphasis on quality and testing new delivery models
- Efforts to reduce unnecessary health care costs

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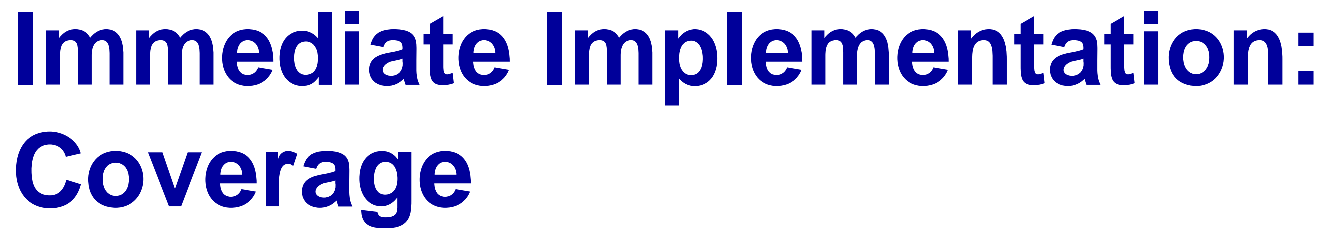

Immediate Implementation: Coverage

- By July 2010, HHS Secretary will create a website with standardized format to help consumers identify affordable insurance (Sec. 1103)
- Sliding scale tax credits for small businesses (up to 25 employees) with average annual wage of up to $50,000 (Sec. 1421, 10105)
- Appropriates $5B to help support a high-risk pool for people with preexisting conditions (FY 2010-2014) (Sec. 1101)
- Appropriates $5B to create a temporary reinsurance program for employers providing health insurance coverage to early retirees ages 55-64 (2010). (Sec. 1102)

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Immediate Insurance-Related Provisions

- Effective for plan years that begin after September 23, 2010:
  - Prohibits insurers from imposing pre-existing condition exclusions for children (Sec. 10103(e))
  - Prohibits insurers from dropping coverage to people when they get sick (Sec. 1001)
  - Prohibits plans from imposing lifetime caps; and restricts use of annual caps (annual caps prohibited 2014) (Sec. 1001)
  - Extends coverage for young people up to 26th birthday through parents coverage (Sec. 1001)
  - *New* private plans must cover preventive services with no cost sharing (Sec. 1001)

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Immediate Medicare Provisions

- Provides $250 rebate to Medicare beneficiaries who hit the donut hole (2010) and provides 50% discount on brand-name drugs and biologics in donut hole (2011) (Sec. 3301, Sec. 1101 of Reconciliation)
- Expands Medicare to cover more preventive services with no cost-sharing (2011) (Sec. 4104)
- Provides a 10% bonus payment for primary care physicians and general surgeons practicing in underserved areas (2011-2015) (Sec. 5501)

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- Overview of health reform legislation
- Immediate implementation
- **Changes in public coverage**
  - **Medicaid, CHIP and Medicare**
- Private coverage
- Other provisions
- Cost containment and financing
- CBO estimates

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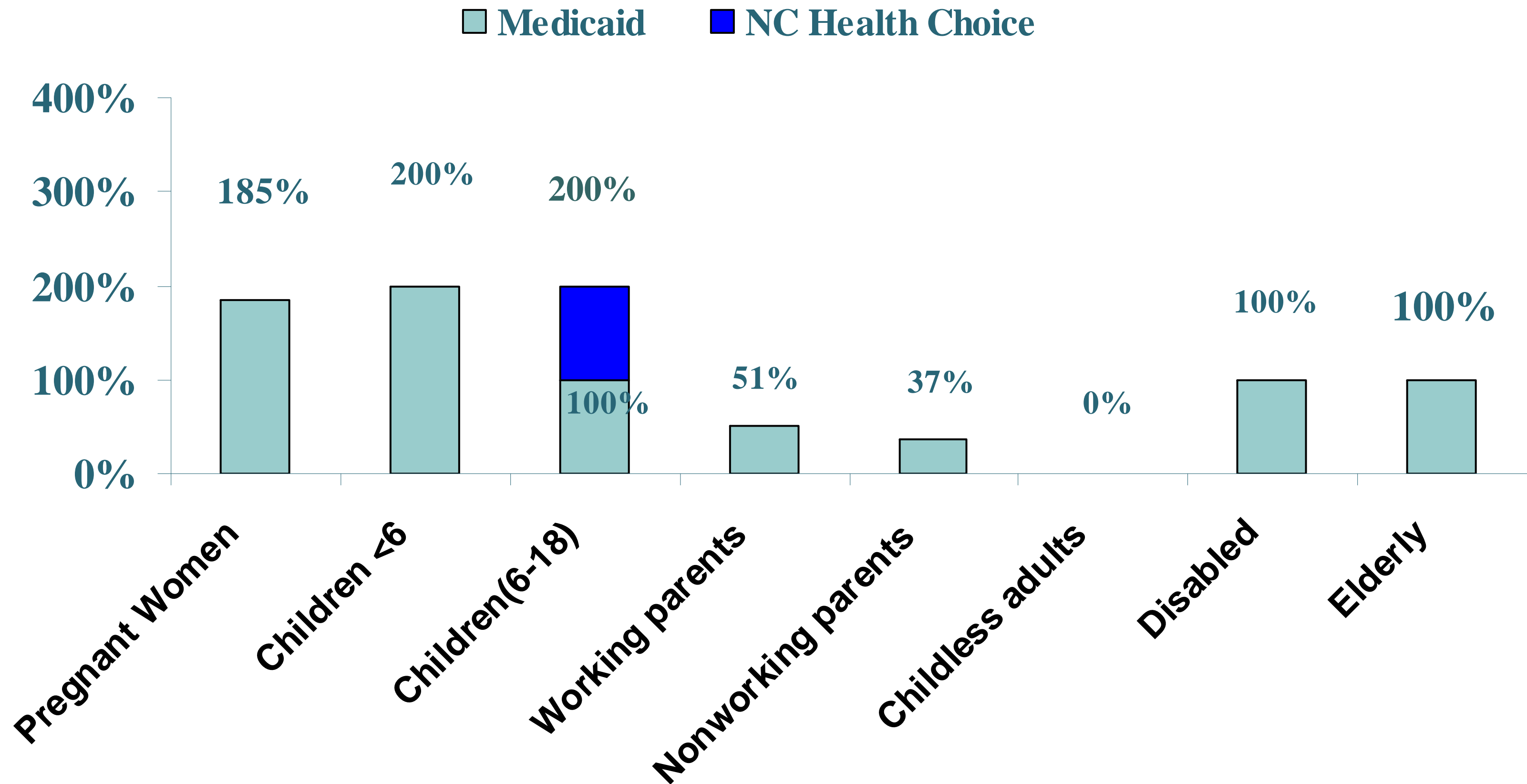
Existing NC Medicaid Income Eligibility (2010)



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Kaiser Family Foundation. State Health Facts. Calculations for parents based on a family of three.

Expansion of Public Programs

- Expands Medicaid to cover all low-income people under age 65 (including childless adults) with incomes up to 133% FPG, based on modified gross income (begins FY 2014) (Secs. 2001, 2002)

Family Size	133% FPG/yr. (2009)
1	$14,404
2	$19,378
3	$24,352
4	$29,327

- No asset tests for children and most adults (Sec. 2002)
- Undocumented immigrants not eligible for Medicaid

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Other Medicaid Provisions

- All newly eligible adults will be guaranteed a benchmark benefit package that includes essential health benefits (Sec. 2001(a)(2))

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Enhanced Federal Match for Medicaid Expansion

- Federal government will pay 100% of costs of *new eligibles* in first three fiscal years (2014-2016) (Sec. 2001(3), amended Sec. 1201 Reconciliation)
  - After first three years, federal government will pay 95% (2017), 94% (2018) , 93% (2019) and 90% (2020 and thereafter).
  - ***However, states will have to cover costs of people who are currently eligible but who had not enrolled in the past***
- States must increase reimbursement to primary care physicians to 100% of Medicare payment rates (Sec. 1202 Reconciliation)
  - Federal government will pay 100% of the costs of the enhanced provider rates (2013-2014)

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- States must maintain current income eligibility for children in Medicaid and CHIP until 2019 (Sec. 2101(b), 10203)
  - Beginning in 2015, states will receive a 23 percentage point increase in the CHIP match rate (up to cap of 100%) (Sec. 2101(a))
  - Children ineligible to enroll in CHIP because of enrollment caps will be eligible for tax credits in the state exchanges. (Sec. 2101(b)(1)(B))

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Medicare

- Enhances preventive services (Sec. 4103-4105, 10402, 10406)
  - Covers preventive services with no cost-sharing (Sec. 4104)
  - Covers annual wellness visit as part of personalized prevention plan (Sec. 4103)
- Phases out the gap in the Part D “donut hole” by 2020 (Sec. 3315, as amended by1101 Reconciliation)
  - $250 rebate in 2010
  - Pharmaceutical companies required to provide 50% discount on brand-name prescription drugs beginning in 2011 (Sec. 3301)

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Basics of National Health Reform--Overview

- Overview of health reform legislation
- Immediate implementation
- Changes in public coverage
- **Private coverage**
  - **Standardized benefit package**
  - **Individual mandate and subsidies**
  - **Employer responsibilities**
  - **Health insurance "exchanges" and insurance reform**
- Other provisions
- Cost containment and financing
- CBO estimates

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- HHS Secretary will recommend an essential health care benefits package that includes a comprehensive set of services: (Sec. 1302)
  - Essential benefit package must cover at least 60% actuarial costs and be similar to (not more extensive than) benefits covered through typical employer plan
  - All qualified health plans offered through Health Insurance Exchange (HIE), small group or individual market must provide at least essential benefits (except grandfathered plans)

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Essential Benefits Package

- Essential benefits must cover:
  - Hospitalizations; professional services; prescription drugs;, rehabilitation and habilitative services; mental health and substance use disorders; preventive services and vaccines;, maternity care, and well-baby, well-child care; oral health, vision and hearing services, equipment and supplies for children under age 21 (Sec. 1302)
  - Plans must cover preventive services recommended by Task Force on Clinical Preventive Services with no cost-sharing (Sec. 1001, 10406)
  - Cannot include annual or lifetime limits (Sec. 1001)
  - Mental health parity applies to qualified health plans (Sec. 1311(j))

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Essential Benefits Package

- Four levels of plans, all must cover essential benefits package: (Sec. 1302(d))
  - Bronze (minimum creditable coverage): must cover 60% of the benefit costs of the plan
  - Silver: 70% of the benefits costs
  - Gold: 80% of the benefit costs
  - Platinum: 90% of the benefit costs
  - Catastrophic plan (only available to people up to age 30 or if exempt from coverage mandate) (Sec. 1302(e))
- With some exceptions, existing grandfathered plans not required to meet new benefit standards (Sec. 1251, 10103 as amended Sec. 2301 of Reconciliation)

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Individual Mandate

- Citizens and legal immigrants will be required to pay penalty if they do not have qualified health insurance (Sec. 1312(d), 1501, amended Sec. 1002 in Reconciliation)
  - Hardship waiver if health insurance is unaffordable
  - If don’t enroll, pay tax penalties
    - Must pay the greater of: $95/person or 1% taxable income (2014); $325 or 2.0% (2015); or $695 (up to a maximum of $2,085) or 2.5% (2016), increased by cost-of living adjustment
- Exemptions include: (Sec. 1501(d)(2)-(4),(e))
  - Individuals who are not required to file taxes; without coverage for less than three months; and those for whom the lowest cost plan exceeds 8% of their income

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Subsidies to Individuals

- Bills would provide refundable, advanceable premium credits to individuals with incomes up to 400% FPG on a sliding scale basis ($43,320/yr. for one person, $88,200 for a family of four in 2010).* (Sec. 1401, as amended Sec. 1001 of Reconciliation)
  - Legal immigrants who are barred from Medicaid (during first 5 years) are eligible for premium credits
  - Individuals are generally not eligible for subsidies if they have employer-based coverage, TRICARE, VA, Medicaid, or Medicare (Sec. 1401(c)(2)(B)(C), 1501)
  - Employees are eligible for the premium credit if offered coverage by an employer that does not meet requirements for minimum essential benefits (60% actuarial value) or if the premium exceeds 9.8% of the employees income.

***2010 Federal Poverty Guidelines are: $10,830 for an individual, or $22,050 for a family of four.**

Sliding Scale Subsidies

Family Income	Maximum premiums	Cost sharing subsidies	Out-of-Pocket Cost sharing limits*
<133% FPG	2% of income	94%	$1,983 (ind)/ $3,967 (fam) (1/3rd HSA limits)
133-150% FPG	3-4%	94%	$1,983 / $3,967
150-200% FPG	4-6.3%	87%	$1,983/ $3,967
200-250% FPG	6.3-8.05%	73%	$2,975/ $5,950 (1/2 HSA limit)
250-300% FPG	8.05-9.5%	70%	$2,975/ $5,950
300-400% FPG	9.5%	70%	$3,987/ $7,973 (2/3rds HSA limit)

*Annual cost sharing limited to: $5,950 per individual and $11,900 family in 2010 (HSA limits) (Sec. 1302(c), amended Sec. 1101 of Reconciliation)

- Employers with more than 50 employees will be required to pay into fund if they do not provide coverage that meets minimum requirements (Sec. 1513, amended Sec. 1003 Reconciliation)
  - If employer does not offer coverage or at least one employee receives a subsidy, must pay $2,000 per full-time employee, excluding first 30 employees
- Employers with 50 or fewer employees exempt from penalties (Sec. 1513(d)(2))

Subsidies for Small Employers

- Employers with 25 or fewer employees and average annual wages of less than $50,000 can receive a tax credit (Sec. 1421, Sec. 10105)
  - *Phase I (2010-2013):* 35% tax credit if employer provides coverage and pays at least 50% of total premium cost. (Full credit limited to employers with 10 or fewer employees and average annual wages of less than $25,000. Credit phases out for larger employers or higher average wages)
  - *Phase II (2014-later):* Maximum of 50% tax credit for up to 2 years (with similar targeting and phase-out)

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- States will create American Health Benefit Exchange and Small Business Health Options (SHOP) Exchange for individuals and small businesses (Sec. 1311, 1321)
  - Exchanges will provide standardized information to help consumers choose between plans and develop rating system based on quality and cost, determine eligibility for subsidy, and help individuals enroll in Medicaid or CHIP (if appropriate) (Sec. 1311, 1411, 1413)
  - Limited to citizens and lawful residents who do not have access to employer-sponsored or governmental-supported health insurance and to small businesses with 100 or fewer employees (states can allow larger employers to enroll beginning 2017) (Sec. 1312(f))

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Qualified Health Plans

- Qualified health plans must: (Sec. 1301, 1311, 10104)
  - Provide essential benefits package
  - Be licensed under state law
  - Offer at least one qualified health plan in silver and gold levels in the HIE
  - Agree to charge the same premium rate for each qualified health plan whether or not offered through the HIE
  - Be accredited, report on clinical quality measures, and implement activities to reduce health disparities (including language services)
  - Provide specific plan-related information to enrollees, in plain language

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- Insurers are required to:
  - Enroll any individual or group, and cannot exclude, charge people more, or rescind policies because of preexisting conditions or use of health services (guarantee issue) (Sec. 1201)
  - Limit age adjustment to 3:1, geographic rating area, family composition, and tobacco use (limited to 1.5:1 ratio) in individual and small group market and exchange (Sec. 1201)
  - Submit premium rate increases to regulators for review and/or approval if allowed under state law (Sec. 1003)
- Insurers may not impose a waiting period of more than 90 days (Sec. 1201)

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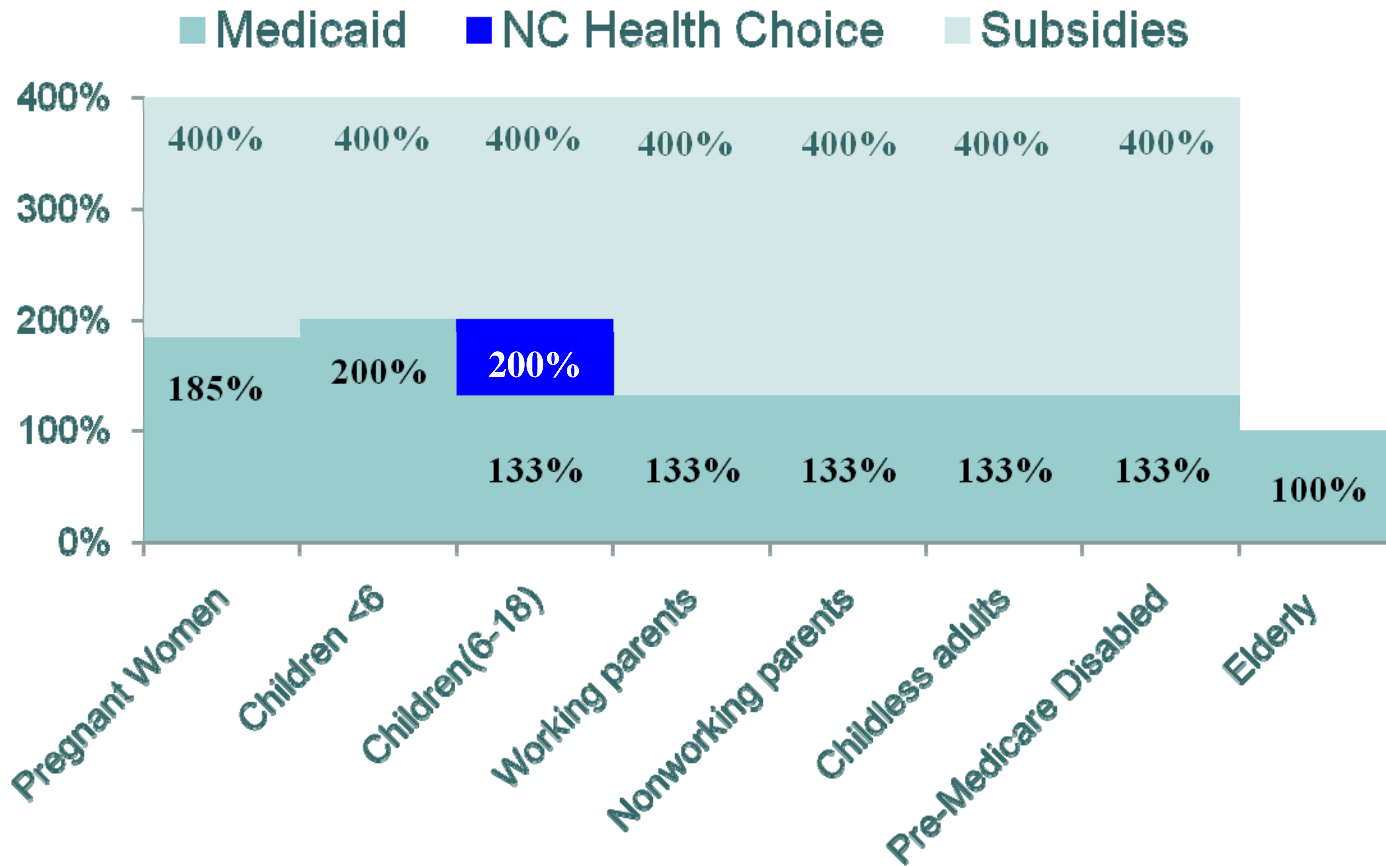
After Health Reform Fully Implemented (2014)



Beginning 2014, most people with incomes ≤400% FPG who do not have Medicaid, Medicare, Health Choice, TRICARE, or access to employer-based coverage can qualify for subsidies to purchase insurance in the Exchange

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- Overview of health reform legislation
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- Changes in public coverage
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- **Other provisions**
  - **Prevention and Wellness; Workforce; Quality and New Models of Care; Safety Net; Long-term Care**
- Cost containment and financing
- CBO estimates

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- Federal government will provide more funding to support prevention efforts at national, state and local levels
  - Grant funds will be made available for prevention, wellness and public health activities
  - Some of the focus areas include: healthy lifestyle changes, reduction and control of chronic diseases, health disparities, public health infrastructure, obesity and tobacco reduction, improved oral health, immunizations, maternal and child health, worksite wellness

Workforce Overview

- Increased efforts to improve training and expand health professional workforce
  - Includes loan forgiveness and scholarships to train primary care, pediatrics, geriatrics, nursing, dental health, public health, mental health/substance abuse, allied health and direct care workforce
  - Emphasis on increasing the supply of health professionals in underserved areas
  - Enhanced training in prevention, quality initiatives, interdisciplinary care, community based education, and diversity

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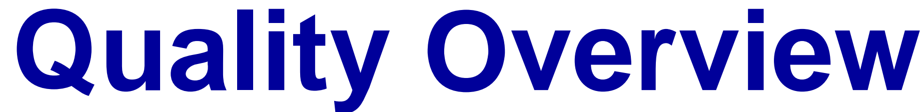

Quality Overview

- Providers and payers will be required to report data to measure quality of care
  - Secretary will develop quality measures for different populations and organizations
  - Data will be made available to the public
  - Increased emphasis on value-based payments to providers and insurers
- Efforts to test new models of care to improve quality and efficiency
  - Patient-centered medical home, accountable care organizations, bundled payments

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Safety Net

- New funding for community health centers (CHCs) (Sec. 10503, Sec. 2303 of Reconciliation)
  - Appropriates $9 B (FY 2011-2015): $1.0B (FY 2011)-$3.6B (FY 2015) to enhance funding for CHCs
  - $1.5 B (FY 2011-2015) for National Health Service Corp
  - $1.5B (FY 2011-2015) for construction and renovation of community health centers
- Appropriates $50M each FY 2010-2013 to support school-based health centers (Sec. 4101, 10402)
- Grants to support nurse-managed health clinics (Authorizes $50M for FY 2010 and such sums for FY 2011-2014 for Sec. 5208)

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Safety Net

- 340B discount drug program expanded to more hospitals (Sec. 7101, as amended Sec. 2302 of Reconciliation)
- Support community-based collaborative networks of care (Authorizes such sums as necessary FY 2011-2015; Sec. 10333)
- New requirements for charitable 501(c)(3) hospitals: (Sec. 9007, 10903)
  - Must conduct a community needs assessment and identify an implementation strategy; have a financial assistance policy; provide emergency services; and limit charges to people eligible for assistance to amounts generally billed

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- Establishes a national voluntary insurance program to purchase community living assistance services and supports (CLASS) financed through payroll deduction. (Sec. 8001-8002, 10801)
  - Plans provide for a 5-year vesting period and cash benefits of not less than an average of $50/day to purchase non-medical services and supports
  - Financed through automatic payroll deduction (unless opt-out)
- Other options to expand home and community-based services in Medicaid

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Malpractice

- Extension of medical malpractice coverage to free clinics (effective March 23, 2010) (Sec. 10608)

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Cost Containment & Financing

- Reduction in existing health care costs through:
  - Increased emphasis on: reducing fraud & abuse, administrative simplification, reducing excess provider/insurance payments
- Increased revenues through:
  - Fees paid by individuals/employers for failure to have/offer insurance
  - Taxes/fees on insurers, pharmaceuticals, tanning salons, “Cadillac” insurance plans, wealthier individuals

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CBO Estimates of Costs of Proposals Combined

- Expansion of insurance coverage costs $938 billion over 10 yrs
  - Whole bill, with increased revenues and cost containment efforts would reduce the federal deficit by $124 billion over 10 yrs from the health care and revenue provisions*
- Would cover an additional 32 million (leaving 23 million nonelderly residents uninsured by 2019)
  - Covers 94% of legal, nonelderly residents, or 92% of all residents

*Education related provisions of reconciliation bill will further reduce the deficit by $19B over 10 years, for a total of $143B.
Source: CBO Letter dated March 20, 2010.

Health Reform: Summary

Costs

Health reform legislation creates the infrastructure, but does less to immediately reduce costs. The legislation begins to change the way health care providers reimbursed to reduce unnecessary care, does more to reduce fraud and abuse, administrative overhead, and excess costs currently in the system

Access

Health reform legislation significantly increases access by providing more affordable insurance to most people and increasing provider supply and the safety net

Quality

Health reform legislation improves quality, by investing in prevention, developing quality outcome measures, require data reporting, providing information to the public, and paying providers and insurers for improved quality

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Useful Resources

- Senate Bill: Patient Protection and Affordable Care Act (HR 3590 signed into law March 23, 2010)
  http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3590enr.txt.pdf
- Health Care and Education Reconciliation Act of 2010 (HR 4872 signed into law March 30, 2010)
  http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h4872eh.txt.pdf
- Kaiser Family Foundation
  http://www.kff.org/healthreform/upload/8061.pdf
- Trust for America's Health
  http://healthyamericans.org/assets/files/Summary.pdf
- Congressional Budget Office
  http://www.cbo.gov/ftpdocs/113xx/doc11379/Manager'sAmendmenttoReconciliationProposal.pdf

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