

National Healthcare Reform

Impact on Employers

Minnesota Workforce Council Association 

August 2010

CENTRACARE Health System

Health Care Reform Overview

Patient Protection and Affordable
Care Act – H.R. 3590 &
Reconciliation Bill – H.R. 4872

AGENDA

- Federal Health Care Reform Overview
 - What is in the bill?
 - What is NOT in the bill?
- Impact on Employers
- Questions & Discussion



Federal Health Care Reform

Health care reform is intended to provide coverage for the uninsured, reduce the cost of health care & improve quality.

Phases of health reform

- **Coverage and cost**
- **Economic recovery**
- **Deficit reduction**
- **Health “insurance” reform**
- **Democratic party credibility**
 - Congress...ability to govern
 - Obama presidency

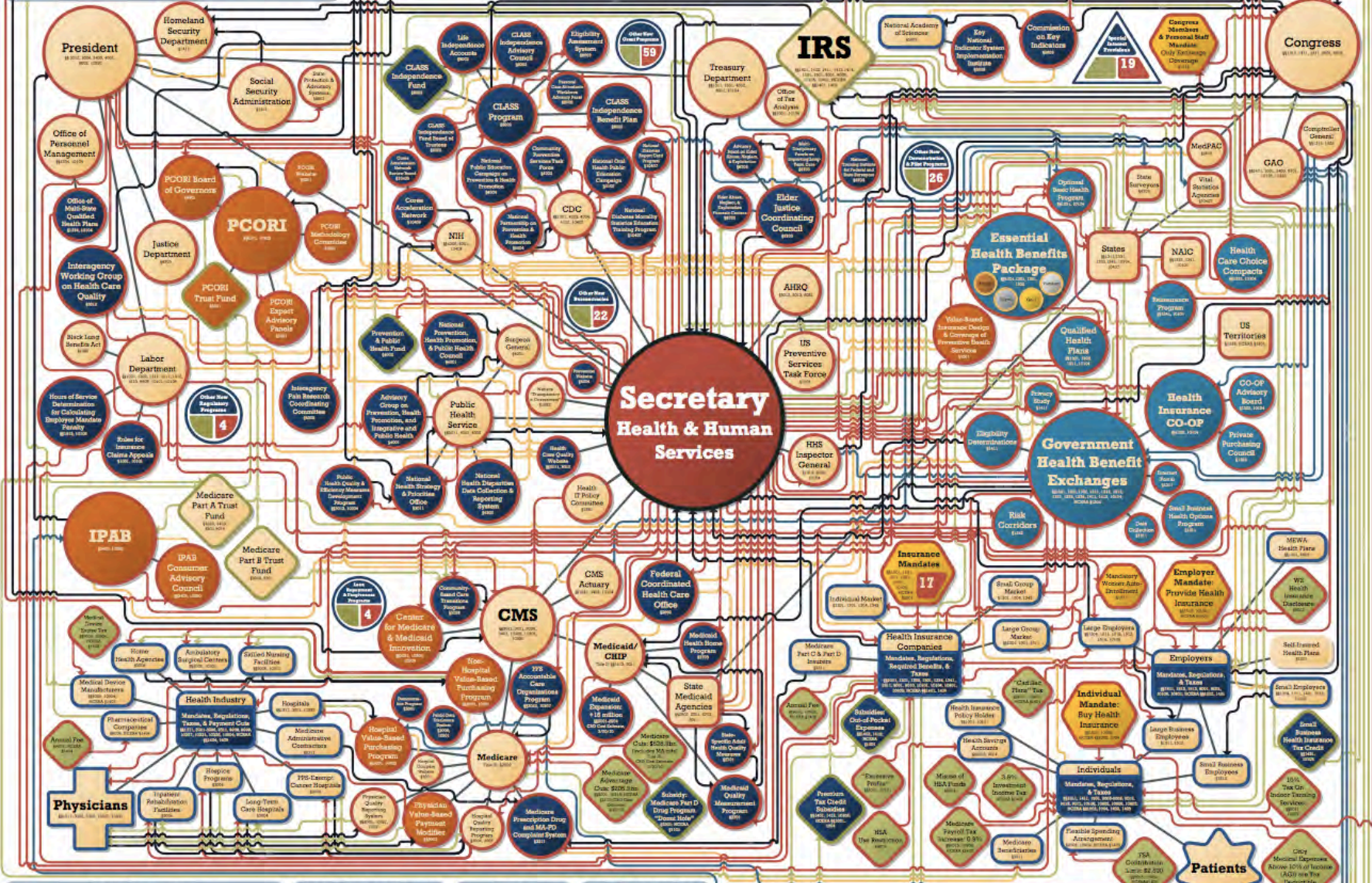




Final Process

- HR 3590 (Senate Health Care Reform Bill)
- HR 4872 (Reconciliation Bill)
- White House Side Agreements
 - IOM studies on rewarding value, addressing geographic disparities
 - National summit on payment disparities
 - Abortion

Your New Health Care System



New Government	Expanded Government	Private	New Relationships
Rationing Potential	Government with Expanded Authority/Responsibility	Private Entity with New Mandates/Regulations/Responsibilities	Regulations/Requirements/Mandates
Involvement in Health Insurance Market	Government Financial Entity with New Inflows/Outflows	Unchanged Private Entity	Reporting Requirements
Other Expansions	State/Territory with Expanded Authority/Responsibility	Special Interest Provisions	Oversight
Represents Bundles of Additional Entities	Mandates		Money Flows
	Taxes & Monetary Fees/Penalties/Cuts		Consultation/Advisory/Info Sharing
	Trust Fund (Rationing Potential)		Structural Connections (Includes Existing)
	Other New Trust Funds/Monetary Benefits		

AGI: Adjusted Gross Income
 AHRQ: Agency for Healthcare Research and Quality
 CDC: Centers for Disease Control & Prevention
 CHIP: Children's Health Insurance Program
 CLASS: Community Based Assistance Services & Supports
 CMS: Centers for Medicare & Medicaid Services
 CO-OP: Consumer Operated & Oriented Program
 FTS: Fee for Service
 FTA: Flexible Spending Account
 GAO: Government Accountability Office
 HCERA: Health Care & Education Reconciliation Act
 HHS: Health & Human Services Department
 HSA: Health Savings Account
 IPAB: Independent Payment Advisory Board
 IRS: Internal Revenue Service
 MA-PD: Medicare Advantage Prescription Drug
 MIPAC: Medicare Payment Advisory Commission
 MEDQ: Medical Early Risk Detection
 EALOS: Executive Advisory Liaison Office Regional Systems
 MIPA: Multiple Employer Medicare Arrangement
 NAC: National Association of Insurance Commissioners
 NIH: National Institutes of Health
 PPS: Prospective Payment System

Patient Protection and Affordable Care Act, P.L. 111-148;
Health Care & Education Reconciliation Act, P.L. 111-152
 Prepared by: Joint Economic Committee, Republican Staff
 Congressman Kevin Brady, Senior House Republican
 Senator Sam Brownback, Ranking Member

Key Elements of the Legislation

- Insurance expansions
- Insurance reforms
- Payment cuts and reforms
- Transparency
- Workforce
- Other



Insurance Expansions



- 32 million more legal residents with insurance
 - About 25 million still uninsured
- Medicaid accounts for about half of all coverage expansion
 - All individuals up to 133% of FPG in 2014
 - FMAP = 100% in FY 2014-2016; declines to 90% by 2020
 - Early enrollment option begins 4/1/2010 at current FMAP of 50%

Insurance Expansions

- Individual mandate with tax penalty
 - \$95/individual in 2014; climbs to \$695/individual or \$2,085/family in 2016
 - Premium, cost-sharing subsidies for people <400% FPG who buy insurance through the exchanges
 - Essential benefits set = comprehensive HSA
- Employers with 50+ FTEs quasi-mandate
 - Not offering coverage: \$2,000/FTE above 30 FTEs if employee(s) receive premium subsidies
 - Offer coverage: lesser of \$3,000/employee receiving subsidies or \$2,000/employee

Insurance Reforms: Exchanges

- State-based
 - Can include more than one state if limited to geographically defined areas
 - Federal funding for start-up costs available from 2011-2015
- Run by non-profit or government entity
- Plans for individuals & businesses with <100 FTEs
 - State can allow 100+ employees in 2017

Insurance Reforms: Plans available in Exchanges

- 5 Benefit sets
 - 4 tiers with preventive, primary care, ER, hospitalization, outpatient, imaging, pediatric, Rx, mental/chemical health
 - “Young invincible” plan with catastrophic coverage plus 3 preventive visits per year under 30 years of age
- 2 or more plans offered by multi-state insurers with federal employee plan contracts
 - 1 must be non-profit
 - Must be licensed by the state

Insurance Reforms: CO-OPs

- Consumer operated & oriented plans (CO-Ops)
 - Minimum of one per state
 - Non-profit, member governed health plan
 - \$6 billion in start-up grants, not available to existing health insurers or government-sponsored plans

Insurance Reforms - 9/23/2010

- Prohibits:
 - Pre-existing conditions exclusions for <19
 - Lifetime benefit limits (restricts annual limits)
 - Cost-sharing for preventive services
 - ER preauthorization
 - OB-GYN preauthorization or referral requirements
 - Discrimination in favor of highly compensated individuals under insured plans
- Enrollee choice of primary care physician or pediatricians

Insurance Reforms - 9/23/2010

- Extend dependent coverage to age 26
- Minimum medical loss ratios established for all plans as of 3/23/2010 (Implements in 2011)
 - 85% in large group plans of >100 employees
 - 80% in small group plans of <100 employees
 - Refunds of excess premiums paid



Insurance Reforms - 9/23/2010

- National high-risk pool created
- Insured plans to develop & file new rates
 - States approve/reject new rate filings
 - Federal rate review process to be established
- Small business tax credit program established
- Medicare Part D “donut hole” beneficiary rebate
- Temporary retiree reinsurance program created
- Mandatory internal & external claims appeals
- Annual cost-sharing limits for non-preventive services under all plans tied to high deductible plans

Insurance Reforms - 2011

- Report employee coverage on W-2 (2012)
- Contract rescission/non-renewal prohibited
- No health plan or health FSA/HRA/HSA reimbursements for over-the-counter medications
- Increased penalties for non-qualified HSA distributions
- Medicare Advantage Plan changes
- Employee-pay-all volunteer long term care program (CLASS Act)

Insurance Reforms - 1/1/2014

- Prohibits
 - Pre-existing condition exclusions for any enrollees
 - Waiting periods of >90 days
 - Annual dollar limits
- Annual cost-sharing limits for non preventive services under all plans tied to high-deductible plan limits
- Coverage for clinical trial participation
- Guaranteed issue & renewal (insured plans only)

Payment Cuts & Reforms

- \$112.6 billion in market basket update cuts
 - Begin 4/1/2010 (-.25%)
 - Productivity adjustments begin FY2012
 - Not dependent on uninsured rates
- Independent Payment Advisory Board
 - Applies to CAHs and other Medicare providers except PPS hospitals
- Physician fee increases
 - 10% bonus for primary care, general surgeon on shortage areas

Payment Cuts & Reforms: Medicare & Medicaid DSH

- \$22.1 billion in Medicare DSH cuts
 - 75% cut to begin in FY2014 unless uninsured rates do not increase
 - Portion of cuts returned to hospitals with high uncompensated care costs
- \$17.5 billion in Medicaid DSH cuts
 - \$500 million cut in FY2014; 80% in the last 3 years
 - Disproportionate cuts in Minnesota likely due to our low uninsured rates

Payment Cuts & Reforms

- Value-based purchasing
 - Heart failure, heart attack, pneumonia, surgical care, patient satisfaction
 - At least 2 efficiency measures in 2014
- Readmissions
 - Heart failure, heart attack, pneumonia
- Hospital-acquired conditions
- Accountable care organization and bundled care demonstrations

Funding Summary

- \$60 billion penalties paid by individuals and employers that do not buy insurance
- \$196 billion in reduced Medicare scheduled payments
- \$36 billion in cuts to Medicare and Medicaid Disproportionate Share (DSH) payments
- \$70 billion from premiums for long-term care insurance (CLASS Act)
- \$132 billion in cuts to Medicare Advantage Plans

Funding Summary

- \$32 billion from taxes on high-cost health plan
- \$210.2 billion in new Medicare taxes on wages and self-employment income (0.9 percent) and on investment income (3.8 percent)
- \$60 billion in fees on insurance companies (2014-2018), plus \$14.3 billion per year plus adjustment thereafter

Funding Summary

- \$27 billion in fees on manufacturers and importers of branded pharmaceutical (2010-2019), plus \$2.8 billion per year thereafter
- 2.3 percent excise tax on medical devices
- \$58 billion Pell Grant privatization (unrelated to health reform)

Source: CBO Preliminary Analysis, March 20, 2010; Joint Committee on Taxation (JCX-17-10) (March 20, 2010)

Transparency: Health Plans

- Medical loss ratios
- Payment of claims & policies
- Rating practices
- Clinical services expenses
- Quality improvement costs
- Non-claims costs
- Premium revenues



Transparency: Providers



- Charges for all services, DRGs
- Hospital-acquired infections
- Measures used for readmissions
- Measures used for value-based purchasing
- In-patient psychiatric unit measures

Workforce

- Redistribute unused GME slots
 - 65% of unused slots available
 - Focus on primary care & general surgery
 - Preference for states with low physicians per capita
 - Maximum of 75 new slots per hospital
- Reinsurance for non-Medicare 55+ year-olds
 - Federal reimbursement for 80% of costs of claims between \$15,000 & \$90,000
- 90-day maximum for health insurance waiting period



Other Reforms

- Administrative simplification
- Private, non-profit hospitals required to conduct community needs assessments
- Temporary high-risk pool
- Prohibition of new physician-owned hospitals
- 340b drug rebate extended to outpatient services for certain hospitals
- Grants for tort reform demonstrations
- IRS requirement for 1099s for \$600 or more for each vendor business to business in 2012

Impact on insurance coverage

Table 1. Change in Coverage by Category, in 2019

Coverage Category	Pre-Law	Post-Law	Change in Lives (Millions)
Employer	162	159	-3
Individual/Other	30	25	-5
Exchanges	0	24	24
Medicaid/CHIP	35	51	16
MA	14	7	-7
Medicare FFS	46	53	7
Uninsured	54	23	-32

Source: CBO and staff of the Joint Committee on Taxation

Notes: CHIP = Children's Health Insurance Program

MA = Medicare Advantage

FFS = fee for service

Impact on insurance coverage

Table 2. Premium Impact by Group

Market	Premium Impact
Non-group	+10 to 13%
Small Group	+1 to -2%
Large Group	0 to -3%

Source: CBO, Letter to Senator Bayh, November 30, 2009

What the bill does NOT do?



- No new public program
- No requirement that private insurance plans in state exchanges pay Medicare or Medicaid rates
- No cuts in indirect graduate medical education adjustment
- No cuts in hospital payments in transition to delivery system reforms



Health Care Reform in Minnesota

Minnesota is a leader in health care reform – implementing many reform initiatives that were only included as studies or pilot projects in federal health care reform efforts.

Key Reform Initiatives in Minnesota



- Statewide Quality Reporting
- Provider Peer Grouping
- Health Care Homes
- Baskets of Care
- Consumer engagement
- E-health
- Administrative simplification
- Essential benefit set
- Projecting health care costs & measuring savings

Cost of Employment

- New Jersey
- Hypothetical employee
 - High school education
 - Additional training
 - Good job performance
- Salary about \$59,000 yr
 - \$2,400 employee share of family health insurance
 - \$856 Medicare Taxes
 - \$126 unemployment taxes
 - \$149 disability taxes
 - \$1,893 state income taxes
 - \$3,661 Social Security Tax
 - \$6,250 for Federal Income Tax
- Actual annual earnings of \$43,665
- Additional employer costs
 - \$9,561 employer share of health insurance
 - \$153 other insurance
 - Employer taxes:
 - \$3,661 Social Security
 - \$856 Medicare
 - \$561 unemployment insurance
 - \$449 for disability/WC
- Total cost to create a job paying \$44,000 + @\$12,000 in benefits: \$74,241

Questions & Discussion

Minnesota Workforce Council Association  MWCA

CENTRACARE Health System