Overview of Health Care Reform

Vital Aging Network Health Care Forum

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Overview

- **Why is this so important?**
- **Key elements in House and Senate bills**

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Uninsured

- **47 million under age 65 at any point in time (est. 50 million in 2010)**
- **1/3 of all working age adults sometime during a two year period**
- **Mostly working adults with low incomes**
- **The uninsured still get care, and hospitals must provide it under federal law**
  - $57 billion a year
  - 75% of uncompensated care paid by State, Federal government
  - Estimated $1000/pp/py cost shift to private plans
- **20,000 uninsured Americans die each year of curable conditions—being uninsured is a leading cause of death**

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Currently Insured (Private Market)

- **Facing higher costs (from 11% of family income in 1999 to 18% now, projected to reach 24% in 2020)**
- **Feeling less secure about keeping coverage (job loss, etc.)**

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Concerns About Medicare

- **A very popular program—but controversial at passage**
- **Coverage gaps**
- **Cost growth and looming insolvency**
- **Geographic inequity in payments and benefits**
- **Significant cost shifts now and in the future for some services**

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What's All the Fuss About Cost?

- **3-and-a-half times (rate of health care inflation versus wage growth)**
- **5% to 17%, heading for 21% (national health expenditures as % of GDP in 1960, 2009, and projected for 2020)**
- **Vs. 9% (average % of GDP in the OECD countries)**
- **# 37 (US health system ranking by the WHO)**

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Approach to Coverage

ISSUE	SENATE	HOUSE
• Individual Mandate	Begins 2014	Begins 2013
• Penalties	Ramp up to > of 2% AGI or average plan premium	2.5% income tax up to average plan premium
• Premium Subsidies	Up to 400% FPL	Same
• Employer Role	Assessment of $750/ee on firms > 50 FTEs who don't offer coverage at premiums < 9.8 % of ee income (2014)	Firms > $750K payroll pay 8% payroll tax or play--offer coverage and contribute 72.5% S, 65% F. Sliding Scale payroll tax for $500K-750K
• Medicaid Expansion	States may cover up to 133% FPL ; Enhanced Federal Match	Up to 150% FPL; Enhanced Match (slightly more)

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Approach to Coverage, Continued

ISSUE	SENATE	HOUSE
• Basic Health Plan	States may offer a new plan for non MA-eligibles <200% FPL before Insurance Exchange is established	None
• Medicare Buy In	No, but Early Retiree Reinsurance at 80% of premium for employer plan for incomes $14-90K (90 days after enactment)	Same
• National High Risk Pool	Anyone denied in private market can join until Insurance Exchange is set up (90 days after enactment)	Same (1/1/2010)

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Insurance Plan Reforms

ISSUE	SENATE	HOUSE
• Guaranteed Issue	Yes, except grandfathered plans (GP)	Yes, all plans
• No Annual of Lifetime Caps	Yes, except grandfathered plans (GP)	Yes, all plans
• Modified Community Rating	More variables allowed, NA for GP, self-insured	All plans, adjust for age, family size and geographics only
• Medical Loss Ratios (MLR)	All plans, 85% large group, 80% small must rebate excess	All plans 85%
• Other	Limits to prior authorization and ER cost sharing; required coverage of routine care during clinical trials	No

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Insurance Market Changes

ISSUE	SENATE	HOUSE
• Insurance Exchange	States must establish by 1/1/2014; Must be run by gov't or a non-profit; National or multi-state exchanges could be approved by HHS Secretary;	National Exchange begins 1/1/2013; States may also establish Exchanges if they meet national standards;
	Small groups and individuals only to start, states may allow larger employers to join in 2017	Uninsured individuals and employers < 11 FTEs can join in 2013, employers < FTEs in 2014, phasing in all employers (may join) after 2015
• Benefit Levels	5 levels ("metals") for individual plans; out of pocket max at HSA levels; 100% for preventive services	Developed by Health Benefits Advisory Council

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Insurance Market Changes, Cont.

ISSUE	SENATE	HOUSE
• Selling Across State Lines	In 2016 if states have a "compact"	Through National Exchange or state compacts in 2015
• Public Option	No Alternative Approach: MSQHPs 2+ Multi-State Qualified Health Plans offered in each exchange, administered by feds contracting with private insurers (like FEHBP)	Yes - Only through Exchange. Individuals and small groups only 2013-2015, then open to all. "Negotiated" payment rates to providers between Medicare rates and plan average rates in Exchange
• Co-Op Plans	At least one new non-profit member owned plan in each state by 7/1/2013	New plan created within 6 months of enactment available through National Exchange

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Payment and Delivery Reforms

ISSUE	SENATE	HOUSE
• Demonstrations	Much more detailed and extensive list of what to test and how to expand (Value-Based Purchasing, Bundling, Global Payments, Accountable Care Organizations, etc.	Generally permissive for CMS to develop plans
• Transparency	Considerable public reporting on cost and quality	Not emphasized
• Particular Hospital Types	Specific provisions for rural, low volume, urban Medicare dependent, safety net, etc.; new requirements for 501(c)3 hospitals	Not specifically addressed
• Payment Cuts	Penalties for hospital readmissions; DSH cuts; no Medicare big fix	

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Payment and Delivery Reforms, Cont.

ISSUE	SENATE	HOUSE
• Geographic Disparities	Value Index for Medicare physician payment begins in 2015	IOM to study the issue and recommend changes; would be implemented unless Congress overrides
• Policy Oversight	Independent Payment Advisory Board makes payment policy recommendations subject to up or down vote by Congress; makes non-binding recommendations on other system-wide cost saving measures	
• Comparative Effectiveness	New Institute created, results not binding on coverage or payment policy	New Center within AHRQ and new independent commission
• Tort Reform	Grants to develop and test alternative systems	Allow states to test "certificate of merit" approach

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Long Term Care Reforms

ISSUE	SENATE	HOUSE
• CLASS Act	New voluntary national long term care insurance program; automatic payroll deduction with opt-out	Same
• Medicaid Incentives	Enhanced Federal match for states to rebalance between institutional and home/ community services	
• Payment Demonstrations	Continuing Care Hospital; Bundled Payments	
• Integrated Planning	New Center for Medicare and Medicaid Innovation by 2011	Same

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Funding

ISSUE	SENATE	HOUSE
• High Income Surcharge	No	5.4% on earners > $500K S, $1 MM F (1/1/11)
• Tax on Cadillac Plans	Starts 2013; $149 B over 10 years	No
• Fees on Insurers	$80 B; non-profits at 90% MLR exempt	No
• Fees on Medical Device Manufacturers	$20 B; assessed against Manufacturer	$20 B; sales tax mechanism

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Impact

ISSUE	SENATE	HOUSE
• Coverage Achieved •	94% of all legal residents 92% of population	96% of all legal residents 94% of population
Cost of Bills	$855 B	$1052 T
Health Care Costs	CBO projects short term increase in costs, savings longer term	Commonwealth Fund projects annual cost growth falls from 6.4% to 6.0% Results in total savings of $683 B in total national health expenditures Typical family savings of $2500/yr by 2019
Federal Deficit	CBO projects $129 B reduction in deficit over 10 years (2010-19)	Commonwealth projects $409 B in deficit reduction

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The Cost of Inaction

- **Recent Commonwealth Fund analysis**
- **If Nixon, Carter, or Clinton reforms had passed with their proposed cost controls…**

  …US health spending would be at 10.7%, 11.5%, 14.2% of GDP

- **And where SHOULD we be in health status rankings?**

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