



# Health Care Reform: Policy Implications for the Future

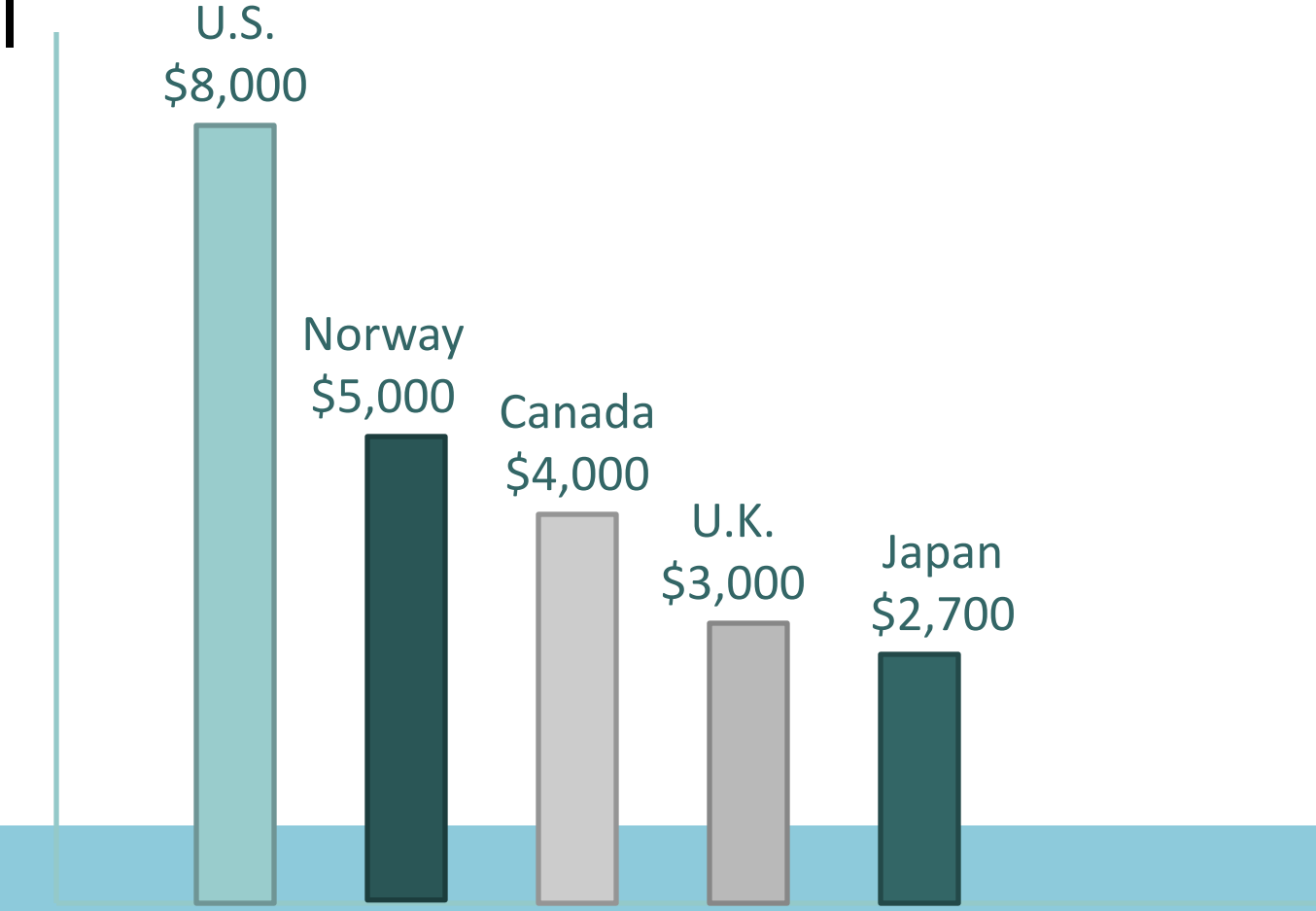
Michigan Primary Care Association

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Promoting, supporting, and developing comprehensive, accessible, and affordable community-based primary health care services to everyone in Michigan.



# U.S. Spending on Healthcare Each Year



Spending per capita/per year on health care



# History of Health Care Reform

- 1912 Teddy Roosevelt
- 1935 Franklin Roosevelt
- 1945 Harry Truman
- 1960 John F. Kennedy
- 1965 Lyndon Johnson
- 1974 Richard Nixon
- 1976 Jimmy Carter
- 1992 Bill Clinton



# Health Care Reform

- On March 23, 2010 the President signed into law
  - Patient Protection and Affordable Care Act
  - Health Care and Education Affordability Reconciliation Act



# Health Insurance Provisions

## ○ 2010

- Young Adults on Parent's Plans until 26
- Prohibition on Pre-existing conditions on kids
- Prohibition on Rescissions
- Prohibition on Lifetime benefit caps
- Small Business Tax Credits
- Temporary High Risk pool



# Health Insurance Provisions

- 2010 (cont..)

- Limits on share of premiums spent on non-medical costs
- Elimination of cost sharing on preventive care



# Health Insurance Provisions

## ○ 2014

### ● New Rating Rules

- Mandated Coverage
- Prohibit rating on health status
- 3:1 variation allowance
  - Tobacco use
  - Family composition
  - Participation in health promotion activities
  - Geography

### ● Prohibition on all lifetime limits



# Health Insurance Provisions

- 2014 (cont.)

- Limits on Waiting Periods – 90 days
- Risk Pooling – requires insurers to pool risk of all enrollees in all plans
- Risk adjustment
  - All states must create a nonprofit reinsurance entity with payments from all insurers.





# The Future of Coverage

- Community members will likely fall into one of six coverage categories beginning in 2014:
  - Employer Sponsored
  - Medicare
  - Medicaid/CHIP
  - Health Insurance Marketplace (with or without tax credit or subsidies)
  - Individual Market
  - Uninsured



# Health Insurance Provisions

- Insurance Exchanges
  - American Health Benefit Exchange
  - Small Business Health Options Program (50 – 100 employees)
- Qualified Health Plans
  - Must offer essential benefit package



# Essential Benefit Package

- Ambulatory care
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use
- Prescription drugs
- Rehab services
- Lab
- Preventive care and Chronic Disease Mgt.
- Pediatric services including oral and vision



# Benchmark Plans

- One of the three largest small group plans in the state by enrollment;
- One of the three largest state employee health plans by enrollment;
- One of the three largest federal employee health plan options by enrollment;
- The largest HMO plan offered in the state's commercial market by enrollment.



# Four Benefit packages

- Bronze, Silver, Gold and Platinum

- Bronze - 60% of costs
- Silver 70% of costs
- Gold 80% of costs
- Platinum 90% of costs



# Health Insurance Provisions

- Medicaid Expansion

- All adults and children up to 133% of poverty

- \$14,404 for individual
- \$29,327 for family of 4

- FMAP

- 100% for NEWLY eligible for 2014-2016
- 95% in 2017 to 90% in 2020



# Health Insurance Provisions

- Individual Requirement to have Health Insurance or pay tax penalties
- Tax penalties on Employers with over 50 employees
- Premium subsidies for families between 133% and 400% of poverty with premiums limited to percentages of income from 2% to 9.5%.



# System and Delivery Reform

## ○ 2010

- All plans must provide first dollar coverage of preventive services
- Created high risk pool for uninsured individuals to get preventive care until exchanges are in place in 2014





# System and Delivery Reform

- 2010 (cont..)
  - Establishes interoperable standards for using HIT to enroll individual in public programs
  - Creates a National Prevention, Health Promotion, and Public Health Council to establish a national prevention and health promotion strategy and Creates a Prevention and Public Health Investment Fund



# System and Delivery Reform

- 2010 (cont..)
  - Establishes a National Health Care Workforce Commission
  - Creates a Community Health Centers and National Health Service Corp Trust Fund



# System and Delivery Reform

## ○ 2011

- 10% bonus payment under Medicare for Primary Care
- Prevention care under Medicare (wellness visits, risk assessments and development of personalized wellness plan)
- Bonus payments to Medicare providers reporting quality measures



# System and Delivery Reform

- 2011 (cont..)
  - Many new Payment Approach demo projects
  - Creates Accountable Care Organizations
- 2014
  - Exchanges Established
    - Federal
    - State
    - Federal/State Partnership



# Exchange Functions

- Certification, recertification and decertification of plans
- Operation of a toll-free hotline
- Maintenance of a website for providing information on plans to current and prospective enrollees
- Assignment of a price and quality rating to plans
- Presentation of plan benefit options in a standardized format
- Provision of information on Medicaid and CHIP eligibility and determination of eligibility for individuals in these programs



# Exchange Functions

- Provision of an electronic calculator to determine the actual cost of coverage taking into account eligibility for premium tax credits and cost sharing reductions
- Certification of individuals exempt from the individual responsibility requirement
- Provision of information on certain individuals identified in Section 1311 (d)(4)(I) to the Treasury Department and to employers
- Establishment of a Navigator program that provides grants to entities assisting consumers as described in Section 1311(i)



# Revenue Provisions

- Loss ratio of 85% or tax implications
- Tax on tanning salons
- Annual fee on pharmaceutical manufacturing
- Medical Device Manufacturing Fee
- Changes in deductions for medical expenses
- Limits on Flexible Spending Accounts
- Limits on Executive Compensation for insurance cos.
- Insurance Industry Fees – 2014
- Excise tax on high cost plans – 2019



# Implications for Michigan Residents

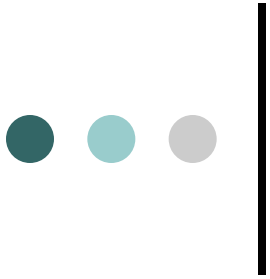
- 1.3 million uninsured and 459K non group individuals could get affordable coverage
- 800,000 residents could qualify for premium tax credits
- 1.6 million seniors could get free preventive care
- Seniors would have donut hole addressed
- Small business tax credits to make premiums more affordable
- Insurance portability and choice





# Implications for State Government

- Policy decisions for implementation
  - Budget implications
  - Creation of Exchanges
  - Medicaid Expansion
- Major monitoring and reporting requirements.
- New MIS and Payment systems implications
- HIT standardization



# **Michigan's Community Health Centers and Health Care Reform**



# Payment Provisions

- Continues the Prospective Payment System (PPS) for both Medicaid and CHIP
- Requires all exchange plans to contract with Essential Community Providers
- Beginning 2014, all exchange insurance plans must reimburse FQHC's no lower than Medicaid PPS rate (including look alike)



# Health Centers & Health Care Reform

- Permanently authorizes Health Center Program
- Eleven Billion Dollars into a 5 year Trust Fund
  - Funding for Operations and Capital Development
- Operations
  - \$9.5 billion will allow health centers to expand operational capacity to serve 20 million new patients and enhance medical, oral, and behavioral health services
  - In addition to discretionary funding



# Health Centers & Health Care Reform

## ○ Operations Funding

<b>Community Health Center Operations Funding, 2011-2015</b>				
<b>FISCAL YEAR</b>	<b>Trust Fund +</b>	<b>Discretionary Funding (est.)</b>	<b>Total Annual Funding (est.)</b>	<b>Total Annual Increase</b>
FY 2011	\$1 Billion	\$2.19 Billion	<b>\$3.19 Billion</b>	\$1 billion
FY 2012	\$1.2 Billion	\$1.6 Billion	<b>\$2.8 Billion</b>	(.39 billion)
FY 2013	\$1.5 Billion	\$1.6 Billion	<b>\$3.1 Billion</b>	\$300 million
FY 2014	\$2.2 Billion	\$1.6 Billion	<b>\$3.8 Billion</b>	\$700 million
FY 2015	\$3.6 Billion	\$1.6 Billion	<b>\$5.2 Billion</b>	\$1.4 billion

Source: National Association of Community Health Centers



# Operations

- Allowable Use
  - Base Grant Adjustments
  - Expanded Medical Capacity
  - Service Expansion (i.e. oral, behavioral health, pharmacy)
  - Enabling Services
  - New Access Points
  - New Starts



# National Health Service Corp

- \$1.5 billion

- 2011 - \$290 million
- 2012 - \$295 million
- 2013 - \$300 million
- 2014 - \$305 million
- 2015 – \$310 million



# National Health Service Corp

## ○ Changes

- Reauthorized Permanently
- Corp members can receive up to \$50 thousand (up from \$35)
- 50% of time can be teaching
- Allows for part time practice (doubling time or halving loan repayment)





# Michigan Policies

- Exchange
  - Governor Proposes State Based Exchange in 2011
  - Senate passed in 2012
  - House took no action
  - House passed in 2013
  - Senate took no action
  - DEFAULT – Federal Exchange



# Michigan Policies

- Medicaid Expansion
  - Governor included in 2014 budget
  - Proposes to take half of savings and deposit into Health Savings Account
  - No General Fund required for 21 years



# Michigan Policies

## ○ Medicaid Expansion

### ● Fiscal:

- \$2 billion a year added to State budget
- \$200 million savings to Michigan budget - (\$1 billion over the next decade)
- No State Funding at all for 3 years
- No new GF required for 21 years
- \$100 million in increased tax revenue



# Michigan Policies

- Medicaid Expansion

- Economic:

- \$30 billion poured into Michigan's Economy
    - Greatest potential for reducing overall health care costs as part of GDP
    - 13,000 to 18,000 jobs created



# Michigan Policies

## ○ Medicaid Expansion

### ● Business:

- Provides health insurance to employees in low paying jobs
- Avoids \$54 to 81 million in tax penalties to Michigan businesses\*
- Will reduce cost of private health care premiums due to elimination of cost shifting.
- Healthier people miss fewer days of work
- Improved employability

\*Jackson Hewitt



# Michigan Policies

## ○ Medicaid Expansion

### ● Policy

- Provides health insurance coverage to 450,000 people in Michigan\*
- Polls say 63 % of Michigan residents think we should take it.
- Addresses Michigan as an “outflow state”
- Addresses major mental health coverage needs (12% will have major mental illness)
- Provides relief to corrections budget and offers prevention services to prisoners potentially affecting recidivism



# Michigan Policies

## ○ Medicaid Expansion

### ● Policy

- People with insurance are healthier than those without – affecting health care costs
- Reduces the number of prisoners incarcerated for mental health related issues.
- Decreases the number of bankruptcies due to medical costs



# Michigan Policies

- Medicaid Expansion

- Health Care Systems

- Helps hospitals lower uncompensated care and avoid cuts that will result from reduced Medicare and DSH payments
    - Provides nearly \$50 million/year in revenue to Community Health Centers allowing for expansion of services in underserved areas and to underserved populations including the remaining uninsured.





# Michigan Policies

- Medicaid Expansion
- It not – what?
  - 35,000 childless adults lose coverage
  - People below 100% of poverty have NO OPTIONS (they are not eligible for subsidy on the exchange—roughly 430,000 people)
  - State still pays \$175 million for Mental Health services
  - Increased ED visits and uncompensated care and cost shifting to private insurance
  - More pressure on small hospitals



# Michigan Policies

- Medicaid Expansion

- If not – what?

- Increased numbers of uninsured as businesses drop coverage
    - Increased tax penalties for business
    - Unhealthier population



# Questions for 2014

- Can ACA make transition from ideological and partisan war zone to bipartisan effort to help people
- Will early implementation problems lead to “rush to judgement”.
- Will increases in health care costs be blamed on “Obamacare”.
- Will we be allowed to learn from the mistakes?



# MPCA Website

- [WWW.MPCA.NET](http://WWW.MPCA.NET)
- Policy and Advocacy
- Advocacy Center
  - Sign up to be a Health Care Defender



# Questions?

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