The Patient Protection & Affordable Care Act

Impact on Physical Therapy Practice

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Fundamentals

- Patient Protection and Affordable Care Act
  - Public Law 111-148
  - Signed into law March 23, 2010
- Healthcare & Reconciliation Act
  - Public Law 111-152
  - Signed into law March 30, 2010

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Key Provisions

- Expansion of Coverage
- Individual Mandate
- Employer Requirements
- Expansion of Public Programs
- Premium and Cost-Sharing Subsidies to Individuals
- Premium Subsidies to Employers
- Tax Changes Related to Health Insurance or Financing of Health Reform
- Health Insurance Exchanges
- Benefit Design
- Changes to Private Insurance
- States' Role
- Medicare
- Medicaid
- Quality Initiatives
- Prevention / Wellness
- Long Term Care
- Other Investments

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Expansion of Coverage

- Requires most U.S citizens and legal residents to have health insurance
  - Through Health Benefit Exchanges
  - Through other coverage products:
    - Employer plans
    - Private plans
    - Self-insurance programs

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Individual Mandate

EXEMPTIONS:

- Financial hardship
- Religious objections
- American Indians
- If w/o coverage <3 months
- Undocumented immigrants
- Incarcerated individuals
- Those for whom the lowest cost plan option exceeds 8% of an individuals income
- Individuals with incomes below the tax filing threshold

- Require US citizens and legal residents to have health coverage.
- Tax penalty of $695 - $2085 or 2.5% of household income
  - Phased in schedule:
    2014 - $95
    2015 - 2% of income
  - 2016 - 2.5% of income

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Employer Requirements

- If 50 or more FTEs, fail to offer coverage and
  - Have at least one FTE who receives a premium tax credit;
    - Assess a fee of $2000 per each FTE (31 and above)
- If 50 or more FTEs, and ***do*** offer coverage and
  - Have at least one FTE who receives a premium tax credit;
    - Assess a fee of $3000 for each employee who receives a premium tax credit; ***or*** assess a fee of $2000 per FTE over 30.
- If >200 employees, must automatically enroll employees into health insurance plans offered by employer.
  - Employees may “opt-out”.

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Expansion of Public Programs

- Expand Medicaid to all non-Medicare individuals under age 65 with incomes up to 133% FPL
- Benchmark benefit package with all essential benefits
- ***Decision is optional for states*** but if they expand:
  - ***100% federal funding of increases in 2014 – 2016***
  - ***95% in 2017, 95% in 2018, 93% in 2019, 90% thereafter***
- Requires states to maintain current eligibility levels for CHIP through 2019, extend funding through 2015
- Beginning in 2015, states receive a 23%age point increase in match rate.
- CHIP eligible children who are unable to enroll due to enrollment caps will be eligible for tax credits in the State Exchanges

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Premium and Cost-Sharing Subsidies to Individuals

- Limits premium credits and cost-sharing subsidies to:
  - US citizens and legal immigrants who meet income limits
  - Limits credits to employees who are offered coverage (some exceptions)
  - Limits legal immigrants from enrolling in Medicaid during the first five years in the US
    - They WILL be eligible for premium credits.

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- Refundable and advanceable premium credits to individuals and families with incomes from 100-400% FPL
  - Adjustments over time
- Cost sharing subsidies to same eligible group
- Requires verification of both income and citizenship to be eligible for credits
- Limits coverage for abortion beyond life saving, rape, incest

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Premium Subsidies to Employers

- Tax credits to small employers (25 or less employees, average wages $50,000 or lower)
- Reinsurance program
  - Temporary program to charge employers who provide coverage to retirees
  - Pays retire claims at 80%
  - Funds go to reducing costs for other enrollees in the employer plan

Tax Changes Related to Health Insurance or Financing of Health Reform

- Tax on individuals w/o coverage (greater of $695 per year or 2.5% of household income up to $2085)
- OCD's cannot be reimbursed from H.S.A
- Increase tax on non-medical disbursements from H.S.A
- Limit contributions to FSA's to $2500 per year
- Increase threshold for itemized deduction of medical expenses from 7.5% to 10%
- Increase Medicare tax on wages by .9% (from 1.45% to 2.35%) on earnings over $200,000 per individual and $250,000 for couple; add 3.8% tax on unearned income for high-income taxpayers.

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- Excise tax on employer-sponsored health plans with high values
- Eliminate tax deductions for employers who received Medicare Part D retiree drug subsidies
- New annual fees on pharmaceutical manufacturing sector
- New annual fees on health insurance companies
- Excise tax on sale of taxable medical devices
- Limit deductibility of executive compensation to $500,000 per individual for health insurance providers

Health Insurance Exchanges

- Create state-based health exchanges
- Restrict access to coverage through the exchanges to US citizens and legal immigrants who are not incarcerated
- Require multi-state plans
- Create Consumer Operated and Oriented Plan program to foster non-profit, member-run health companies in all states and DC

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Benefit Design

- Benefit Tiers
- Reduced out of pocket limits for those up to 400% of FPL
- Require guaranteed issue and renewability
- Allows states to prohibit abortion coverage with exceptions
- Essential benefits
  - Rehabilitation is an essential service

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Changes to Private Insurance

- Temporary high-risk pool for pre-existing conditions
- Requires rebates if spending on clinical services is less than 85% of premiums collected
- Administrative simplification
- Dependent coverage for all children up to age 26
- Remove lifetime limits
- Prohibit rescinding coverage (unless fraud)
- Grandfather existing plans
- Website for identification of options with requirement for standard for use in presenting coverage options

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States' Role

- Create Exchanges
- Enroll newly eligible Medicaid beneficiaries into the program no later than January 2014
- Establish consumer assistance or ombudsman program
- Allowed to create a Basic Health Plan for uninsured individuals with incomes between 133% and 200% FPL
- Administrative simplification
  - Single set of rules for eligibility verification and claims status

Medicare & Medicaid

- Restructure payments to Medicare Advantage Plans
- Reduce annual market basket updates
- Address Part B and Part D premiums and subsidies
- Establish and Independent Payment Advisory Board
- Reduce Medicare Disproportionate Share payments by 75%; reduce Medicaid DSH concurrently
- Eliminate the Medicare Improvement Fund
- Allow ACOs to share in cost savings if they meet quality thresholds
- Create Innovation Center within CMS to test, evaluate and expand payment structures and methodologies
- Reduce MC payment for excessive readmission
- Reduce MC payment to hospitals for hospital acquired conditions
- Increase Medicaid drug rebate percentages
- Authorize FDA to approve generic versions of biologic drugs (12 years protection prior to generics)
- Reduce waste, fraud and abuse by enhancing oversight of new providers and suppliers including DME

Quality Initiatives

- Establish Patient-Centered Outcomes Research Institute to identify research priorities and conduct research on clinical effectiveness
- Award 5-year demonstration grants to states to develop, implant and evaluate alternatives to current tort litigations.
- Establish national Medicare pilot program related to bundled payment
- Create Independence at Home demonstration program to provide high-need MC beneficiaries with primary care services in the home
- Establish a hospital value-based purchasing program in MC to pay hospitals based on performance or quality measures.
- Improve care coordination for dual eligible by creating a new office with CMS to integrate MC and Mcaid benefits
- Create new Mcaid state plan option to assist patients with two or more chronic conditions or one serious mental health issue to designate a provider as a health home.
- Create Medicate bundled payment demonstration projects.
- Expand the role of the Mcaid & CHIP Payment and Access Commission to include assessment of adult services

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- Increase Medicaid payments for services provided by primary care doctors to 100% of MC rate
- Provide 10% bonus to primary physicians in the MC program
- Develop a national QI strategy that includes priorities to improve health delivery, outcomes and population health
- Establish the Community-based Collaborative Care Network Program to support consortiums of health care providers to coordinate and integrate health care services for low-income insured and under insured populations
- Require disclosure of financial relationships between health entities (note: this goes beyond Stark)
- Require enhanced collection and reporting of data on race, ethnicity, sex, primary language, disability statues for underserved rural and frontier populations. Require analysis of the data to monitor trends in disparities.

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Prevention / Wellness

- National Strategy
  - Develop National Prevention, Health Promotion and Public Health Council to coordinate prevention, wellness and public health activities
  - Establish a Prevention and Public Health Fund
  - Establish a grant program to support delivery of evidence-based and community-based prevention and wellness services

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- Coverage of Preventative Services
  - Eliminate cost-sharing for certain preventative services; waive MC deductive for colorectal cancer screening.
  - Assist states in covering these services for Medicaid recipients
  - Authorize MC coverage for prevention services
  - Provide incentives to MC & Mcaid patients who compete behavior modification programs
  - Require health plans to provide a minimum coverage w/o cost-sharing for preventative services

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- Wellness Programs
  - Provide grants for up to five years for small employers that establish wellness programs
  - Provide technical assistance and other resources to evaluate employer-based wellness programs
  - Permit employers to offer employee rewards – in the form of premium discounts, waivers of cost share – of up to 30% of the cost of coverage for participating in wellness programs and meeting certain health-related standards.
- Nutrition
  - Require chain restaurants and food sold from vending machines to disclose nutritional content

Long Term Care

- Extend the "Medicaid Money Follows the Person Rebalancing Demonstration Program" thru 2016
- Provide states with new options for home and community-based services through a Medicaid state plan
- Establish the Community First Choice Option in Medicaid to provide community-based attendant supports and services to individuals with disabilities who require an institutional level of care.
- Create the State Balancing Incentive program to enhance federal matching payments to eligible states.
- Require SNFs under Medicare and Nursing facilities under Medicaid to disclose ownership and financial information.

Other Investments

- Medicare Part D
  - Rebates, reduced beneficiary coinsurance rates, equalize cost-sharing in home and community services with institutional care
- Expand coverage to those exposed to environmental health hazards in certain areas
- 10% Bonuses to physicians and surgeons in shortage areas
- Prohibit Medicare Advantage plans from imposing higher cost-sharing requirements than is required under traditional Medicare

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- Workforce Issues
  - Improve workforce training and development
  - Increase GME training positions by redistributing slots with focus on primary care and general surgery
  - Increase scholarships and loans
  - Address projected shortages of nurses by supporting training programs, loan repayment and retention grants and creating a nursing career ladder.
  - Focus on programs for medical homes, team management of chronic disease

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- Increase access to care through community health centers and establishing new programs and school based health centers
- Establish new trauma center program, fund research on emergency medicine and evaluate innovative models
- Establish a commissioned Regular Corps and a Ready Reserve Corps for service in time of national emergency.
- Require non-profit hospitals to conduct community needs assessment every three years and adopt strategies to meet the identified needs.

Impact on Physical Therapy Practice

Key Provisions that Impact Us as Providers

Coverage Initiatives

- Therapy as an essential service
- Expansion of public programs (Medicaid)
- Insurance exchanges
- Subsidies for up to 400% of the Federal Poverty Level (tax credit)
- Expanded dependent coverage (9/2010)

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Impact of New Payment Models

- Beginning January 2014
  - Individual mandate to have healthcare coverage;
  - High Risk Pools to assure access to coverage; and
  - Rehabilitation and habilitation services and devices are covered as part of the essential services; so……
    - You may see an INCREASE in patient volume
      - AND……..
        - This is a good thing. Right?

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Increased Volumes: Good or Bad?

- Can be good if reasonable compensation
- ACA also reduces Medicare payments overall so….
  - More patients at less revenue?
- Efficiency is key
- Need to understand our costs and any regulatory constraints that increase costs

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Impact of Newly Covered Population

- Network Capacity
  - Regulations require that the marketplaces must have a provider network sufficient in number and types to assure that all services will be accessible without unreasonable delay.
  - May provide opportunity to increase the number of plans in which you participate
    - If you are part of a hospital system, you may have already been enrolled in new plans by your contract division
- Provider Capacity
  - Do you have the capacity to take on increased volume that could occur?
  - If so, how are you seeking new contracts?
  - If not, what will your strategy be to increase volume?

In or Out of Network?

- In Network?
  - Do you have contracts with the new plans?
  - If not, where are you in the negotiation?
  - Do you understand the "all products" clause?
    - A clause in a health insurance plan that requires, as a condition of participating in any of the health plan products, that the provider participate in all of the health plan products, present or future.
    - Be sure to review the fee schedules and rate attachments to determine what plans or products are covered.

More Impact

- Your payment might be delayed; or, go unpaid
  - Health plans must offer a 3-month grace period to enrollees who receive advance payments for premium tax credit (these are federal subsidies offered to low-income enrollees in order to reduce out of pocket exchange costs)
  - Plans are required to pay all claims for the first 30 days of the grace period but can pend claims in months 2 and 3 at which point the patient must either pay the claim or pay the premium.
    - If the patient cannot afford to pay, then you may not receive payment.

Accountable Care Organizations

- Authorized under both Medicare and Medicaid but….
  - Physical therapists are not expressly eligible to participate at this time
  - Need to have relationships to ACOs in order to provide services to patients within the ACO

Center for Innovation: Support for Direct Access

- Purpose:
  - Research, develop, test and expand innovative payment and delivery arrangements to improve quality and reduce the cost of care
- Work to date:
  - Funding for "promoting greater efficiencies and timely access to outpatient services (such as outpatient physical therapy services) through models that do not require a physician or other health professional to refer the service or be involved in establishing the plan of care for the service, when such service is furnished by a health professional who has the authority to furnish the service under existing State law."

Consumer Protection: Limits on Imposing Caps

- If considered "essential health benefits", there can be no arbitrary caps for health plan years beginning on or after January 1, 2014.
  - ? What will happen to the Medicare Cap?
  - Currently no plans to eliminate the cap beyond what APTA is attempting legislatively

Disability

- Prohibition of exclusions on preexisting conditions
  - Since 9/2010 for children under age 19
  - Fully effective 1/1/2014
- No lifetime limits
- Temporary high risk insurance pool
  - Eligibel if they had no credible coverage for the past six months and have a pre-exisitng conditoin
- Rehabilitative and habilitative services as an essential benefit
- Medicaid eligibility increased to 133% FPL
  - No asset test
  - Modified adjusted gross income

Medicaid

- National floor increased to 133% of NPL
- Children under CHIP between 100% and 133% of FPL would now move to Medicaid
  - Asset test removed

Medical Home

- ***"an approach to providing comprehensive primary care that facilitates partnerships between individual patients and their personal providers and when appropriate, the patient's family***"
- Part of Innovation Center to research, develop, test and expand innovative payment and delivery arrangements.
  - $10 billion dollars over 10 years allocated.

Prevention

- Grant programs for community based programs
  - Began in 2010
- Small employer grants
- Employee rewards for fitness and lifestyle changes
- 10 State Pilot programs by July 2014
- Opportunities:
  - Consultants to small employers and large
  - Participation in community based programs

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Quality Reporting

- PQRI incentives extended through 2014
- Penalties start in 2015
  - - 1.5% in 2015
  - - 2.0% in 2016 and later
- Other potential impacts
  - Managed care contracts
  - ACO participation

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Bundled Payment

- The single biggest cost savings to Medicare will come from bundling!
- Currently looks at 3 days prior to the acute hospital stay through 30 days after DC from the hospital
  - Closely aligned to reducing readmission rates
- Physical Therapy impact:
  - Reduced acute LOS
  - Outpatient and home health interventions to prevent readmission (falls prevention, mobility, education of family)

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Rehabilitation and Habilitation as Essential Benefits

Essential Benefits

- Ambulatory patient services
- Emergency services
- Hospitalization
- Maternity and newborn care
- Mental health and substance use disorder services, including behavioral health treatment
- Prescription drugs
- Rehabilitation and habilitative services and devices
- Laboratory services
- Preventative and wellness
- Chronic disease management
- Pediatric services (including oral and vision care)

- Impact on our practices:
  - Increased volumes
  - Potentially more complex cases due to coverage of chronic conditions

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Tax Credits for Small Business

- Business must provide at least 50% of the cost of healthcare for its workers based on the single rate
- Credits to 35% of the cost of premiums if you have fewer than 25 FTEs and average less than $50,000 in wages per FTE
- May be helpful for small practices with few therapists but more office staff

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Individual Tax Provisions

- Medicare Payroll Tax
  - High income earners: $200K single, $250 joint
  - Pay an additional .9% tax for wages over the threshold
- Unearned Income Medicare Contribution
  - Investment income: interest, dividends, non-qualified annuities, royalties, rents and taxable capital gains.
  - 3.8% of the lesser of net investment income, excess modified AGI over $250K for joint, $125K for married filing separately, $200K for all other returns.
  - Also applies to passive income from S-Corps +
- Increase in the threshold to deduct medical expenses to 10% of AGI for taxpayers under 65; those over 65 will retain the 7.5% threshold

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Strategies for Success

What should we be doing now??

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Opportunities Abound

- Patient volumes
  - Pediatrics
  - Chronic disease care
  - General outpatient
- Wellness & Prevention
  - Community Programs
  - Small Employer Behavioral Modification

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Employed Therapists & Assistants: Hospitals / Organizations

- How can you contribute?
- Special interests?
  - Wellness?
  - Pediatrics?
  - Chronic Disease Management?
- Length of stay management
- Reduction in readmission rates

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Private Practices: Next Steps

- 25 or less employees:
  - Look at tax credits
- Assess what new plans are available to patients
  - Are you in plan? Want to be? Need to contract?
- Medicaid or not?
- Evaluate your role in prevention / wellness.

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Employed Therapists & Assistants: Private Practices

- What can you do to:
  - Increase volumes
  - Improved productivity
  - Expand market share through specialty skills

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What *EVERYONE* needs to do……..

- Pay attention….
  - Stay vigilant regarding the rules and changes
- Look at your own situation:
  - Tax implications
  - Skill set
  - Income structure from earnings and investments
- Seize the opportunities

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QUESTIONS????

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