

# Federal Health System Reform 2010: An Update

March 19, 2010

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## Status:

Time: 12:00 pm. Date: 3/19/10

- House votes: Saturday, Rules Committee 9:00 am  
Sunday, Floor consideration begins at 2:07 pm

### ■ Process:

- House pass Senate Bill plus Reconciliation bill
- President Signs Health Bill into law
- Reconciliation bill to the Senate – 51 votes to pass
- Do not have the reconciliation package
- Waiting for CBO score – 72 hour clock

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HR 4872  
THE HEALTH CARE & EDUCATION  
AFFORDABILITY RECONCILIATION ACT OF 2010  
&  
HR 3590  
The Patient Protection and Affordable Care Act

Congressional Budget Office (3/18/2010)

- Covers 95% Uninsured – 32 million Americans
- Costs \$940 billion over 10 years
- Reduce the deficit by a net \$138 billion over 10 years
- Reduce the deficit by \$1.2 trillion in the next 10 years

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## Individual and Employer Mandates

### ■ Individual Mandate

Pay greater of a fine or percentage of income

<i>\$95 2014</i>	<i>\$395 2015</i>	<i>\$695 2016</i>
<i>vs.</i>		
<i>1.0% 2014</i>	<i>\$2.0 2015</i>	<i>2.5% 2016</i>

### ■ No Employer mandate

- Pay if Employee ends up on public program (exempt under 50)
- Small Business subsidies - Under 25 employees

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## House Health Care Reform Package

- Expands Medicaid to 133% FPL
- States the Federal government will pay the following for new Medicaid recipients: 100% in 2014, 2015, 2016, 95% in 2017, 94% in 2018, 93% in 2019 and 90%
- For early adopter states, eg MA and VT, the bill will reduce the state share for non pregnant childless adults by 50% in 2014, 70% in 2016, 80% in 2017, 90% in 2018. In 2019 and thereafter these would get the same as other states ( eg 7% in 2019, 10% thereafter) (*see MA impact slide*)
- Subsidies for low income families – up to 400% poverty  
*Improves financing for tax credits (400% poverty) and subsidies ( 250% poverty) ( see MA Impact slide)*

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## Insurance Reforms

- Escalates time frame to initiate insurance reforms
- No Preexisting conditions
- Limits Premium Ratings Band – 3-1 for age
- Bans Rescission
- Mandates Medical Loss ratio: report back
- Established minimum benefits package all insurers must follow
- Marketing reforms
- No life time caps

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## Insurance reforms, cont.

- State – Regional Insurance Exchanges to help uninsured purchase insurance ( MA Connector only)
- Reinsurance for 55 to 65 year old early retirees
- No public plan
  - OPM develop two plans with negotiated rates for providers

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## Insurance reforms, cont.

- Incentives CoOps
  - Insurance plans owned and operate by members
- Insurance Regulation –
  - Establish a process to review rates and justify increase
- Excise tax on Cadillac Plans
  - \$10,200 for single, \$27,500 for family ( retirees \$11,850 - \$30,950)
  - Starts in 2018

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## House Health Care Reform Package

- Administrative Simplification
- Emphasis on Wellness, Public Health, Diversity, Comparative Effectiveness, Quality
- Drugs – Closes the Part D donut hole beginning in 2011 until 2020. \$250 rebate for all who enter donut hole in 2010.
- Medicare Advantage plans – Freeze payments in 2011. In 2012 reduces from 95% in high cost areas to 115% in low cost based on benchmarks. 5% bonus for quality programs. Changes phased in over 3, 5, 7 years based on cuts. CBO scores -\$13.7 billion; Report on Medical loss ratio

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## House Health Care Reform Package.

- Sunshine Act- report on financial disclosures by pharmacies, devices etc ( MDs do not report)
- Comparative Effectiveness Research – Independent Non profit

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## Physician Payment & Workforce

- Increase Medicaid primary care to Medicare rates for 2013 and 2014
- 10% bonus for primary care and general surgery in underserved areas
- 5% bonus for underserved areas ( to be redefined)
- Workforce initiatives and loan repayment
- Increased funds for National Health Service Corps and Community Health Centers \$11 billion

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## Delivery System Reforms

- ACO Demonstration Project – voluntary, share in savings, accountable for overall care, enough PCPs, evidence based medicine, quality reporting, coordinate care and costs
- Bundling: Inpatient Outpatient Demonstration Project – start 2013, if works, expand 2016 – Also Medicaid bundling program
- Medicare Innovation Center
- Medical Home demonstrations

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## Problems

- IPAB – Independent Advisory Board
  - Similar to base close commission – authorized to find \$13.3 billion starting in 2014 if spending exceeds targets. Focus on insurers, pharmacy and physicians. In 2019 other providers are included
- Value Index Modifier
  - Similar to GIC : The Senate bill authorizes CMS to develop profiles on individual physicians, based on Medicare and private payer data that could be posted on a “Physician Compare” web site.

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## Problems

- Value Modifier, cont.
  - Multi-state holder group, including physicians, will develop the performance measures;
  - CMS “to the extent practicable,” should make sure the information is statistically valid and reliable, that physicians have a reasonable opportunity to review the data before they are made public, that there are processes to ensure that the information gives an accurate portrayal of the physicians’ performance, appropriate attribution of care, and gives timely statistical performance feedback.

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## Defensive Medicine

- \$50 million in five year Demonstration Grants to States to explore alternative to current tort based system
- Preference to states that work with stakeholders, improve patient safety and access to liability insurance.

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## Reconciliation: Key changes

- MA FMAP and Medicaid corrections – are in
- Medicaid – feds pay %100 for all new Medicaid enrollees initially
- Part D Donut hole – close
- Excise tax on Cadillac plans – higher threshold, delayed time frame
- Increased payments for primary care physicians
- IPAB -reduced target

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## Impact on Massachusetts

- Higher subsidies and payments for Massachusetts
  - Massachusetts Medicaid FMAP and SCHIP dollars are increased significantly. Massachusetts would receive over \$2 billion dollars in federal funds for Medicaid as a result of the expansion from 2014 to 2019. The state will gain at least \$350 million a year in additional FMAP assistance in 2020 and beyond
  - The bill will reduce the state share for non pregnant childless adults by 50% in 2014, 70% in 2016, 80% in 2017, 90% in 2018. In 2019 and thereafter MA would get the same as other states with the federal government subsidizing 90% of costs. In
  - MA pays sliding scale subsidies for low income adults up to 300% FPL, Federal up to 400% = 75,000 additional MA people helped

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## Impact on Massachusetts, cont.

- Insurance Reforms
  - Strengthens Connectors Ability to Negotiate with all plans
  - Small Business Tax Credit – 70,000 businesses up to 50% of cost
  - Increased primary care payments
  - Close Part D donut hole – help 80,700 MA seniors
  - Excise tax – impact 8,600 in Ma out of 6.2 million insured
  - Competitive advantage with other states
  - Defensive Medicine Demonstration Grant

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## For More Information

[www.massmed.org/healthcarereform](http://www.massmed.org/healthcarereform)