

Overview of Major Components of Federal Health Reform

Joint Commission on Health Care
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Health Care Reform Legislation

- HR 3590 (P.L. 111-148): Patient Protection and Affordable Care Act
 - Enacted March 23, 2010

- HR 4872 (P.L. 111-152): Health Care and Education Reconciliation Act
 - Enacted March 30, 2010

- Combined Acts referred to as the Patient Protection and Affordable Care Act (PPACA)

Major Components of PPACA

- Creation of New Health Insurance Marketplace/ Programs
- Health Insurance Market Reforms
- Coverage Mandates and Incentives
- Changes to Medicare
- Changes to Medicaid and CHIP
- Improvements to Quality of Care and System Performance

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Creation of New Health Insurance Marketplace/ Programs

- Temporary high-risk pools
- Early retiree reinsurance program
 - Temporary coverage for early retirees over 55 yrs of age and not Medicare eligible
- Health insurance exchanges
 - Individual and small group exchanges
 - Insurers that greatly increase premiums before exchanges begin will be excluded
 - CO-OPs, multi-state compacts
- State option to create a basic health plan for individuals with incomes between 133%-200% FPL in lieu of receiving subsidies to purchase coverage in the exchanges
- Voluntary long-term care insurance

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Health Insurance Market Reforms

- Essential health benefits required*
 - Comprehensive set of services
 - Covers 60% of benefit costs of plan
 - Limits out of pocket spending to current health savings account (HSA) limits (\$5,950 for individuals; \$11,900 for families)
- Benefit tiers:
 - Bronze: Essential benefits + covers 60% of costs, out of pocket spending limited to current HSA limits
 - Silver: Essential benefits + covers 70% of costs, out of pocket spending limited to current HSA limits
 - Gold: Essential benefits + covers 80% of costs, out of pocket spending limited to current HSA limits
 - Platinum: Essential benefits + covers 90% of costs, out of pocket spending limited to current HSA limits
 - Catastrophic: Available to individuals who are <30 yrs of age or exempt from mandate. Available only in individual market.

* Except grandfathered individual and employer-sponsored plans

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Health Insurance Market Reforms

- Prohibit lifetime limits on coverage
- Prohibit rescission of coverage
- Prohibit charging higher premiums due to gender, family history, or occupation
- Limit how much premiums can vary based on age (3:1) and tobacco use (1.5:1)
- Prohibit pre-existing condition exclusions
 - September 2010: for <19 yrs of age
 - 2014: for all adults
- Prohibit co-pays and deductibles on preventive care
 - 2010: New private plans
 - 2011: Medicare
 - 2018: All plans

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Health Insurance Market Reforms

- Prohibit preauthorization requirement for emergencies
- Require consumer rebates for medical loss ratios <85% (Large group plans); <80% (Small group plans).
 - I.e. Insurer's non-medical costs cannot exceed 15% & 20%, respectively, of premium dollars
- Children <26 yrs of age can be covered on parents' policy
- Prohibit annual limits on coverage
- Waiting period limited to 90 days (except grandfathered individual plans)
- Flexible spending accounts (FSAs) limited to \$2,500 per year

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Coverage Mandates and Incentives for Individuals

- Individual penalties for noncompliance:
 - 2014: Greater of \$95 or 1% of taxable income
 - 2015: Greater of \$325 or 2% of taxable income
 - 2016: Greater of \$695 or 2.5% of taxable income
 - Families: 3x dollar amount or % of taxable household income listed above
 - After 2016, penalty increases at cost of living adjustment rate
- Premium tax credits for individuals and families with incomes up to 400% FPL
 - Premium credits based on second lowest cost plan (silver) in the area
 - Set on sliding scale from 2% to 9.5% of income. For example:
 - Up to 133% FPL: Premium limited to 2% of income
 - 150-200% FPL: Premium limited to 4-6.3% of income
 - 200-250% FPL: Premium limited to 6.3-8.05% of income
 - 300-400% FPL: Premium limited to 9.5% of income
- Cost-sharing subsidies reduce out of pocket expenses to:
 - 100-150% FPL: 6% of total benefit costs
 - 150-200% FPL: 13% of total benefit costs
 - 200-250% FPL: 27% of total benefit costs
 - 250-400% FPL: 30% of total benefit costs

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Coverage Mandates and Incentives for Businesses

- Small business tax credits to employers with ≤ 25 employees and average annual wages $\leq \$50,000$.
 - Phase I (2010-2013): credit of up to 35% of employer's contribution toward premiums (if employer contributes at least 50% of premium costs)
 - Phase II (2014 and on): credit increased up to 50%
- Penalty for employers with ≥ 50 employees
 - that do not offer coverage and have at least 1 full-time employee receiving a federal subsidy
 - \$2000 per full-time employee (excluding first 30 full-time employees)
 - that do offer coverage but have at least 1 full-time employee receiving a federal subsidy
 - Lesser of \$3000 per full-time employee receiving credit or \$2000 per full-time employee (excluding first 30 full-time employees)

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Changes to Medicare

- No reduction in Medicare guaranteed benefits
- Part D coverage gap (prescription "donut hole")
 - \$250 rebate given to individuals who enter coverage gap in 2010
 - Donut hole closed by 2020 by reducing coinsurance to 25% for all spending between the deductible and the catastrophic limit for both brand name and generic drugs
 - In 2011, 50% discount for brand name drugs filled in Part D coverage gap
 - By 2020, federal subsidies of 75% of cost of generic drugs filled in Part D coverage gap (beginning in 2011)
- Phase-out of subsidies to private insurance companies participating in Medicare Advantage, but offers bonus payments for high-quality plans
- In 2014, Medicare Advantage plans are subject to Medical Loss Ratio requirement of 85%
- Establishment of value-based purchasing for hospitals to link payment to quality performance
- Create Independence at Home demonstration program to provide high-need Medicare beneficiaries with primary care services in their home
- For 2011-2015, 10% bonus in Medicare reimbursement for primary care physicians as well as general surgeons practicing in health professional shortage areas.

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Changes to Medicaid and CHIP

- Expands Medicaid to include adults with incomes up to 133% of FPL and former foster care children up to 26 yrs of age (regardless of income)
 - States will receive 100% federal match in 2014-2016, phasing down thereafter
- Exchanges will act as national enrollment vehicle (with only one application needed for Medicaid, CHIP, or exchange tax credits)
- Increase Medicaid drug rebates (beginning in 2010):
 - for brand name drugs to 23.1% of average manufacturer price
 - for non-innovator, multiple source drugs to 13% of average manufacturer price
 - Extend these rebates to state Medicaid managed care plans
- In 2013 and 2014, increase Medicaid payments to primary care providers to equal Medicare reimbursement rates (100% federal funding).
- State option to permit individuals with chronic conditions to designate a provider as a health home. 90% FMAP for first 8 quarters.
- Children's Health Insurance Program (CHIP; known as FAMIS in VA)
 - Extends program through 2015
 - Beginning in 2016, states receive 23% increase in federal CHIP match rate
 - States can provide CHIP eligibles coverage in the exchanges in 2015

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Improving Quality and System Performance

- Mental Health Care Improvements
 - Essential benefits requirements include mental health and substance abuse treatment services
 - Mental health parity requirement in exchanges
 - Funding for Medicaid emergency psychiatric demonstration project
 - Demonstration grants to co-locate primary care in Community Mental Health Centers (CMHCs)
 - Medicaid option for health home for chronic conditions lists serious mental illness as a qualifying chronic condition
 - New authority for the HHS Secretary to establish federal standards for CMHCs
 - Mental and behavioral health education and training grants
 - Quality reporting for psychiatric hospitals

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Improving Quality and System Performance

- Long-Term Care Improvements
 - CLASS Act (Voluntary long-term care insurance program)
 - Extend Money Follows the Person Demonstration program through 2016 and allocate \$10 million per year to continue the Aging and Disability Resource Center initiatives (2010-2014)
 - Medicaid state plan option for offering home and community-based services for individuals with incomes <300% SSI
 - Establish Community First Choice Option in Medicaid
 - Provides community-based attendant supports and services to disabled who require institutional level of care
 - Enhanced federal matching rate (increase of 6%) for program expenses
 - Create State Balancing Incentive Program to provide enhanced federal matching to increase the proportion of non-institutionally-based long-term care services

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Improving Quality and System Performance

- Workforce Training and Development
 - Establish Workforce Advisory Committee to develop national workforce strategy (2010)
 - Increase Graduate Medical Education (GME) training positions
 - Increase workforce supply and support training of health professionals through scholarships and loans (especially for rural and medically underserved areas)
 - Address projected shortage of nurses and retention of nurses by increasing the capacity for education, supporting training programs, providing loan repayment and retention grants, and creating a career ladder to nursing
 - Support for development of training programs focusing on primary care models (e.g. medical homes, chronic disease team management, integration of physical and mental health services). Funds appropriated for 2010-2014.

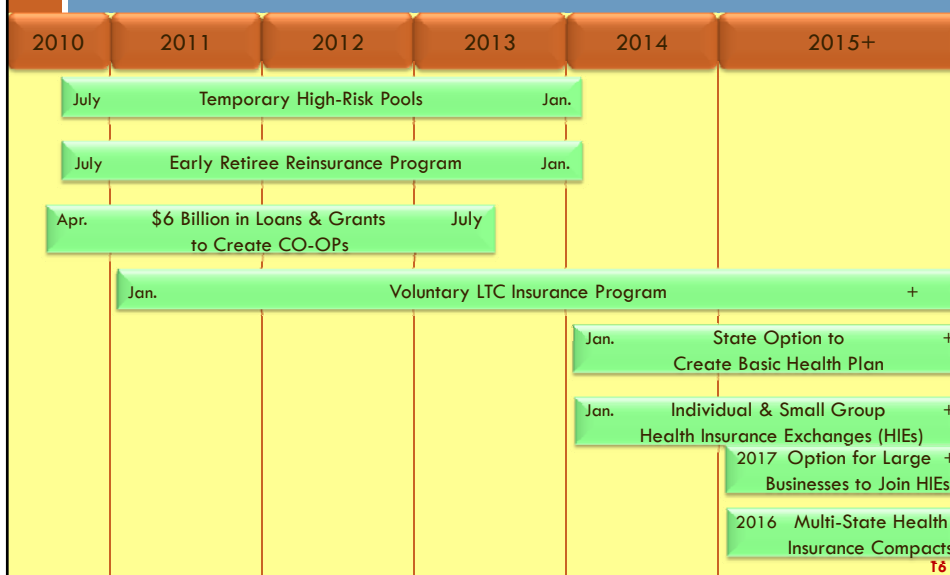
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Improving Quality and System Performance

- Other Improvements:
 - Support for comparative effectiveness research (CER)
 - Award 5 year demonstration grants to states to develop, implement, and evaluate alternatives to current tort litigation
 - Create within CMS the Federal Coordinated Health Care Office to improve care coordination for dual eligibles
 - Establish Community-Based Collaborative Care Network program to support the coordination and integration of health care services for low-income uninsured and underinsured populations (funded for 2011-2015)
 - Require enhanced collection and reporting of data on health disparities
 - Provide incentives for the creation of wellness programs by employers and in the individual market
 - \$11 billion increase in funding for community health centers (2010-2014) to allow for nearly a doubling of number of patients seen over the next 5 years
 - Establish new programs to support school-based health centers and nurse-managed health clinics

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Key Provisions of PPACA



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Key Provisions of PPACA

2010	2011	2012	2013	2014	2015+	
	Sept.	Prohibit Lifetime Limits on Coverage				+
				Jan.	Prohibit Annual Limits on Coverage (except grandfathered individual plans)	+
	Sept.	Prohibit Pre-Existing Condition Exclusions for Children (<19 yrs)				+
				Jan.	Prohibit Pre-Existing Condition Exclusions for Adults (except grandfathered individual plans)	+
	Sept.	Eliminate Co-Pays and Deductibles on Preventive Care (New Private Plans)				+
	Jan.	Eliminate Co-Pays and Deductibles on Preventive Care (Medicare)				+
					2018 (All Plans)	+
				Jan.	Prohibit Waiting Periods > 90 Days (except grandfathered individual plans)	+
	Sept.	Dependent Coverage for Children <26 yrs on Parents' Plan (All Plans)				+

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Key Provisions of PPACA

2010	2011	2012	2013	2014	2015+	
				Jan.	Prohibit Higher Premiums Due to Gender, Family History, or Occupation	+
				Jan.	Limit Increase of Premiums Based on Age (3:1) and Tobacco Use (1.5:1)	+
	Sept.	Prohibit Preauthorization Requirement for Emergencies				+
	Sept.	Prohibit Rescission of Coverage				+
	Dec.	Require Transparency of Medical Loss Ratios				+
		Jan.	Require Rebates for Medical Loss Ratios <85% (Lrg Grp); <80% (Sm Grp)			+
		Jan.	Employers with 200+ employees Must Auto-Enroll New Employees Employee Can Opt-Out			+
				Jan.	All New Plans Must Offer Essential Benefits Package	+

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Key Provisions of PPACA

2010	2011	2012	2013	2014	2015+
					2015 States Can Provide CHIP Coverage in Exchanges
Jan.	Tax Credits for Small Businesses (Phase I)				
				Jan.	Tax Credits for Small Businesses (Phase II) 2016
				Jan.	Premium Tax Credits for Individuals & Families (up to 400% FPL) +
				Jan.	Cost-Sharing Subsidies for Individuals & Families (100-400% FPL) +
				Jan.	Employer Penalties for Non-Coverage of Full-Time Employees +
				Jan.	Individual Penalties for Non-Coverage +
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Key Provisions of PPACA

2010	2011	2012	2013	2014	2015+
	Phase-out of subsidies to private insurance companies participating in Medicare Advantage				
				Medicare Advantage plans subject to medical loss ratio (MLR) requirement of 85%	
					2016 2019 23% increase in states' federal CHIP match rate
				Reduce states' Medicaid Disproportionate Share Hospital (DSH) allotments	
				Reduce Medicare DSH payments by 75%; then increase payments based on % of population uninsured & amount of uncompensated care provided	
				Medicaid expansion to cover adults with incomes up to 133% FPL	
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Key Provisions of PPACA

2010	2011	2012	2013	2014	2015+
	50% discount for brand name drugs filled in Part D (Donut hole) coverage gap				2020 Donut hole fully phased-out
	Jan.	Reimbursement of Over the Counter Drugs Excluded from FSAs & HSAs			+
			Jan.	Decrease Annual FSA Contributions from \$5000 to \$2500	
	July	10% tax on indoor tanning services			+
	Jan.	Annual flat fee of \$2.3 billion on pharmaceutical manufacturing sector			+
			Jan.	Increase threshold for itemized deduction for unreimbursed Medical expenses from 7.5% to 10% of adjusted gross income (waived for individuals ≥65 yrs of age for 2013-2016 tax years)	

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Key Provisions of PPACA

2010	2011	2012	2013	2014	2015+
			Jan.	Decrease Annual FSAs contributions from \$5000 to \$2500	
			Jan.	Increase Medicare Part A tax rate on wages by 0.9% (from 1.45% to 2.35%) on earnings > \$200,000 (individuals) \$250,000 (married couples)	
			Jan.	3.8% assessment on unearned income for higher-income taxpayers	
			2.3% excise tax on sale of taxable medical devices (excludes eyeglasses, contact lenses, & hearing aids)		
			Eliminate tax deduction for employers who receive Medicare Part D retiree drug subsidy payments		
				Fees on health insurance sector to go toward reinsurance pool for high-cost claims	
					2018 40% excise tax on "Cadillac Plans"

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Internet Address

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