

THE AFFORDABLE CARE ACT

THE FUTURE OF HEALTH CARE

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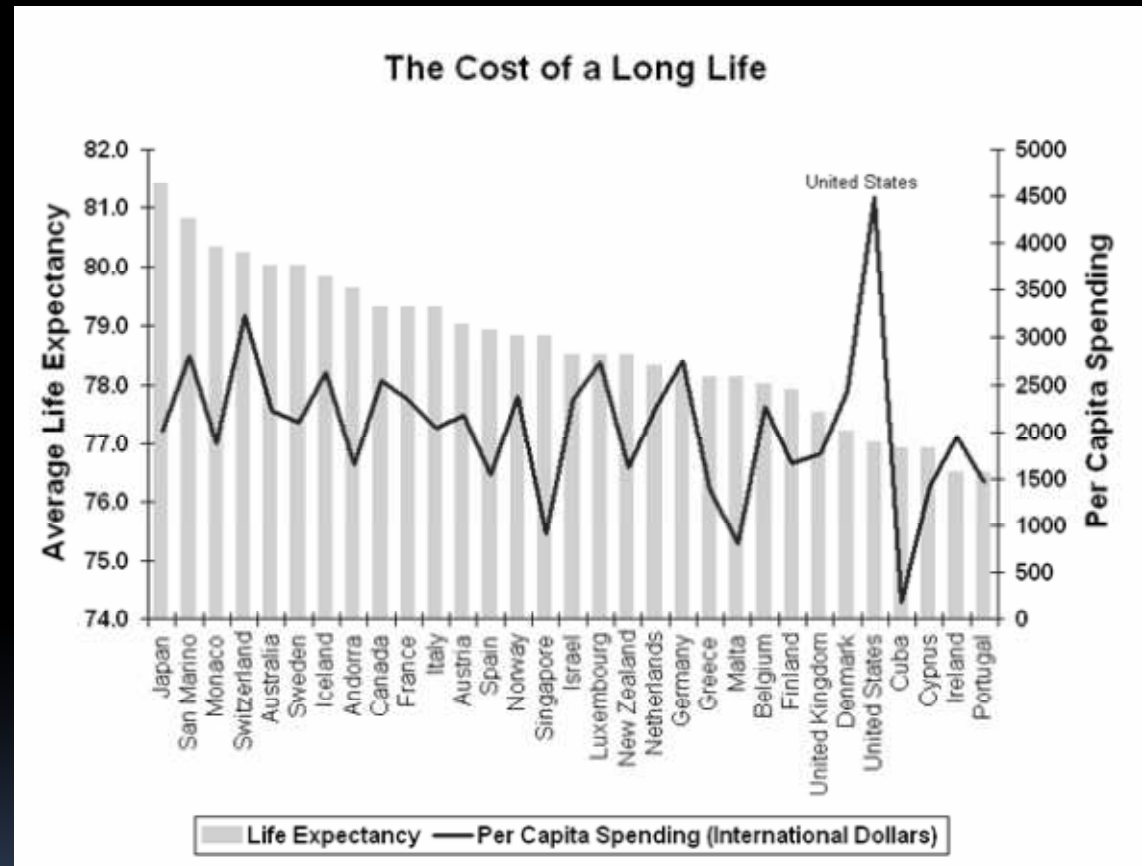
Reasons for Change

The status quo was unsustainable:

- Health insurance premiums for family coverage at a small business increased 85 percent from 2000 to 2010
 - For large businesses, health insurance costs rose 114 percent
- 17.6 percent of the nation's economic output is tied up in health care
- The share of Americans under 65 covered by job-based health insurance fell for the ninth year in a row, from 62 percent in 2008 to 59 percent in 2009
- 62 percent of all personal bankruptcies are at least partly the result of medical expenses

The Health Care Paradox

- The United States leads the world in pioneering new approaches to prevent, diagnose, manage and cure illness
- Our institutions educate and train exceptional doctors, nurses and other health care professionals
- Yet America consistently falls behind other nations in patient outcomes, despite spending twice as much



Source: University of California Atlas of Global Inequality: Health Care Spending <http://ucatlas.ucsc.edu/spend.php>

The Economist

DECEMBER 13TH-19TH 2003

www.economist.com

Gore anoints Dean

PAGES 12 AND 33

America's Taiwan test

PAGES 12 AND 29

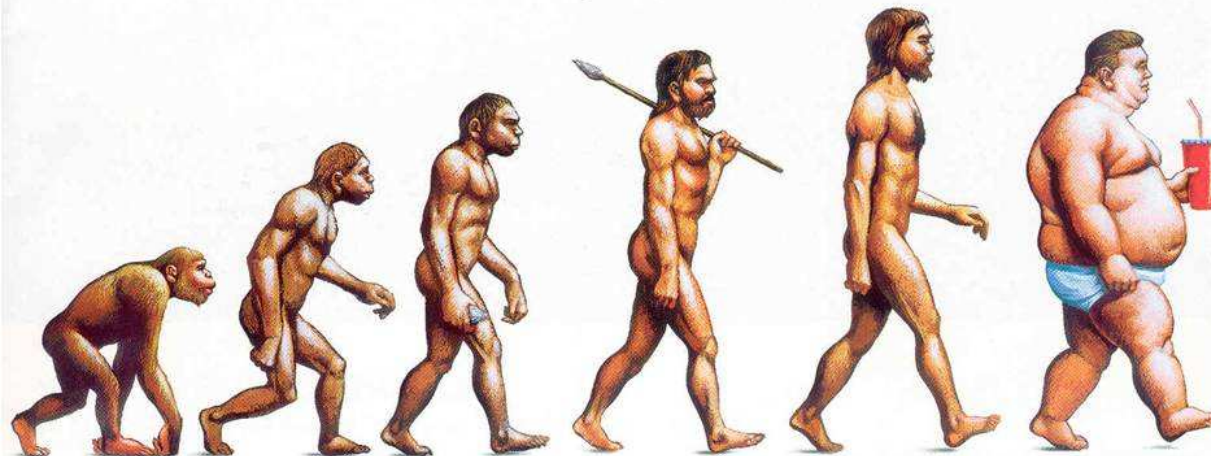
The future of flight

PAGES 79-81

A SURVEY OF FOOD

AFTER PAGE 52

The shape of things to come



Rural Residents Get Less Health Care

- On average, rural Americans suffer higher rates of chronic conditions such as:
 - diabetes
 - heart disease
 - high blood pressure
- Rural communities face a shortage of primary care doctors and nurses
 - One-fourth of America's population lives in rural areas, but only 10 percent of physicians practice there

Insurance costs more in rural areas

- A family health plan in rural America costs an average of 25 percent more than in urban areas
 - Fewer choices of insurance plans
 - Plans often carry high deductibles and limited benefits
 - Farmers and small business owners lack the clout to negotiate better rates with insurance companies



Everyone Pays to Treat the Uninsured

- Because of high costs, rural areas typically have more uninsured residents than urban areas
 - This puts a tremendous financial strain on rural and critical-access hospitals
 - Uninsured patients add more than \$1,000 to the typical health insurance policy as hospitals shift cost to customers with the ability to pay
 - Nationwide, hospital care for uninsured patients cost taxpayers \$72 billion last year

Improve Care, Lower Costs

- Health reform is about:
 - lowering the cost of medical care
 - improving the care patients receive
 - increasing access to that care
 - expanding the base of people contributing to the health care system
 - filling gaps created by the old system
- Virtually everyone plays a role
 - Large employers required to contribute
 - Workers required to contribute
 - 32 million newly insured lower the average cost
 - Doctors and hospitals required to improve care
 - New programs are phased in to control rising costs

Groups Left Behind by the Status Quo

- People with existing health conditions
- Early retirees and their spouses
- Small businesses and their employees
- Young adults
- Children



Filling the Gaps

➤ Early Retiree Reinsurance Program

- Program picks up 80 percent of claims costing \$15,000 to \$90,000, making retiree health plans less costly to maintain
- In Missouri and Kansas, 254 employers signed up, including familiar names: Anheuser-Busch, Emerson Electric, Ameren, Hallmark Cards, Sprint Nextel, Learjet and Koch Industries

➤ For small business:

- Tax credits covering up to 35 percent of the cost of employee health insurance became available last year
 - Nonprofit employers can get a credit up to 25 percent
- The tax credit rises to a maximum of 50 percent in 2014
 - For nonprofits, the credit rises to 35 percent in 2014

Pre-Existing Condition Plans

- The law created new state-run health plans for adults unable to obtain insurance
 - The federal government operates the plan in states that chose not to operate their own
 - These plans make health insurance available at the same price offered to people without existing medical conditions
 - Plans cover primary and specialty care, hospital stays and prescription drugs
- Eligibility not based on income, but on situation:
 - You must be uninsured for six months;
 - You must have a pre-existing medical condition or have been denied insurance because of your health condition;
 - You must be a U.S. citizen or a legal resident

Filling the Gaps

- Young adults can now stay covered under a parent's health plan until age 26, if the plan covers dependents
 - Coverage available even if the student is in school or married
 - Until 2014, a narrow exception exists for adult children who have employer-sponsored insurance
 - This provision is especially important for graduate students and young adults in entry-level jobs
- For Children:
 - Beginning in 2014, insurers must cover children for basic pediatric services, including dental and vision needs
 - Children under age 19 can no longer be denied insurance coverage because of pre-existing conditions

Expanding Coverage

- Pre-existing condition plans and the early retiree program operate until 2014
 - In 2014, private insurers will no longer deny coverage or charge a higher price based on a person's health condition
- Funding for the Children's Health Insurance Program is increased and extended through 2015
 - Covers children from homes modestly above the poverty level
- In 2014, Medicaid will expand to cover individuals and families with income up to 133 percent of the poverty level
 - Maximum annual income of:
 - \$14,484 for 1 person
 - \$29,726 for a family of 4

Improving Health Insurance

- The Patients' Bill of Rights
- For most individual and group health plans that begin or renew after Sept. 23, 2010:
 - Coverage of recommended preventive health services must be provided without a co-pay, deductible or other form of cost-sharing
 - Lifetime limits on benefits are eliminated
 - Annual dollar limits on insurance coverage are phased out and end in 2014
 - No more dropping coverage based on an unintentional mistake on an application



Making Insurance More Affordable

- More bang for the buck:
 - Beginning this year, insurers serving individuals and small employers must spend at least 80 percent of premiums on health care services or improving the quality of care
 - Insurers serving large employers must spend at least 85 percent of premiums on health care or quality improvement
 - Insurance companies that fail to meet these standards must pay rebates to customers

Keeping Insurance Affordable

- Tax credits to help pay for health insurance begin in 2014
 - Available to individuals and families with income up to 400 percent of the poverty level
 - Credits phase out as income rises
 - Maximum annual income of:
 - \$43,560 for 1 person;
 - \$89,400 for family of 4
 - These tax credits level the playing field for family farmers, the self-employed and small business owners and employees

Health Insurance Exchanges

Beginning in 2014, these marketplaces will allow you to look for the plan that is best for you

- You might think of these as a sophisticated Travelocity for health insurance
 - Insurance options available at your fingertips
 - These are the same marketplaces where members of Congress will buy their health insurance



Health Insurance Exchanges

- Insurance Exchanges allow small businesses with fewer than 100 employees to pool their risk
 - By buying as a group, small employers will get the kinds of discounts that large employers already receive
 - The larger number of people in the plan will lower administrative costs
 - The larger pool will reduce the impact on rates of one worker with high medical costs



Expanding Primary Care

➤ Attracting more primary care providers:

- Medicare fees to primary care physicians are boosted by 10 percent for 5 years, 2011-15
- States required to raise Medicaid fees for primary care to Medicare level, effective Jan. 1, 2013
 - The federal government will pick up the additional cost



➤ \$1.5 billion for National Health Service Corps

- This scholarship program repays student loans for providers who agree to work in underserved areas
 - The goal: 16,000 new primary care providers by 2016

Expanding Health Care Access

➤ The Affordable Care Act provides \$11 Billion to expand community health centers over the next 5 years

➤ \$1.5 billion for expansion and renovation projects

➤ \$9.5 billion for new health centers in underserved areas and expansion of primary care services



➤ New funding for Area Health Education Centers, which encourage health care providers to work in rural areas

➤ Expanded tele-health services, so specialty care is more easily available to rural Americans

Expanding Nebraska's Workforce

➤ Expansion of Physician Assistant Training Program

- Union College Lincoln \$792,000
- University of Nebraska Medical Center Omaha \$924,000

➤ Health Profession Opportunity Grants

Helping TANF recipients move into health care jobs

- Central Community College Grand Island \$1,552,650



A Boost for Rural Health

- The Affordable Care Act puts more residencies into rural and other underserved areas
 - At least 75 percent of the residency slots must be in primary care or general surgery for at least five years
- An expanded role for nurses:
 - \$15 million for 10 new nurse-managed clinics in FY 2010
 - Additional funds each year from 2011-2014
- Family Nurse-Practitioners:
 - Demonstration program for nurse-practitioners to train for a year as primary care providers
- Increasing nursing school faculty:
 - Annual loan limit for doctoral nursing students increased from \$30,000 to \$35,500

Strengthening Medicare

- New Medicare benefits beginning in 2011:
 - Preventive care with no co-pays or deductibles
 - Services include screenings for diabetes, high blood pressure, asthma and cancer
 - A free annual wellness visit
 - Lower cost for prescription drugs
 - In 2010, Medicaid patients who hit the doughnut hole coverage gap received a \$250 payment to help cover their medications



Closing the doughnut hole

- In 2011, Medicare participants who hit the doughnut hole coverage gap receive a 50 percent discount on brand-name drugs and a 7 percent discount on generic drugs
 - From January to June 2011, nearly 900,000 seniors saved an average of \$517 because of this discount – more than \$461 million
 - In Nebraska, 5,343 seniors have saved a total of \$2.9 million
 - In Region 7 – Missouri, Kansas, Iowa and Nebraska – 41,878 seniors saved a total of \$21.6 million
 - The discount rises every year until the coverage gap is gone in 2020



Improving Health Care Quality

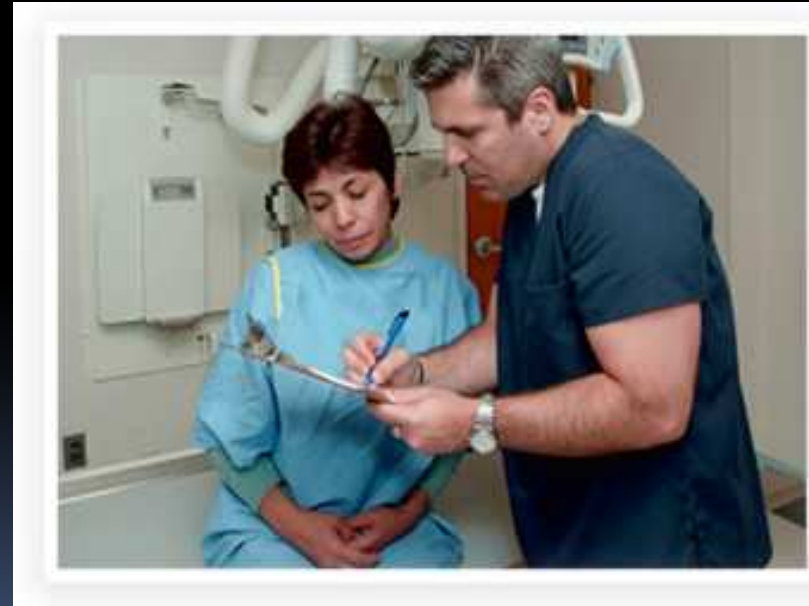
- High-quality care costs less than low-quality care
 - Improved coordination of care:



- lowers relapse rates
- reduces medical errors
- reduces redundant tests and duplication of effort
- reduces re-admissions to the hospital, which cost Medicare \$17 billion a year

Paying for Better Care

- Hospitals can qualify for incentives to improve care and reduce infection rates
 - Effective October 2012
- Hospital performance must be reported to the public on:
 - heart attacks
 - heart failure
 - pneumonia
 - surgical care
 - hospital-acquired infections
- Medicare will phase in new payment models to pay doctors according to patient outcomes, not volume of procedures
 - Effective January 2015



Improving Patient Safety

➤ HHS recently launched *Partnership for Patients*, a groundbreaking initiative to improve medical care

➤ A \$1 billion commitment to patient safety

➤ Partnership for Patients has two major goals:

➤ Reduce preventable hospital-acquired conditions by 40 percent by 2013

➤ Reduce hospital readmissions by 20 percent by reducing preventable complications during the transition from one care setting to the next



Improving Health Care Delivery

➤ Value-Based Purchasing:

➤ Hospitals will be evaluated based on 13 measures of hospital performance relating to:

- Heart attack care
- Pneumonia treatments
- Surgery and post-op care
- Patient satisfaction

➤ Bundled payments for acute care episodes

- These encourage providers to coordinate on patient care
- A Medicare heart by-pass demonstration saved \$50 million while improving care and reducing hospital mortality
- Providers will determine which episodes will be bundled
- Providers share in the savings
 - Applications are now being taken for four different models

Incentives to Improve Care

- Hospitals will be scored relative to other hospitals and on performance improvement
 - The higher of those two scores on each measure will be used in determining incentive payment
 - This policy gives hospitals the financial incentive to continually improve how they deliver care
- CMS plans to add additional measures on patient outcomes and prevention of hospital-acquired conditions
- Measures that reach very high compliance scores will likely be replaced, continuing to raise the quality bar

Funding the Incentives

➤ Hospitals will continue to receive payments based on the Medicare Inpatient Prospective Payment System



➤ Those payments will be reduced by 1 percent across the board starting in fiscal year 2013

➤ This will save an estimated \$850 million

➤ The entire \$850 million will then be used for incentive payments

Accountable Care Organizations

- Accountable Care Organizations are groups of providers and suppliers working together to manage and coordinate health care for at least 5,000 Medicare patients
- These organizations attempt to accomplish two reforms at the same time:
 - Align providers' payments with success at keeping patients healthy
 - Bring down the cost of health care by avoiding duplication, errors and oversights

ACOs and Shared Savings

- The doctors, hospitals and suppliers participating in the ACO share in the savings they achieve
 - The amount of shared savings is linked to the ACO's performance on quality standards
- ACOs are expected to save \$960 million over 3 years
 - Savings are achieved through:
 - better care
 - preventing illness
 - reducing redundant tests
 - reducing unnecessary hospital admissions



ACO Quality Standards

- New rules for ACOs were proposed in March
- Quality will be measured in five key areas over 3 years:
 - Patient/caregiver experience with the care
 - Care coordination
 - Patient safety
 - Preventive health
 - Care provided to at-risk population and frail elderly
- There is a one-sided risk model for new or small ACOs
 - These will share savings, but no risk of losses, for the first two years. They share savings and losses in the third year
- A two-sided risk model for experienced groups
 - These will share larger savings or losses for all three years

Simply Awesome Consumer Site: www.Healthcare.gov

The screenshot shows the Healthcare.gov homepage. At the top, there is a navigation bar with the site logo, a search bar, and links for 'Newroom' and 'Implementation Center'. Below the navigation bar are several colored buttons: 'Find Insurance Options' (blue), 'Learn About Prevention' (teal), 'Compare Care Quality' (green), 'Understand the New Law' (yellow), and 'Information for You' (grey). The main content area features a large blue box on the left titled 'Explore your coverage options' with a 'Pick Your State' dropdown menu. To the right is a section titled 'Your Health Care, Explained' with a list of categories: 'Families with Children', 'Individuals', 'People with Disabilities', 'Seniors', 'Young Adults' (highlighted in blue), and 'Employers'. Below this are three smaller sections: 'New Pre-Existing Condition Insurance Plan' (yellow background), 'IN FOCUS: Health Care Providers' (white background with a stethoscope icon), and 'TOP 5 THINGS TO KNOW' (white background with a photo of a doctor and patient). At the bottom, there are three more sections: 'HEALTHCARE NOTES' (white background with a photo of a person at a computer), 'VIDEOS & CHATS' (white background with a video player titled 'Let's get started'), and a 'STEP 1 of 2 - Please Answer All Questions' button.

- New one-stop consumer site for information on health care and insurance
- Details about the new protections under the Affordable Care Act
- Information at your finger tips allows you to shop for insurance -- prices, benefits, insurer ratings

Working together, we
can accomplish much

