

# **Health System Reform**

**2010**

**5-17**

**House Appropriations Committee**

William A. Hazel Jr. M.D.

Secretary of Health and Human Resources

BUT WHY ARE OUR HEALTH CARE COSTS HIGHER THAN OTHER COUNTRIES?...

...WHO SAID THAT?...



VALT HANDELMAN  
Newspaper

# Federal Health Reform: Virginia's First Steps

**While the Governor supports the Attorney General's constitutional challenge to the federal legislation, Virginia remains subject to law and it is prudent to begin preparing for implementation.**

- Initial analysis of critical first steps and decisions to be made
- Contact with key leadership personnel in the Virginia General Assembly, State Agencies, and the private sector
- Contact with State Corporation Commissioner, Al Gross and staff
- Selected as state representative for the National Governor's Association (NGA) Health Reform Consortium
  - National Association of State Medicaid Directors
  - National Association of Insurance Commissioners
  - National Academy for State Health Policy
  - National Governor's Association

# Federal Health Reform Mandates

Through federal health reform there are two areas of mandates, individual and employer

## Employer

- Employers with 50 or more employees that do not offer health insurance coverage for their employees will be subject to penalties. Employers are required to report of the federal government on health coverage they provide.
  - For each employee that receives a government subsidy for health coverage, the penalty amount is up to \$2,000 annually for each full-time employee, excluding the first 30 employees.
  - For employers who offer coverage, but whose employees receive tax credits, there is a fine of \$3,000 for each worker receiving a tax credit, up to an aggregate cap of \$2,000 per full time employee.

Full Time Employees =  $60 \times \$2,000 = \$120,000$  (annual penalty cap)

Employees receiving tax credit =  $20 \times \$3,000 = \$60,000$  (penalty)

# Federal Health Reform Mandates

## Individual

- By 2014, individuals will be mandated to obtain personal health insurance. (exemptions are possible if affordable coverage is not available)
- Penalty will start at \$95 dollars per person and will increase each year after.
  - 2014: \$95.00
  - 2015: \$325.00
  - 2016: \$695 (or up to 2.5% of income) capped at \$2,250 per family

# Federal Health Reform

## Insurance Reform

### High Risk Pool

- In the late 90's the Virginia legislature voted twice against the creation of a high-risk pool. Subsequently, Virginia is one of 15 states that does not operate a state run high-risk pool.
- Virginia will not assume the risk of developing a temporary high-risk pool. The federal government will be responsible for providing this option for Virginians.
- Virginia estimated that the federally allocated \$113 million would only fund the pool for 22 months.

### Insurance Portal

- The federal government, in cooperation with the states and insurance industry will make insurance information available to individuals and small businesses via a web-portal

### Rate Review

- Ensures that existing rates are appropriately structured and new products are created within a proper rate framework. Additionally addresses rate and fee increases are equitable

# Federal Health Reform Insurance Reform

## Medical Loss Ratio

- Transparency of Medical Loss Ratio: requires insurers to report and make public the proportion of premium dollars spent on clinical services, quality and other costs
- Rebates for Excess Medical Loss Ratio: requires insurers to provide rebates to consumers if medical loss ratios below 85% in large group market and 80% in small group and individual markets

# Federal Health Reform

## Health Insurance Exchange

Health Insurance Exchanges (HIE) will be set up to create a more organized and competitive market by offering a choice of health plans, establishing common rules regarding the offering and pricing of insurance, and provide information to help individuals better understand their insurance options. Exchanges must be a governmental agency or nonprofit entity as established by a state.

- Exchanges currently operate in Massachusetts and Utah
- Exchanges must be established by January 1, 2014
- Exchanges must coordinate with Medicaid programs
- Exchanges can be either a single exchange serving both individuals and small businesses or provide coverage through separate entities
- Exchanges will offer four levels of coverage (Bronze, Silver, Gold, Platinum)
- Funding available from 2011 through January 1, 2015 when states must ensure Exchanges are self-sustaining

# **Federal Health Reform Medicaid**

**Effective January 1, 2014: Expansion of Medicaid Coverage of Adults to 133% of the Federal Poverty Level (FPL), plus a 5% income disregard (also modifies income calculation generally)**

## **Expands coverage for groups currently under Medicaid**

1. Low Income Families with Children (LIFC): Parents and other caretaker adults are currently covered up to 24% FPL (on average)
2. Non-Dual Disabled Adults (without need for long-term care): This coverage group is currently limited to 80% FPL

## **Includes new coverage groups under Medicaid**

1. Childless adults: currently not covered unless they meet some other coverage group (aged, blind, disabled, for example)
2. Former foster care “children” up to age 26 (regardless of income)

# Federal Health Reform Medicaid

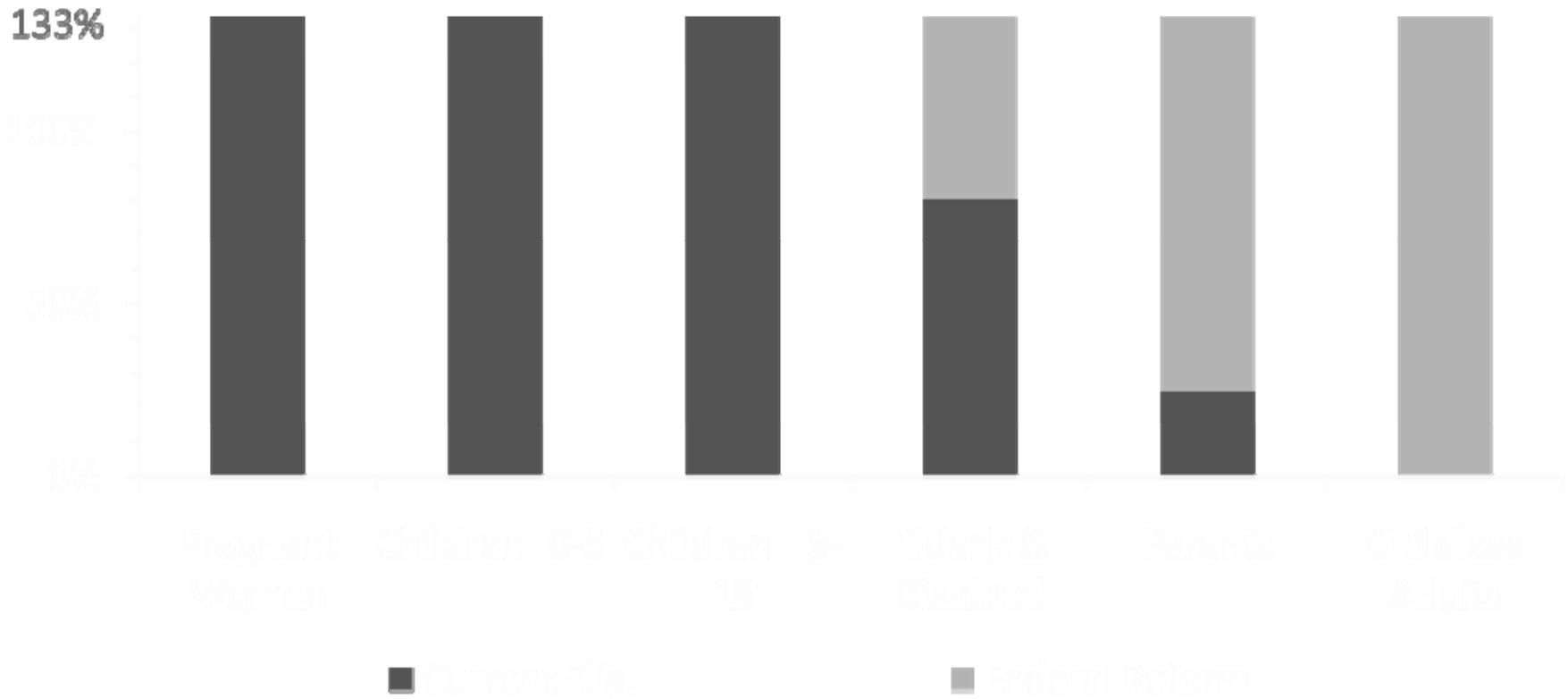
## Estimated Increase in Monthly Enrollment

- Between 270,000 – 425,000 new enrollees (average monthly recipients)
  - Includes approximately 50,000 estimated children currently eligible but un-enrolled entering the program due to the coverage mandate
    - These costs would be reimbursed at the normal federal match (this is not “new” coverage)

## Estimated 13 Year Virginia Net Cost of Medicaid/CHIP Provisions of Federal Health Reform (SFY 2010 – 2022)

- \$1.5 Billion (State Funds only)
  - Figure does not include potential cost of restorations on previous chart

# Federal Health Reform Medicaid



\* Does not include 5% income disregard

# Federal Health Reform

## Medicaid

### Other provisions

- State Plan option for coverage of family planning (currently covered through waiver)
- Extension of repayment period for States for identified overpayments related to fraud up to one year (currently 60 days) when a final determination has not yet been rendered (due 30 days after final determination)
- Required coverage of services provided by freestanding birth centers
- Required coverage of tobacco cessation treatment for pregnant women
- Increased FMAP (1 percentage point) for certain optional preventive services and adult immunizations
- Increased FMAP for long-term care rebalancing efforts between community care and institutional care
- Extension of the Money Follows the Person Demonstration Grant through September 30, 2016

# Federal Health Reform Medicaid

## Three Key Questions

1. How do we process the massive influx of applications?
2. How do we provide care for all who will seek medical attention?
3. How do we finance the care for qualified Virginians?

# **Federal Health Reform**

## **Health Information Technology**

**Health Information Technology (HIT) provisions were a prominent part of the health care package included in the American Recovery and Reinvestment Act of 2009 (ARRA)**

### **Funding**

- \$11.6 million over a four year period of time to advance health information exchange.
- \$12.4 million over two years to help physicians acquire and adopt electronic health records for their practices.

# Federal Health Reform

## Health Information Technology

### Health Information Technology (HIT)

- At the core, health reform centers around the availability and necessity of using technology to give access to information about health insurance/care
  - Information for individuals seeking coverage options
  - Streamlined application processes for public and private coverage options
  - Central repository for patient information to include electronic medical records

# Federal Health Reform Delivery System

**Federal health reform aims to improve the service delivery system through three main channels**

## **Payment reforms**

- Restructures reimbursement formulas

## **Reducing barriers/coordinating care**

- Encourage and incentivize coordinated care models.

## **Health Information Technology (HIT)**

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# Federal Health Reform Financing

**The federal budget sets aside a reserve fund of more than \$630 billion over 10 years**

- Rebalancing the tax code so that the wealthiest pay more as well as specific health care savings in three key areas
  - Promoting efficiency and accountability
  - Aligning incentives towards quality and better care
  - Encouraging shared responsibility

# Federal Health Reform

## Miscellaneous

**Throughout federal health reform, there are many optional programs and grant opportunities for states.**

**Examples include:**

- Medicaid global payments demonstration
- Establishment of community health teams to support the patient-centered medical home
- Funding for a childhood obesity demonstration project
- Creation of healthcare workforce incentives for students seeking a career in the medical field
- Interstate health insurance compacts
- Health Information Technology (HIT) grants
- Grants and enhanced flexibility around adult services funding

# Federal Health Reform: Timeline Highlights

## 2010

- Temporary national high-risk pool (June 2010-Jan 2014)
- Dependent coverage for adult children up to age 26
- Prohibitions on lifetime limits; certain annual limits until 2014
- Temporary federal reinsurance program for early retirees
- Rebates for Medicare Part D 'Donut Hole'
- Improving consumer information through website
- Strengthening health care workforce through low-interest student loans, scholarships, and loan repayments for health students and professionals

# Federal Health Reform: Timeline Highlights

## 2011

- Develop a national quality improvement strategy
- New annual fees on the pharmaceutical manufacturing sector
- CLASS Act: long-term care insurance programs by voluntary payroll deductions to provide benefits to adults who become disabled

## 2012

- Require enhanced data collection and reporting on race, ethnicity, sex, primary language, disability status, and for the underserved rural and frontier populations

# Federal Health Reform: Timeline Highlights

## 2013

- Simplify health insurance administration through adoption and implementation of uniform standards and business rules
- Increase Medicaid payments for primary care services provided by primary care doctors for 2013 and 2014 with 100% federal funding (brings payments equal to Medicare reimbursement)

# Federal Health Reform: Timeline Highlights

## 2014

- Medicaid expansion (increase eligibility to 133% of poverty for all non-elderly)
- Health insurance regulation reform
- Health insurance tax credits
- Excise tax on individuals without qualifying health coverage
- Excise tax on employers (>50 FTE) whose employees receive tax credits or cost-sharing reductions
- Establish state health insurance exchange
- Limit on waiting periods for coverage (cap at 90 days)
- Prohibits annual fee on health insurance premiums

# **Federal Health Reform**

## **Virginia's Plan**

**Virginia will continue to move forward in planning and implementing elements of federal health reform.**

### **Health Reform Initiative**

- Will be staffed within the Office of the Secretary of Health and Human Resources
- Coordinate elements of health reform to include Medicaid restructuring

### **Creation of an Advisory Commission**

- Working group of various stakeholders ranging from public agency leaders to private industry partners