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Argyle Forum

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Hot Topics in Health Reform

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Princeton Club
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Federal Health Reform

Title I: Quality, Affordable Health Care for All Americans

Bars health insurance companies from discriminatory practices based on pre-existing conditions, health status, and gender; creates new health insurance Exchanges to serve as competitive marketplaces where individuals and small business can buy affordable health care coverage; provides premium tax credits and cost-sharing assistance to low and middle income individuals; provides better preventive coverage and information for individuals to make informed decisions about their health insurance; creates an immediate insurance program for individuals with pre-existing conditions; invests in Community Health Centers to expand access to health care

Title II: Role of Public Programs

Expands eligibility for Medicaid to include all non-elderly Americans with income below 133 percent of the Federal Poverty Level (FPL); maintains current funding levels for the Children's Health Insurance Program (CHIP) for an additional two years, through fiscal year 2015; fills the Medicare prescription drug donut hole

Title III: Improving the Quality and Efficiency of Health Care

Moves away from the traditional Medicare fee-for-service system toward paying for quality and value and reducing costs to Medicare beneficiaries; stops overpayments to private health insurance plans in Medicare

Title IV: Prevention of Chronic Disease and Improving Public Health

Promotes preventive health care and improves the public health to help Americans live healthy lives and help restrain the growth of health care costs over time; eliminates co-pays and deductibles for recommended preventive care, including preventive care for women; provides individuals with the information they need to make healthy decisions; improves education on disease prevention and public health; invests in a national prevention and public health strategy

Title V: Health Care Workforce

Addresses shortages in primary care and other areas of practice by making necessary investments in the nation's health care workforce, including investing in the National Health Service Corps, and scholarship and loan repayment programs to expand the health care workforce; includes incentives for primary care practitioners and for providers to serve underserved areas

Federal Health Reform

Title VI: Transparency and Program Integrity

Provides consumers with information about physician ownership of hospitals and medical equipment as well as nursing home ownership and other characteristics; includes provisions that will crack down on fraud, waste, and abuse in Medicare, Medicaid, CHIP and private insurance; establishes a private, non-profit entity to identify priorities for and provide for the conduct of comparative outcomes research

Title VII: Improving Access to Innovative Medical Therapies

Establishes a regulatory pathway for FDA approval of biosimilar versions of previously licensed biological products

Title VIII: Community Living Assistance Services and Supports (CLASS) Act

Makes long-term supports and services more affordable by providing a lifetime cash benefit that will help people with severe disabilities remain in their homes and communities; CLASS is a voluntary, self-funded, insurance program provided through the workplace; for those whose employers participate, affordable premiums will be paid through payroll deductions; participation by workers is entirely voluntary

Title IX: Revenue Provisions

Tightens current health tax incentives, collecting industry fees and excise taxes, and slightly increasing the Medicare Hospital Insurance (HI) tax for individuals who earn more than $200,000 and couples who earn more than $250,000

Title X: Strengthening Quality, Affordable Health Care for All Americans

Amends provisions relating to Titles I-IX

Federal Health Reform

- Private Health Benefits Reform
- Federal and State Health Benefits Reform

"OCIIO"

The New Federal Department of Health Insurance

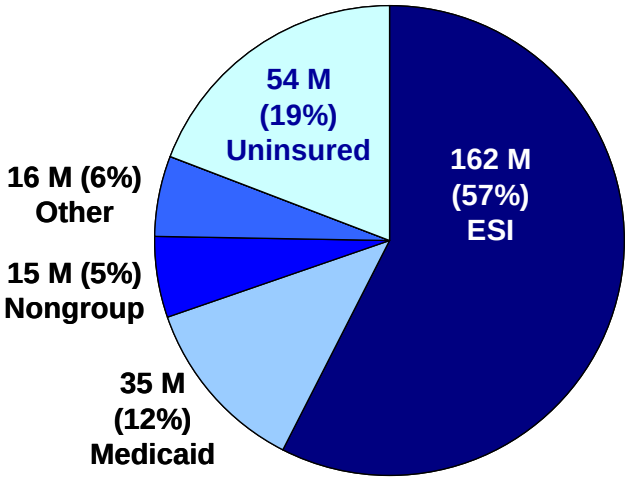
Federal Health Reform And The Private Insurance Market

Uninsured Population

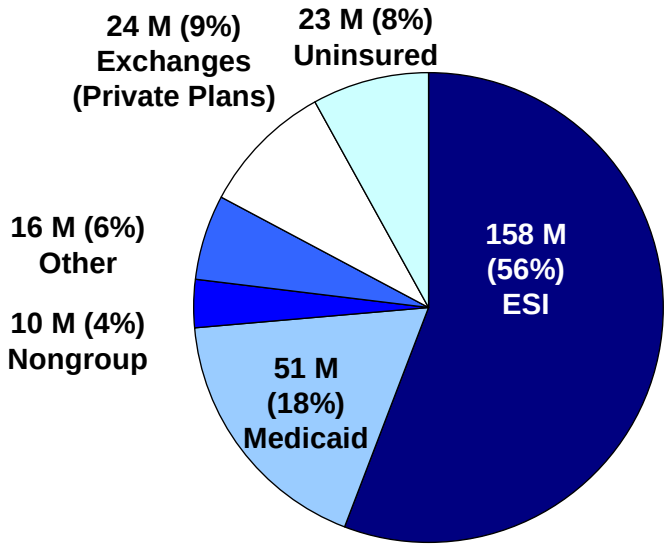
- The Congressional Budget Office estimates that by 2019, the Federal Health Reform Act will reduce the number of nonelderly people who are uninsured by about 32 million
  - Approximately half of this 32 million are expected to go to the new Exchanges, and half will become Medicaid eligible
- Approximately 23 million nonelderly residents will remain uninsured

Source of Insurance Coverage Under Current Law and Under the Federal Health Reform Act, 2019

Among 282 million people UNDER AGE 65



Current Law



Health Reform Act

Note: ESI is Employer-Sponsored Insurance.
Source: Cost Estimate for the Amendment in the Nature of a Substitute for H.R. 4872, Incorporating a Proposed Manager's Amendment Made Public on March 20, 2010, Congressional Budget Office Letter to the Honorable Nancy Pelosi, March 20, 2010, http://www.cbo.gov/doc.cfm?index=11379.

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Where are the Uninsured?

By State 2009

Total NonElderly Uninsured 49.9 million

Almost 50% of the Uninsured

California	6.9 million
Texas	6.1 million
Florida	3.8 million
New York	2.7 million
Georgia	1.8 million
Illinois	1.7 million

Themes for Individuals

- Starting in 2014, almost all citizens and legal immigrants will be required to be enrolled in a qualified health insurance plan or pay a fine. (The Individual Mandate)
- There are premium credits to help pay the premiums (depending upon income levels).
- There are subsidies to limit a person's out-of-pocket spending.
- The exchange administers the subsidy eligibility activities so consumers only pay for their share.

Themes for Employers

- Employers are not required to provide health benefits, but if employers do not do so, penalties may be invoked.
- Grandfathered Health Plans (March 23, 2010)

Themes for Employers

- Employer waivers are available from the restrictions applicable to annual limits on essential health benefits prior to 2014.
  - 111 waivers granted

- New retiree health benefits reinsurance programs (effective 2010 – 2013).
- Beginning in 2014, the law allows employers to increase financial incentives for employees to meet wellness standards from 20% to 30%.

Themes for Employers

- Factors Influencing Employer Decisions Relating to Offering Health Insurance Coverage
  - Wages versus benefits
    - Growth rate of wage increases versus the growth rate of benefit cost increases
  - Changing the status quo: employer-based vs. retail insurance
  - Re-establishing the relationship between employees and the employer as to benefits and wellness
    - Job lock eliminated
    - Early retirement decisions facilitated

Themes for States

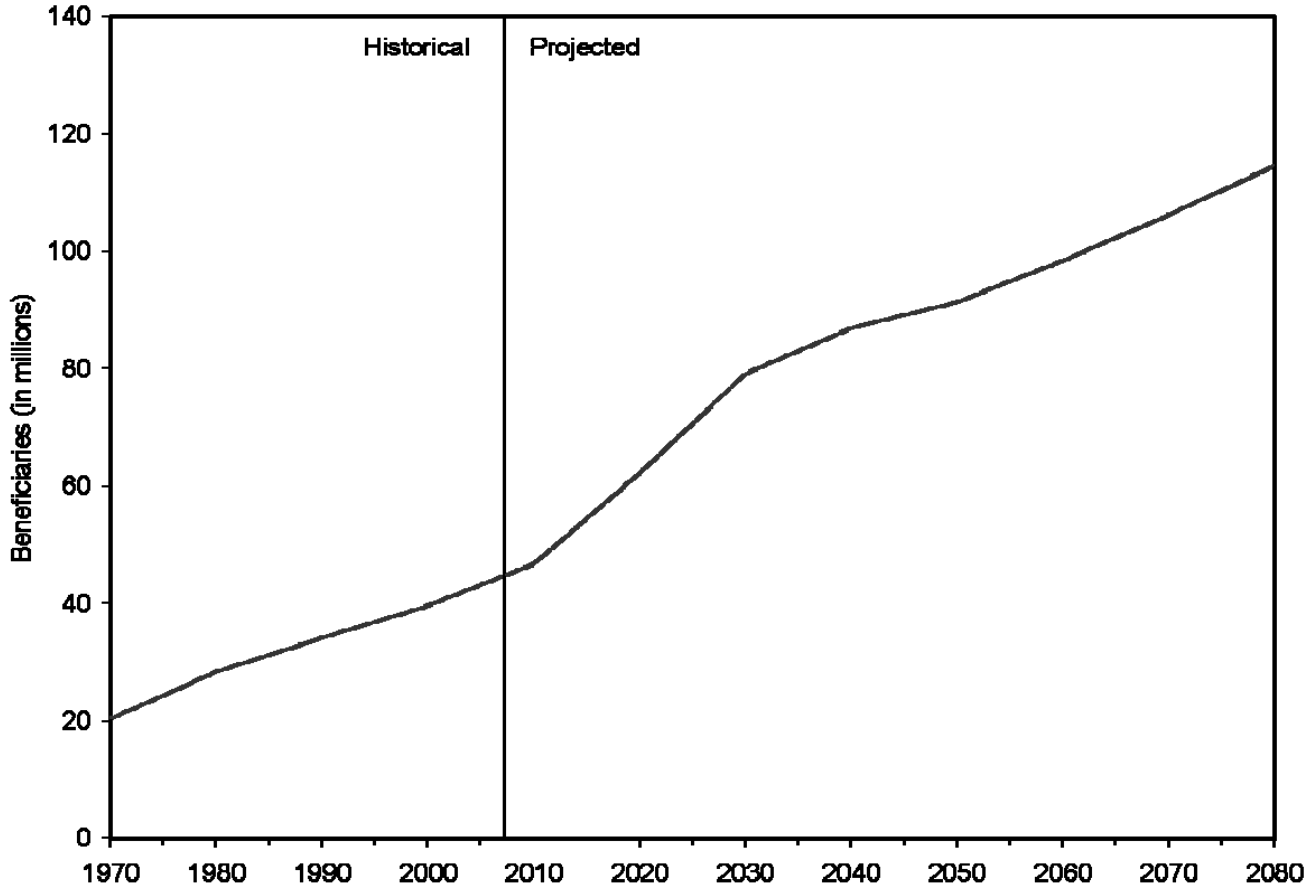
- Some Key Decisions for States
  - Challenges to the law
  - Seek federal money for high risk pools operating until 2014
  - Seek federal money for premium review support
  - Seek federal money to develop state-based exchanges
  - Expand Medicaid eligibility prior to 2014

Themes for Private Payers

- **PRICING PRESSURES** on payers (and providers) built into federal health reform of the private health insurance market.
  - Unreasonable Premium Review
    - Federal and state review of "unreasonable" premium increases
    - Massachusetts example (see EBG Client Alert)
  - Medical Loss Ratios
    - MLR of 80% for individual and small group insurers (1-100 employees; state option to define as 1-50 employees ends 01/01/16) and 85% for large group insurers (101+ employees), with refunds due to policyholders
  - New Coverage Obligations
    - No annual or lifetime limits; no pre-existing condition exclusions; adult dependent coverage; coverage of preventive health services.
    - Essential Health Benefits
  - "Cadillac Tax"
    - Excise tax on insurers of 40% of the value of plans that exceed $10,200 for individual coverage and $27,500 for family coverage beginning Jan. 1, 2018
      - Threshold values indexed to the consumer price index for urban consumers (CPI-U) beginning in 2020
      - Boeing example: shifting costs to employees because of "cost pressure" from excise tax

Federal Health Reform
And
The Medicare Program

Medicare Part A Enrollment Projections



Note: Enrollment numbers are based on Part A enrollment only. Beneficiaries enrolled only in Part B are not included.

Source: CMS, Office of the Actuary, 2009.

Key fact: Former President Bill Clinton's birthday: August 19, 1946

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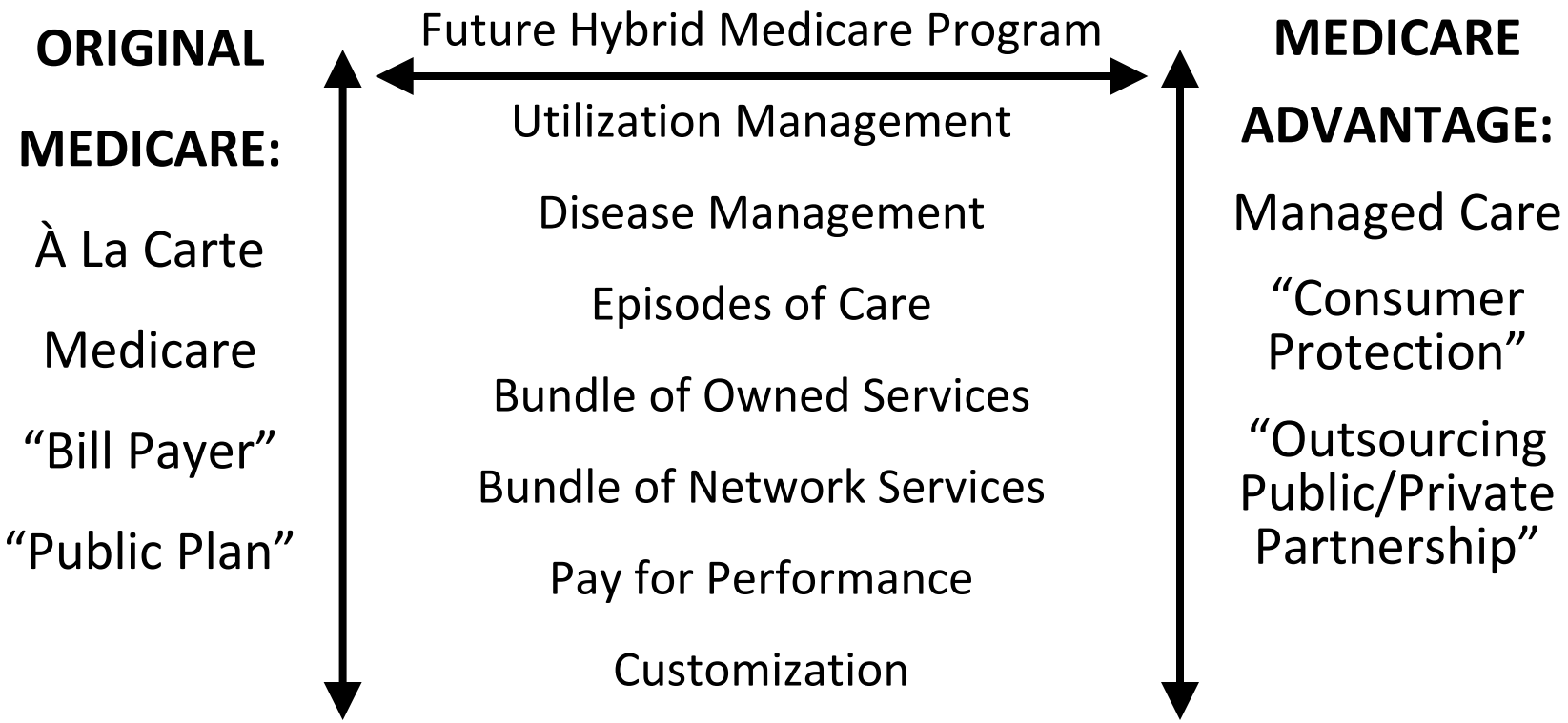
Themes for the Medicare Program



Clinical Episode Groups that Account for Greatest Share of Medicare Spending, 2005

Rank	Episode treatment groups® base group	Number of episodes (in thousands)	Average spending per episode*	Share of total spending on episodes
1	Ischemic heart disease	6,504	$4,296	14.0%
2	Congestive heart failure	2,493	3,437	4.3
3	Hypertension	14,166	562	4.0
4	Cerebral vascular accident	2,685	2,658	3.6
5	Chronic obstructive pulmonary disease	2,308	2,955	3.4
6	Diabetes	5,823	1,108	3.2
7	Joint degeneration, localized–knee & lower leg	2,272	2,681	3.1
8	Joint degeneration, localized–back	3,986	1,520	3.0
9	Chronic renal failure	1,170	4,844	2.8
10	Closed fracture or dislocation–thigh, hip & pelvis	347	13,229	2.3
11	Cataract	7,708	585	2.3
12	Bacterial lung infections	1,155	3,708	2.1
13	Malignant neoplasm of pulmonary system	284	10,895	1.6
14	Malignant neoplasm of prostate	1,025	2,787	1.4
15	Malignant neoplasm of breast	857	3,138	1.4
16	Psychotic & schizophrenic disorders	559	4,725	1.3
17	Malignant neoplasm of skin, major	2,688	882	1.2
18	Joint degeneration, localized–thigh, hip & pelvis	781	2,991	1.2
19	Other metabolic disorders	1,852	1,253	1.2
20	Atherosclerosis	1,036	2,056	1.1

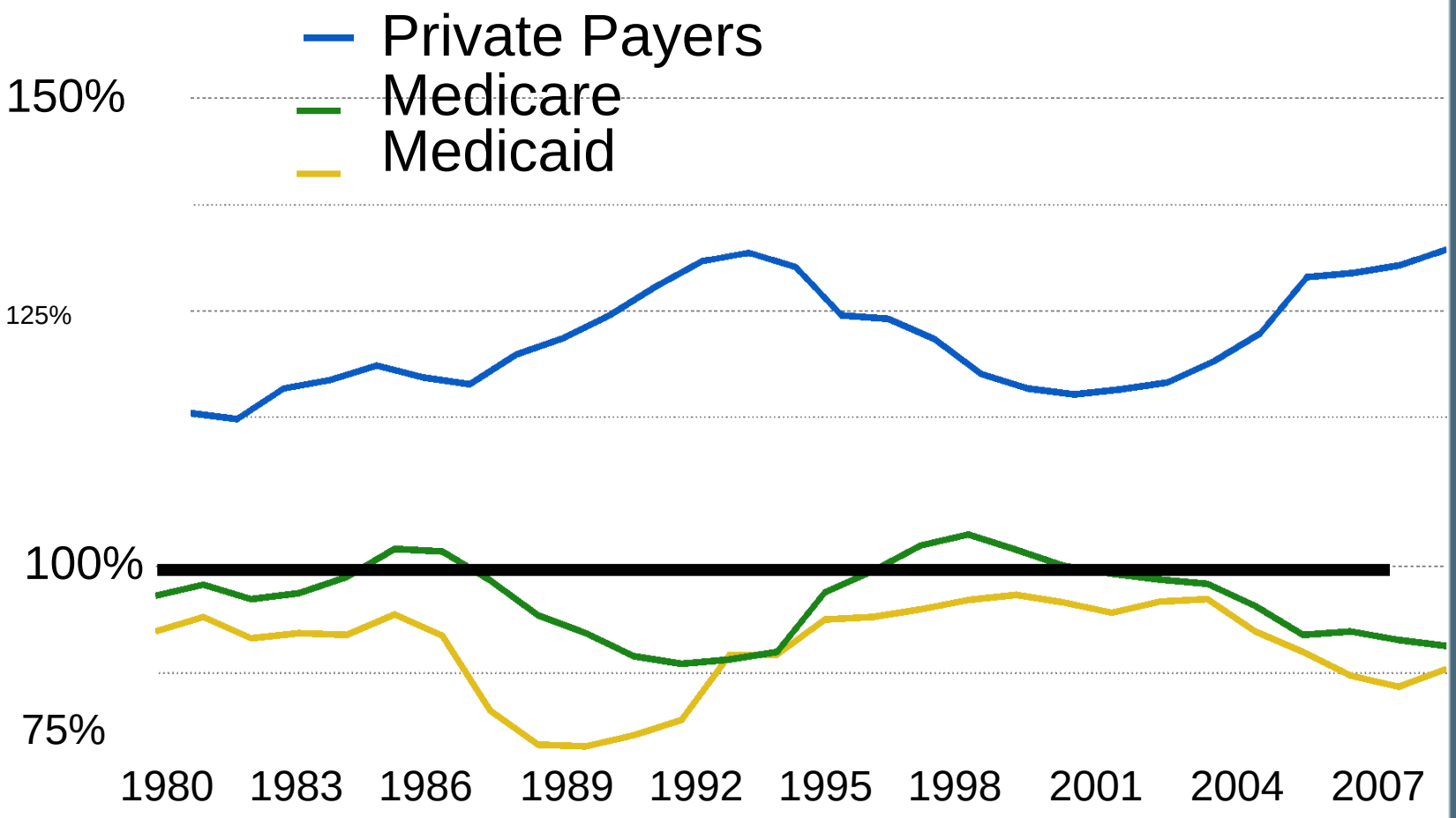
Note: Symmetry Episode Treatment Groups® (ETGs®) is an Ingenix, Inc., product. The number of episodes column represents an estimate of the number of cases in the entire Medicare population based on the number of cases in the 5 percent sample. *Spending is standardized to exclude variation in resource costs due to geographic differences in input costs or policy considerations (e.g., teaching hospital payments).

Source: MedPAC analysis of 5 percent sample of 2001–2006 Medicare claims using ETGs® version 7.5.1.

Themes for Health Care Providers

- Health care is local
  - Know your population
  - Know your payers
- Figure out what your strengths are and what capabilities are needed to manage the health of the population
  - Providing quality care that satisfies external metrics
  - Being patient centric instead of siloed providers
- Focus on changes to your receivables

Community Hospital Payment-to-Cost Ratios, by Source of Revenue, 1980-2007



Note: Payment-to-cost ratios show the degree to which payments from each payer cover the costs of treating its patients. They cannot be used to compare payment levels across payers, however, because the service mix and intensity vary. Data are for community hospitals. Medicaid includes Medicaid Disproportionate Share payments.

Source: American Hospital Association and Avalere Health, Avalere Health analysis of 2007 American Hospital Association Annual Survey data, for community hospitals, Trendwatch Chartbook 2009, Trends Affecting Hospitals and Health Systems, Table 4.4, p. A-35, at http://www.aha.org/aha/trendwatch/chartbook/2009/appendix4.pdf.

The Intersection of Business and Health Reform

What Can Make a Difference for All Health Care Costs

- Shifts in the health status of the population
- Changes in the way health services are delivered
- Payment methods that bundle payments; pay for efficiencies; aggregated payments
- Advances in medical technology
- Fraud enforcement and compliance (self-monitoring)
- Changes in consumer preferences (e.g., end-of-life services)
- Political/fiscal discipline

New Key Due Diligence Issues

- The Reverse False Claim – Refunds are Due
- The Reach of FCA with the new federal moneys
- New Civil Monetary Penalties for the Payers
- CMS Voluntary Disclosures under the Stark/Self-Referral Act
- Mandatory Corporate Compliance Programs for all providers/suppliers
- Medicaid Exclusion/Debarment Issues for Related Corporate Entities
- Enforcement Climate – Federal and State Enforcement is up on people, not just companies

EBG Alerts

- Visit the www.ebglaw.com website for the various alerts we have published on a wide range of issues related to health reform and the Medicare program

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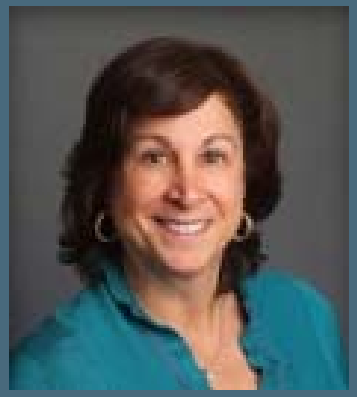
Q's & A's



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