The Truth About Health Reform: It's Up To Us

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EQUAL

Equitable, Quality, Universal, Affordable health care

- Center for Policy Analysis, anchor
- Progressive policy and advocacy
- Links: Public health, women, seniors, faith groups
- Forums
- Policy Statements
- Presentations
- Conference calls
- Radio Series - KPFA

The Truth About Health Reform

Historic Achievement

- Congress has passed the most substantial health reform since Medicare and Medicaid in 1965
- Patient Protection and Affordable Care Act (PPACA)
- The new law takes important incremental steps to expand coverage and improve quality, and begins to control costs

President Signs Law
Pelosi, Congress Leaders Applaud

What Did We Win?

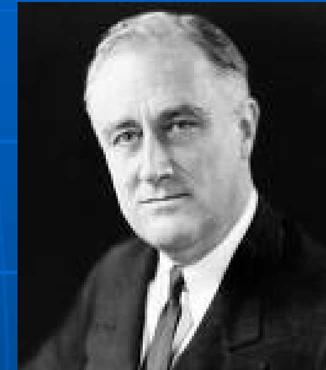
- Expanded Coverage
- Insurance Reforms
- Better Affordability
- Downpayments on Cost Control: Quality Improvements, Primary care, Rate Regulations

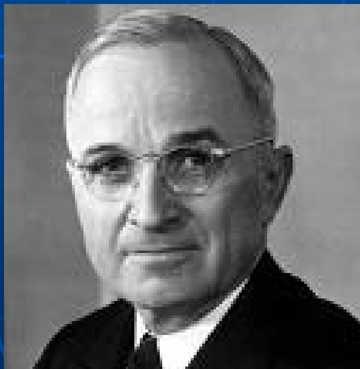
Who Made This Happen?

WE DID!!

WAS IT EASY?

Tough Road





$2.5 Trillion: Spending or Income?
Industry Opposes Income Constraints

Spending	Income
Individuals	Insurance Industry
Employers	Pharmaceutical Co.s
Governments	Hospitals, Physicians

Corporate media

Are We Done?

- Stop Repeal efforts
- Abortion coverage
- Immigrant inclusion
- Affordability
- State single payer

Reflections

What about reform are you hopeful about?

What questions or concerns do you have?

What difference will this make to people's lives, to increasing social and economic justice?

EQUAL's Program: Making Health Reform Work

- **Educate**
- **Implement**
- **Improve**

Education

What the Law Does

Many are Misinformed

Many Are Uninformed

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PPACA Benefits Phased In 2010-2020

- 2010-2013
  - Consumer protections
  - Affordability and quality improvements
- **2014: Major coverage expansions**
  - Health Insurance Exchanges
    - For individuals, small business employees
    - Individual Mandate, Employer contributions
  - Medicaid Expanded
    - Everyone up to 133% of poverty level
- 2020: Medicare drug price “doughnut hole” gone

Immediate Improvements in 2010

- Small business tax credits of up to 35%
- Rebates to begin to close the Medicare Part D Doughnut Hole
- No discrimination against children with pre-existing conditions
- End Rescissions
- Bans lifetime limits on coverage
- Restricts annual limits on coverage
- First dollar coverage of preventive care

Immediate Improvements (cont.)

- Expands High Risk Pool
- Covers Young Adults through Age 26 on parents' coverage
- Reduce cost of early retiree coverage
- Increased funding for Community Clinics
- California already provides:
  - Independent appeals process
  - Fair grievance process
  - Health consumer information

Phasing In: Historical Comparisons

Historical Comparisons:

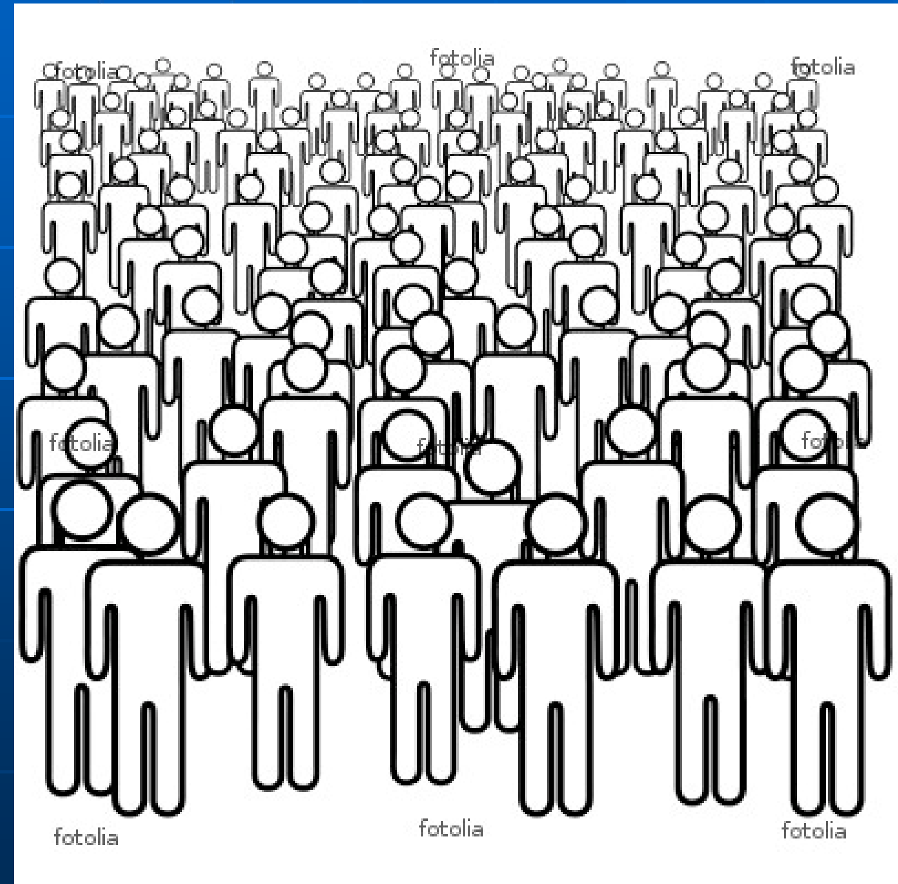
- Canada
  - Saskatchewan 1959-1962
  - National implementation: 1980s
- Social Security
  - Signed by FDR Aug. 14, 1935
  - Taxes collected in January 1937
  - Ongoing monthly benefits January 1940
  - Regular COLAs: 1972 law, began 1975
- Medicare: passed 1965, enrolment 1966

Coverage

Coverage

Currently 46 million uninsured

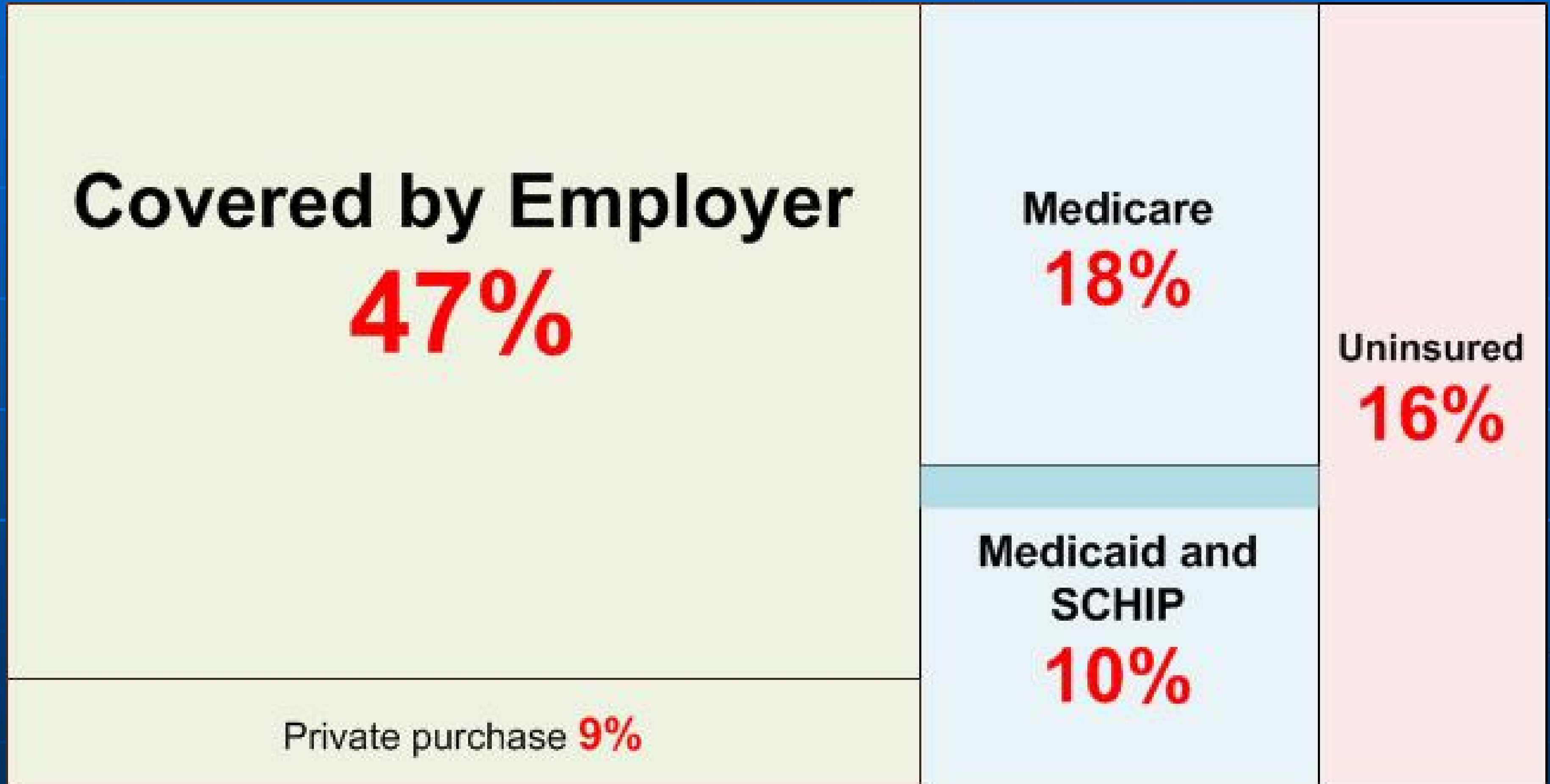
PPACA Expands coverage to 32 million people currently without insurance



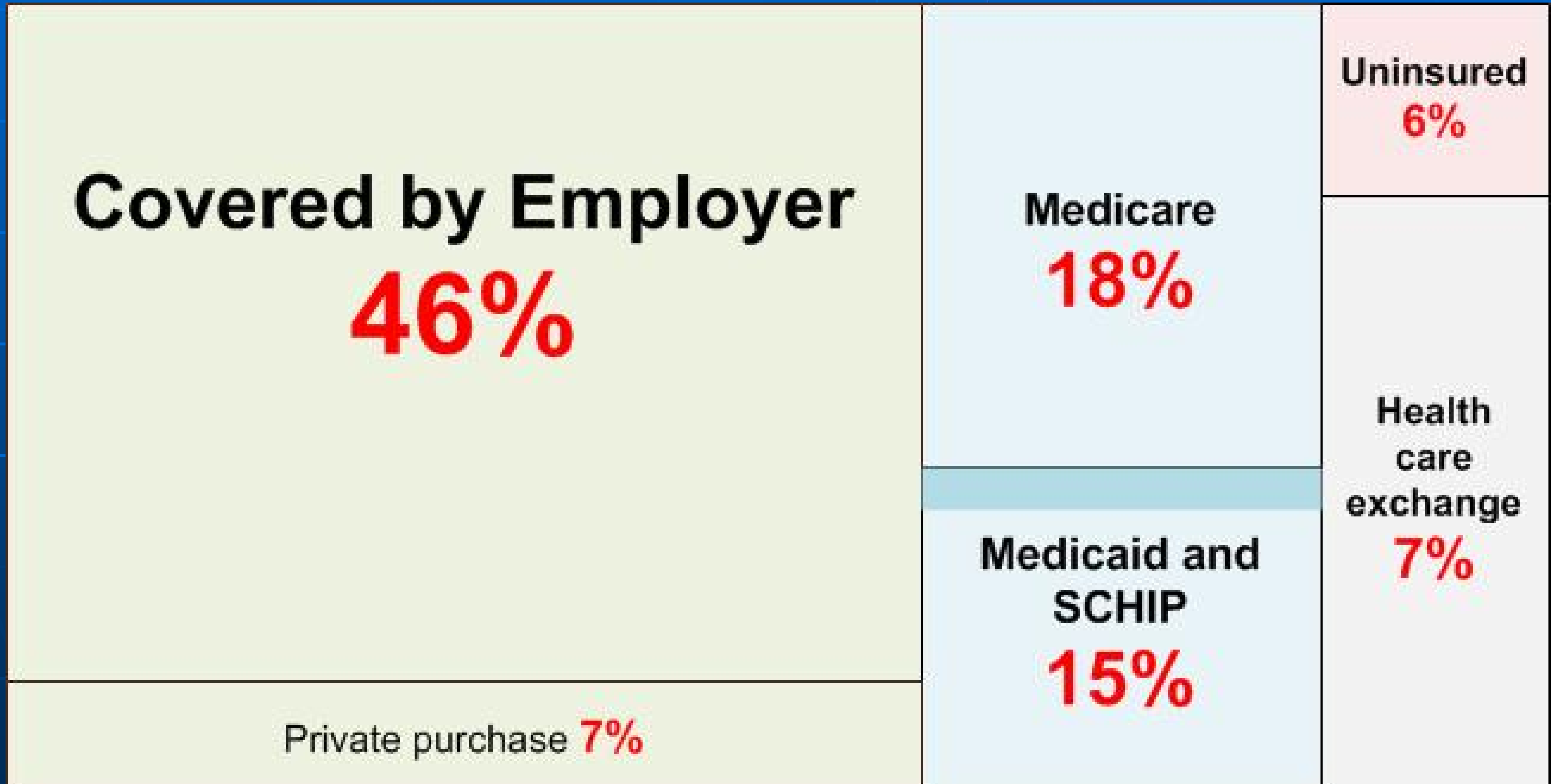
Coverage

- Medicaid: Covers everyone up to 133% of poverty
  - 16 million would be newly covered
- Employed people: Individuals mandates, employer contribution
  - 150 million already covered
  - For the first time, employers required to contribute
- Self-Employed/Small Business:
  - Access to a new Insurance Exchange
  - 21 to 26 million will be newly covered
- Young adults covered on parents' plan to age 26

Before Reform

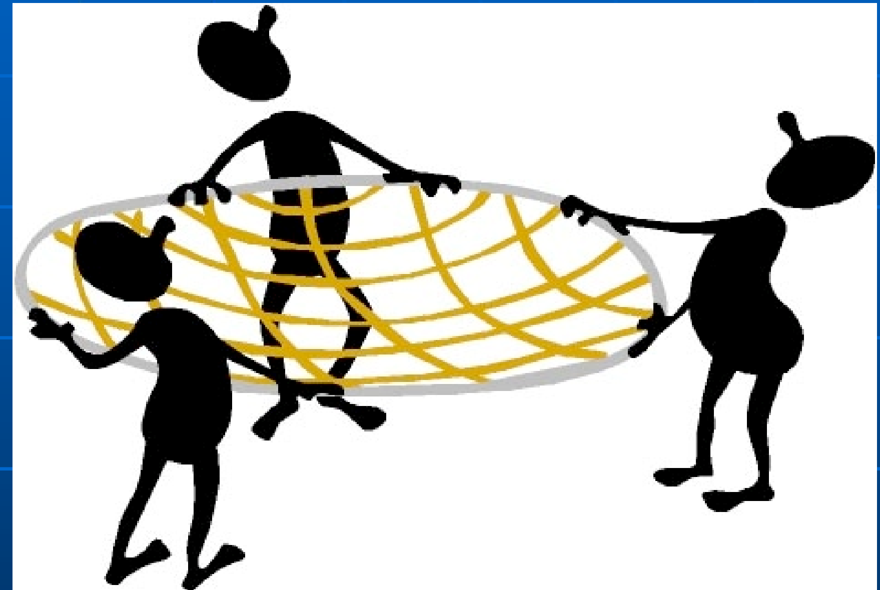


After Reform



Exchanges

- Creates state-based Exchanges, a place that uninsured individuals and small businesses can buy coverage
- The Exchange will also be a safety net for those currently with insurance if they lose a job.
- Members of Congress will get their insurance through the Exchange.



Insurance Exchanges

- Offer regulated plans to everyone without another source of coverage
- State-based exchange negotiates contracts, enforces insurance reforms
- Reviews/rejects excess premiums

Curbing Insurance Abuses

Insurance Reforms: Curbs Insurance Co. Abuses

- No denials of coverage: Pre-existing condition exclusions prohibited
- Rescissions prohibited
- Gender-rating prohibited
- Age-rating limited, 3:1
- Administrative costs limited
  - Medical Loss Ratio

Insurance Reform: Greater Regulation on Insurance Companies

- Illegal to deny coverage to people with pre-existing conditions
- Cannot charge more or terminate your insurance if you are sick
- No more annual or lifetime limits
- Greater scrutiny on premium increases and the ability to appeal insurance company denials of care

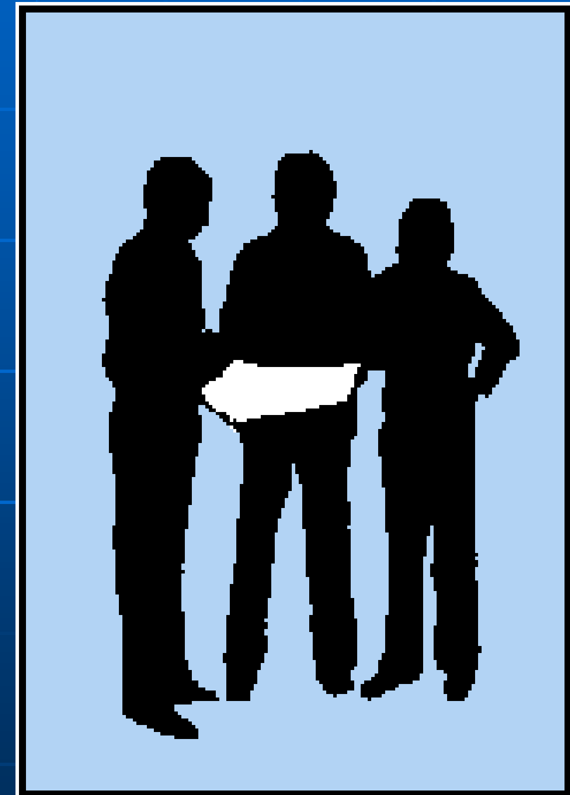
Affordability

Affordability: Individuals

- Individuals and employers required to pay
  - Same as all other countries
- Premiums
  - More affordable than now
  - Absolute limit on plans sold thru Exchange
- Still a big concern
  - Can still be a stretch for some

Affordability for Small Businesses

Tax credits for small businesses to purchase health insurance for employees



Affordability: Insurance Exchange Plans

- Subsidies for insurance premiums for incomes up to 400% of federal poverty limit
- Limits on out-of-pocket costs ($5,950 for individuals and $11,900 for families in 2010) to prevent medical bankruptcies

New: Insurance Exchange

Example: 4-person family at 180% FPL ($40,000)

Premiums	$2178
% Income	5.4%
OOP Cap	$3867
Max OOP	$6045

New: Insurance Exchange

Example: 2-person family at 550% FPL ($80,000)

Premiums	$ 9,316
% Income	NA
OOP Cap	$11,600
Max OOP	$20,916

Controlling Costs

Regulatory/Structural Levers

- 80-85% of premiums have to go to medical care rather than administration costs and profits
- New authority to states to control insurance premiums
- Health Insurance Exchanges make it easier to compare plans and find the best value
  - Abolish expenses of underwriting, and risk selection
- **Coverage expansion** reduces costs both directly and indirectly (prevention, reduces cost-shift)

Quality Improvement/Cost Control

- No co-pays for prevention
- Pay boost for primary care
- Incentives for providers to practice in teams
- $11 Billion to Community Health Centers

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Cost Containment and Quality

- Research **comparative effectiveness** of treatments.
- **Information Technology** to foster electronic medical records, reduce bureaucracy, get better data on cost & quality
- **Better Research and Transparency** on health outcomes
- **Patient Safety** measures to reduce hospital-acquired infections, reduce hospital re-admissions, etc.
- **Payment Reforms** to reward quality & better health outcomes, including better care coordination and disease management
  - In "bundling" Medicare will pay a doctor or hospital for the total care for a person with a certain disease, rather than a payment for every test or procedure. Starts as a pilot program to be expanded if it works

Cost Containment: Medicare

- A Medicare Commission to cut through the political gridlock and make decisions on efficiency and reaching spending targets

- Reducing overpayments to private insurance companies that participate in Medicare Advantage

What is it going to cost?

What We Need to Pay For

- New subsidies for health insurance exchanges
- New coverage under Medicaid
- Better prevention, public health services

How Is It Paid For?

- Savings on waste – Medicare Advantage overpayments
- Individual mandates
  - Penalty of $695/year up to 2.5% family income, capped at $2,085
- Employers offer coverage or pay $2,000 per full time employee
- Increase Medicare tax on income by 0.9% on income over $200,000/yr, and 3.8% tax on unearned income for high-income taxpayers
- After 2017, tax on some health plans

How is it paid for?

Starting 2010: cost saving changes in Medicare

Greater oversight and enforcement to reduce fraud, waste and abuse; greater efficiency and collaboration among doctors and reduced over-payments to the Medicare Advantage companies.

Starting in 2011-2013: increasing penalties on contribution loopholes in Health Saving Accounts

Increased penalties on nonqualified distributions from Health Saving Accounts, a lower cap on Flexible Spending Accounts contributions, and a standardization of the definition of qualified medical expenses.

Affordability: Deficit Reduction
2010-2019 (CBO)

- $650B to $1.3 Trillion
- Spending per Medicare beneficiary:
  Annual rate of increase (in real terms) cut in half, from 4% over last 2 decades to 2% in the future.

What Happens to Medicare?

Medicare Changes

- Strengthen and stabilize Medicare
- Medicare Advantage
  - Reduce overpayments
- Reduce/Reform provider payments
- Disproportionate Share Hospital cuts
- Control drug prices
  - Eliminate doughnut hole
  - $250 rebate this year
- Study geographic differences

Part D Doughnut Hole

- Beneficiaries pay
  - $295 deductible
  - then 25% coinsurance until total drug costs equal $2,700 (as of 2009)

- Then no coverage until out-of-pocket spending totals $4,350

- For those who are not low-income or have not purchased other coverage, average drug costs in the gap are $340 per month, or $4,080 per year

- In 2007, over 8 million seniors hit the "doughnut hole"

- Costs discourage drug use by about 14% – posing a threat to management of diseases like diabetes or high blood pressure

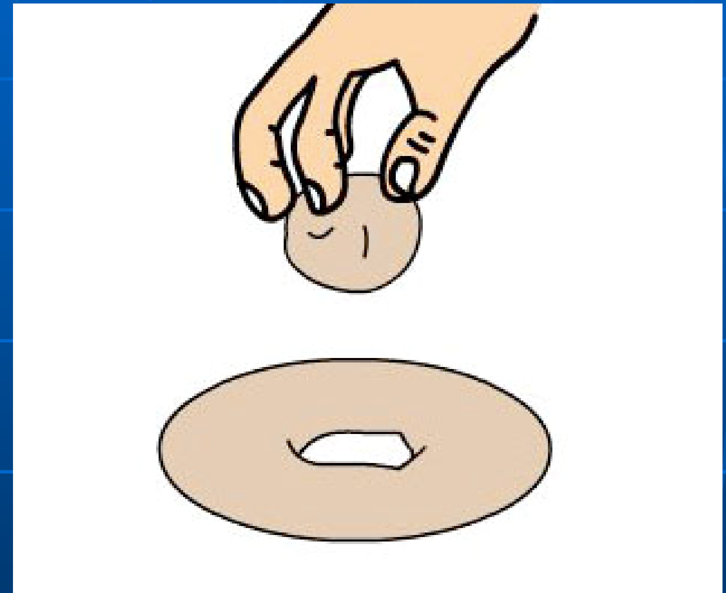
http://www.healthreform.gov/reports/seniors/index.html

Phasing out the doughnut hole

2010: $250 automatic rebate to seniors who hit the hole

2011: 50% discount on brand name drugs

Donut hole closes completely in 2020.



Implementing the Law

Implementing the Law

- Comment on Regulations
- Rate Control
- Medical Loss Ratio

Implementing the Law: Federal

- HHS* making progress
- Public comments
- Regulate insurance premiums
- Limit insurance administrative expenses (Medical Loss Ratio)
  - Center for Policy Analysis comments online

^ Department of Health and Human Services

Implementation: California
Transforming Medi-Cal

"Medicaid waiver" negotiated this year, to determine the next five years of the program

- Have over one million in Medi-Cal January 1, 2014
- Help bring in additional federal funds to California
- Incorporate other delivery system reforms, around coordinated care
- Ensure key consumer protections for Medicaid patients

Going Further: California Coverage

- **Prohibit denial of coverage to children with pre-existing conditions, and limit/phase out additional charges:** AB 2244 (Feuer)
- **Regulate rescissions and medical underwriting:** AB 2470 (De La Torre)
- **Secure funding for MRMIP, California's "high-risk" pool** for those denied for pre-existing conditions: SB 227 (Alquist)
- **Keep kids on Medi-Cal coverage with no mid-year status reports/** "continuous eligibility": AB 2477 (Jones)

California Reforms

Create a Transparent Insurance Market

- **Create an Insurance Exchange:** transparent, consumer-friendly, easy-to-use, fairly governed, negotiates to provide the best value to consumers: AB 1602 (Bass) & SB 900 (Alquist)
- **Reform individual insurance:** Specific plans with basic benefits so consumers can do "apples-to-apples" comparisons: AB890 (Alquist)
- **Basic insurance market standards:** Categories for health insurance policies, minimum standard for doctor and hospital coverage, overall limit on out-of-pocket costs. Eliminates deceptive "junk" insurance: AB 786 (Jones)
- **Ensure maternity care:** AB 1825 (De La Torre)
- **Require mental health parity:** AB 1600 (Beall)

California Reforms: Keeping Insurers Accountable

- **Require review & approval for rate hikes:** AB 2578 (Jones)
- **Disclose insurance rate and denial decisions:** SB 1163 (Leno)
- **Ensure premium dollars go to patient care,** rather than administration and profit, setting a "medical loss ratio.": SB 316 (Alquist)
- **Prohibit mid-year rate hikes:** AB 2042 (Feuer)
- **Extend the grace period for paying premiums:** AB 2110 (De La Torre)
- **Facilitate a public health insurance option, by** authorizing county-organized health plans and other health benefits programs to form joint ventures: SB 56 (Alquist)

Fixing the Law

What to Fix

- Abortion Coverage – Retreat from current law
- Immigrants' inclusion: Allow to purchase thru Exchange
- State options for innovative approaches
  - Medicare waivers
  - Kucinich amendment: ERISA waiver
    - Employee Retirement Income Security Act

How can we get a single payer plan in our state?

Single Payer: What it Is and Why We Need to Fight For It

- A government-sponsored system like Medicare
- Everyone automatically covered, most cost efficient, contributes to social & economic equity, good outcomes...
- **Gives government the authority to constrain health care spending**
- Who could possibly object to that?

Health Insurance & HMO State Contributions 2004-8

- Insurance companies **$42,233,972**
- 13% to ballot measures.
- 51% to Officeholders: $21.4 million
- 3rd top recipient: **California Republican Party - $1.3 million**

http://www.followthemoney.org/press/ReportView.phtml?r=408&ext=7&PHPSESSID=da58e785f999fd4ed54c448724038908#tableid7

We Have To Cover Everyone To Control Costs

Single Payer System Can Do It

Private Vs. Social Insurance

- We have to cover everyone to save money.
- Private insurance has failed as a mechanism to assure coverage for health care or to control costs.
- Social insurance programs through the government are much more successful.

Government Can Do It

- Big enough to negotiate with drug companies and hospital chains
- No profit motive
- But now covers less than half the population

Government Successes

- Medicare
- Veterans Administration
- Community Health Centers
- Hawaii

Medicare

- Popular federal government program covers population over age 65
- From 1997 to 2007, Medicare's cost per beneficiary rose on average 4.4% per year
- Private insurance premiums increased by 7.4% per year—a 30% difference over the full 10 years.

  - Http://www.cms.hhs.gov/nationalhealthexpenddata/downloads/tables.pdf (see table 13)

PPACA: Steps Towards Single Payer

- Expands coverage
- Required financing by government, individuals and employers will create incentives for greater cost controls
- New quality measures and delivery system reforms will guide cost control while protecting benefits

What To Do Now

- Analyze/Educate
- Implement The Law
- Fix The Law

Thank Them!

- Members of Congress
  - In Vulnerable Districts
  - Who Fought For US

- Our Colleagues and Partners

Spread the Word

- Work with EQUAL
- Get the facts about the law
- Tell your friends

SUMMING UP

- It is up to us
- These are critical months

Help Make History

- Join the EQUAL Listserv
  - Send a blank message to **join-equal@list.equalhealth.info**
- See our website:
  - **www.centerforpolicyanalysis.org**