

Overview of Federal Health Care Reform Legislation

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May 27, 2010

Federal Status

- Three new federal laws enacted March and April 2010
 - P.L. 111-148: The Patient Protection & Affordable Care Act
 - P.L. 111-152: The Health Care and Education Reconciliation Act
 - P.L. 111-159: TRICARE Affirmation Act
- U.S. DHHS implementation activities to-date
 - New Office of Consumer Information & Insurance Oversight established
 - High Risk Pool solicitation under way
 - CMS Guidance issued
 - Medicaid early expansion option
 - Prescription drug rebates
 - Regulation packages promulgated
 - Medicaid benefit packages
 - Early Retiree Reinsurance Program
 - Federal insurance information web portal
 - Medicare & Medicaid provider enrollment
 - Dependent coverage to 26 years of age
 - Requests for comments published
 - Premium Review Process
 - Medical Loss Ratios

State Status

- Alaska has joined the Florida-led 20-state lawsuit challenging the constitutionality of the individual mandate
- State executive branch interagency team working on high-level state government impact analysis
- Submitted high risk pool letter of intent to participate provided certain conditions and protections are addressed
- The legislature will be involved in any decision regarding state implementation of any provision of the federal law that requires
 - A new state law
 - A state appropriation

Overview of Legislation

- Health Care Coverage (Titles I & II)
- Health Care Delivery (Title III)
- Prevention and Public Health (Title IV)
- Health Care Workforce (Title V)
- Fraud, Waste, and Abuse (Title VI)
- Medical Technology (Title VII)
- Community Living Assistance (Title VIII)
- Taxes and Fees (Title IX)
- Amendments (Title X)

Health Care Coverage Overview

- Insurance Market Reforms
- Health Insurance Exchange
- Medicaid Expansion
- New Insurance Programs
- Individual Mandates & Subsidies
- Employer Mandates & Subsidies

Health Care Coverage

- Insurance Market Reforms

- Exclusions for pre-existing conditions prohibited
 - For children in 2010
 - For adults in 2014
- Dependent coverage extended to 26 years of age (2010)
- Lifetime limits prohibited (2010)
- Annual limits restricted (2010), then prohibited (2014)
- Prohibition on rescissions (2010)
- Medical Loss Ratio: Reporting (2010); Restricted (2011)
- Guaranteed issue and renewal rules (2014)
- Adjusted community rating rules limit variations in premiums to region, tobacco use, age, and family composition (2014)
- Gender discrimination prohibited

Health Care Coverage

- **Health Insurance Exchange (2014)**
 - State-based; Multi-state option
 - For individuals and small business (<100 employees)
 - Large businesses allowed to participate starting 2017
 - Federal grants to states for planning and implementation (2010)
 - Administered by gov't agency or non-profit
 - Required to be Self-sustaining (2015)
 - State opt-out provision
 - State innovation waiver

Health Care Coverage

- **Medicaid Expansion (2014)**
 - Eligibility expanded to all individuals under 65 up to 133% FPL
 - State share phased in 2017-2020 (max 10%)
 - Alaska preliminary estimate
 - 24,000 new enrollees
 - Cost to State = \$13 M/year
 - State option to implement immediately

Health Care Coverage

- **New Insurance Programs**
 - High-risk health insurance pool (2010)
 - Multi-state health plans created
 - Health Care Cooperatives: Non-profit member-operated health insurance companies created through loans and grants
 - Health Choice Compacts (2016)

Health Care Coverage

- **Individual Mandates & Subsidies**

- Mandates (2014)

- Individuals must have a qualified health plan or pay a tax penalty
 - Tax penalty \$695/year (Family capped at 3x individual penalty (\$2,085)) or 2.5% of household income, whichever is greater (phased in)
 - Exemptions include
 - Financial hardship
 - Religion
 - American Indians/Alaskan Natives
 - Lowest cost option exceeds 8% of income

Health Care Coverage

- **Individual Mandates & Subsidies**

- Subsidies (eff. 2014)

- Premium Credits

- Refundable/ Advanceable credits for purchase of insurance through the Exchange
- Individuals/families with incomes between 133%-400% FPL
- Amounts tied to cost of plan and set on sliding scale based on income level

- Cost Sharing Subsidies

- Individuals/families between 100% - 400% FPL

Health Care Coverage

- **Employer Mandates & Subsidies**
 - Mandates (effective 2014)
 - < 50 employees: Exempt
 - > 50 employees - if 1 or more employee receives subsidy:
 - And employer does not offer coverage, employer required to pay fee of \$2,000/FTE (1st 30 FTEs excluded)
 - And employer provides coverage, employer required to pay fee of \$2,000/FTE or \$3,000 per subsidized employee (whichever is less)
 - > 200 employees: Required to provide insurance
 - Provide voucher to employees with incomes less than 400% FPL who chose to participate in Exchange
 - Report value of health care benefits on employees' W-2 (2011)

Health Care Coverage

- **Employer Mandates & Subsidies**
 - Subsidies (phased in beginning 2010)
 - ≤ 25 employees: Tax credits (for businesses with average annual wages $< \$50,000$)
 - Temporary Early Retiree Reinsurance Program (2010)
 - Employers reimbursed 80% of retiree claims between \$15,000 and \$90,000 until 2014

Health Care Delivery

- Evidence-Based Practice (Comparative Effectiveness Research)
- Quality Improvement (National Strategy)
- Care Coordination and Service Integration
- Trauma System Enhancement
- Primary Care Enhancement
 - Medicare 10% bonus to primary care physicians (2011–2015)
 - Medicaid Medical Home State Plan Option (90% FMAP for two years) (2011)
 - Increase Medicaid payment to Medicare rate (n/a in AK)
- Payment Reform
 - Bundled payments (Medicare Pilot; Medicaid Demonstration)
 - Medicare Pay-for-Performance Program

Prevention & Public Health

- National Prevention Council and Fund
- Coverage of clinical preventive services
- Nutrition labeling on menus
- Community wellness grants
- Healthy lifestyles incentives for Medicare and Medicaid beneficiaries
- Immunization program
- Epidemiology & PH laboratory capacity
- Childhood obesity demonstration project
- Maternal and child health programs

Health Care Workforce

- National HC Workforce Commission
- Health care workforce assessment
- National Health Service Corps increased
- Recruitment and retention programs
- Training and education programs
 - Rural physician training grants
 - Area Health Education Center (AHEC) expansion
 - GME (graduate medical education) improvements
 - Resident training in community-based settings
 - Redistribution of GME slots

Fraud, Waste & Abuse

- New provider enrollment processes for Medicare and Medicaid
- Data sharing across federal programs
- Disclosure of financial relationships between health entities
- Increased penalties
- Providers required to implement compliance program
- Demonstration grants to states for medical malpractice reform

Community Living Assistance

- New long-term care insurance program (2011)
 - Voluntary
 - 5-year vesting
 - Cash benefit
 - to help aged/disabled stay in home or
 - cover nursing home costs

Taxes & Fees

- 10% sales tax on indoor tanning (2010)
- \$2.8 billion annual fee on pharmaceutical industry (2012; increasing over time)
- 2.3% sales tax on medical devices (2013)
 - Glasses, contacts, hearing aids exempt
- Medicare payroll tax increased from 1.45% to 2.35% for individuals >\$200K and couples >\$250K; no increase to employer share (2013)
- New 3.8% Medicare tax on unearned income for individuals >\$200K and couples >\$250K (2013)
- Tax deduction for employers receiving Medicare Part D retiree subsidy eliminated (2013)
- \$8 billion annual fee on health insurance industry (2014; increasing over time)
- Excise tax on employer-sponsored high-value insurance plans (2018)

Other Provisions

- Amends FLSA to require break times/locations for nursing mothers
- Enhanced funding for Community Health Centers
- Medicare Doughnut Hole Closure
- Medicare Funding Growth Capped
- Coordinated Health Care Office
- Elder Justice Act
- Indian Health Care Improvement Act

Timeline Highlights for States

● 2010

- Smallest employers (<25) eligible for tax credits
- Medicaid Maintenance of Effort imposed (March)
- Temporary high-risk insurance pool program established (June)
- Temporary reinsurance program for early retirees established (June)
- Feds establish website to facilitate insurance information (July)
- Grants to states for
 - Exchange planning and implementation
 - Assistance with insurance premium review requirements
 - Establishing an office of health insurance consumer assistance
 - Numerous public health programs
- Insurance Market Reforms Implemented (new plans for plan years beginning after 9/23/10)
 - Pre-existing condition exclusion prohibited for children
 - Lifetime limits prohibited; annual limits restricted
 - Prohibition on rescission of coverage
 - Dependent coverage to 26 years of age
 - Medical loss ratio reporting required
 - Coverage of clinical preventive services required

Timeline Highlights for States

- 2011
 - Medicaid
 - States eligible for 1% FMAP increase if certain preventive services covered with no cost-sharing
 - Required to cover tobacco cessation for pregnant women
 - New state option for home and community-based services for disabled
 - Insurance Market Reforms
 - Medical Loss Ratio requirement imposed: Required to spend 85% of premium revenue on medical claims (80% for insurers covering small business)
- 2013
 - States must notify U.S. DHHS regarding intent to establish Exchange
 - Fed regs for health care choice compacts issued

Timeline Highlights for States

- 2014
 - Insurance Exchanges implemented
 - State Medicaid
 - Expansion to 133% FPL takes effect
 - Required to implement enrollment simplification and coordination with Exchanges
 - Required to offer premium assistance for employer-sponsored insurance.
 - DSH funding reduced
 - Prohibition on exclusion of coverage for barbiturates, benzodiazepines, and tobacco cessation products
 - States required to establish at least one reinsurance entity
 - Insurance Market Reforms Implemented
 - Pre-existing condition exclusion prohibited for adults
 - Guaranteed issue and renewal required
 - Adjusted community rating rules take effect
 - Individual and employer mandates and subsidies implemented

Timeline Highlights for States

- 2015
 - Insurance Exchanges must be self-sustaining
 - Medicaid programs required to begin annual enrollment reporting
 - States eligible for 23% FMAP increase to regular CHIP match (FFY 16 – FFY 19)
- 2016
 - Health Care Choice Compacts may take effect
- 2017
 - States will begin funding share of Medicaid expansion
 - States may operate an alternative program in lieu of federal coverage reforms if waiver obtained in previous year
 - States may allow large companies (>100 employees) to participate in Exchange
- 2018
 - Excise tax on high-value health insurance plans imposed

Thank You

For More Information Please Visit:

Alaska's federal health care law information website at:

<http://hss.state.ak.us/fedhealth/>

Questions? Comments?