Overview
Affordable Care Act

Administrative Regulation Review Committee

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Presentation Overview

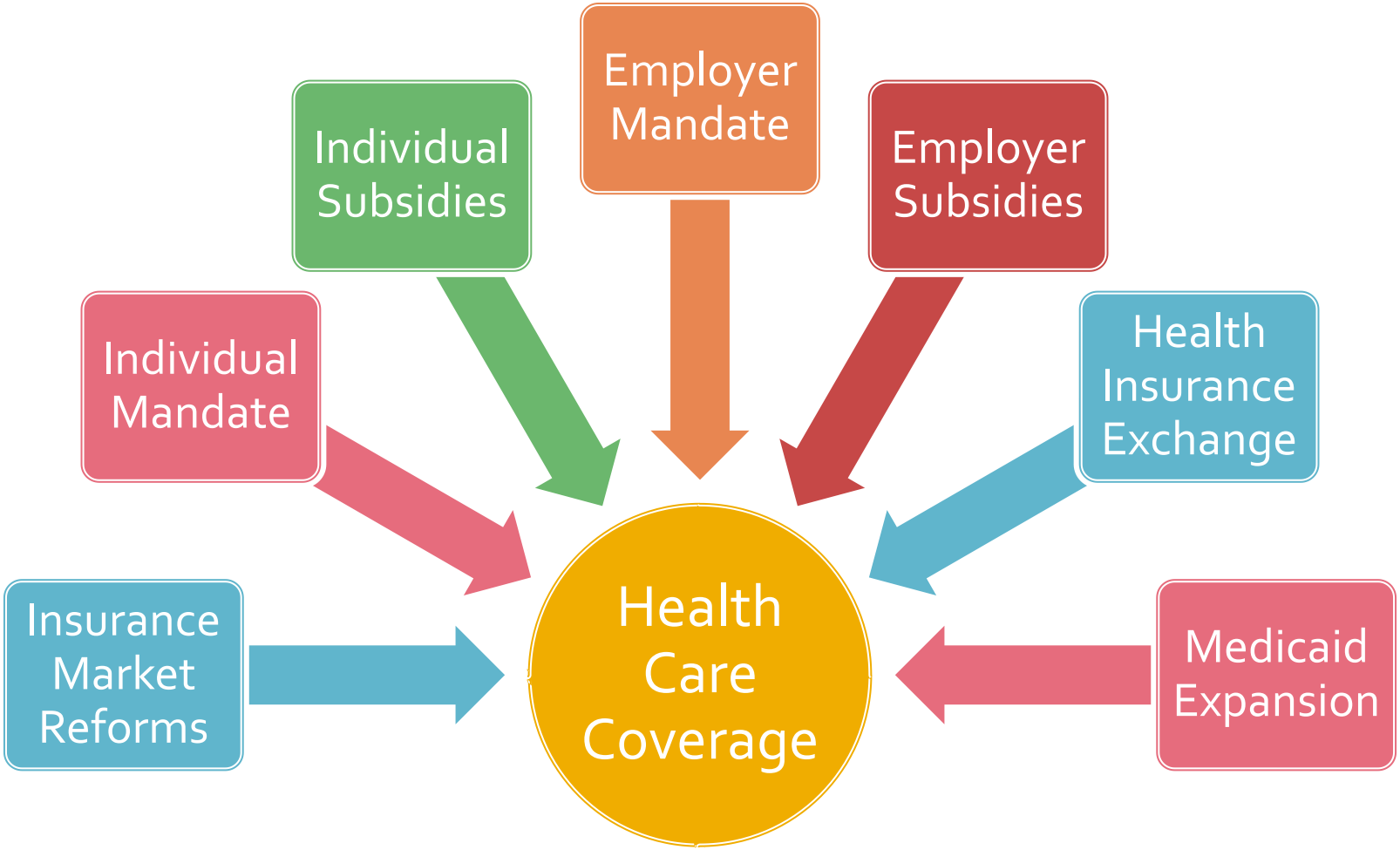
- Structure of the Affordable Care Act
- Key Provisions in the Act
- Alaska Impact
- Legal Challenges & Political Realities
- Implementation Status
- Timeline

Federal Health Reform Law

- Patient Protection & Affordable Care Act (P.L. 111-148) enacted March 2010, as amended by
  - P.L. 111-152: The Health Care and Education Reconciliation Act
  - P.L. 111-159: TRICARE Affirmation Act
  - P.L. 112-9: The Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act
  - P.L. 112-240: American Taxpayer Relief Act ("Fiscal Cliff deal")

- Structure of the Act
  - Health Care Coverage (Titles I & II)
  - Health Care Delivery & Payment Reform (Title III)
  - Prevention and Public Health (Title IV)
  - Health Care Workforce (Title V)
  - Fraud and Abuse (Title VI)
  - Medical Technology (Title VII)
  - Community Living Assistance (Title VIII) *(Repealed 1/1/13)*
  - Taxes and Fees (Title IX)
  - Amendments (Title X)

Health Care Coverage Strategies



Insurance Market Reforms

- New Private Insurance Market Rules
  - 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

Insurance Market Reforms

- New Insurance Plan Options
  - Temporary high-risk health insurance pool (2010 - 2014)
  - Health Care Cooperatives ("Co-Ops" – Consumer Operated and Oriented Plans) (2013)
  - Multi-state health plans (2014)
  - Health Choice Compacts (2016)
- State Insurance Oversight and Consumer Assistance
  - Review of Health Plan Premiums (2010)
  - State Consumer Assistance Programs (2010)

Individual Mandate

- Individuals must have a qualified health plan or pay a penalty
  - Tax penalty phased-in
    - 2014: $95/year or 1.0% of household income (whichever is greater)
    - 2015: $325/year or 2.0% of household income
    - 2016: $695/year or 2.5% of household income
  - Certain exemptions apply
    - Financial hardship
    - Religion
    - American Indian/Alaskan Native
    - Lowest cost option > 8% of income

Individual Subsidies

- Premium Support
  - For purchase of insurance through the Exchange
    - For individuals/families with incomes between 133%-400% FPL
    - If employer does not offer Minimal Essential Coverage or employee share is > 9.5% of income
    - Amounts tied to cost of plan; set on sliding scale based on income level
- Cost sharing subsidies for those between 100%-400% FPL
- 2013 Federal Poverty Level (FPL) Guidelines for Alaska:

	100%	133%	400%
Individual	$14,350	$19,803	$57,400
Family of 4	$29,440	$39,155	$117,760

Employer Mandate & Subsidy

- Businesses >50 full-time equivalent (FTE) employees must pay a penalty ***if*** 1 or more employee receives subsidy:
  - If employer does not offer coverage, required to pay $2,000/FTE (1st 30 FTEs excluded)
  - If employer offers coverage (but it does not meet the Minimum Essential Coverage requirements or is unaffordable), required to pay the lesser of $2,000/FTE or $3,000 per subsidized employee

- Tax Credit
  - For businesses with <= 25 FTEs , average annual wages < $50,000, and that contribute at least 50% towards premiums
  - Pays up to 35% of employer contribution 2010-2013, and up to 50% beginning 2014

Health Insurance Exchange

- Electronic Market Place for Purchasing Insurance
  - State-based; Multi-state option
  - State opt-out provision
  - For individuals and small business (<100 employees)
    - Federal subsidies for individuals applied through the exchange
    - Interface with State Medicaid eligibility and enrollment systems required
  - Large businesses allowed to participate starting 2017
  - Required to be self-sustaining in 2015

Medicaid Expansion

- State option to expand eligibility for those under 133% FPL (+ 5% income disregard)
  - Federal match 100% until 2017
  - State share phased in to 10% in 2020
  - Partial expansion not permitted; no deadline for expansion decision; option to discontinue expansion at a later date
- Eligibility determination
  - States required to convert to Modified Adjusted Gross Income (MAGI) for eligibility determination for all eligibility groups, not just expansion population
  - States required to coordinate eligibility determination with the Health Insurance Exchange

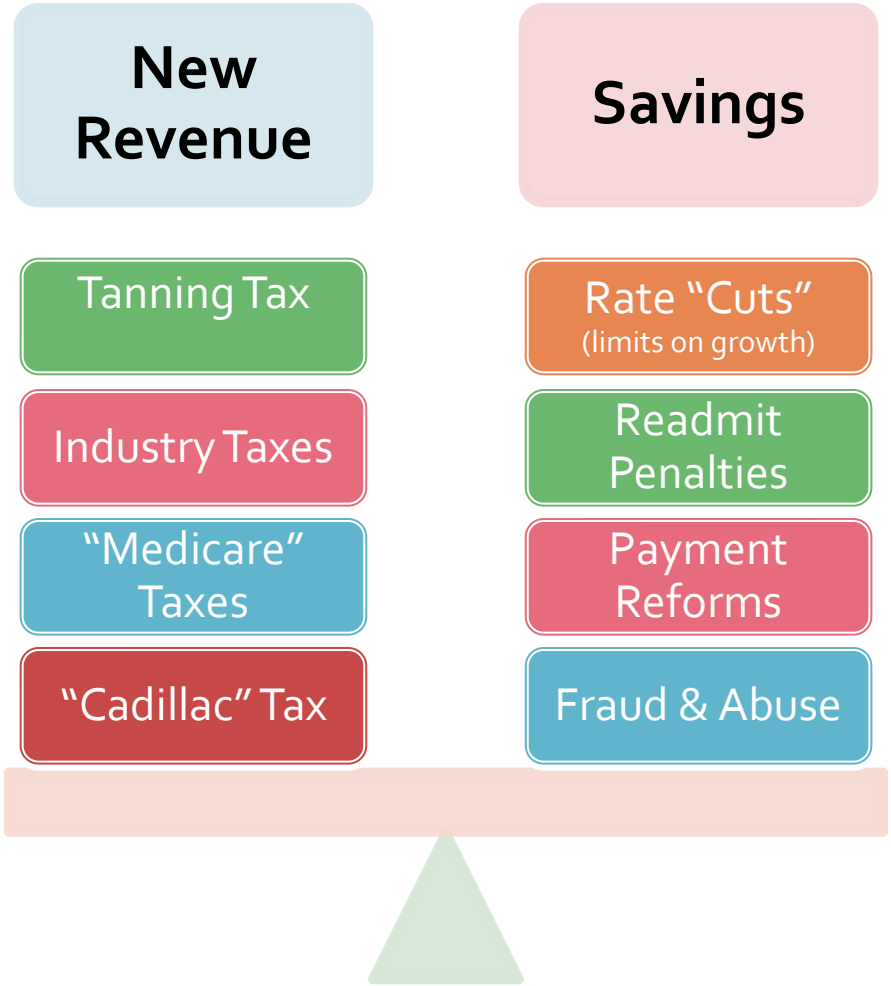
Payment Reform

- Center for Medicare & Medicaid Innovation (2011)
- Multi-Payer Advanced Primary Care Practice Demo (2011)
- State Innovation Models Initiative (2013)
- Medicare Payment Reform Provisions
  - Independent Payment Advisory Board (2011; 1st rpt due 2014)
  - Federally Qualified Health Center Advanced Primary Care Provider Demo (2011)
  - Hospital readmission reduction program (2012)
  - Hospital value-based purchasing program (2012)
  - Medicare Shared Savings Program (Accountable Care Organizations) (2012)
  - Bundled payment (episodes of care) pilot (2013)
  - Physician fee schedule value-based payment modifier (2015)
  - Payment adjustments for hospital-acquired conditions (2015)
- Medicaid Payment Reform Provisions
  - Non-payment for healthcare-acquired conditions (2011)
  - Pediatric Accountable Care Organization demonstration (2012)
  - Hospital bundled payment demonstration (2013)

Other Key Provisions

- Fraud & Abuse
- Quality Measurement & Improvement
- Primary Care Enhancement
- Prevention & Public Health
- Workforce Development
- Elder Justice Act
- Indian Health Care Improvement Act permanently authorized
- New IRS requirements for providers
- Home and community-based services and supports

How the Act Pays for Itself



New Fees & Taxes

- 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)
  - "Cadillac Plans" tax imposed on plans valued at more than $10,200 for an individual plan and $27,500 for family coverage

Alaska Impact 2019 (ISER/MAFA Projections)

- Increase in health care spending: +$289 M
  - State of Alaska: $41 M
  - Alaska Households: $124 M
  - Federal Gov: $124 M

- Increase in insurance coverage: +53,000 Alaskans
  - Medicare: 0
  - Medicaid: +38,000
  - Employer sponsored: - 45,000
  - Exchanges: +78,000 (60% supported by fed subsidies)
  - Other Private: - 18,000
  - Other Public: 0

Legal Challenges & Political Realities

- Supreme Court Ruling June 2012:
  - Individual mandate requiring individuals to purchase health insurance or pay a penalty – UPHELD
  - Medicaid expansion – LIMITED
  - Anti-injunction Act – DOES NOT APPLY
  - Severability – NOT CONSIDERED

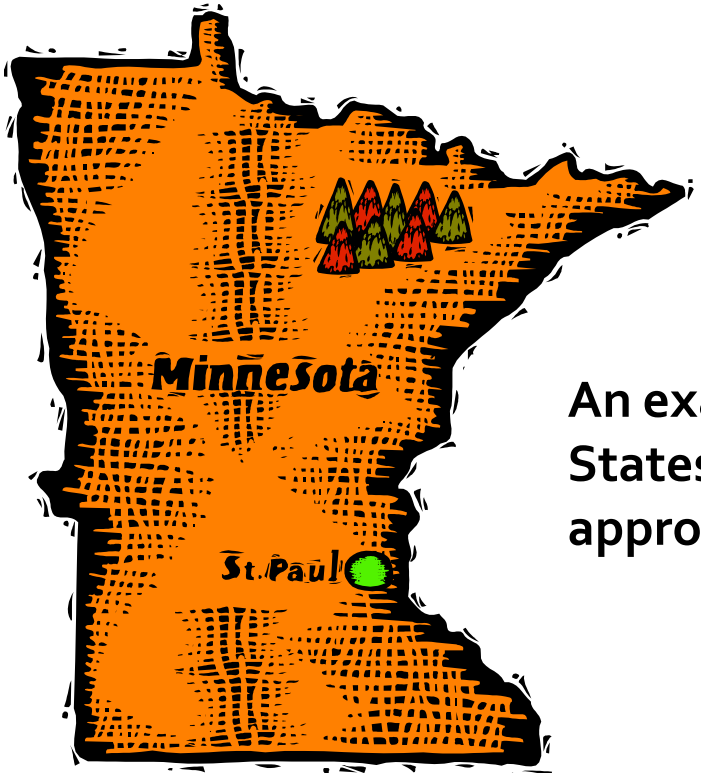
Legal Challenges & Political Realities

Before Supreme Court Ruling

State governments play a significant role – not in deciding *IF* ACA will be implemented in their state, but *HOW*.

After the Ruling

States will also decide if the Medicaid expansion will be implemented in their state or not.



An example of two States' various approaches….

Legal Challenges & Political Realities

- and….Federal Budget Constraints
  - Fiscal Cliff deal passed January 1, 2013.
    - $1.7 billion in available funding cut from the Co-Op Program
    - Title VIII of the ACA, the CLASS Act, repealed
  - Sequester took effect March 1, 2013 (cut $85 billion for FFY 13).
    - Direct impacts to ACA funding include:
      - - $44 million Insurance Exchange grants
      - - $51 million Prevention & Public Health Fund
      - - $57 million Health Care Fraud & Abuse Control
      - - $6 million Small Business Health Insurance Tax Credit

Federal Implementation To-Date

- Over $18 billion in grants awarded to-date
- Over 40 Regulation packages released to-date
- New website live – www.healthcare.gov
- Four new federal offices established
  - Center for Consumer Information and Insurance Oversight (CCIIO)
  - Center for Medicare and Medicaid Innovation
  - Coordinated Health Care Office
  - Office of Community Living Assistance Services and Supports
- One new non-profit established
  - Patient-Centered Outcomes Research Institute
- Six new councils/boards/committees formed
  - National Prevention, Health Promotion, and Public Health Council
  - Committee to Review Criteria for the Designation of Medically Underserved/Health Prof. Shortage Areas
  - Consumer Operated and Oriented Plan (CO-OP) Advisory Board
  - National Health Care Workforce Commission
  - Advisory Committee on Breast Cancer in Young Women
  - Interagency Working Group on Health Care Quality
  - Pending: Medicare Independent Payment Advisory Board (funded Oct 2011, members not appointed)

State Implementation To-Date

- Health Insurance Exchange (HIX): February 15 was the deadline for States to file a blueprint with the federal government for a State-Federal partnership Exchange. As of June 20, 2013:
  - 17 States (+ WA DC) will operate a state-based exchange
  - 7 States will participate in a partnership exchange
  - 26 States *(including Alaska)* will participate in the federally-facilitated exchange
    - *AK DHSS awarded a contract to Deloitte February 2013 to replace the Alaska's Eligibility Information System (EIS). 1st phase will include Medicaid eligibility determination features compliant with ACA HIX requirements; to be operational by October 2013.*

- Medicaid expansion decisions, as of June 20, 2013:
  - 24 States (+ WA DC) plan to expand in 2014
  - 21 States do not plan to expand at this point in time
    - CMS issued guidance to States on December 10 clarifying that there is no deadline by which a State must let the federal government know its intention regarding the Medicaid expansion.
    - *Governor Parnell announced on February 28 that he would not ask the Legislature for funding or authorization to expand Medicaid in Alaska during SFY 2014, and that his next decision point on this question will be December 2013 when he releases his SFY 2015 budget. He noted he will be considering additional information, investigating federal openness to state flexibility, and weighing the options between now and next December.*
  - 6 States are undecided (debate ongoing)

Timeline

- **2010**
  - Smallest employers (<=25 FTEs) 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, insurance consumer assistance and premium review, public health, and workforce programs
  - 1st Phase Insurance Market Reforms Implemented
- **2011**
  - Certain Medicaid options & requirements implemented
  - Insurance Market Reform: Medical Loss Ratio requirement imposed
  - New Fraud & Abuse Rules Implemented
- **2012**
  - Health Care Delivery System & Payment Reforms
  - Insurance Market Reform: Uniform summary of coverage and benefits
- **2013**
  - U.S. DHHS determines State readiness to establish Exchange
  - Several new taxes take effect

Timeline

- **2014**
  - Remainder of Insurance Market Reforms implemented
  - Individual and employer mandates and subsidies implemented
  - Insurance Exchanges implemented
  - Optional Medicaid expansion may be implemented
  - States required to establish at least one reinsurance entity
- **2015**
  - Insurance Exchanges must be self-sustaining
- **2016**
  - Health Care Choice Compacts may take effect
- **2017**
  - States begin funding share of Medicaid expansion
  - States may operate an alternative program in lieu of federal coverage reforms if waiver obtained in previous year
  - Large companies (>100 employees) permitted to participate in Exchange
- **2018**
  - Excise tax on high-value health insurance plans imposed