Federal Health Reform: Its Potential Impact on Hawai`i

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Presentation Road Map

I. Federal reform basics
II. The issue re Hawaii’s Prepaid Health Care Act
III. Federal reforms impacting Hawaii regardless
   I. Medicare & Medicaid
   II. Hawaii’s non-Medicaid-eligible uninsured (probably)
   III. Reforms unrelated to Prepaid Health Care Act
IV. Health insurance provisions that might apply to HI
V. Who benefits from federal reforms?
VI. The elephant everyone knows is in the room
VII. How did the individual mandate work out in MA?
The Patient Protection & Affordable Care Act of 2010

“Comprehensive reform with an incremental soul”

- Ezra Klein, Washington Post
I. Fundamental Focus of Reforms

1. Improve dysfunctional & costly insurance markets for individuals & small businesses

2. Expand Medicaid coverage for the poor
Re Federal Comprehensiveness

Individual mandate will add 34 million new US insureds by 2014

Q: How many of those new insureds will be Hawai`ians?
Fundamental Culture Shift at the Federal Level

Purchase of “affordable” health ins = individual responsibility & obligation (with employer & govt contributions)
Uwe Reinhart’s 3-legged stool

1. Universal mandate
2. Subsidies for those who can’t afford ins
3. Insurers must accept all comers
The Basics Re Expanded Coverage

• U.S. Citizens & Legal Residents Must Have “Qualifying Coverage” by 2014
  – Medicaid expansion for 17M new insureds
  – New ins exchanges to enroll 17M more

• 94-95% of US population will be insured by 2014 (up from the current 84%)
Medicaid Expansion

- Medicaid expanded to all individuals under 65 with incomes <133% of federal poverty level*

States receive 100% federal funding for newly enrolled Medicaid Beneficiaries (2014-2016) . . .
90% federal funding in 2020 & thereafter

*33,728 for family of four in Hawai‘i (2010)
New State Health Benefit Exchanges & Small Business Health Options Programs

• Link individuals lacking access to employer-sponsored insurance, &

• Firms w <100 workers

• To “affordable” health insurance plans
Premium & Cost-Sharing Subsidies to Purchase Health Insurance

• Individuals & families w incomes between 133-400% federal poverty level* get refundable & advanceable premium credits to buy insurance thru state insurance exchanges

• Cost-sharing premium subsidies for eligible individuals & families

* $100,440 for family of four (2010)
Individual Mandate Enforced Through Internal Revenue Code

Starting in 2014, Individuals face increasing tax penalties if no health insurance
Tax Penalty

- $695/year up to max of 3x that amt ($2,085)/family, or 2.5% of household income (by 2016)
- Annual cost-of-living adjustments post-2016
- Exemptions for financial hardship, religious objections, those w incomes below tax filing threshold,* etc.

* $9,350 for singles, $18,700 for couples in ‘09
II. To Cut To the Chase re Hawai`i

Basic Issue: Can - or should - Hawai`i’s employer mandate co-exist with the federal individual mandate?
Hawai`i’s Prepaid Health Care Act

- Established **employer** mandate in 1974
  - Part-time employees, etc., exempt

- Employee contributions capped
- ERISA waiver = amendment cap
Hawai'i’s Prepaid Health Care Act

Statute sunsets if & when federal law “provides for voluntary prepaid health care for the people of Hawai`i in a manner at least as favorable . . . , or upon the effective date of federal legislation that provides for mandatory prepaid health care for the people of Hawai`i.” Haw. Rev. Stat. § 393-51 (2009).
(b) Rule of Construction Regarding Hawaii's Prepaid Health Care Act.--Nothing in this title . . . shall be construed to modify or limit the application of the exemption for Hawaii's Prepaid Health Care Act (Haw. Rev. Stat. 393-1 et seq.) as provided for under section 514(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1144(b)(5)).
Key Legal & Policy Questions:

1. *Can* The Patient Protection & Affordable Care Act Co-exist with Hawai`i’s Prepaid Health Care Act?

2. *Should* it co-exist?

3. If so, how will the requirements of each be reconciled?
Regardless of Whether Hawai`i’s Prepaid Health Care Act Survives . . .

Federal reforms will impact much in Hawai`i
Provisions Affecting Medicare & Medicaid Will Apply in Hawaii
Bonus for Medicare Primary Care Doctors

10% bonus payments for primary care M.D.s & general surgeons, 2011-2015
Medicare Expansion

• Extended Medicare payment protections for small rural hospitals
Medicare Pilot Programs

• Encourage new medical groups to coordinate chronically ill care better

• Pay doctors & institutions based on quality, not quantity, of services
Medicare Prescription Drug Changes

• Part D donut hole* will be filled by 50% prescription drug discount in 2011
• By 2020, cost-sharing obligations within gap reduce to 25%

* Donut hole eliminates Medicare coverage of prescription drug expenditures between $2830 and $6440 (in 2010)
Medicaid PCPs Get Medicare Rates

• States must pay Medicaid primary care MDs Medicare rates
• Federal govt. will cover add’l state costs*

* Implemented in 2013
III. Provisions Unrelated to Prepaid Health Care Act Will Apply in Hawaii
More Money for Community Health Centers

• $11 billion to expand access to health care in communities where most needed
Calorie Counts Required in Chain Restaurants

Chain restaurants w >20 locations must show calorie info beside food on standard menus
Loan Repayment Exclusions for Physicians in Underserved Areas
Feeding Facilities Required for Nursing Mothers

• Businesses with >50 employees must make available to nursing mothers:
  – reasonable time breaks &
  – facilities for lactation (not in rest rooms)
Community First Choice Option

• States can offer home- & community-based services to the disabled, rather than institutional care*

* Effective Oct. 1, 2011
Tax on Tanning Parlors

• 10% tax on indoor tanning services bills*

*(after July 1, 2010) (Replaces proposed tax on cosmetic surgery)
2-Yr Credit (up to $1B) to Encourage Investment in New Therapies for Disease Prevention & Treatment
No Prior Authorization Requirements for Women To See Ob-Gyns
Comparative Clinical Effectiveness Research

- Establish non-profit Patient-Centered Outcomes Research Institute to compare clinical effectiveness of medical treatments
Tort Liability Reform Funding

• Federal funding for state demonstration programs to evaluate alternative liability reform models*

  • * Effective 2011
Enhanced Fraud & Abuse Oversight & Enforcement

I WANT YOU
TO HELP CONGRESS FIND
WASTE, FRAUD & ABUSE
IV. Provisions Relating to Health Insurance Generally

• May or may not be applicable to Hawaii’s Employer Insurance Mandate
Limits on Insurance Adm. Costs & Executive Compensation

• New limits on adm. costs & executive compensation*

• Violations will trigger consumer rebates

* Starting Sept. 2010
Pre-existing Conditions

• Insurers can no longer reject applicants with pre-existing conditions
• Or charge them exorbitant rates
Insurers Must Accept All Applicants, Regardless of Health Status
No Co-insurance or Deductibles for Certain Preventive Services for Women
Insurers Must Permit Children to Remain on Family Policies Thru Age 26
No Rescission of Existing Policies for Illness
Lifetime Caps on Insurance Benefits Eliminated after 2014
V. Who Benefits from Reforms?

• **Patients**: almost everyone insured
• **Doctors**: more insureds = more reimbursement
• **Hospitals**: more insureds = less free care
• **Ins. Companies**: more insureds = bigger market
• **Pharmaceutical Manufacturers**: more insureds = bigger markets
VI. The Elephant in the Room That Everyone Sees: Costs
Costs of Federal Reform

• Will cost gov’t about $938 billion over 10 years, acc. to nonpartisan Congressional Budget Office,

• Should reduce the federal deficit by $138 billion over decade
Medicare Payment & Service Delivery Reforms

• Value-based purchasing programs

• Quality reporting

• Pilot programs on payment bundling
Cost Controls: Individual Incentives

• Excise tax on “Cadillac Plans” starting in 2020

• Threshold for itemized medical expense deduction increased from 7.5% of adjusted gross income to 10% of AGI
State Health Insurance Rate Oversight

- Additional funding for states to review unreasonable increases in insurance rates
Insurance Costs

- ½ of enrollees in nongroup plans will qualify for federal subsidies

- Average costs lowered for middle- and moderate-income families by about 60 percent
VII. How Has the Massachusetts Individual Mandate Worked Out?

– Only 89% of MA residents insured in 2006
– 97.4% of MA residents had health insurance by 2009 (3 yrs later)

MA now has highest rate of health insurance coverage in US
MA Health Care Reform Act of 2006

Grounded in principle that:

— Individuals
— Employers
— Government

Share responsibility for health insurance coverage thru individual mandate
Key Features of Statute

• Individual mandate,
• Medicaid expansion,
• Subsidized insurance exchanges,
• Tax code enforcement

All mirror federal plan
Results of Implementation

• Enrollment way ahead of target
  515,000 expected to enroll in 3 yrs, but
  440,000 actually enrolled in half that time

• Intermediate costs >projected
  – Early enrollees sicker
  – Late enrollees healthier
Implementation Results

• MA residents overwhelmingly (98.6%) complied w health ins tax filing requirement
  – 78% of tax filers “bought” private health ins
  – 20% secured “govt” ins
Implementation Results

• Pent-up demand increased short-term pressure on primary care providers
  – Waiting time for appointments increased
  – (Reimbursed) use of ERs increased
Implementation Results

• Intermediate costs exceeded projections, but:
  – Program fiscally stable in short run
  – Commonwealth Care (state-subsidized ins) bids so low, premiums remained flat in ’09

  – The cost crunch is hitting now, due more to provider price increases than access escalation
MA Health Care Reform Act of 2006

- Serious cost containment measures deferred for “later”
  - Stakeholders wouldn’t agree re best cost containment measures
Cost Containment = Next Step

Some options on the table

• Pay-for-Performance?
• Capitation/patient?
• Eliminate/curtail fee-for-service?
• Capitation/episode of care?
• Bundle provider payments?
“The path to fiscal responsibility must run directly through health care.”

Peter Orszag, OMB Dir., @ White House Fiscal Resp. Summit

New York Times
February 23, 2009