

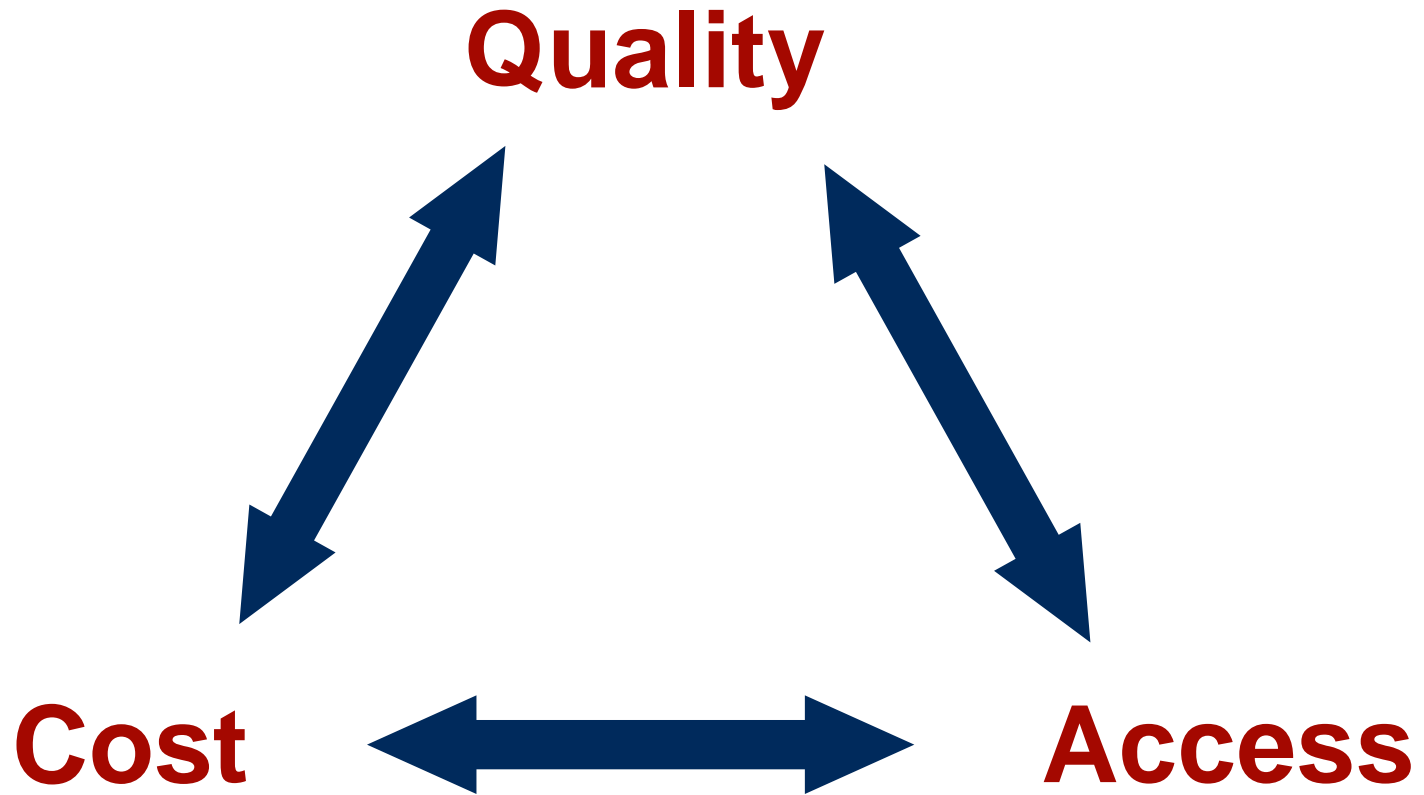
Health Care Reform: Impact on Arkansas

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Improvement*



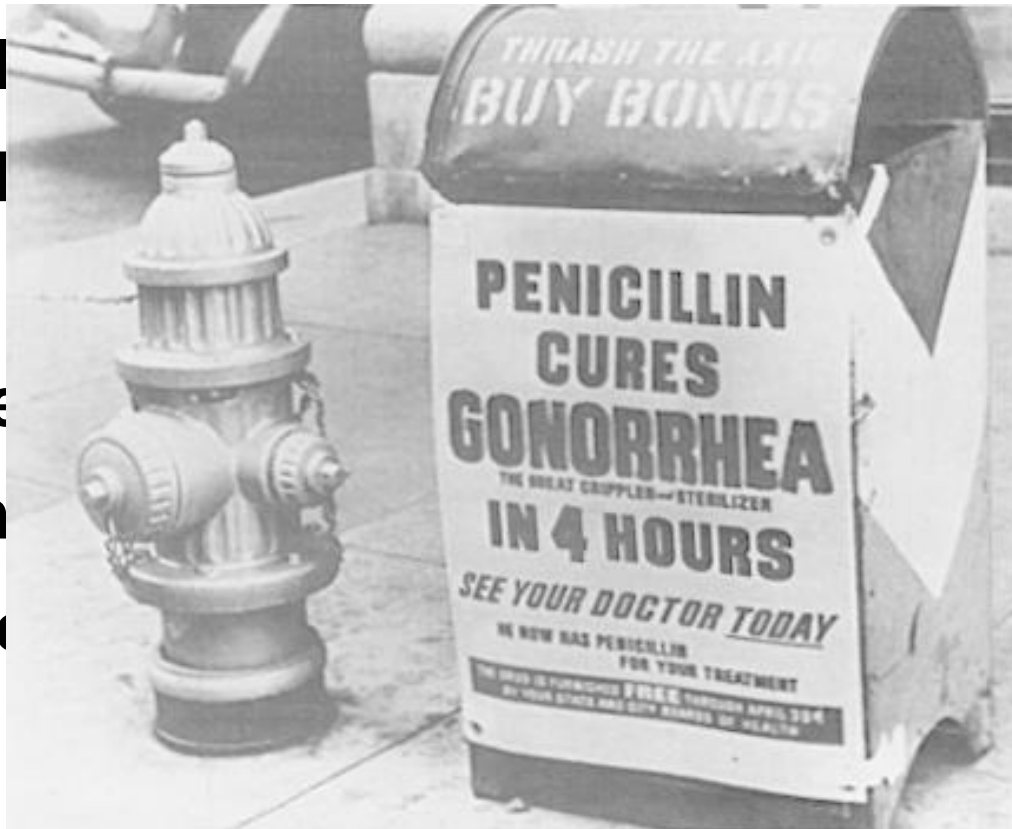
Governor's Roundtable
on Health Care
November 16, 2009

Health care's Iron Triangle

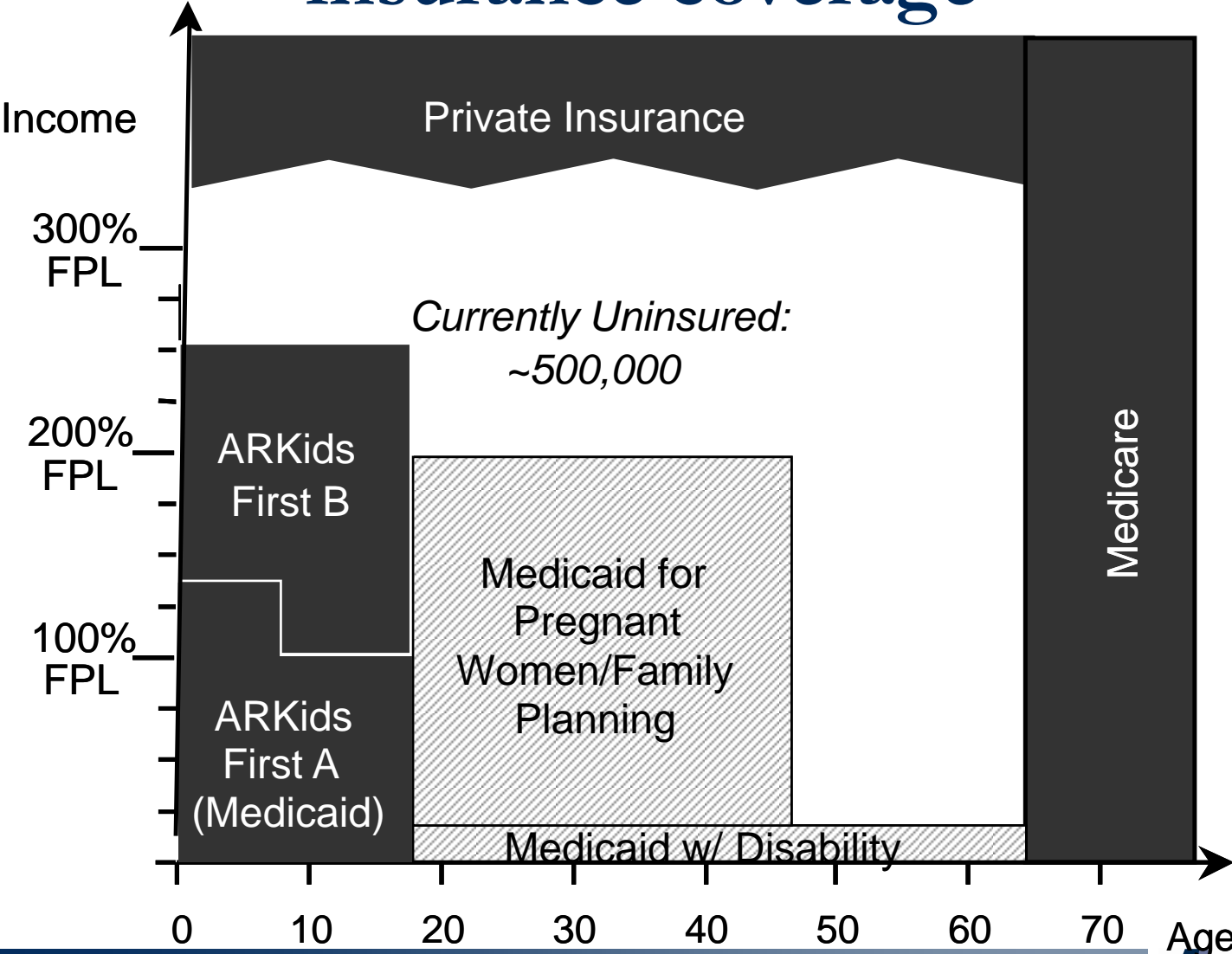


Healthcare Financing in Transition

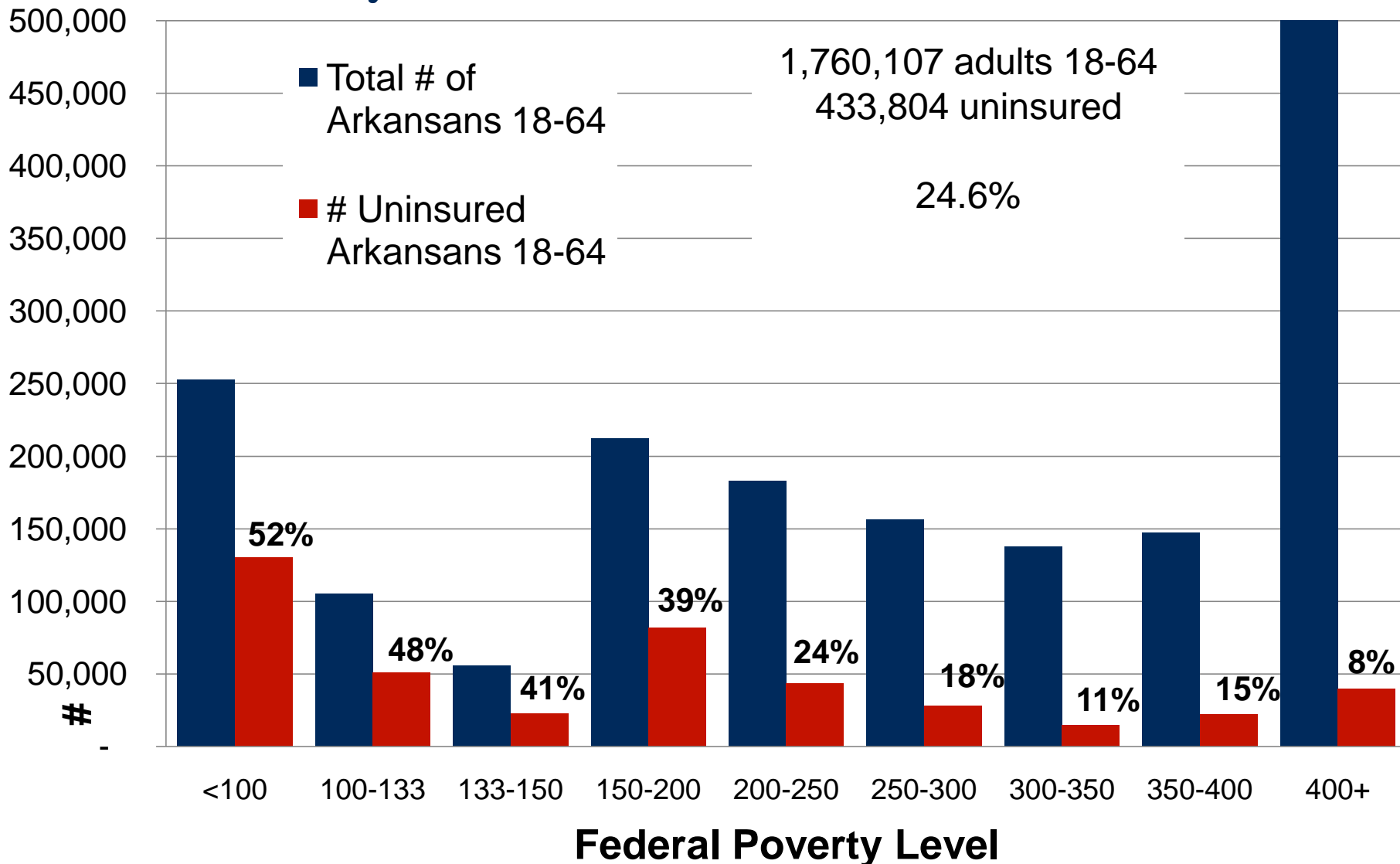
- 1910 Flexner Report – Medical education
- 1928 Penicillin discovered
- 1944 first patient treated
- 1941 WWII War Relocation Authority response
- 1957 Hill Report
- 1965 Medicare
- 1973 Federal Health Insurance Program
- 1990s Emphasis on Managed Care
- 1997 State Health Insurance Program
- 2003 Medicare Prescription Drug, Improvement, and Modernization Act



Current patchwork quilt of Arkansas health insurance coverage



Number of Arkansans 18-64 years old by FPL Level and Uninsurance



Uninsured

19-64 years of age

Mountain
31.2%

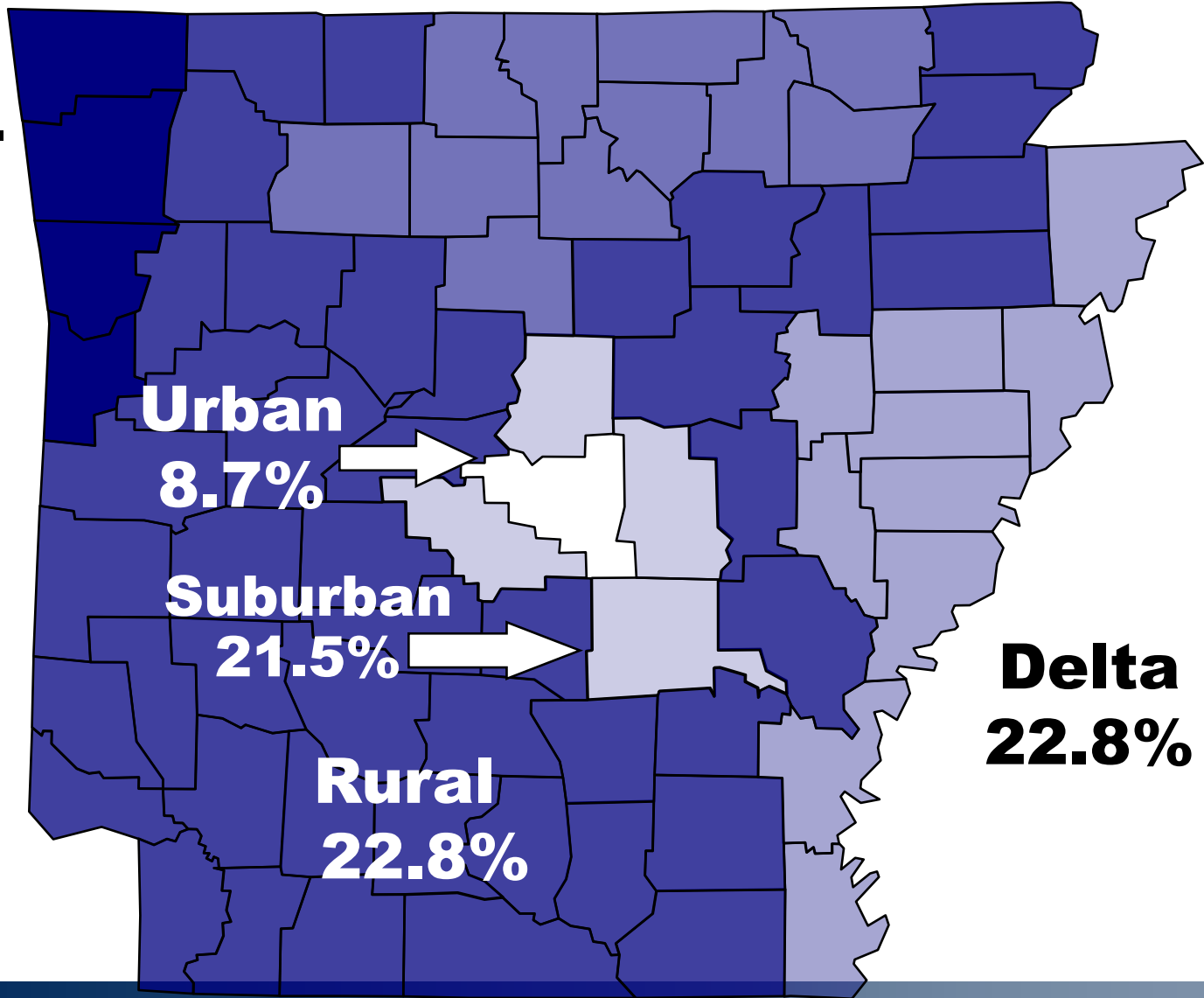
**North-
west**
23.7%

Urban
8.7%

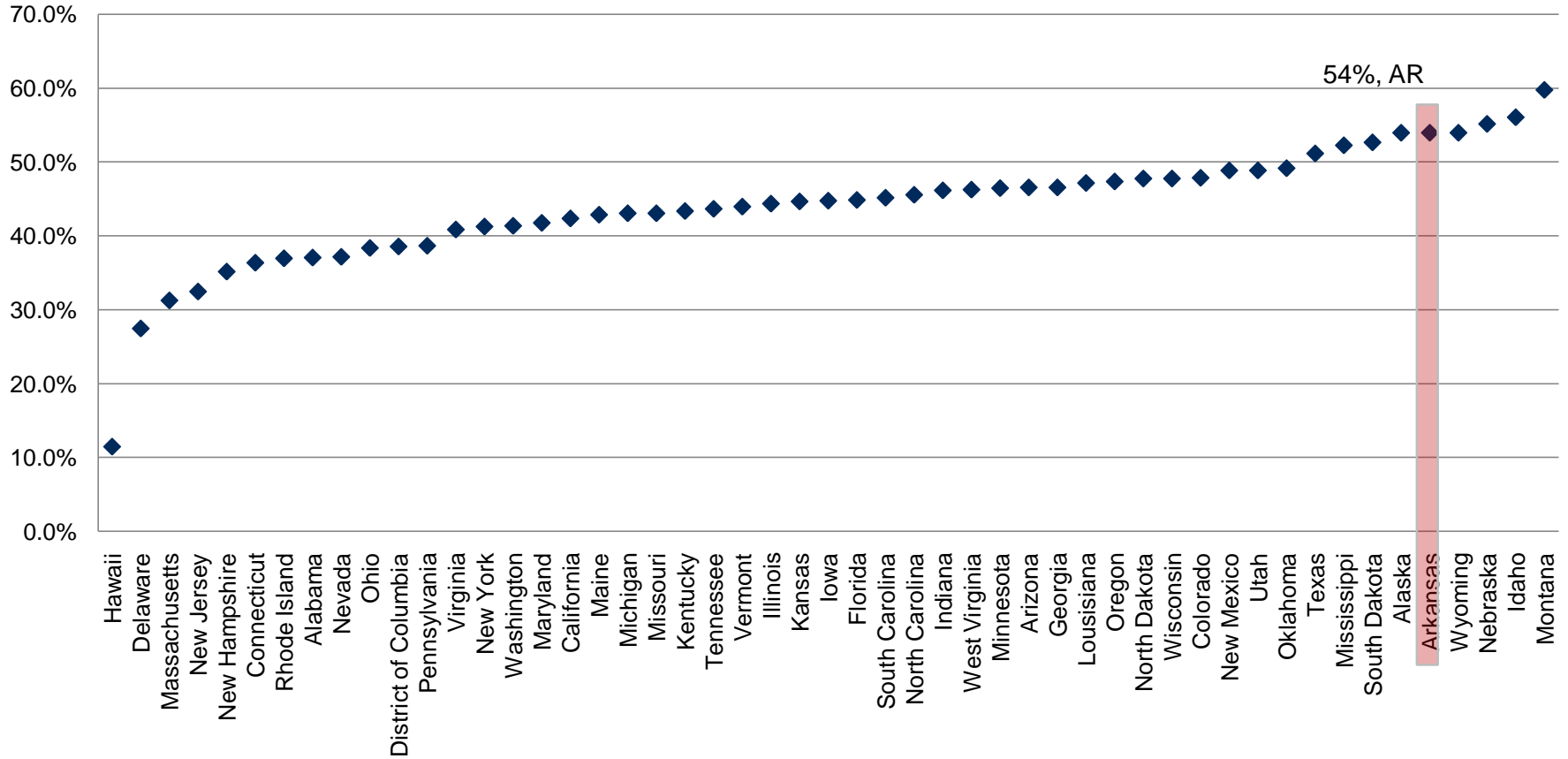
Suburban
21.5%

Rural
22.8%

Delta
22.8%

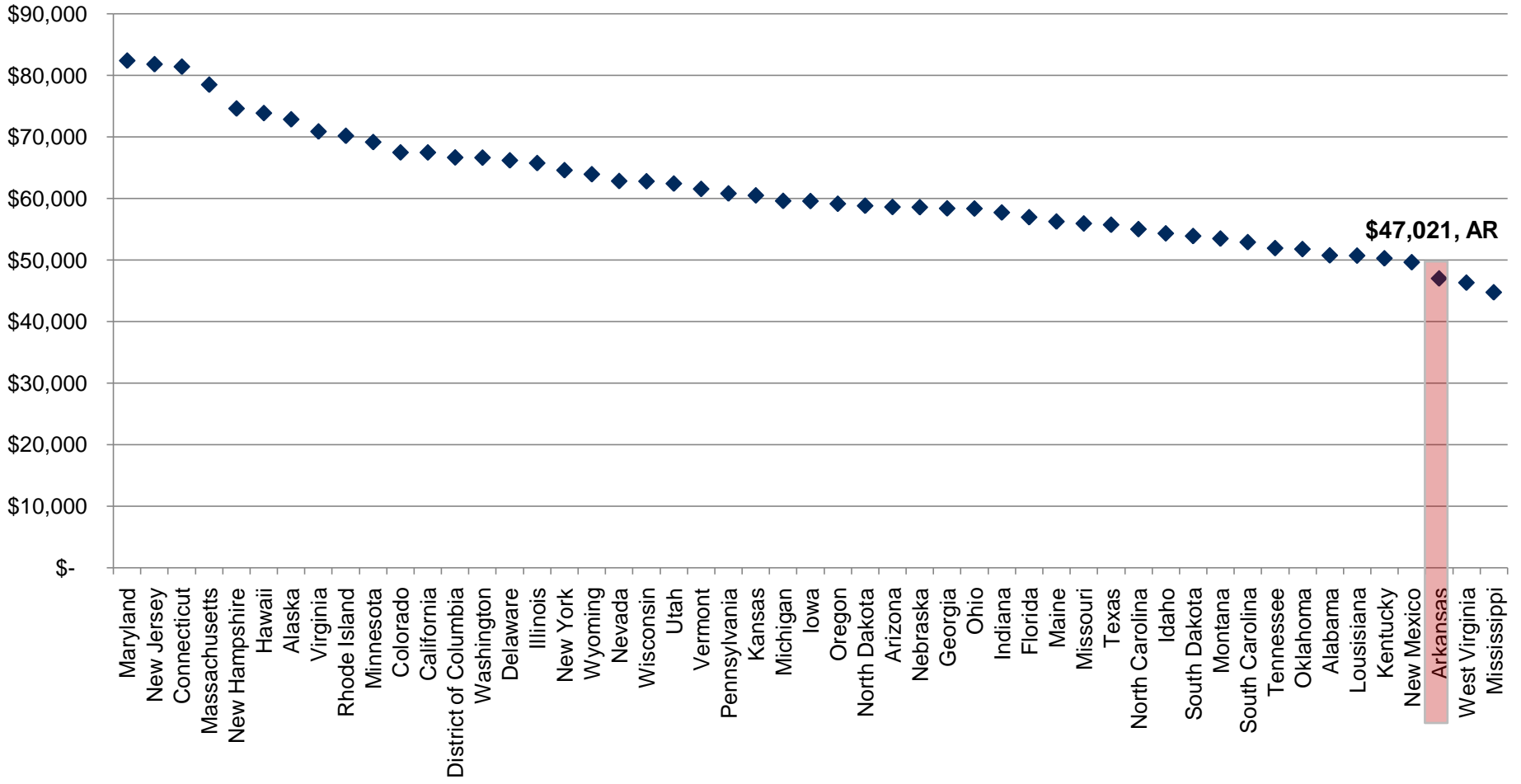


Percent of private-sector firms that do not offer health insurance



Source: MEPS 2008

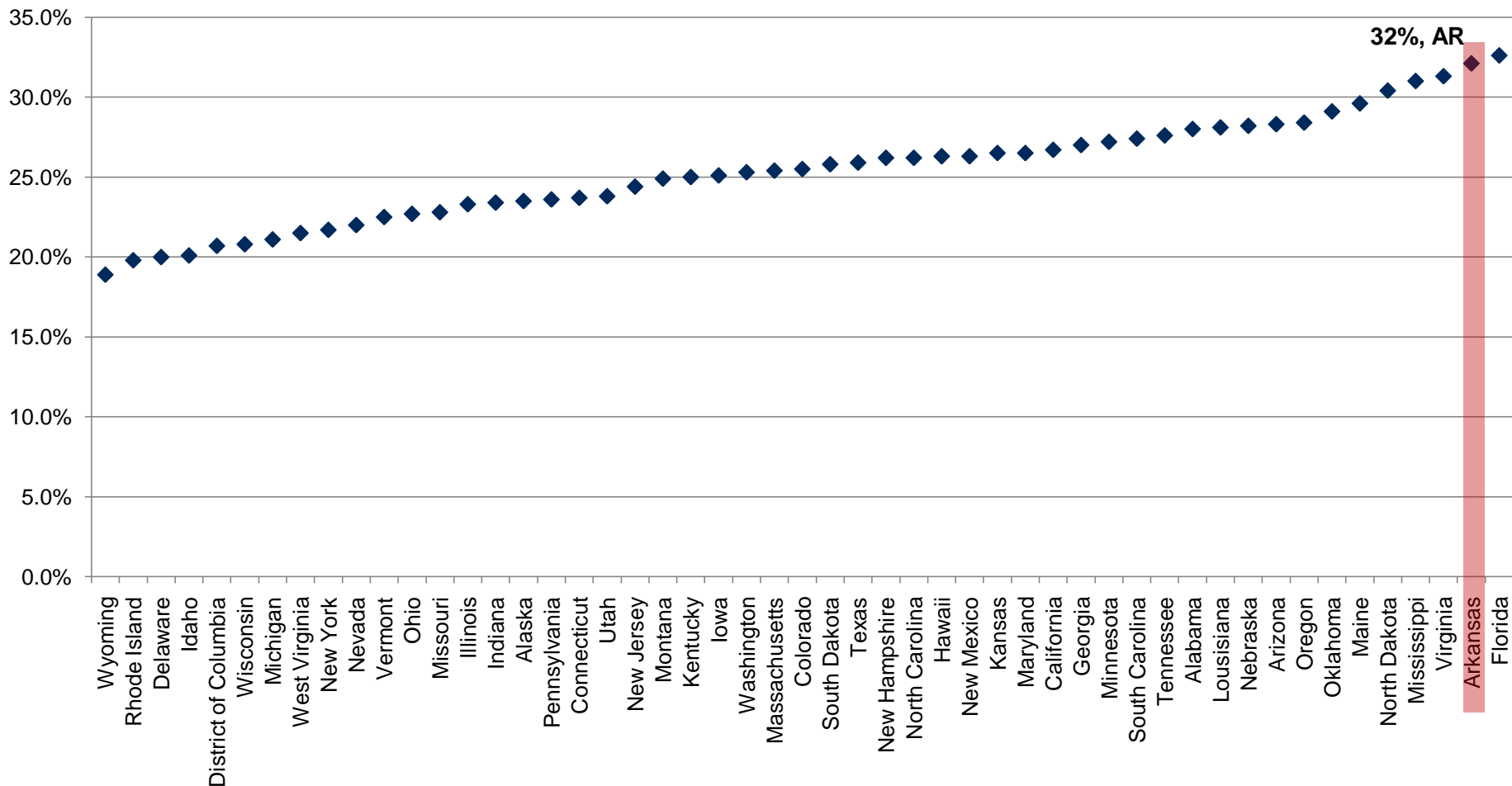
Median Family Income



Source: MEPS 2006



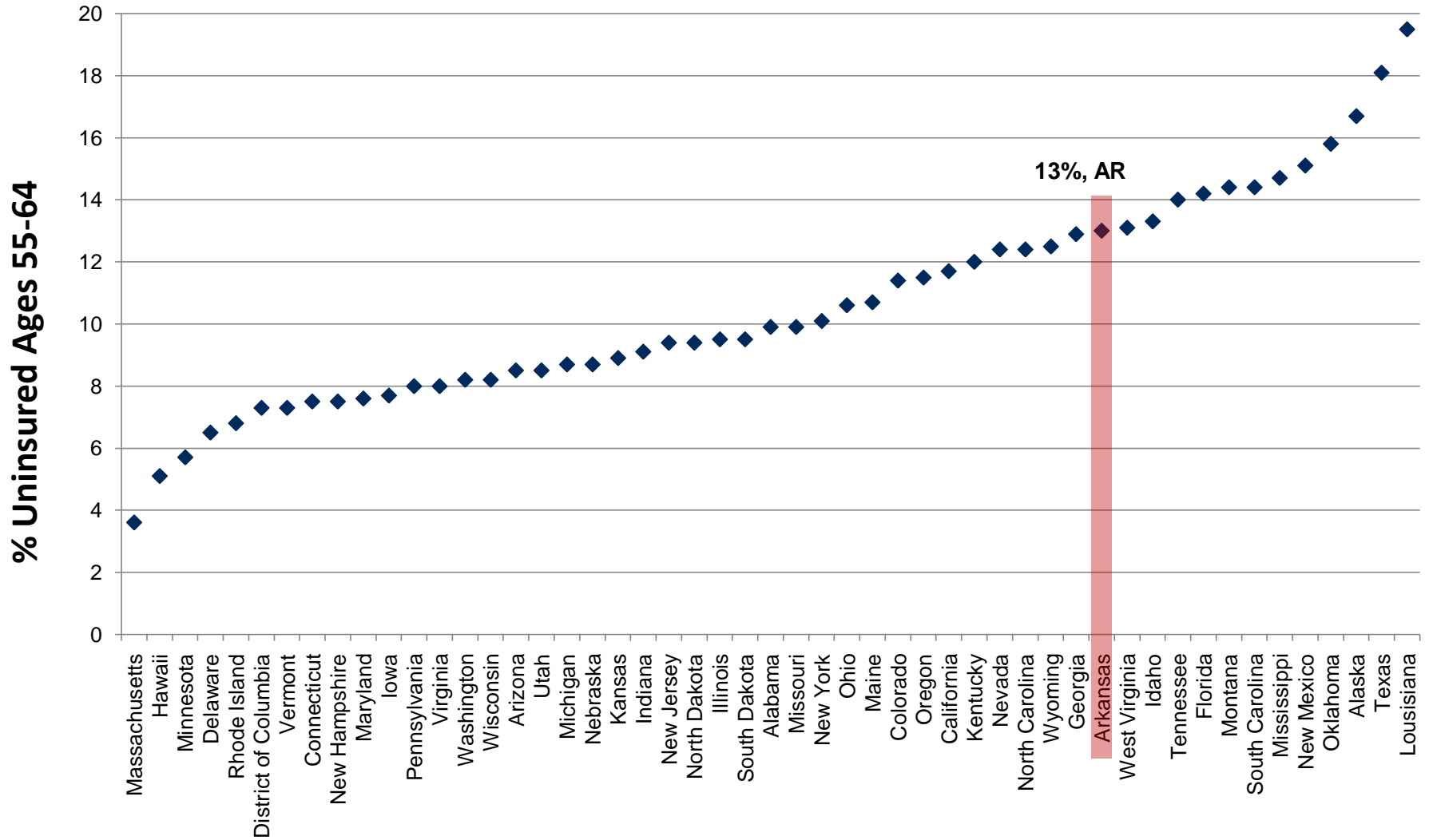
Average employee share of total family premium cost



Source: MEPS 2006

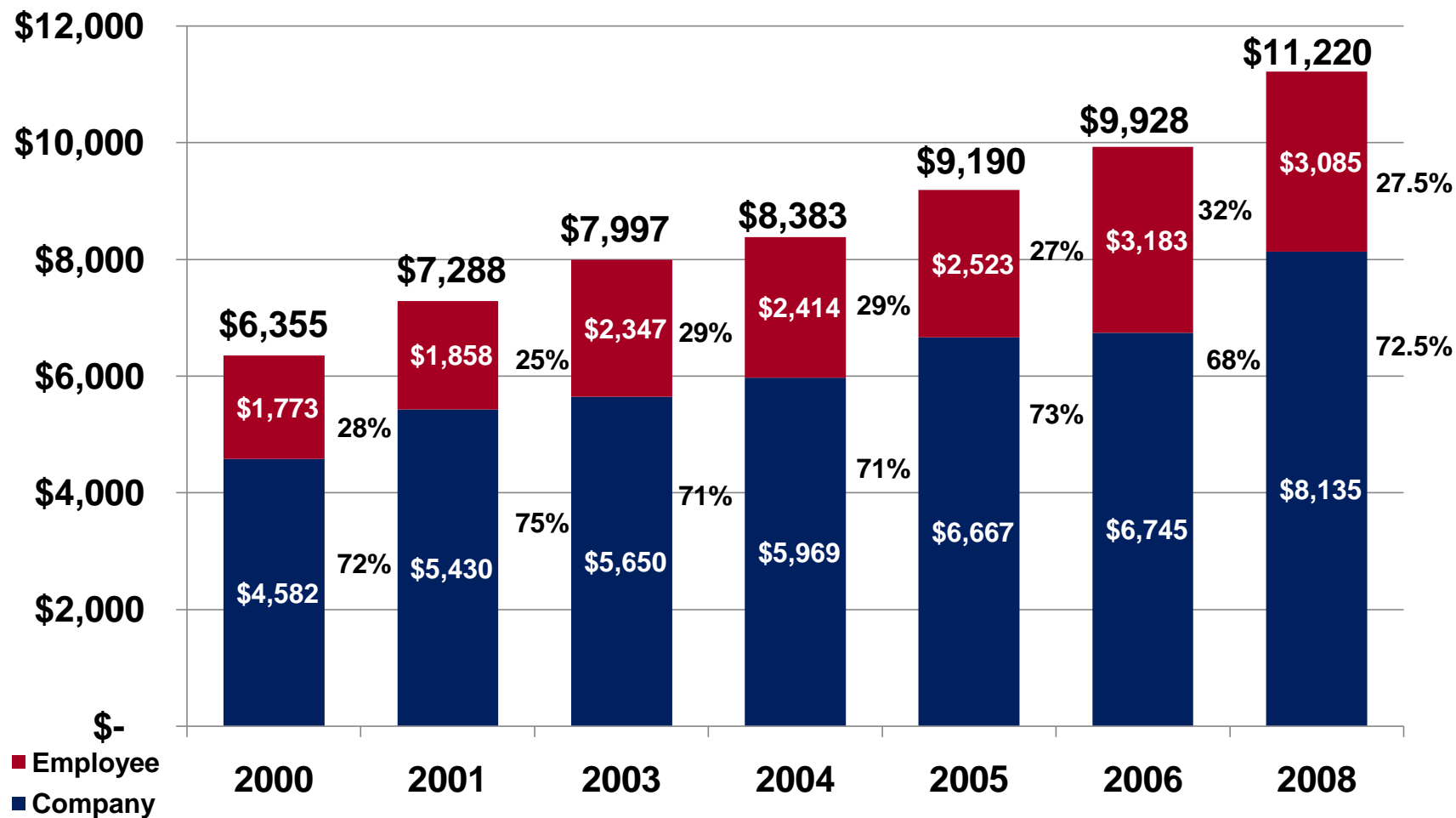


Uninsured Age Group 55-64 by State



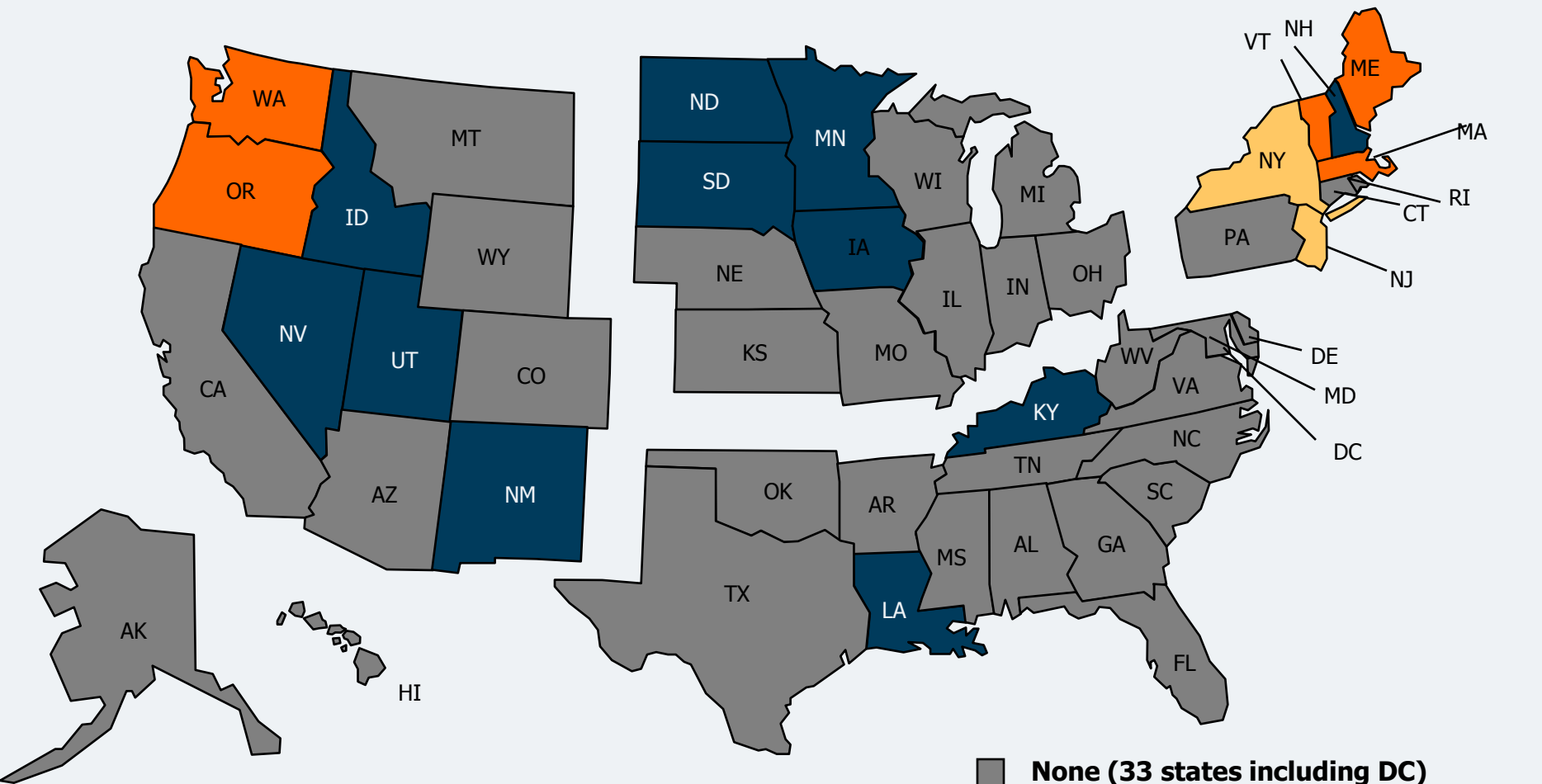
Source: BRFSS 2007

Changing Cost allocations for Arkansas Families' Annual Insurance Premiums



Source: AHRQ. Medical Expenditure Panel Survey (2000-2008). Tables of private-sector data by firm size and state (Table II.D.1) and II.D.2). Available at www.meps.ahrq.gov/mepsweb/data_stats/quick_tables_search.jsp?component=2&subcomponent=2.

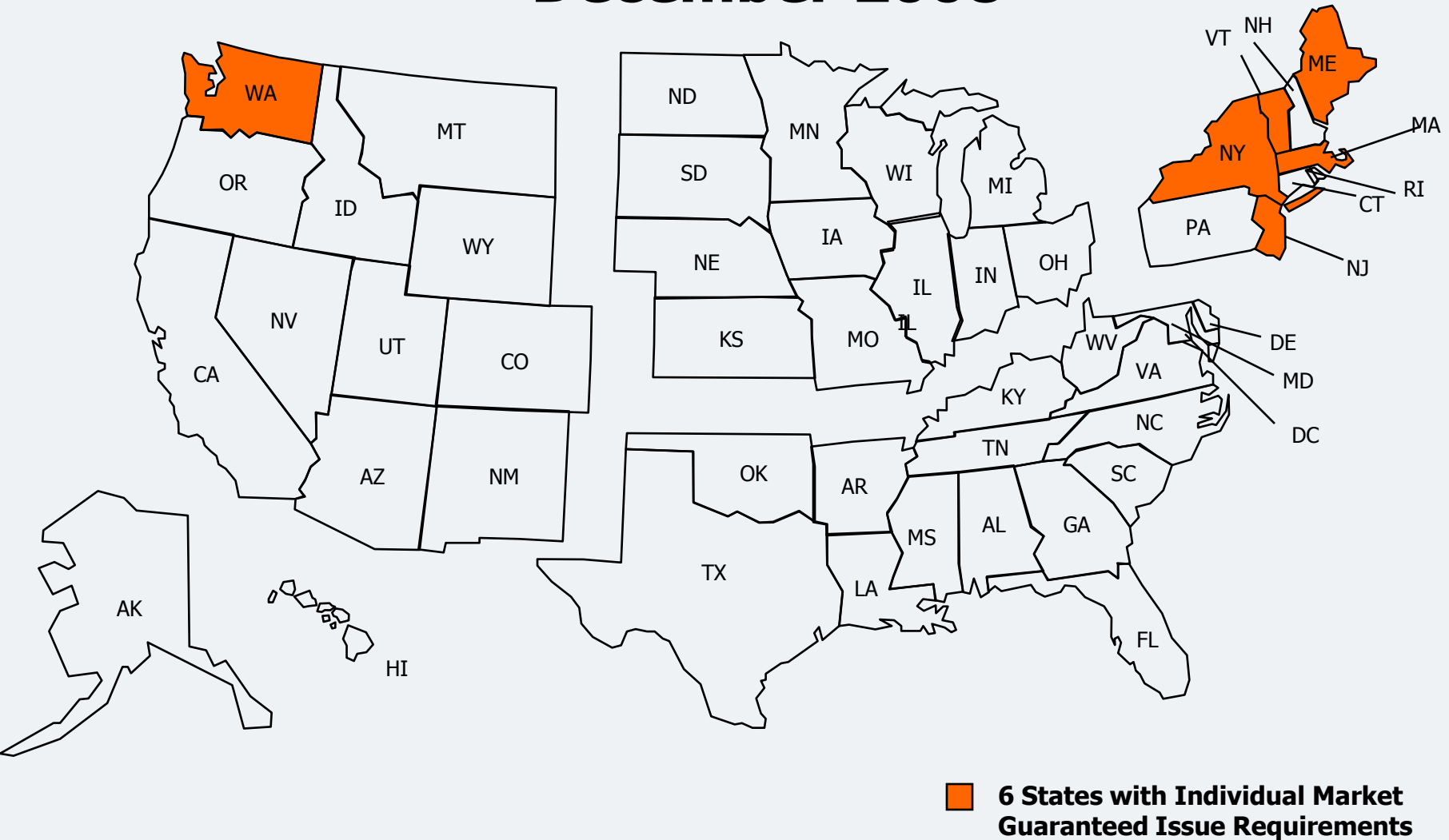
Individual Market Rating Restrictions, December 2008



- None (33 states including DC)**
- Rate Bands (11 states)**
- Adjusted Community Rating (5 states)**
- Pure Community Rating (2 states)**

SOURCE: Data compiled after review of federal and state law and interviews with government regulators. Data collection and analysis by researchers at the Health Policy Institute, Georgetown University.

Individual Market Guaranteed Issue, December 2008



SOURCE: Data compiled after review of federal and state law and interviews with government regulators. Data collection and analysis by researchers at the Health Policy Institute, Georgetown University.

Congressional Reform Proposals

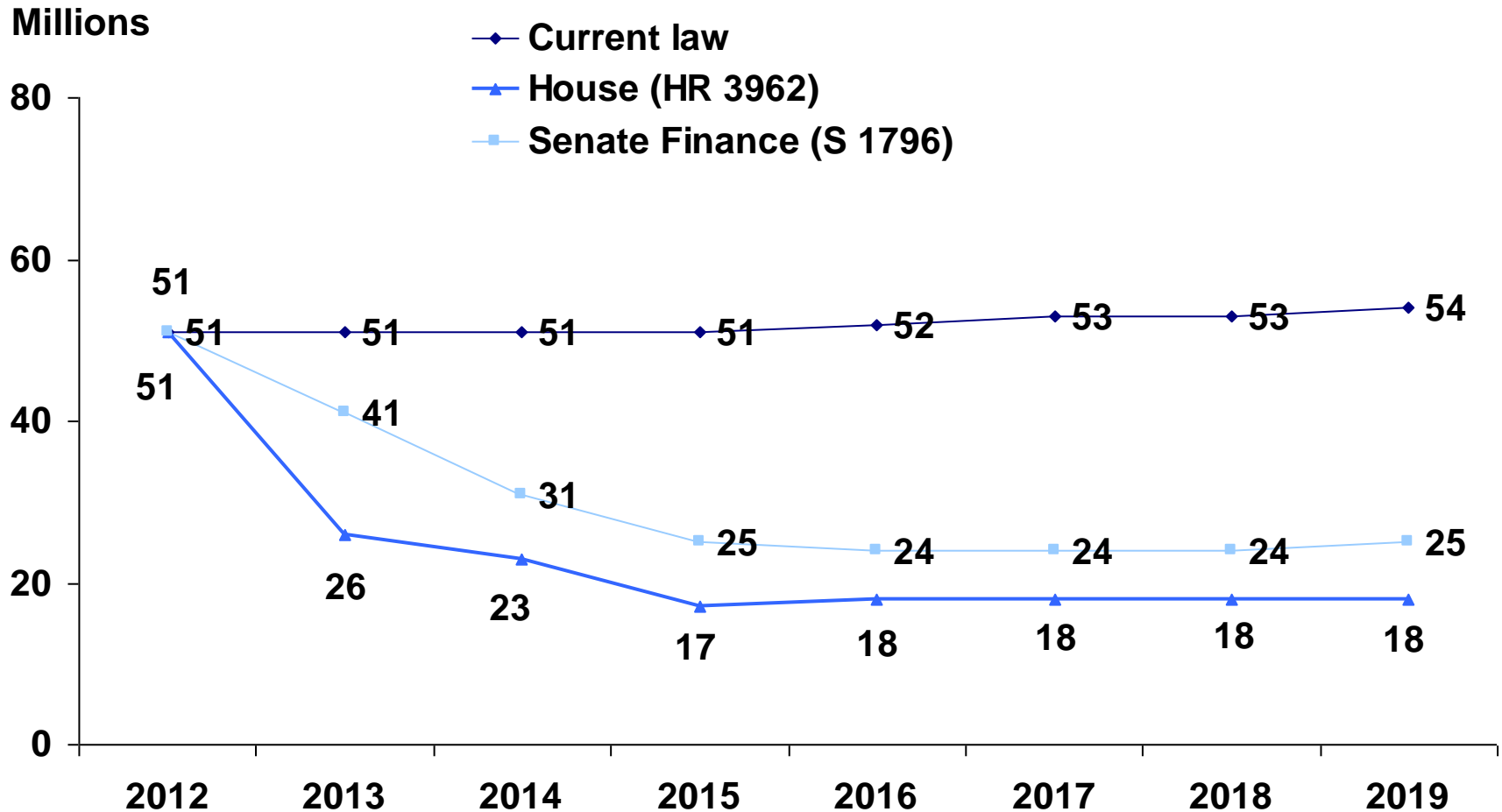
Proposed Healthcare System Changes

- **Insurance Market Regulations**
- **Health Insurance Exchange**
- **Minimum benefit standards**
- **Premium Subsidies to Individuals**
- **Cost-sharing Limits**
- **Medicaid / SCHIP Expansion**
- **Individual Mandate**
- **Shared Responsibility / Employer Pay or Play**
- **Small Business Tax Credits**



Trend in the Number of Uninsured, 2012–2019

Under Current Law and Senate Finance and House Bills

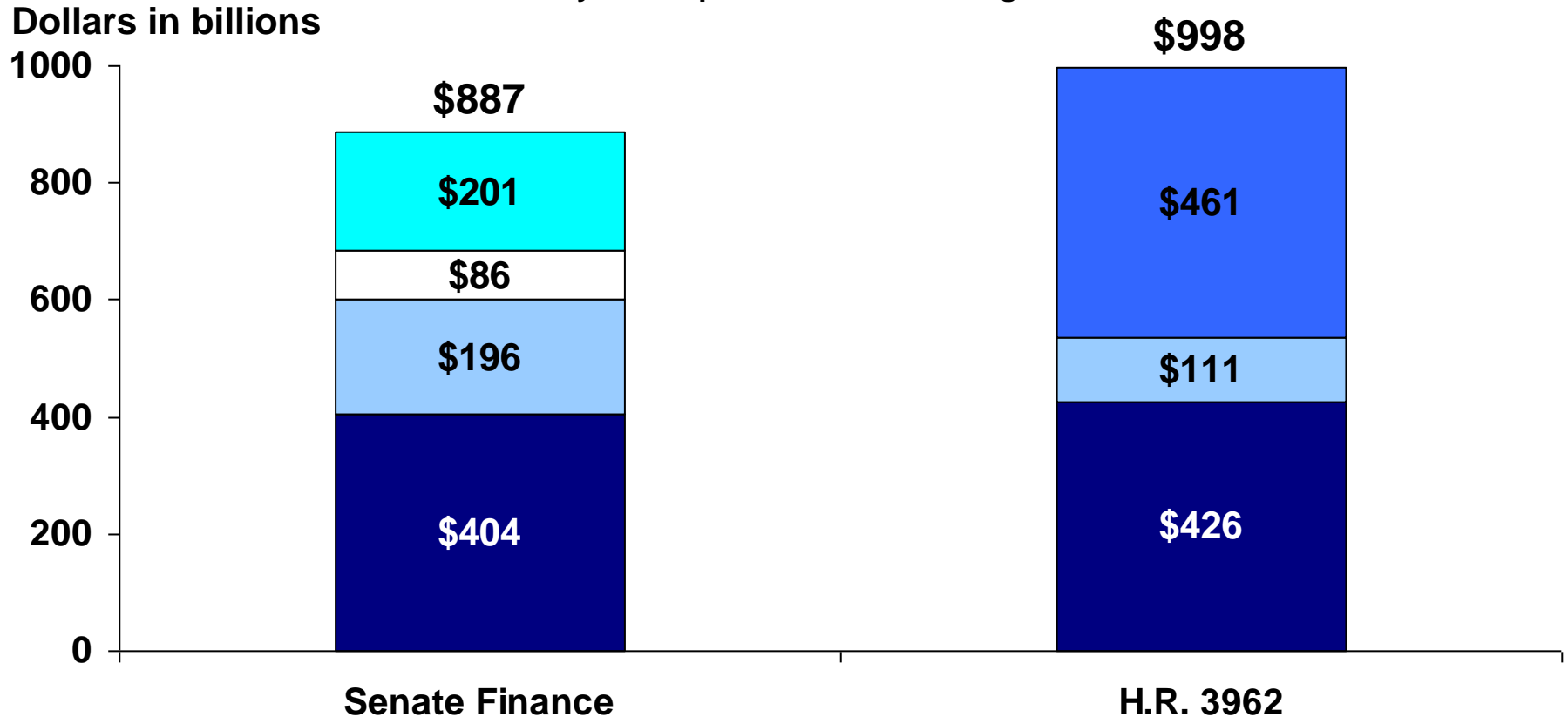


Note: The uninsured includes unauthorized immigrants. With unauthorized immigrants excluded from the calculation, nearly 94% and 96% of legal nonelderly residents are projected to have insurance under the Senate Finance and House proposal, respectively.
Data: Estimates by The Congressional Budget Office.



Proportions of System Savings and New Revenue in H.R. 3962 and Senate Finance Committee Bill as Reported

- Surtax on wealthy
- Excise tax on high premium insurance plans
- Effects on taxes and outlays
- Other revenue
- System improvements and savings



Source: The Congressional Budget Office Preliminary Analysis of Specifications for the Senate Finance Chairman's Mark of the America's Healthy Future Act, Oct. 7, 2009, <http://www.cbo.gov/doc.cfm?index=10642>, and The Joint Committee on Taxation Estimated Revenue Effects of the Revenue Provisions in the Chairman's Mark, as Modified, Sept. 22, 2009, <http://jct.gov/publications.html?func=startdown&id=3581>. The Congressional Budget Office Analysis of H.R. 3962, The Affordable Health Care for America Act, Oct. 29, 2009, <http://www.cbo.gov/ftpdocs/106xx/doc10688/hr3962Rangel.pdf>.



Major Areas of Similarities and Differences Between Bills

Similarities between bills	Differences between bills
<ul style="list-style-type: none"> ❖ Individual mandate ❖ Insurance exchange ❖ Premium and cost-sharing subsidies ❖ Insurance market regulations ❖ Essential standard benefit package standard ❖ Medicaid / CHIP expansion ❖ Pilot programs for rapid cycle testing of innovative payment methods ❖ Creating a national quality improvement strategy ❖ Improving primary care reimbursement ❖ Center for Comparative Effectiveness Research ❖ Create and expand wellness and prevention programs 	<ul style="list-style-type: none"> ❖ Choice of public plan in exchange ❖ Employer shared responsibility ❖ Medicare Commission to extend Medicare solvency, slow Medicare cost growth and increase quality of care ❖ Sources of revenue: surcharges on higher income vs. excise tax on high cost health plans ❖ Limited fiscal access to abortion services



Arkansas Impact

Arkansas Medicaid Impact: Coverage and Cost

House Bill

- Establishes Medicaid requirement for coverage to 150%
- ~ 270,000 newly covered Arkansans
- 100% Federal funding through 2014 then 91% Federal funding FPL
- Total Expansion (FY 2015): ~ \$2B with new state GR \$200m

Senate Finance Bill

- Establishes Medicaid requirement for coverage to 133% FPL
- ~ 248,000 newly covered Arkansans
- 95% Federal funding from inception
- Total Expansion (FY 2015): ~ \$1.9B with new state GR \$95m (initial GR required SFY 2013)



Arkansas Private Coverage: Impact

House Bill

- Employer pay or play if annual compensation >\$500,000
- Individual mandate
- Individual affordable premium credits sliding scale to 400% FPL

Senate Finance Bill

- Employer with >50 FTEs pay uncovered worker fee
- Small employer tax credit
- Individual mandate
- Individual affordable and advanceable premium credits to 400% FPL



Arkansas Private Sector Impact: Coverage and Cost

- **House Bill**

- ~140,000 newly covered Arkansans
- \$1.5B in expenditures (\$670M Federal / \$830M private)

- **Senate Finance Bill**

- ~160,000 newly covered Arkansans
- \$1.3B in expenditures (\$470M federal / \$860m private)



Total Arkansas Impact

- **House Bill**

- ~410,000 newly covered Arkansans
- Total new expenditures ~\$3.5B
 - ~\$830m private
 - ~\$200m State general revenue
 - ~\$2.47b Federal

- **Senate Bill**

- ~408,000 newly covered Arkansans
- Total new expenditures ~ \$3.2B
 - ~\$860m private
 - ~\$95m State general revenue
 - ~\$2.28b Federal



Discussion

Proposals' Impact on Insurance Coverage and Costs, 2019

	Senate Finance Committee 10/13/09	House of Representatives 10/29/09
Formerly uninsured now covered, 2019	29 million	36 million
Additionally covered by Medicaid/CHIP, 2019	11 million	15 million
Covered in exchange, 2019	25 million	30 million
Net cost of coverage expansion, 2010–2019	\$719 billion	\$894 billion
Net impact on federal deficit, 2010–2019	–\$81 billion	–\$104 billion

Source: The Congressional Budget Office Preliminary Analysis of Specifications for the Senate Finance Chairman's Mark of the America's Healthy Future Act, Oct. 7, 2009, <http://www.cbo.gov/doc.cfm?index=10642>.

The Congressional Budget Office Preliminary Analysis of H.R. 3962, The Affordable Health Care for America Act, Oct. 29, 2009, <http://www.cbo.gov/ftpdocs/106xx/doc10688/hr3962Rangel.pdf>.



Source: Commonwealth Fund analysis of health reform proposals.

House Penalties

Individual

- Require 'acceptable health coverage'
- 2.5% penalty of adjusted income above filing threshold
- Exceptions for incomes below filing threshold, religious objections and financial hardships
(Effective January 1, 2013)

Employer

- Required to offer and must contribute 72.5% premium for single and 65% for family coverage of lowest cost plan that meets minimum standards
 - OR pay 8% of payroll in to the Health Insurance Exchange Trust Fund
- Pay or Play
 - Annual payroll less than \$500K exempt
 - Graduated up to \$750K at 6%
- Requires opt out by employee or otherwise automatically enrolled
- Government impact study on employer responsibility due 1/2012



Senate Penalties

Individual

- **Requires US Citizens and legal residents to have qualifying insurance**
- **Tax penalty of \$750/adult/yr**
 - **Phased in:**
 - \$0 in 2013
 - \$200 in 2014
 - \$400 in 2015
 - \$600 in 2016
 - \$750 in 2017
- **Exemptions for financial hardship, religious objections, American Indians, and if lowest cost plan exceeds 8% of income or below 133%FPL**

Employer

- **Assess fee to employers of 50+ employees on each employee who receives a tax credit through an exchange**
- **Exempt employers with <50 employees from penalty**
- **Require employers with 200+ employees to automatically enroll employees.**
 - **Employees may opt out if they have existing coverage**



Insurance Reform Proposals as of October 2009

	Senate Finance Committee 10/13/09 (as amended)	Senate HELP Committee 7/15/09 (as amended)	House of Representatives 10/29/09
Insurance market regulations	GI, adjusted CR 4:1; 5-yr phase-in for small group; report medical loss ratio; uninsured eligible for high-risk pools until 2013	GI, adjusted CR 2:1; meet medical loss standards	GI, adjusted CR 2:1; meet 85% medical loss ratio; uninsured immediately eligible for high-risk pools
Individual mandate	Penalty: \$750/year per adult in household phased in at \$200 in 2014, \$400 in 2015, \$600 in 2016, \$750 in 2017; exempts premiums >8% of income	Penalty: \$750/year per person (exemptions if unaffordable)	Penalty: 2.5% of the difference between MAGI and the tax filing threshold up to the average national premium of the “basic” benefit package
Exchange	State or regional	State or regional	National or state
Plans offered	Private and co-op	Private and public	Private, public, and co-op
Eligibility for exchange	Individuals and small businesses 50–100, 100 by 2015, 100+ at state option	Individuals and small businesses < 50	Individuals and small businesses <25 in 2013; <50 by 2014; <100 by 2015; 100+ after 2015
Minimum benefit standard, tiers	Essential health benefits 65%–90% actuarial value, Four tiers plus young adults policy	Essential health benefits 76%–93% actuarial value, three tiers	Essential health benefits 70%–95% actuarial value, four tiers
Premium/cost-sharing assistance	Sliding scale 2%–12% of income up to 300% FPL/ flat cap at 12% for 300%–400% FPL; cost-sharing credits for 100%–200%FPL	Sliding scale 1%–12.5% of income up to 400% FPL	Sliding scale 1.5%–12% of income up to 400% FPL; cost-sharing credits 133%–350% FPL
Medicaid/CHIP expansion	Up to 133% FPL	Up to 150% FPL	Up to 150% FPL
Shared responsibility/ Employer pay-or-play	Firms >50 FTEs pay uncovered worker fee Small-employer tax credit including nonprofit firms	Play or pay; firms >25 workers 60%+ premium contribution; penalty \$750/yr per uncovered FTE, \$375/yr per uncovered PTE Small-employer subsidy; young adults can stay on parent’s health plan to age 26	Play or pay; firms >\$500,000 payroll 72.5% + prem. contribution for indiv./ 65% + for families; sliding scale phased-in from 2% to 8% of payroll at \$750,000; small-employer tax credit; Young adults can stay on parent’s health plan to age 27

Note: GI = guaranteed issue; CR = community rating. Source: Commonwealth Fund analysis of proposals.

System Improvement Provisions of National Health Reform Proposals, 2009

	Senate Finance Committee 10/13/09 (as amended)	Senate HELP Committee 7/15/09 (as amended)	House of Representatives 10/29/09
Exchange standards and plans	State or regional exchanges; private and co-op plans offered; essential health benefits 65%–90% actuarial value, four tiers plus young adults policy; insurers must report percent of premium spent on items other than medical care	State exchanges (can band together to form regional); private and public plans offered; essential health benefits 76%–93% actuarial value, three tiers; insurers must meet specified medical loss ratio	National or state exchanges; private, public or co-op plans offered; essential health benefits 70%–95% actuarial value, four tiers; insurers must meet specified medical loss ratio
Primary care	10% bonus payments for 5 years; cut all other payments by 0.5%		Increase Medicare payments for PCPs by 5%; bring Medicaid PCPs up to Medicare level
Prevention and wellness	Provide annual wellness visit and/or health risk assessment for Medicare beneficiaries; strengthen state and employer wellness programs; remove cost-sharing for proven preventive services	Develop a national prevention and wellness strategy; remove cost-sharing for proven preventive services; invest in preventive programs; grants to wellness incentive programs; grants to support community prevention programs	Develop a national prevention and wellness strategy; establish a Prevention and Wellness Trust Fund; remove cost-sharing for proven preventive services; grants to support employer wellness programs
Innovative payment pilots: medical homes, accountable care organizations, bundled hospital and post-acute care	Allow Medicaid beneficiaries to designate medical home; ACOs to share savings in Medicare; Innovations Center	Grants to support medical home model	Adopt medical homes, ACOs, and bundled payments on large scale if pilot programs prove successful; Center for Payment Innovation
Productivity improvements	Modify market basket updates to account for productivity improvements		Modify market basket updates to account for productivity improvements
Comparative effectiveness	Create Patient-Centered Outcomes Research Institute	Create Center for Health Outcomes Research and Evaluation with AHRQ	Establish Center for Comparative Effectiveness Research within AHRQ
Quality improvement	Direct HHS to develop national quality strategy	Direct HHS to develop national quality strategy; provide grants for improving health system efficiency	Establish the Center for Quality Improvement to identify, develop, evaluate, disseminate, and implement best practices; develop national priorities for performance improvement and quality measures

Source: Commonwealth Fund analysis of health reform proposals.

House and Senate Payment and System Reform Savings, 2010–2019

Dollars in billions

	CBO estimate of Senate Finance Committee Bill	CBO estimate of H.R. 3962
Total Savings from Payment and System Reforms	-\$404	-\$426
• Productivity improvement/provider payment updates	-151	-176
• Medicare Advantage reform	-130	-170
• Primary care, geographic adjustment	4	-6
• Payment innovations	-10	-2
• Hospital readmissions	-2	-9
• Disproportionate share hospital adjustment	-45	-20
• Prescription drugs	1	-75
• Home health	-33	-58
• Independent Commission	-22	—
• Other improvements and interactions	-16	90

Source: The Congressional Budget Office Preliminary Analysis of the Senate Finance Chairman's Mark of the America's Healthy Future Act, as Amended, Oct. 7, 2009, <http://www.cbo.gov/doc.cfm?index=10642>. The Congressional Budget Office Analysis of H.R. 3962, The Affordable Health Care for America Act, Oct. 29, 2009, <http://www.cbo.gov/ftpdocs/106xx/doc10688/hr3962Rangel.pdf>.



Source: Commonwealth Fund analysis of health reform proposals.

Major Sources of Savings and Revenues Compared with Projected Spending, Net Cumulative Effect on Federal Deficit, 2010–2019

Dollars in billions

	CBO estimate of Senate Finance Committee Bill	CBO estimate of H.R. 3962
Total Net Impact on Federal Deficit, 2010-2019	-\$81	-\$104
<i>Total Federal Cost of Coverage Expansion and Improvement</i>	\$719	\$894
• Medicaid/CHIP outlays	345	425
• Exchange subsidies	461	605
• Small employer subsidies	23	25
• Payments by uninsured individuals	-4	-33
• Play-or-pay payments by employers	-23	-135
• Associated effects on taxes and outlays	-83	6
<i>Total Savings from Payment and System Reforms</i>	-\$404	-\$426
• Productivity updates/provider payment changes	-151	-176
• Other improvements and savings	-253	-250
<i>Total Revenues</i>	-\$397	-\$572
• Excise tax on high premium insurance plans	-201	—
• Surtax on wealthy individuals and families	—	-461
• Other revenues	-196	-111

Source: The Congressional Budget Office Preliminary Analysis of the Senate Finance Chairman's Mark of the America's Healthy Future Act, as Amended, Oct. 7, 2009, <http://www.cbo.gov/doc.cfm?index=10642>. The Congressional Budget Office Analysis of H.R. 3962, The Affordable Health Care for America Act, Oct. 29, 2009, <http://www.cbo.gov/ftpdocs/106xx/doc10688/hr3962Rangel.pdf>.



Source: Commonwealth Fund analysis of health reform proposals.