

Health Care Reform and Arkansas

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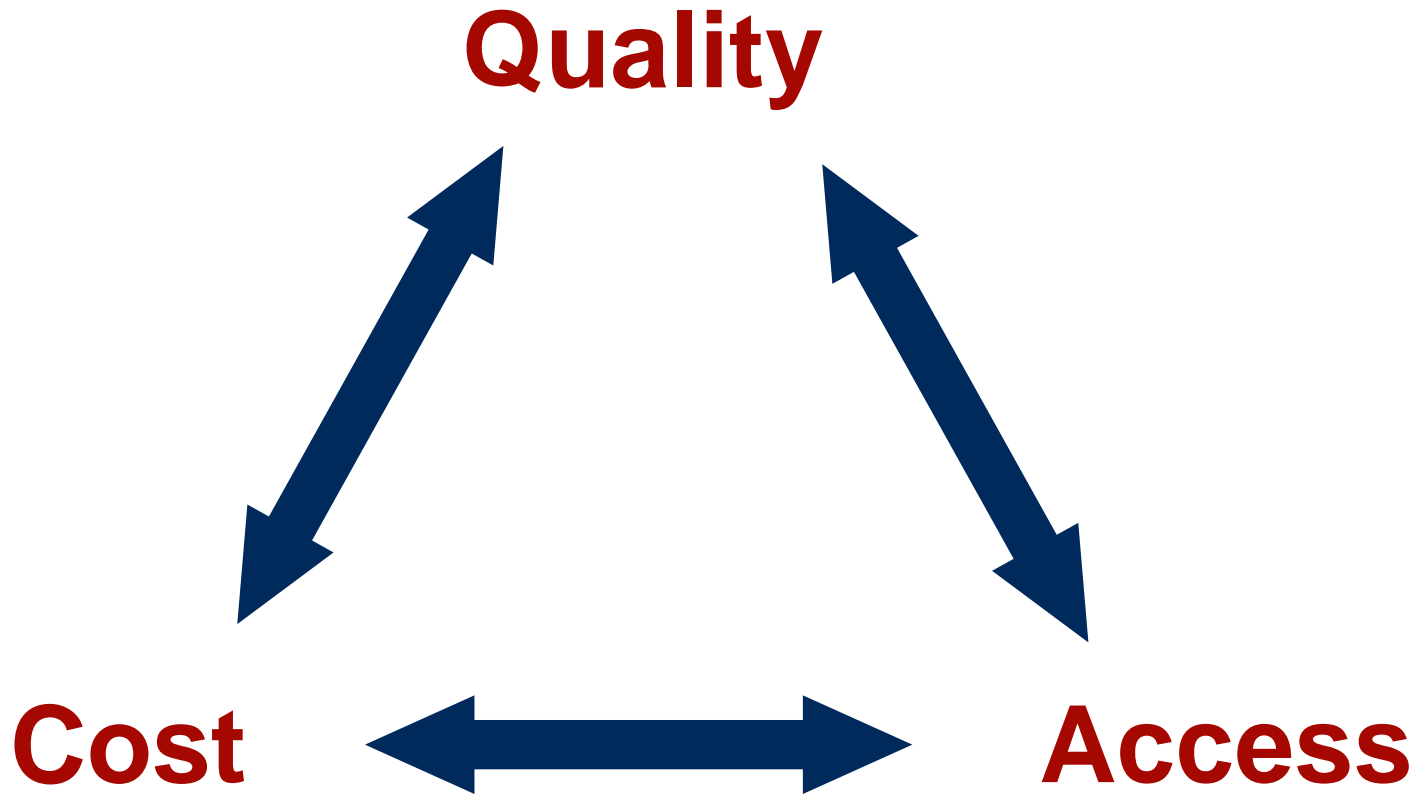
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ARKANSAS CENTER FOR HEALTH IMPROVEMENT



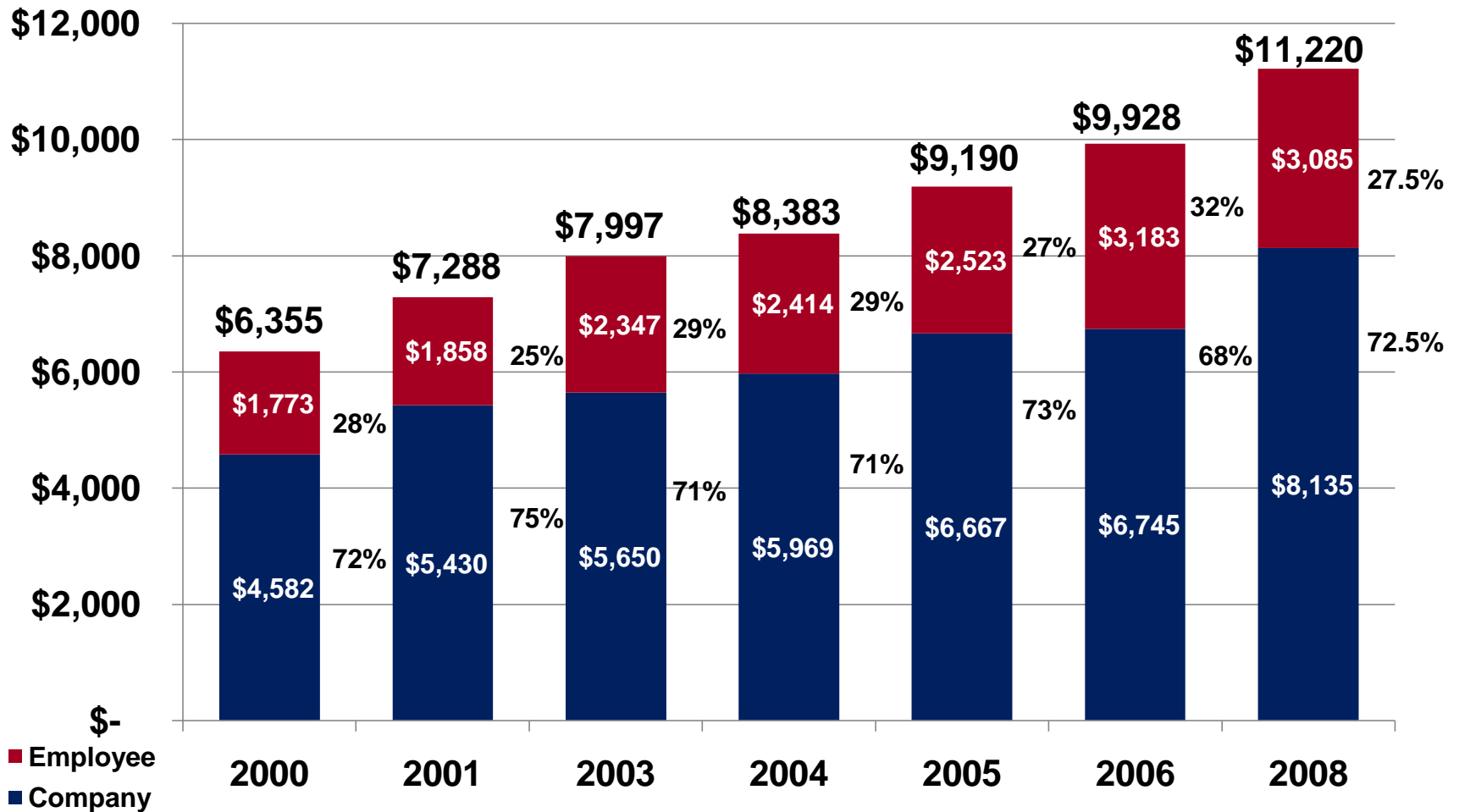
Health Care's Iron Triangle



U.S. Health Care Evolution

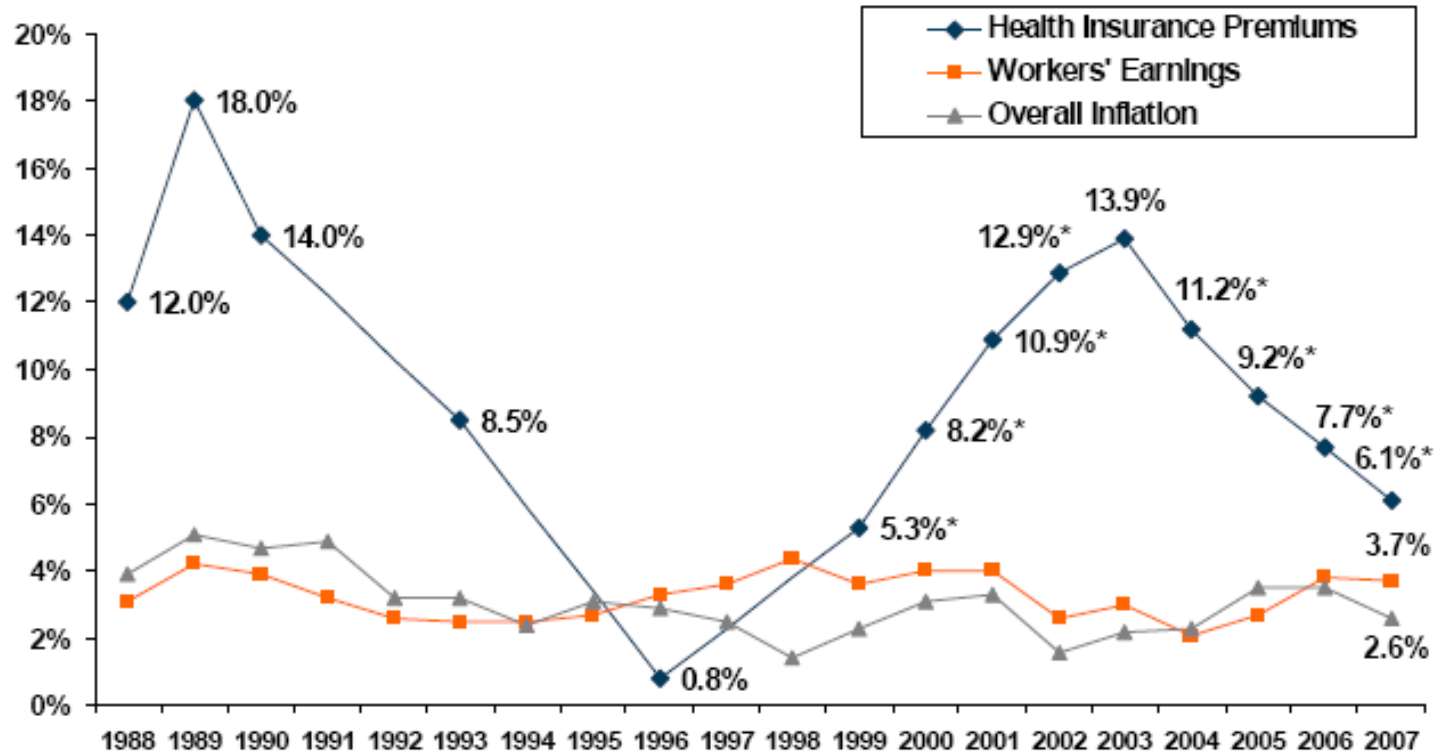
- **1910 Flexner Report – Medical education**
- **1928 Penicillin discovered**
- **1944 first patient treated**
- **1941 WWII Wage controls / Employers' response**
- **1957 Hill Burton Act stimulates hospitals**
- **1965 Medicare / Medicaid established**
- **1973 Federal HMO Act**
- **1990s Employer / Medicaid HMO expansions**
- **1997 State Children's Health Insurance Program**
- **2003 Medicare Modernization Act**

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.

Exhibit 1: Increases in Health Insurance Premiums Compared to Other Indicators, 1988-2007



*Estimate is statistically different from estimate for the previous year shown ($p < .05$). No statistical tests are conducted for years prior to 1999.

Note: Data on premium increases reflect the cost of health insurance premiums for a family of four. The average premium increase is weighted by covered workers.

Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2007; KPMG Survey of Employer-Sponsored Health Benefits, 1993, 1996; The Health Insurance Association of America (HIAA), 1988, 1989, 1990; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation (April to April), 1988-2007; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 1988-2007 (April to April).

Uninsured

19-64 years of age

Mountain
31.2%

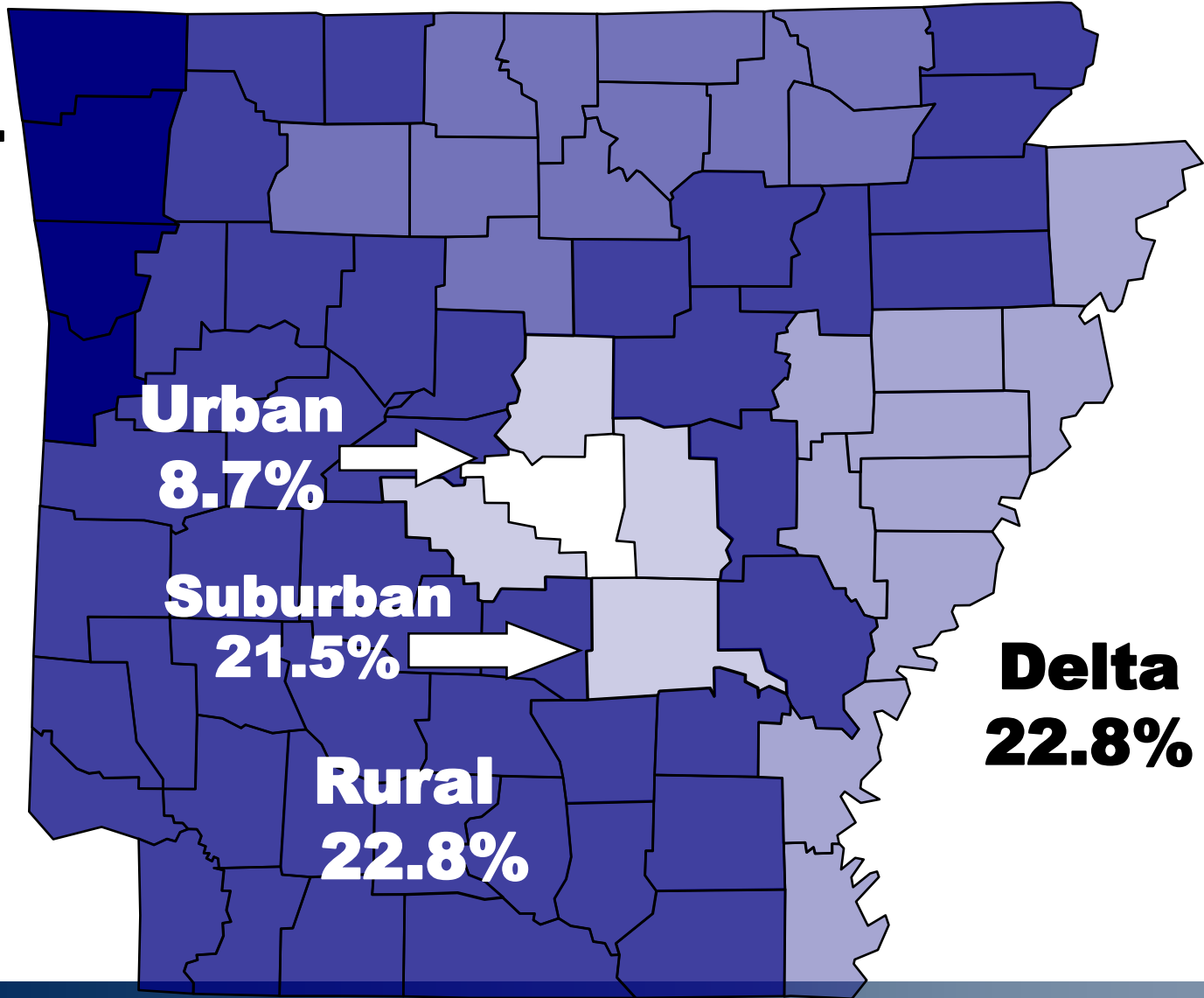
**North-
west**
23.7%

Urban
8.7%

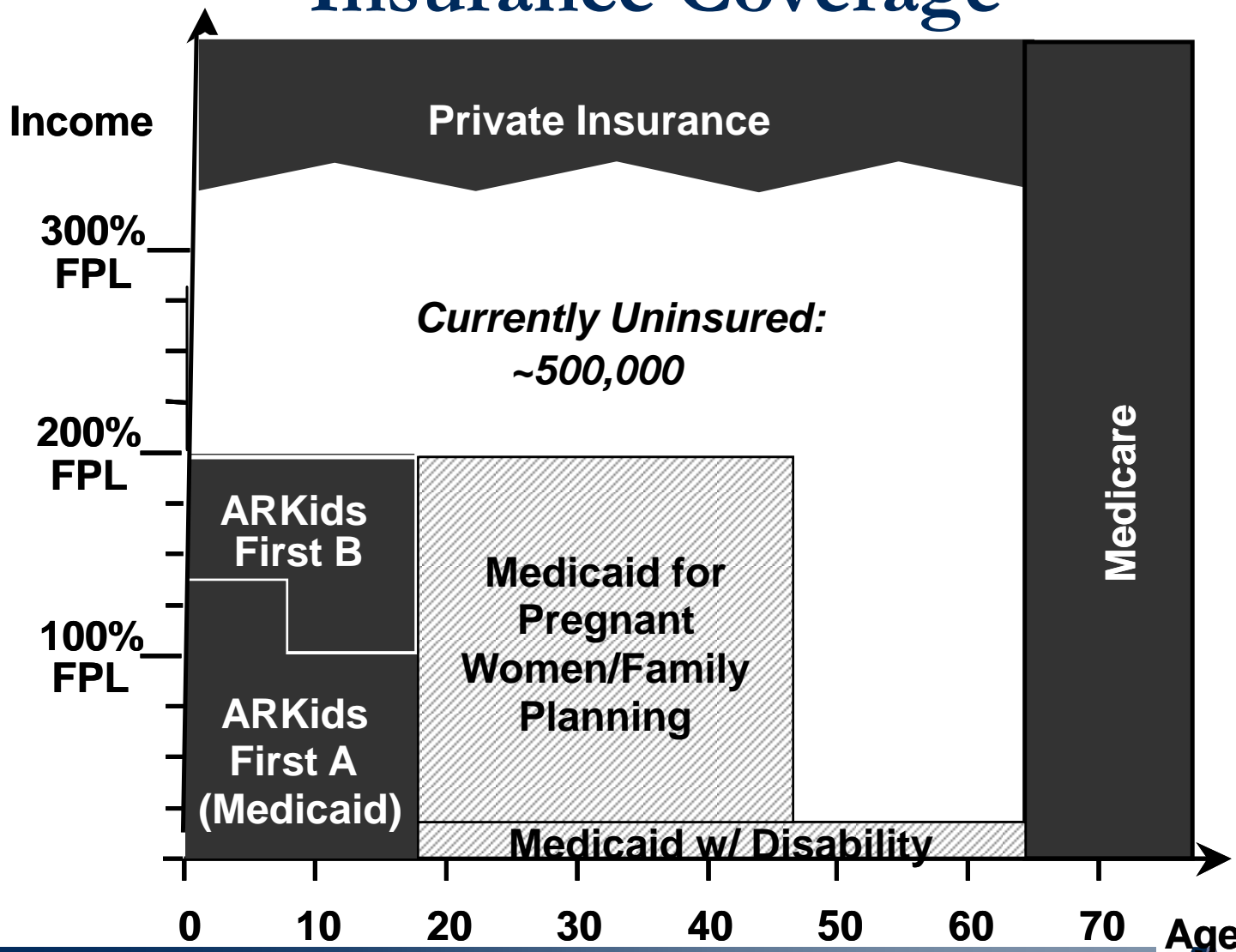
Suburban
21.5%

Rural
22.8%

Delta
22.8%



Current Patchwork Quilt of Arkansas Health Insurance Coverage



**The Patient Protection and
Affordable Care Act (ACA)
and
The Health Care and Education
Reconciliation Act of 2010**

Overall Strategy

- **Require most US citizens and legal residents to have health insurance**
- **Require small to moderate size employers to either offer insurance or provide a voucher**
- **Require larger employers to automatically enroll all employees in offered plans**
- **Require states to offer standard Medicaid coverage to 133% of Federal Poverty Level**
- **Establish state insurance exchanges (marketplace) for individuals and employers**



Overall Strategy (continued)

- Provide tax credits to families on a sliding scale up to 400% FPL
- Provide tax credits to small employers with lower-wage employees (<25 employees, average wages \leq \$50,000)
- Provide states 100% federal funding for Medicaid expansion through 2016, then scale down to 90% federal /10% state match by 2020 and thereafter
- Close 'donut hole' in Medicare Part D prescription plan affecting senior citizens
- System reform through standard benefit plan, insurance market reform, provider payment reform, system transparency, evidence-based coverage, health investments



Overall Strategy (continued)

- **Impose tax on individuals without qualifying coverage**
- **Increase Medicare Part A payroll tax by 0.9% on the wealthy (\$200k individual / \$250k couple)**
- **Impose excise tax on high value employer sponsored plans (\$10k individual / \$27k family)**
- **Impose fees on pharmaceutical and health insurance sectors; taxes on medical device manufacturers and tanning salons**
- **Restructure Medicare Advantage plan payment structure and remove outdated incentives**
- **Require minimal medical loss ratio (85% for large / 80% for small group)**



Full Implementation January 1, 2014

- **Individual / employer mandates**
- **Insurance exchanges**
- **Medicaid expansions**
- **System reforms**
- **Wellness / Prevention**



Path to Full Implementation

June 2010 – December 2013

- **Reinsurance for early retirees (June 2010)**
- **High risk pool (July 2010)**
- **Consumer websites by state (July 2010)**
- **Dependent coverage to age 26 (September 2010)**
- **Insurance reform (September 2010)**
- **Benefit modifications (September 2010)**

Insurance Reform and Modifications

- **For Insurance Industry:**
 - **Elimination of pre-existing conditions, lifetime caps, and requires guarantee issue with renewability**
 - **Required minimum payments from premiums**
 - **Narrows rating bands and allows premiums to be determined only on age, # in family, and tobacco use**
 - **Establishes an essential benefit design with standard benefits**



Additional Changes from Reform

- **For Families:**

- Increased choice through “exchange” and required support from most employers
- Tax subsidy for low-income families
- Requirement to have credible coverage
- Medicare beneficiaries with new preventive benefits and support to close “donut-hole”

- **For Employers:**

- Small (<25 FTEs) receive tax credit to offer
- Employers with < 50 FTEs exempt
- Employers with 50-200 FTEs must pay or play
- Employers with > 200 FTEs required to offer



For State Medicaid Programs

- **Increases Medicaid payments for the primary care services to 2013 and 2014 with federal funds**
- **Requires Medicaid to offer benchmark benefit plan to all state citizens and eligible legal residents to 133% FPL (\$14,400 individual; \$29,326 for family of four)**
- **Full federal funding for Medicaid payment until 2016, then gradual reduction to 90% federal match in 2020 and following years**
- **Estimated Arkansas impact ~ 250,000 newly covered lives / estimated \$2B in annual claims payment**



Prevention & Public Health

- **National Prevention, Health Promotion and Public Health Council established (September 2010)**
- **All US Preventive Services Task Force recommendations “A” or “B” covered (September 2010)**
- **Menu labeling for chain restaurants (March 2011)**
- **First dollar coverage for all “A” or “B” preventive services in Medicare (January 2013)**
- **Support for employer-based wellness programs with economic incentives allowed**
- **Prevention & Public Health Fund: \$500M in 2010 increasing to \$2B in 2015 and thereafter**



Disability and Supplemental Support

Community Living Assistance Services (CLASS) Program

- **Disability and living assistance insurance program**
- **All working adults will be automatically enrolled unless they choose to opt-out**
- **Financed through voluntary payroll deductions (January 2011)**
- **Cash benefit to purchase non-medical services and supports needed to maintain community residence**



Fiscal Impact Assessment

Center for Medicaid and Medicare Actuary:

- Spending to go up
- 34 million to be covered

Congressional Budget Office

- Revenue and savings will offset costs
- Federal budget deficit will be less than projected
- 32 million to be covered

Differential benefit to lower income states with high levels of uninsured



What does the ACA not do?

- **Resolve the physician payment problems of the Sustainable Growth Rate provision from the 1997 Balanced Budget Act**
- **Address the training needs for clinical workforce**
- **Contain adequate strategies to bend the cost curve and slow health care cost growth**
- **Address / resolve budget shortfalls due to recession and continued increases in healthcare costs**



Other Major Component of the ACA

- **Establish the Patient-Centered Outcomes Research Institute to compare clinical effectiveness and treatments (September 2010)**
- **Restricts expansion of physician owned hospitals (December 2010)**
- **State medical malpractice demonstrations to develop, implement and evaluate alternatives to current tort litigations (FY 2011)**
- **Requires new collection and reporting of data on disparities – race, ethnicity, sex, primary language, disability status and for underserved rural areas (March 2012)**
- **Parity for mental health & substance abuse, including behavioral therapy—required in the basic benefit requirements (January 2014)**



Anticipated Reactions

- **Financial barriers in rural areas eliminated**
- **Access & provider availability issues exacerbated**
- **New provider payment strategies**
- **Transparency of both cost and quality information**
- **Evidence-based requirements for benefit inclusion**
- **Some / ? many employers will abandon health insurance benefits**
- **How will large employers react when open to exchange (2017)**



http://www.achi.net/HCR.asp

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A nonpartisan, independent, health policy center that serves as a catalyst for improving the health of Arkansans.

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Implications of the 2010 Patient Protection and Affordable Care Act for Arkansans

The new health care act presents many opportunities and some challenges for Arkansans. The Arkansas Center for Health Improvement has been examining various aspects of the law to determine implications for our state. We will be publishing a series of briefs on this website that will provide an overview of specific issues and the populations effected.

[Click here to sign up for e-mail updates](#)

Current Publications:

[Summary Overview of the 2010 Patient Protection and Affordable Care Act](#)

[Overview Timeline for Health Care Reform Implementation under the Patient Protection and Affordable Care Act](#)

[Issue Brief - Implications for Arkansas Small Businesses](#)

[Issue Brief - High Risk Pool and Implications for Arkansas](#)

[Issue Brief - Health Care Coverage for Young Adults \(19-26 years of age\)](#)