

Health Care Reform 2009

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Agenda

- Factors driving health care reform
- Discussion of three primary proposals by objective
 - Expanding coverage
 - Cost containment
 - Quality of care
 - Financing
- Hot-button issues
- Academy Activities/Publications



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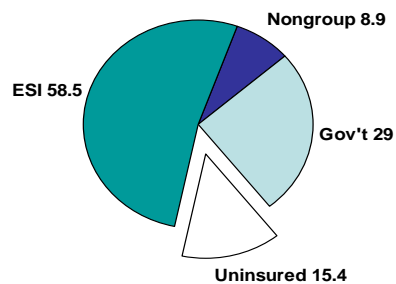
Factors Driving Health Care Reform



Uninsured

- Number of uninsured rose from 45.7 million in 2007 to 46.3 million in 2008.

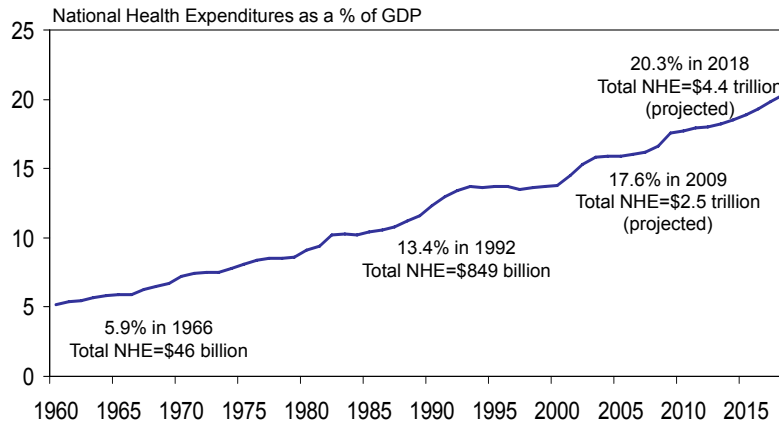
Coverage by Type of Health Insurance, 2008



Source: Census Bureau, Income, Poverty and Health Insurance in the United States: 2008



Rising health care spending



Source: Centers for Medicare and Medicaid Services, Office of the Actuary



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Quality concerns

- Care received can vary dramatically across the country; patients in high-spending regions receive more care, but not better outcomes (Fisher et al, 2003)
 - Reducing spending in medium- and high-spending regions to that in low-spending regions could reduce spending by nearly 30% (Wennberg et al, 2002)
- American adults receive only 55% of recommended care—little difference between preventive care, acute care, and chronic care (McGlynn et al, 2003)
- Between 44,000 and 98,000 Americans die from medical errors annually (IOM, 2000)



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Health care reform in mid-1990s

- Clinton's Health Security Act (1993 – did not pass)
 - Universal coverage
 - Regional health alliances (state-based system of co-ops)
 - Standard benefit package
 - Employer mandate
 - Premium subsidies
 - Managed competition



Major health initiatives enacted since 1992

- 1996: Health Insurance Portability and Accountability Act (HIPAA)
- 1997: State Children's Health Insurance Program (SCHIP)
- 2002: Health Coverage Tax Credit
- 2003: Health Savings Accounts



Major Health Care Reform Proposals



Major Congressional Health Care Reform Proposals

- America's Affordable Health Choices Act of 2009 (HR 3200)
 - House Committees on Education and Labor, Energy and Commerce, and Ways and Means (House Tri-Committee)
- Affordable Health Choices Act
 - Senate Health, Education, Labor and Pensions
- America's Healthy Future Act
 - Senate Finance Committee



President's Framework (Sept 9, 2009)

- Insurance market reforms
 - Guaranteed issue, community rating, no pre-existing condition limitations, no gender rating, limited variation based on age, prohibits rescissions
- Creates a new exchange
- Offers a public plan option
- Creates a national high-risk pool
- Provides small business tax credits
- Reforms delivery systems
- Provides demonstration grants to study med mal reform
- Employer/individual mandates
- Eliminates the Part D coverage gap



Expanding coverage

	Senate HELP	Senate Finance	House Tri-Committee
Market Reform	√	√	√
Mandates	Individual: √ Employer: √ (under 25 ees exempt)	Individual: √	Individual: √ Employer: √ (under \$400,000/\$750,000 annual payroll exempt)
Expansion of Public Programs	Medicaid: up to 150% FPL CHIP: choice	Medicaid: up to 133% FPL CHIP: exchange in 2013	Medicaid: up to 133% FPL CHIP: exchange



Expanding coverage

	Senate HELP	Senate Finance	House Tri-Committee
Premium Subsidies	Up to 400% FPL	Up to 400% FPL	Up to 400% FPL
Premium Subsidies to Employers	Small ers < 50 FTE Ees annual wage < \$50,000 60% of health expenses covered	Small ers < 25 FTE Ees annual wage < \$40,000	Small ers < 25 FTE Ees annual wage < \$40,000
Exchanges	State based gateways	State based exchange	National health exchange



Expanding coverage

	Senate HELP	Senate Finance	House Tri-Committee
Public Plan	√		√
Health Insurance Cooperatives		√	√ (E&C)
Benefit Tiers	Tier 1: 76% of benefit costs Tier 2: 84% of benefit costs Tier 3: 93% of benefit costs	Bronze: 65% of benefit costs Silver: 70% of benefit costs Gold: 80% of benefit costs Platinum: 90% of benefit costs	Basic: 70% of benefit costs Enhanced: 85% of benefit costs Premium: 95% of benefit costs



Select cost containment provisions

- Restructure MA payments by phasing to 100%FFS (House) or through competitive bidding (Senate Finance)
- Modify provider payments under Medicare
- Reduce Medicaid DSH payments
- Health information technology
- Limit annual premium increases to no more than 150% of medical inflation percentage increase (E&C amendment to House Tri-Committee)
- Increase the Medicaid drug rebate percentage and extend Rx rebate to Medicaid managed care plans
- Freeze the threshold for Part B premiums through 2019 and reduce Part D subsidy for those with incomes above \$85,000/\$170,000 (Senate Finance)
- Eliminate fraud, waste and abuse in public programs
- Reduce payments for preventable hospital readmissions in Medicare



Select quality and value components

- Improve the health care delivery system
- Conduct Medicare pilot/demonstration projects to test ACO and patient-centered medical home models (House)
- Create a center/institute to conduct comparative effectiveness research
- Improve hospital reporting requirements (e.g., readmission rates)
- Establish a center to identify, develop and disseminate best practices for improving health care quality
- Encourage employer-based wellness programs (Senate HELP)
- Prohibit insurers from charging cost-sharing for preventive services (Senate Finance)
- Develop a Medicare pilot program to evaluate bundled payments for acute, inpatient hospital, and post-acute services (Senate Finance)
- Create a hospital value-based purchasing program in Medicare (Senate Finance)



Financing

- Senate Finance
 - Tax on Cadillac plans
 - 35% excise tax on insurance companies and plan administrators for a plan above \$8000 for an individual and \$21,000 for a family
 - Limit FSA contributions (\$2000/year beginning in 2013)
 - Eliminate deduction for employer Part D subsidy
 - Increase penalty for use of HSA funds for non-qualified medical expenses
 - Savings through Medicare/Medicaid (reducing MA payments, cutting Medicaid DSH payments, etc.)
- House Tri-Committee
 - Tax on individuals with incomes above \$280,000 and families with incomes above \$350,000
 - Savings through Medicare/Medicaid (reducing MA payments, cutting Medicaid DSH payments, etc.)



CBO Scoring

- Senate Finance
 - Cost: \$774 billion over 10 years
 - Offsets: \$500 billion in spending reductions; \$350 billion in new taxes/fees
- Senate HELP
 - Cost: \$615 billion over 10 years
 - Offsets: \$48 billion
- House Tri-Committee
 - Cost: \$1.042 trillion over 10 years
 - Offsets: \$219 billion in spending reductions; \$583 billion in federal revenues



Hot-Button Issues



Hot-button issues

- Public plan option/health insurance cooperatives
- Cost containment
- CLASS Act
- Town hall issues
 - Creation of “death panels”
 - Abortion
 - Illegal immigrants



Academy Activities/Publications



Academy Activities/Publications

- Critical Issues in Health Reform
 - Individual mandate
 - Public plan option
 - Health insurance cooperatives
 - Merging the individual and small group markets
 - Transition issues
 - Actuarial equivalence
 - Minimum loss ratios
 - Risk pooling
 - Gender considerations in a voluntary individual health insurance market
 - **Upcoming:** risk adjustment and other risk sharing mechanisms, benefit design considerations, adverse selection



Academy Activities/Publications

- Collaboration projects with the SOA
 - Data on start-up costs for public plan option and health insurance co-ops
 - Data on effect of tax on Cadillac plans
 - Long-term project on cost containment
 - Joint project on CLASS Act
- Recent/forthcoming issue briefs
 - Medicare Advantage payment reform
 - Risk classification
 - Drivers of and options to address health care spending growth
 - Value-based insurance design
 - Comparative effectiveness research



Academy Ongoing Activities

- Hill briefings/webcasts for congressional staff
 - Briefings on risk pooling, risk adjustment and keys for viable reform
- Meetings with congressional staff/response to congressional requests
- Presentations by Academy senior health fellow and Academy volunteers at “off the record” forums for congressional staff



Questions?



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