The Climate of Health Care Reform

A. Hugh Greene, FACHE
President and CEO
Baptist Health – Jacksonville, FL
Road Map

1. Why Reform Now?

2. Key Components of the Affordable Care Act (ACA)

3. Update: Where Are We Now?

4. Assumptions About Health Care in the Era of Reform
Why Reform Now?
Ever-Increasing Costs

U.S. Health Expenditures
Percent of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
<th>Health Expenditures</th>
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</thead>
<tbody>
<tr>
<td>1960</td>
<td>5.2</td>
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<td>1965</td>
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<td>2000</td>
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<td>2005</td>
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<td>2008</td>
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<td>2009</td>
<td>17.9</td>
<td></td>
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<tr>
<td>2010</td>
<td>17.9</td>
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Why Now?

- Ever-increasing costs
- **Access for 48.6 million uninsured***
- Acute care focus
- Ineffective coordination of services
- Inconsistent insurance rules and regulations
- Variations in practice and clinical quality

*2011 estimate, US Census Bureau, September 2012*
## A Health Care Comparison

<table>
<thead>
<tr>
<th></th>
<th>NZ</th>
<th>UK</th>
<th>AU</th>
<th>DE</th>
<th>NL</th>
<th>CA</th>
<th>US</th>
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<tbody>
<tr>
<td><strong>Expenditures per Capita</strong></td>
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<td></td>
<td>$2,454</td>
<td>$2,992</td>
<td>$3,357</td>
<td>$3,588</td>
<td>$3,837</td>
<td>$3,895</td>
<td>$7,290</td>
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<tr>
<td><strong>Life Expectancy at Birth</strong></td>
<td>80.82</td>
<td>80.29</td>
<td>81.98</td>
<td>80.32</td>
<td>81.01</td>
<td>81.57</td>
<td>78.62</td>
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<tr>
<td><strong>Mortality Amenable to Health Care</strong>*</td>
<td>96%</td>
<td>103%</td>
<td>71%</td>
<td>90%</td>
<td>80%</td>
<td>77%</td>
<td>110%</td>
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</table>

**SOURCES:** The Commonwealth Fund and the Central Intelligence Agency

*measures deaths from certain causes before age 75 that are potentially preventable with timely and effective health care
Health costs trends are unsustainable, while quality is uneven. And access is inadequate and getting worse.
What Are the Key Components of the ACA?
Reform

Coverage

Financing

Delivery
Affordable, universal coverage for all.
Coverage: Uninsured

THE GAP

- Working Poor (no employer insurance)
- Poor but Ineligible for Medicaid
- Refuse to Buy
- Small Business
- Large Employers that Do Not Offer
- Individuals with preexisting conditions

Government Coverage via Medicare and Medicaid

Employer-Provided Insurance
Coverage: Expansion

1. Individual Mandate
   - “Personal Responsibility Requirement”
   - Penalties/tax for non-compliance
   - Implemented in 2014
Individual Mandate

“The mandate is the spinach you need to eat to get the chocolate you want.”
~ Jonathan Gruber, MIT Health Economist

“Health reform without an individual mandate is like driving a train without tracks; you can still move, but you can’t get to your coverage destination and it will be a rougher and far more costly trip.”
~ Chris Jennings, Health Policy Advisor
Coverage: Expansion

1. Individual Mandate
2. Employer Requirements – 50+ employees
   • penalties if no employer coverage and any employee receives a premium tax credit
   • also penalties if employer does not offer “affordable” coverage
   • provide voucher for low income (<400% FPL) employees where their share of premium is >8% but <9.8% of household income
   • tax credits for small business <25

DELAYED UNTIL 2015
Coverage: Expansion

1. Individual Mandate
2. Employer Requirements
3. Expansion of Medicaid and Subsidies
   - expand to 133% of Federal Poverty Level (FPL)
   - subsidies for 133-400% of FPL
Coverage: Expansion

1. Individual Mandate
2. Employer Requirements
3. Expansion of Medicaid and Subsidies
4. Insurance Reform
   - Health Insurance Exchanges
   - SHOP (Small Business Health Options Program)
   - guaranteed issuance and renewal
   - cover dependents up to 26 years old
   - eliminate annual and lifetime limits
   - limit waiting period to 90 days or less
   - rebates
Coverage: Uninsured

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Financing: Costs

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<tbody>
<tr>
<td>Cost</td>
<td>5.2</td>
<td>5.9</td>
<td>7.2</td>
<td>8.2</td>
<td>9.1</td>
<td>10.5</td>
<td>12.4</td>
<td>13.8</td>
<td>13.8</td>
<td>16.1</td>
<td>17.9</td>
<td>$1 Trillion</td>
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Cost of Increased Coverage
Financing: $940B Expansion

- Medicare reimbursement cuts to hospitals
  - $400 to $500 Billion over 10 years
Impact of ACA on Medicare Benefits

Section 3601: “Nothing in the provisions of, or amendments made by, this Act [ACA] shall result in a reduction of guaranteed benefits under title XVIII of the Social Security Act (the title that established Medicare).

- Medicare Advantage plans are funded by CMS and run by private health plans
- Plans provide “extra” (not guaranteed) benefits such as eyeglasses that may be reduced because CMS is reducing payments to bring costs in line with traditional Medicare
- Medicare is covering preventive services without copays
Financing: $940B Expansion

• Medicare reimbursement cuts to hospitals
  – $400 to $500 Billion over 10 years
• Increase Medicare tax
  – from 1.45% to 2.35% for high incomes ($200K individual / $250K couple)
• Impose a 3.8% tax on unearned income
• Tax “Cadillac” health plans (2018)
• Charge new fees on insurance, device manufacturers, pharmaceuticals
  – likely passed to consumers
Proposed Long-Term Savings

- heavy reliance on electronic health records
- investment in prevention and health promotion
- increase primary care
- changes to payment system
Today’s payment systems reward providers for the quantity of care delivered...A reformed health care delivery system will re-orient payment incentives toward services and activities that improve patient care.”

Senate Finance Committee
April 29, 2009
Delivery: Provider Payments

- Pay-for-Performance
- Bundled Payment
- Accountable Care Organizations (ACOs)
REFORM

Coverage

Financing

Delivery

? Missing?
REFORM

Coverage
Financing
Delivery

Malpractice Reform
UPDATE:
Where Are We Now?
Where Are We Now?

- The ACA is the law of the land
Where Are We Now?

• The ACA is the law of the land

"The administration's public information campaign on the benefits of the Affordable Care Act deserves a failing grade."

~ Senator Max Baucus, D-MT
Where Are We Now?

• The ACA is the law of the land

• SCOTUS ruled and created parameters
  – Individual mandate is constitutional
  – Requirement for states to expand Medicaid is optional
Medicaid Expansion

SOURCE: Kaiser Family Foundation (kff.org)
Where Are We Now?

- The ACA is the law of the land
- SCOTUS ruled and created parameters
- ACA needs changes, but these are unlikely
ACA Changes Needed

“I don’t think it can be fixed. Everything is interconnected. The only solution is to repeal it, root and branch.”

~ Senator Mitch McConnell, R-KY
ACA Changes Needed

“I don’t think it can be fixed. Everything is interconnected. The only solution is to repeal it, root and branch.”

~ Senator Mitch McConnell, R-KY

“I’m not sure we’re going to get to the point where it’s time to open the bill and make some changes. Once you start, it’s Pandora’s box.”

~ Senator Max Baucus, D-MT
ACA Changes Needed

- Full-time worker = 30 hours / week
- Large employer = 50 full-time employees or FTEs
- New taxes and fees on insurers and other health care companies
- Reducing age-rating bands for insurers
Where Are We Now?

• The ACA is the law of the land
• SCOTUS ruled and created parameters
• ACA needs changes, but these are unlikely
• Delay of employer requirements
  – Implications
Delay of Employer Requirements

- Smallest impact on coverage expansion
- Delays burdensome reporting requirements as well as penalties
- Questions of fairness since individual mandate was not delayed
- Administration can focus on other components of coverage expansion
Where Are We Now?

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- Delay of employer requirements
- Many states deferring exchanges to Feds
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2014
Assumptions About Health Care in an Era of Reform
“Don’t skate to where the puck is, but skate to where the puck will be.”
~ Wayne Gretzky
Assumptions for Health Care

1. Change is inevitable. The status quo is not sustainable.

2. Consumerism in health care will continue to rise with greater transparency of price and outcomes.

3. Greater accountability for performance related to quality, safety, patient satisfaction and costs.
Assumptions for Health Care

4. Fee-for-service will give way to new models
   —Shifting from volume to value
5. Greater Provider Integration
Assumptions for Health Care

4. Fee-for-service will give way to new models
5. Greater integration of health care providers
6. Shortages of physicians and other clinical staff
Assumptions for Health Care

7. Health care will remain a vibrant part of the American economy, and the US health care system will remain strong
STRAIGHT TALK

Healthcare Reform in South Carolina