



Patient Protection and Affordable Care Act

PPACA Has Three Main Goals

- Expands health insurance. 94% of all Americans covered by 2019 -- excludes unauthorized immigrants
- Strong regulations of the insurance industry
- Controls cost, particularly for Medicare

Grandfathered Insurance Plans

- Any health insurance policy in existence on March 23, 2010 is grandfathered, regardless of whether it is a group plan or an individual plan.
- Participants in these grandfathered plans will see only a few changes.
- Employers or individuals may keep these grandfathered plans for as long as they want.

Expansion of Health Care

- Beginning in 2014:
 - Expands Medicaid an estimated 122,000 low-income West Virginians. Federal government pays almost all of the cost (95.9%)
 - Creates state health exchanges for individuals and small businesses
 - Significant tax credits for individuals and small businesses to make insurance premiums more affordable. 24 million Americans will purchase health insurance in the exchanges.

Health Exchanges

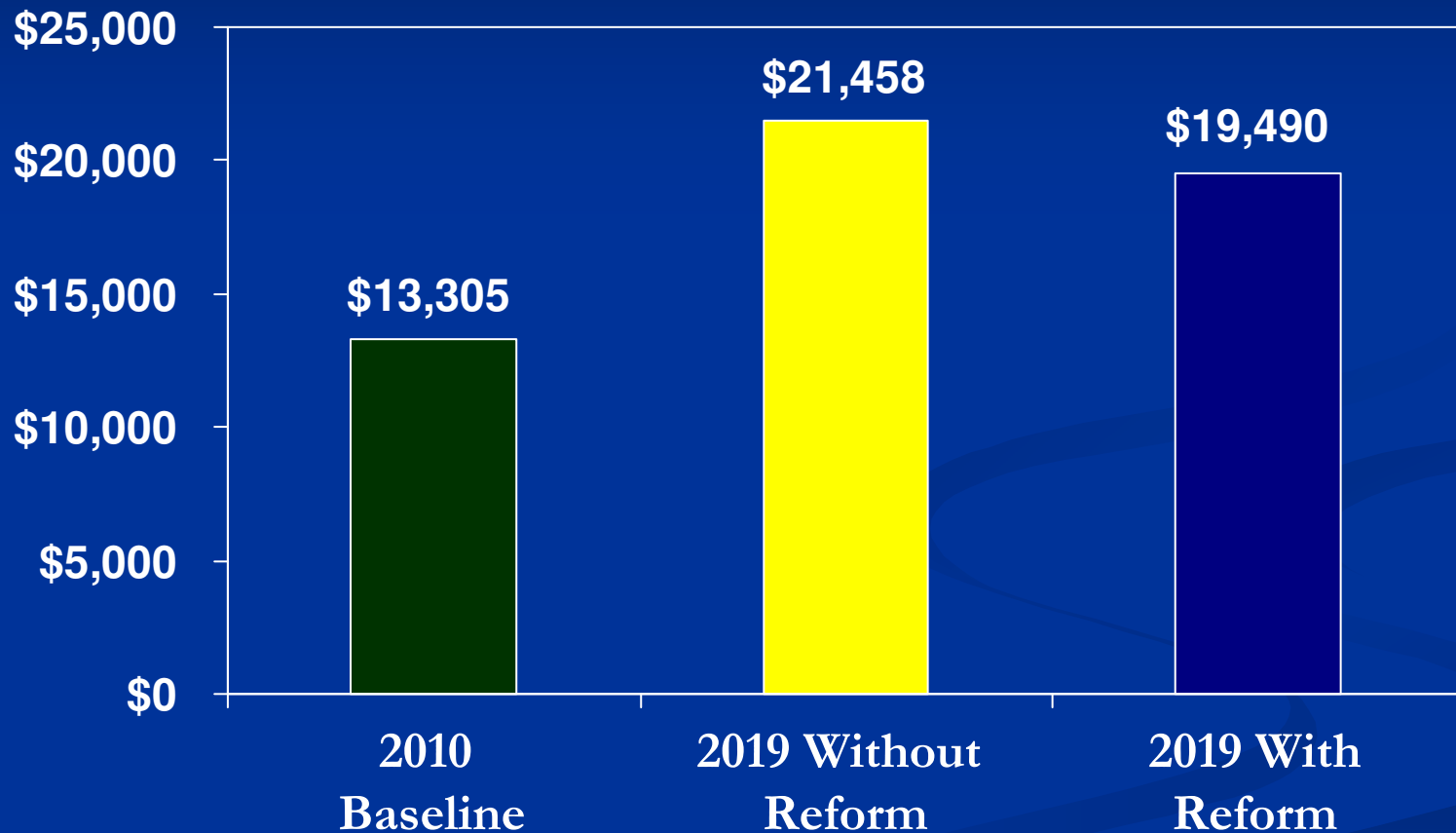
- 4 levels of benefits with actuarial values ranging from 60% to 90%.
- Essential benefits must be offered, including: In-patient and out-patient hospitalization, maternity care, mental health, Rx, preventive services, and pediatric care, including oral and vision care.
- Office of Personnel Management contracts with at least two multi-state plans in each exchange.
- Catastrophic plan for young adults.

An Example of Tax Credits for Individuals in the Exchanges

- Family of four with annual income of \$55,000 (about 250% of FPL), and the policyholder is age 45. They pay \$4,400 in premiums and the tax credits equal \$6,700*.
- Additional tax credits to assist with deductibles and copayments.
- Plus out-of-pocket maximum protection.

*Source: Kaiser Family Foundation's Subsidy Calculator: www.kff.org

\$2,000 Savings in Total Family Premiums with Reform



Source: Commonwealth Fund, The Impact of Health Reform on Health System Spending, May 2010

Tax Credits for Small Businesses: \$40 Billion Buys

- 2010 through 2013, employers with 10 or fewer employees and average wages of \$25,000 or less get tax credits for 35% of the employer's contribution. Phased out for employers with 25 employees and average wages of \$50,000.
- 2014 and beyond, very similar program, but tax credits are raised to 50% of the employer's contribution. Tax credits are limited to 2 years.

Insurance Reforms for Plan Year Beginning After September 23, 2010

- End pre-existing conditions for children
- Young adults can stay on their parent's policy until age 26
- Prohibits lifetime caps on dollar value of benefits and limits on annual caps
- Prohibits rescissions, except for fraud

Insurance Reforms in 2010

Continued

- Requires the reporting of medical loss ratios in 2010, and in 2011 requires rebates if a medical loss ratio is below 85% in large group market and 80% in the individual and small group market.

Insurance Reforms in 2010

Continued

- All new group and individual plans cannot charge deductibles or co-pays for preventive services that are clinically appropriate
- National high-risk pool for uninsured Americans with pre-existing conditions
- Creates a temporary (until 2014) reinsurance for employers with early retiree insurance program

Insurance Reforms in 2010

Continued

- Establishes a process for the Secretary of HHS to review insurance companies premium increases. States are required to report on trends and recommend whether certain companies should be excluded from the exchanges based on unjustified premium increases.

Insurance Reform 2014

- Guarantee issuance
- Guarantee renewal
- End to medical underwriting
- Age rating limited to 3 to 1 ratio
- Can use tobacco use (limited to 1.5 to 1 ratio), family composition, achieving wellness goals in employer sponsored wellness program, and geography to set premiums

Insurance Reform 2014 Continued

- Prohibits the use of pre-existing conditions
- An end to charging women higher premium than men for the same policy
- Prohibits annual caps on dollar value of benefits

Individual Mandate

- Beginning in 2014 individuals must have health insurance or pay a penalty.
- The annual penalty in 2014 is \$95 per adult or 1% of income. Increases to \$695 per adult or 2.5% of income whichever is higher by 2016.
- Exemptions for religious objections, financial hardship and those making less than the IRS filing threshold.

Cost Containment

- “The current (payment) system, based on volume and intensity, does not disincentivize, but rather pays more for overuse and fragmentation.” Mark McClellan
- Payment reform – moving from fee-for-service to payment that promotes quality and reduced costs
 - Establishes an Independent Payment Advisory Board to make recommendations to reduce Medicare cost.

Cost Containment Continued

- Pilot projects for episode of care and accountable care organizations
- Creates an Innovation Center within CMS to test, evaluate and promote payment reform
- Value-based purchasing of hospital services based on quality
- Reduced payment for hospital acquired conditions (e.g. infections) and preventable hospital readmissions

Emphasis on Primary Care and Public Health

- Increases appropriations to community health centers and National Health Service Corp and increases appropriations for public health
- Increases payment to primary care doctors that treat Medicaid patients
- Increases Medicare payment by 10% for primary care providers and general surgeons practicing in under-served areas

Under the Radar Gems

- Calorie information posted on menus and menu boards by chain restaurants (2011)
- Non-profit hospitals must do a community needs assessment, implementation plan to meet these needs; and adopt and publicize a financial assistance program that limits charges for low-income patients
- Establish a national, voluntary CLASS program to fund community base assistance program as an alternative to nursing homes.

Other Gems Continued

- Public disclosure of payments made by pharmaceutical companies to doctors, hospitals and other providers. This is physician level data.
- Racial disparities: elevates the Office of Minority Health at the NIH, requires enhanced data collection, promotes training of diverse workforce, and promotes cultural competency training.

Cost of Expansion

Medicaid and CHIP	\$434 Billion
Tax credits for Moderate and Middle-Income Families in the Exchange	\$464 Billion
Tax Credits for Small Businesses	\$40 Billion
Total	\$938 Billion

Revenues: Tax Increases

Increases in Medicare payroll taxes for individuals making more than \$200,000 & couples more than \$250,000 plus making unearned income taxable	\$210 Billion
Annual fee on insurance companies	\$60 Billion
Annual fee on drug manufacturers	\$27 Billion
Excise tax on medical device manufacturers	\$20 Billion
40% excise tax on health coverage above \$10,200 single and \$27,500 family coverage	\$32 Billion (2018 & 19)
Total taxes (including other items not listed)	\$438 Billion

Revenue: Reduction in the Growth in Medicare

Payment to Medicare Advantage reduced to traditional Medicare FFS payments	\$136 Billion
Revision to annual updates for hospitals, etc.	\$196 Billion
Drug company discount for doughnut hole	\$43 Billion
Total (including other items not listed)	\$533 Billion

Reduction in the Growth of Medicare

- These reductions reduce the annual growth in Medicare from 6.8% to 5.5%, according to the Commonwealth Fund

Commonwealth Fund: The Impact of Health Reform
on Health System Spending, May 2010

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