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# National Health Care Reform: Where Do We Go From Here?

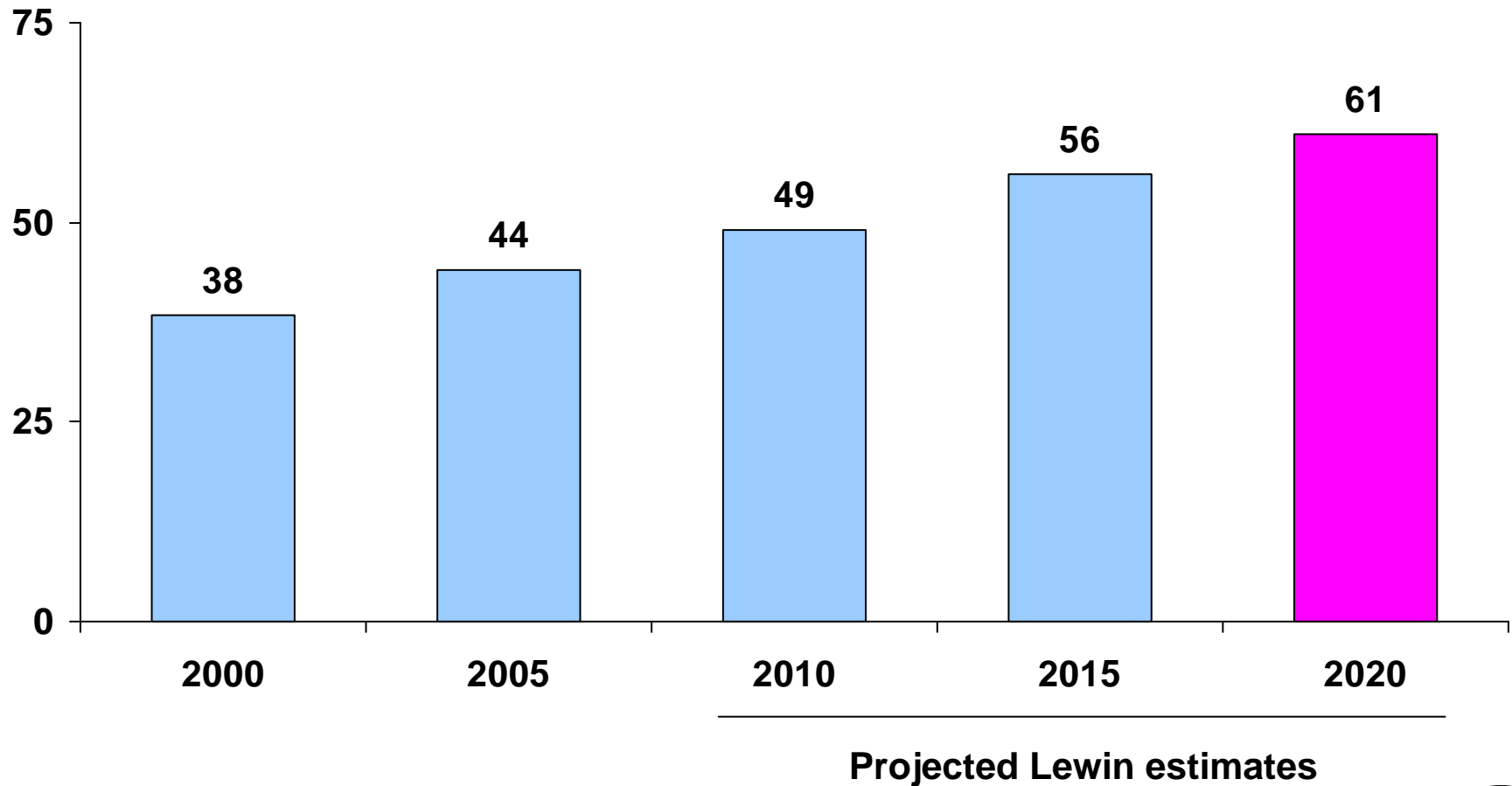
Karen Davis, President  
Rachel Nuzum, Senior Policy Director  
The Commonwealth Fund

Qualis Safety Net Medical Home Initiative  
March 23, 2010

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# Uninsured Projected to Rise to 61 Million by 2020, Not Counting Underinsured or Part-Year Uninsured

Number of uninsured, in millions

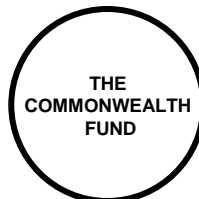


Data: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2001 and 2006; Projections to 2020 based on estimates by The Lewin Group.

# Seventy-Two Million Americans Have Problems with Medical Bills or Accrued Medical Debt, 2007

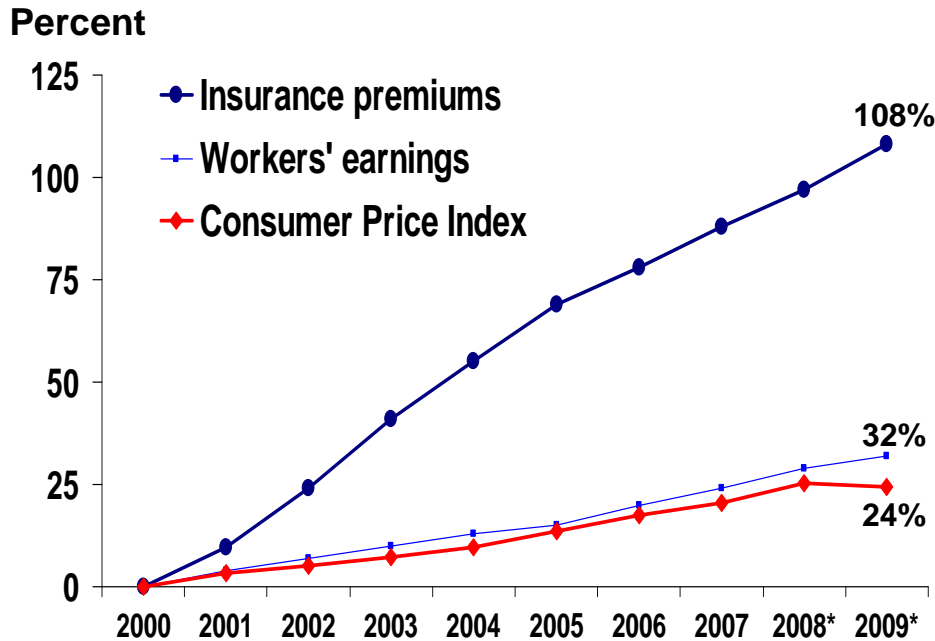
Percent of adults ages 19–64

	2005	2007
<b>In the past 12 months:</b>		
<b>Had problems paying or unable to pay medical bills</b>	<b>23%</b> <b>39 million</b>	<b>27%</b> <b>48 million</b>
<b>Contacted by collection agency for unpaid medical bills</b>	<b>13%</b> <b>22 million</b>	<b>16%</b> <b>28 million</b>
<b>Had to change way of life to pay bills</b>	<b>14%</b> <b>24 million</b>	<b>18%</b> <b>32 million</b>
<b><i>Any of the above bill problems</i></b>	<b>28%</b> <b>48 million</b>	<b>33%</b> <b>59 million</b>
<b>Medical bills being paid off over time</b>	<b>21%</b> <b>37 million</b>	<b>28%</b> <b>49 million</b>
<b><i>Any bill problems or medical debt</i></b>	<b>34%</b> <b>58 million</b>	<b>41%</b> <b>72 million</b>

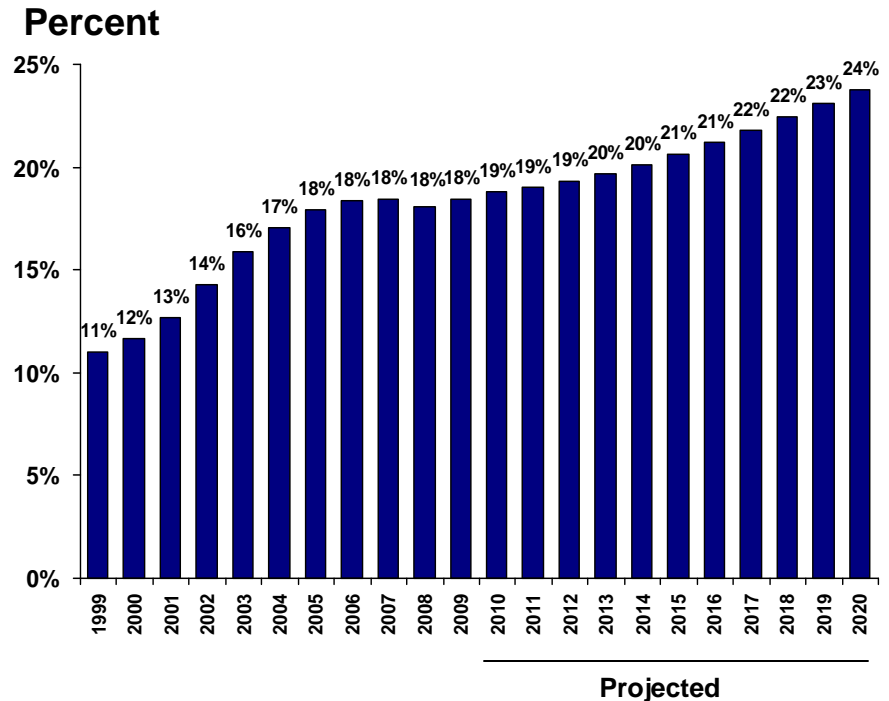


# Premiums Rising Faster Than Inflation and Wages <sup>4</sup>

Cumulative Changes in Components of U.S. National Health Expenditures and Workers' Earnings, 2000–2009



Projected Average Family Premium as a Percentage of Median Family Income, 2008–2020



\* 2008 and 2009 NHE projections.

Data: Calculations based on M. Hartman et al., "National Health Spending in 2007," *Health Affairs*, Jan./Feb. 2009 and A. Sisko et al., "Health Spending Projections through 2018," *Health Affairs*, March/April 2009. Premiums, CPI and Workers' earnings from Henry J. Kaiser Family Foundation/Health Research and Educational Trust, *Employer Health Benefits Annual Surveys, 2000–2009*.

Source: K. Davis, *Why Health Reform Must Counter the Rising Costs of Health Insurance Premiums*, (New York: The Commonwealth Fund, August 2009).





# History is Made: March 21, 2010

- **House of Representatives passed the Affordable Health Care for America Act on Nov. 7, 2009 (220-215)**
- **Senate passed the Patient Protection and Affordable Care Act (HR 3590) on Dec. 24, 2009 (60-39)**
- **House passed Senate measure (219-212) and reconciliation bill (HR 4872) 220-211 on March 21, 2010**
- **Senate bill ready for President's signature and will become law**
- **Reconciliation bill now moves to the Senate for action this week**

# Impact of Senate+Reconciliation Bill

- **Coverage expanded to an additional 32 uninsured by 2019**
- **Total cost of coverage expansion with Senate bill modified by Reconciliation bill: \$938 billion, 2010–2019**
- **Net impact on federal deficit of Senate + Reconciliation bill: \$143 billion savings, 2010–2019**
- **Estimated to decrease premiums and out-of-pocket costs by ~\$2,500 per family in 2019**
- **Slows the rate of National Health Expenditures (NHE) from 6.6% annually to ~6.0% annually**

# Key Features of Reform Legislation

- **Individual mandate to obtain insurance**
- **Guaranteed issue, modified community rating, and prohibitions on rescissions**
- **Insurance exchanges as marketplace for individuals and small groups; establish minimum benefit standards**
- **Medicaid expansion to 133% FPL with improved FMAP for all states for newly eligible populations (e.g., nonelderly childless adults)**
- **Employer contribution to premiums or employer fee if no coverage offered and employees access premium tax credits**
- **Improved affordability for individuals and families: premium and cost-sharing subsidies on a sliding scale; premium caps on a sliding scale up to 9.5% income for 300–400% FPL**
- **Reforms to the delivery system to improve quality and contain costs**

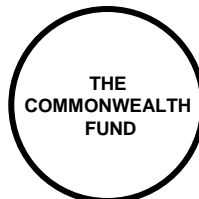


# Congressional Health Reform Bills: Exchanges

8

## Senate + Reconciliation 3/18/10

<b>Locus of Control</b>	Regional, State or substate
<b>Eligibility for Exchange</b>	Individuals and small businesses 50–100, 100 by 2016, 100+ at state option
<b>Plans offered</b>	Private, co-op, multi-state plans with at least one non-profit plan offered under contract with OPM
<b>Benefit standards</b>	<ul style="list-style-type: none"><li>• 60%–90% actuarial value, four tiers</li><li>• Catastrophic plan for young adults and those without affordable coverage</li><li>• Essential benefit package required for plans in exchanges; other plans (ESI) exempt</li><li>• Non qualified health plans can be sold outside the exchange</li></ul>
<b>Authority of exchange to negotiate with plans over price</b>	Participation in exchanges subject to review of premium increases by HHS and states
<b>Medical Loss Ratio Requirements</b>	85% (large group); 80% (small group, individual) effective 2011







# Medicaid/CHIP Expansion in Combined Senate-Reconciliation Bills

- **Starting in 2014, Medicaid expands to cover all nonelderly individuals with incomes up to 133% FPL with federal funding for expanded eligibility**
  - **100% federal funding 2014–2016**
  - **95% 2017**
  - **94% 2018**
  - **93% 2019**
  - **90% 2020 and beyond**
- **CHIP reauthorized through September 2015**
- **States required to maintain current Medicaid eligibility for adults through 2013 and for children through 2019**
- **Medicaid payment rates to primary care physicians for primary care services floor of 100% Medicare rates in 2013 and 2014; 100% federal funding for incremental costs for states to meet requirement**





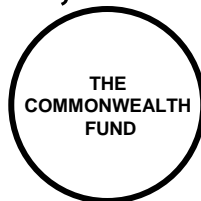
# **Primary Care, Care Management, and Medical Home<sup>10</sup> in Combined Senate-Reconciliation Bills**

- **Medicare payment bonus (10%) to primary care physicians beginning 2011**
- **Primary Care Extension Program through grants to state hubs**
- **Chronic care management**
  - **Home-based chronic care management pilot to bring primary care services to high-cost beneficiaries with multiple chronic conditions**
  - **State option to enroll chronically ill Medicaid beneficiaries into a health home**
- **Medical home**
  - **Grants/contracts to states to establish Community Health Teams to support medical home model**
  - **CMS Innovations Center to test payment reform models that improve quality and reduce cost, including medical home; successful models can be expanded nationally**



# Community Health Centers in Combined Senate-Reconciliation Bills

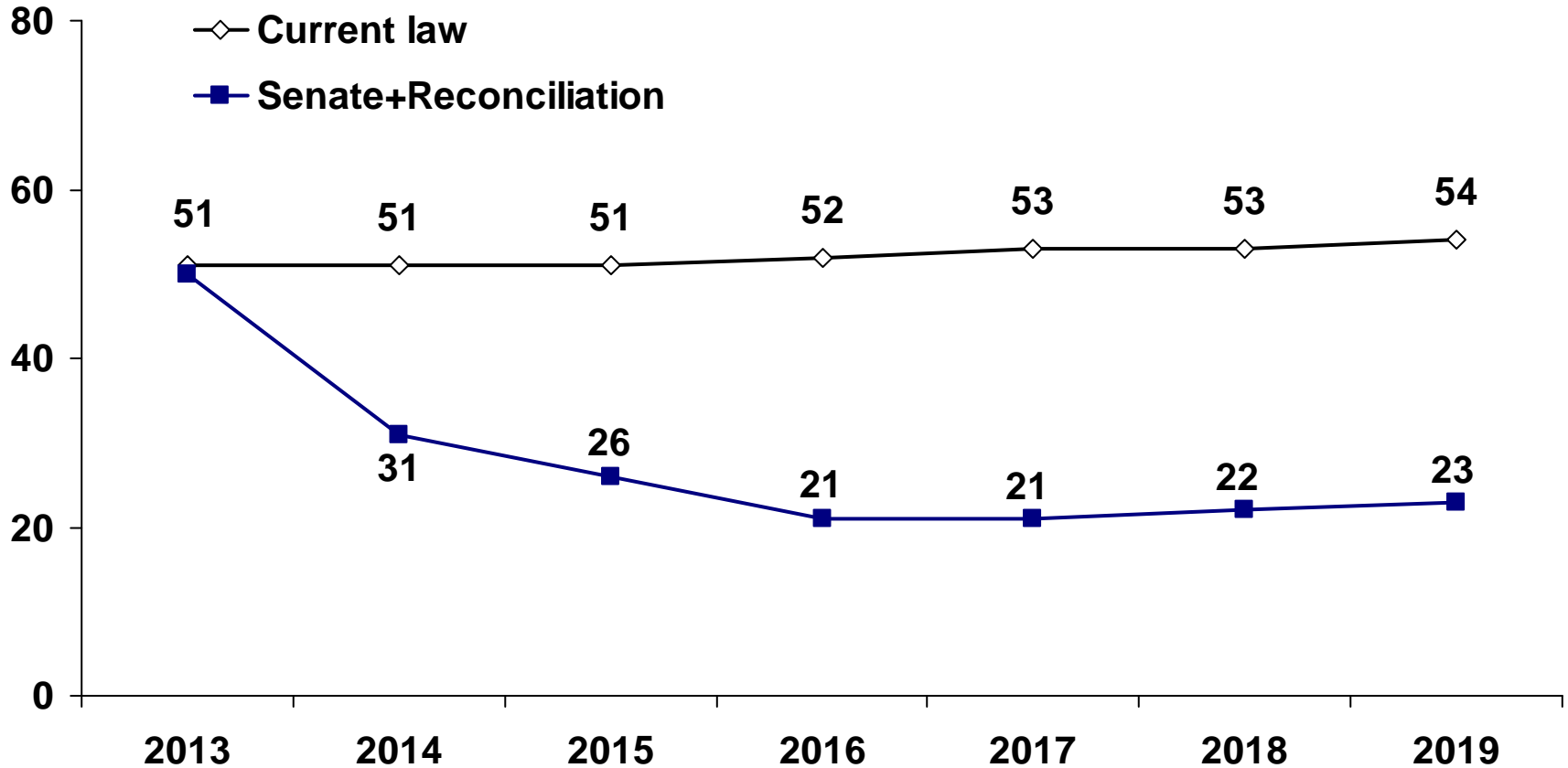
- **Increase mandatory FQHC funding to \$11 billion over five years (through 2015); establish CHC and NHSC Fund to sustain national investment**
- **Grant program to states to support providers who treat a high percentage of medically underserved populations**
- **Authorize \$50 million in grants for coordinated and integrated services through co-location of primary and specialty care in community-based mental and behavioral health settings**
- **Grants up to three years to employ and train family nurse practitioners who provide primary care in FQHCs and nurse-managed health clinics**
- **Establish Teaching Health Centers: Community based, ambulatory patient care centers, including FQHCs and other federally-funded health centers**
- **Health professional scholarships and loans; primary care training and capacity building; train and recruit providers to serve in rural areas; public health workforce loan repayment program; train medical residents in preventive medicine and public health**



# Trend in the Number of Uninsured Nonelderly, 2013–2019 <sup>12</sup>

## Under Current Law and Senate+Reconciliation bill

Millions

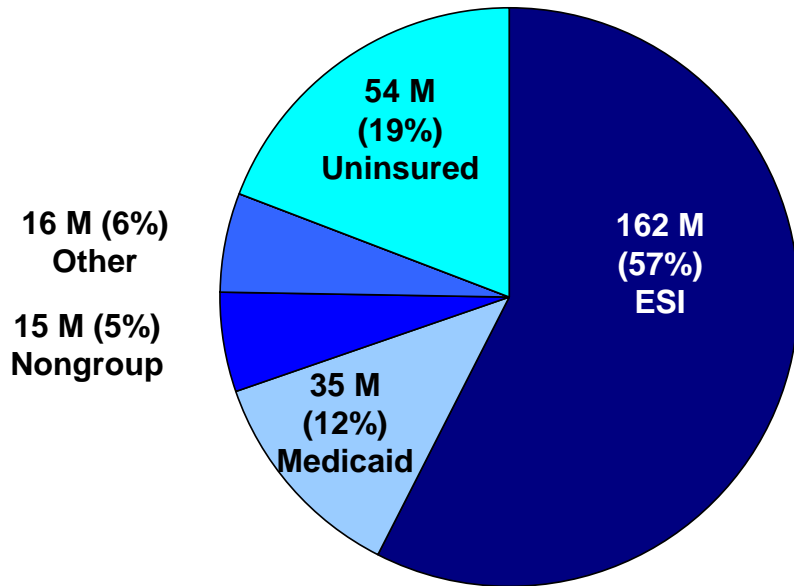


Note: The uninsured includes unauthorized immigrants. With unauthorized immigrants excluded from the calculation, nearly 94% of legal nonelderly residents are projected to have insurance under the Reconciliation proposal.

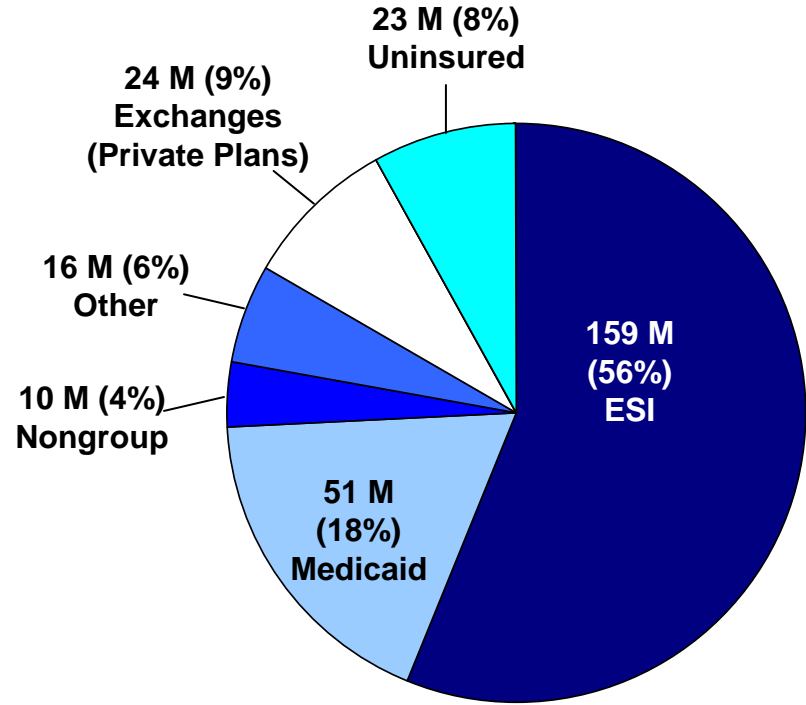
Source: S. R. Collins, K. Davis, J. L. Nicholson, S. D. Rustgi, and R. Nuzum, *The Health Insurance Provisions of the 2009 Congressional Health Reform Bills: Implications for Coverage, Affordability, and Costs*, (New York: The Commonwealth Fund, January 2010); The Congressional Budget Office Cost Estimate of H.R. 4872, Reconciliation Act of 2010, Mar. 20, 2010, <http://www.cbo.gov/doc.cfm?index=11379>



# Source of Insurance Coverage Under Current Law and Reconciliation Bill, 2019



**Current Law**



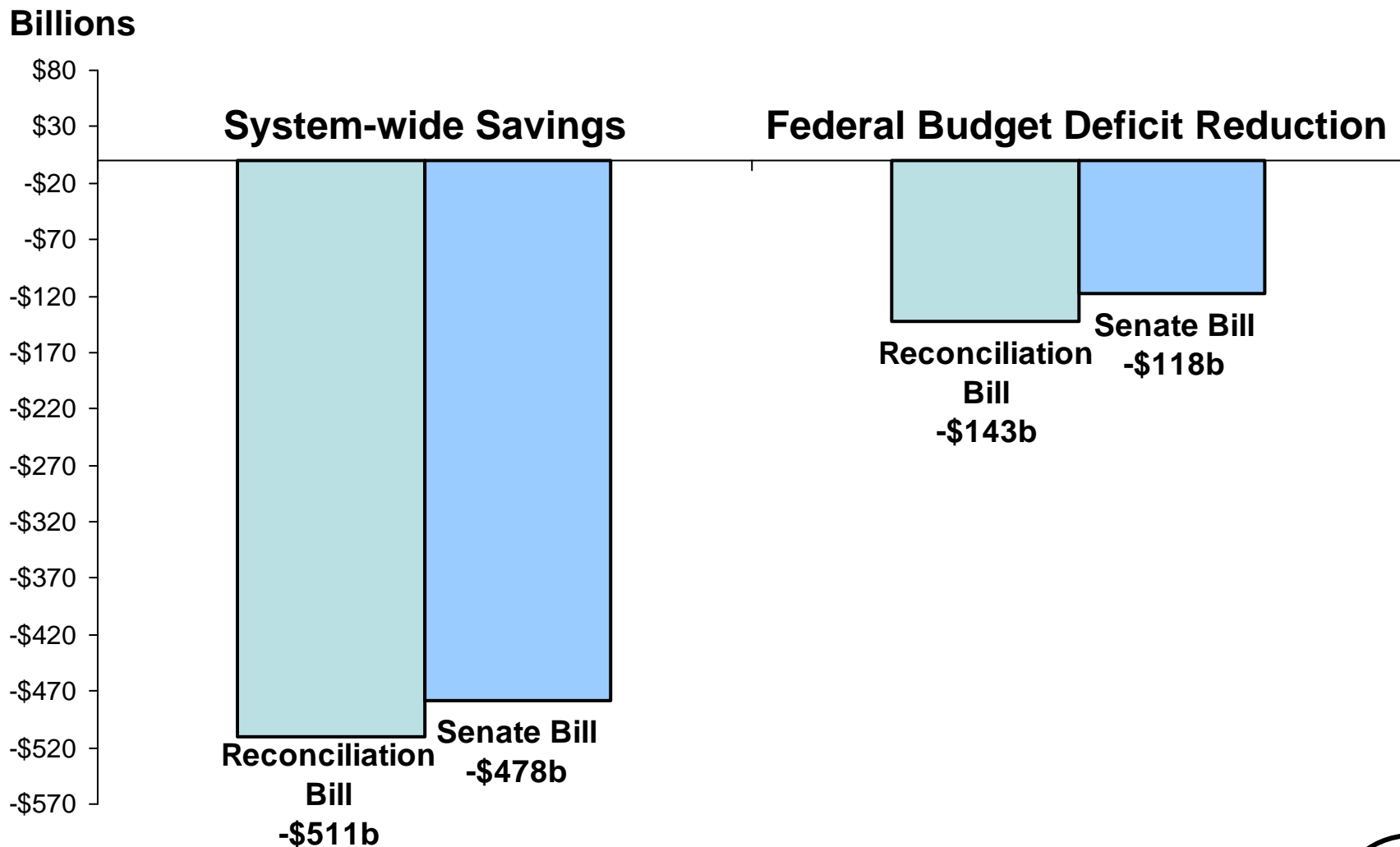
**Reconciliation (HR 4872)**

**Among 282 million people under age 65**

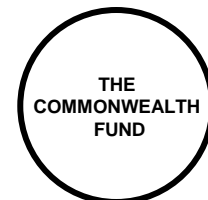
\* Employees whose employers provide coverage through the exchange are shown as covered by their employers (5 million), thus about 29 million people would be enrolled through plans in the exchange. Note: ESI is Employer-Sponsored Insurance.  
 Source: The Congressional Budget Office analysis for the amendment in the nature of a substitute for H.R. 4872, Reconciliation Act of 2010, March 20, 2010 <http://cbo.gov/doc.cfm?index=11379>.



# Estimated Net 2010-19 System-wide Savings and Federal Budget Deficit Reduction Resulting from Proposed Reforms <sup>14</sup>



Source: S. R. Collins, K. Davis, J. L. Nicholson, S. D. Rustgi, and R. Nuzum, *The Health Insurance Provisions of the 2009 Congressional Health Reform Bills: Implications for Coverage, Affordability, and Costs*, (New York: The Commonwealth Fund, January 2010), The Congressional Budget Office Cost Estimate of H.R. 4872, Reconciliation Act of 2010, Mar. 20, 2010, <http://www.cbo.gov/doc.cfm?index=11379>.



# Major Sources of Savings and Revenues Compared with Projected Spending, <sup>15</sup> Net Cumulative Effect on Federal Deficit, 2010–2019

Dollars in billions

	CBO estimate of Senate bill (H.R. 3590)	CBO estimate of Senate+Reconciliation bill
<b>Total Net Impact on Federal Deficit, 2010–2019</b>	<b>–\$118</b>	<b>–\$143</b>
<b><u>Total Federal Cost of Coverage Expansion and Improvement</u></b>	<b><u>\$773</u></b>	<b><u>\$820</u></b>
<b><i>Gross Cost of Coverage Provisions</i></b>	<b><i>\$875</i></b>	<b><i>\$938</i></b>
• Medicaid/CHIP outlays	386	434
• Exchange subsidies	449	464
• Small employer subsidies	40	40
<b><i>Offsetting Revenues and Wage Effects</i></b>	<b><i>–\$102</i></b>	<b><i>–\$117</i></b>
• Payments by uninsured individuals	–15	–17
• Play-or-pay payments by employers	–27	–52
• Associated effects on taxes and outlays	–60	–48
<b><u>Total Savings from Payment and System Reforms</u></b>	<b><u>–\$478</u></b>	<b><u>–\$511</u></b>
• Productivity updates/provider payment changes	–149	–160
• Medicare Advantage reform	–135	–204
• Other improvements and savings	–194	–147
<b><u>Education System Savings</u></b>	<b><u>—</u></b>	<b><u>–\$19</u></b>
<b><u>Total Revenues</u></b>	<b><u>–\$413</u></b>	<b><u>–\$432</u></b>
• Excise tax on high premium insurance plans	–149	–32
• Surtax on investment income for high income earners	—	–123
• Other revenues	–264	–277

Note: Totals do not reflect net impact on deficit due to rounding.

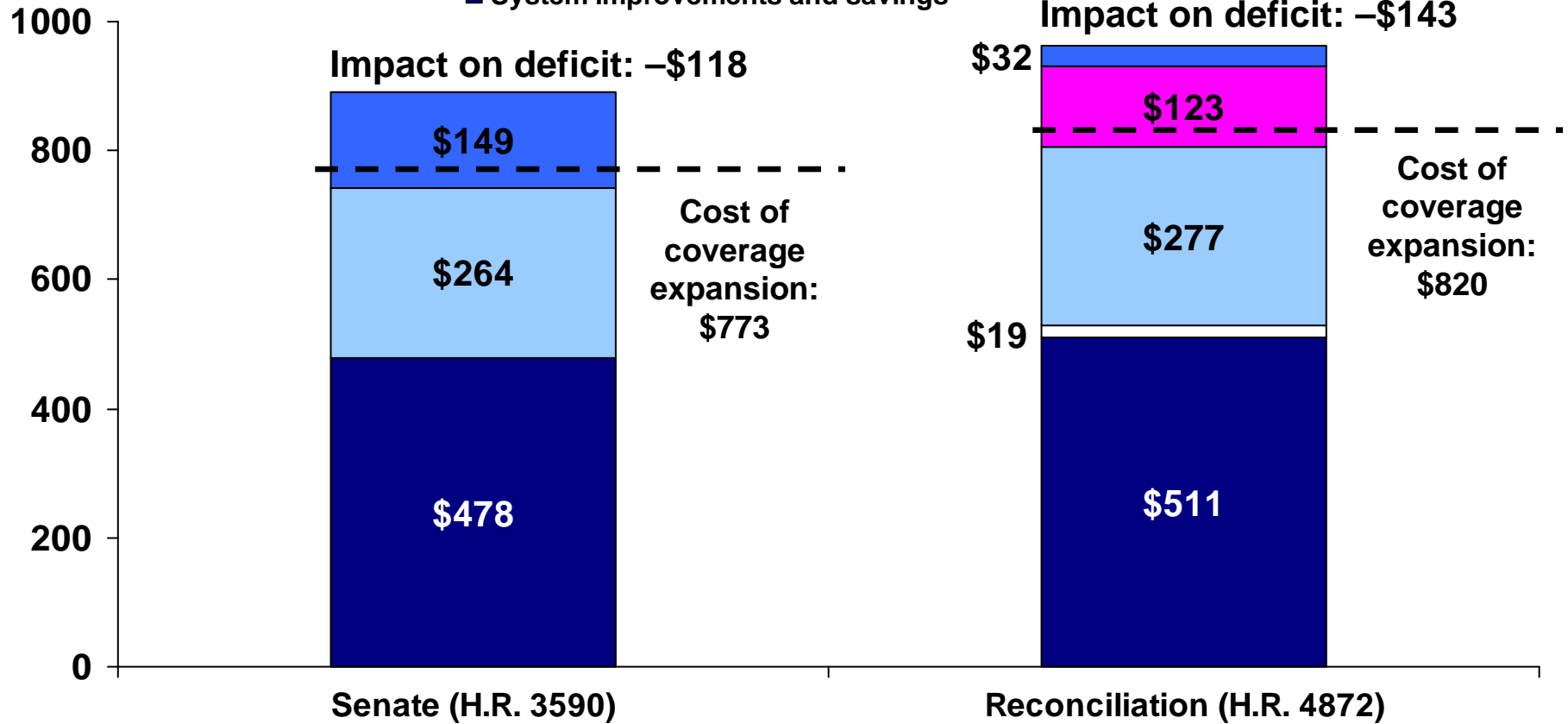
Source: The Congressional Budget Office Cost Estimate of the Patient Protection and Affordable Care Act As Passed by the Senate, Mar. 11, 2010, <http://www.cbo.gov/doc.cfm?index=11307>. The Congressional Budget Office Cost Estimate of H.R. 4872, Reconciliation Act of 2010, Mar. 20, 2010, <http://www.cbo.gov/doc.cfm?index=11379>.

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# Proportions of System Savings and New Revenue in Senate and Reconciliation Bills

- Excise tax on high premium insurance plans
- Surtax on investment income for wealthy
- Other revenue
- Education system savings
- System improvements and savings

Dollars in billions



Note: Totals do not reflect net impact on deficit because of rounding.

Source: The Congressional Budget Office Cost Estimate of the Patient Protection and Affordable Care Act As Passed by the Senate, Mar. 11, 2010, <http://www.cbo.gov/doc.cfm?index=11307>, and the Joint Committee on Taxation Estimated Revenue Effects of the "Patient Protection and Affordable Care Act" as passed by the Senate, Mar. 11, 2010, JCX-10-10. The Congressional Budget Office Cost Estimate of H.R. 4872, Reconciliation Act of 2010, Mar. 20, 2010, <http://www.cbo.gov/doc.cfm?index=11379>, and the Joint Committee on Taxation Estimated Revenue Effects of H.R. 4872, the "Reconciliation Act of 2010", in Combination with the Revenue Effects of H.R. 3590, the "Patient Protection and Affordable Care Act", scheduled for consideration by the House Committee on Rules, Mar. 20, 2010, JCX-17-10.





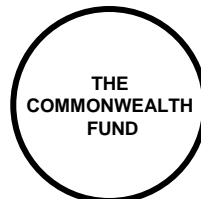


# Challenges Ahead

- **American people are still skeptical and unsure of how they'll be impacted by the bill**
- **Fiscal situation facing states: states have a large role to play in implementing reform**
- **Legal challenges: states challenge federal mandate to purchase coverage**
- **Implementation: managing expectations, building infrastructure and securing resources needed.**

# A New Era in Health Care Delivery

- **The U.S. has a historic opportunity to implement reforms that will achieve a high performance health system; we can't afford to continue on our current course**
- **Goals of affordable coverage for all while slowing cost growth are achievable**
- **Innovations:**
  - **Investing in primary care**
  - **Rapid cycle testing of innovative payment reforms to reward quality and value**
  - **Productivity improvement**
  - **Correcting market price signals: Medicare Advantage, Rx**
  - **Insurance market reform, reduced administrative costs**
  - **Independent commission charged with budget savings and long-term goal of harmonization of private and public payment methods**
- **It is possible to expand coverage, improve quality of care provided while reducing the federal deficit and slowing the rate of health care cost growth**
- **Strong oversight and system of tracking health system performance will be needed as we move into implementation.**



# Thank You!



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