

The Affordable Care Act: Health Care that's Better, Safer, and Less Costly

**Satellite Conference and Live Webcast
Thursday, June 21, 2012
10:00 a.m. – 12:00 p.m. Central Time**

**Produced by the Alabama Department of Public Health
Video Communications and Distance Learning Division**

Faculty

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The Health Care Paradox

- **The United States leads the world in discovering new approaches to prevent, diagnose, manage, and cure illness**
- **Our institutions educate and train exceptional doctors, nurses, and other health care professionals**

The Health Care Paradox

- **The United States has the world's best medical technology**
- **We spend twice as much on health care as other developed nations**
- **Yet America consistently falls behind other nations in the outcome of patient treatment**

Reasons for Change

- **The status quo was unsustainable:**
 - **Health insurance premiums for family coverage at large companies rose 114% from 2000 to 2010**
 - **At small businesses, premiums increased 85%**

Reasons for Change

- **18% of the nation's entire economic output is tied up in health care**
- **The share of Americans under 65 covered by job-based health insurance had fallen for nine years in a row**
 - **Falling to 59% in 2009**

Reasons for Change

- 62% of all personal bankruptcies are at least partly the result of medical expenses

Everyone Pays to Treat the Uninsured

- Nationwide, uninsured patients receive as much as \$73 billion a year worth of uncompensated care

– Health Affairs, September 2008

- Eventually everyone uses the health care system because of illness or injury

Everyone Pays to Treat the Uninsured

- Uninsured patients add more than \$1,000 to the price of a typical family health insurance policy as hospitals shift costs to customers with the ability to pay

Affordable Care Act at a Glance

- Health reform seeks to:
 - Improve the quality of health care
 - Lower the cost of medical care
 - Increase access to that care
 - Expand the base of people contributing to the system
 - Fill gaps created by the old system

Affordable Care Act at a Glance

- Virtually everyone plays a role
 - Large employers are required to contribute
 - Workers are required to contribute
 - 32 million newly insured lower the average cost

Affordable Care Act at a Glance

- Doctors and hospitals are required to improve care
- New programs offer incentives to improve the delivery of care

Reforms Already in Place

Groups Left Behind

- **Early retirees and their spouses**
- **People with existing health conditions**
- **Small businesses and their employees**
- **Young adults**
- **Children**

Coverage for Pre-existing Conditions

- **Each state now has a plan that provides a new health coverage option for people unable to obtain insurance**
 - **These make insurance available at the same price offered to people without existing medical conditions**

Coverage for Pre-existing Conditions

- **Sign-ups through March 2012:**
 - **Nationwide – 61,619 people**
 - **The eight southeastern states in Region 4 – 14,277**
 - **In Alabama – 429**

Coverage for Pre-existing Conditions

- **Eligibility is based on the person's situation, not on income:**
 - **You must be uninsured for six months**
 - **You must have a pre-existing medical condition or have been denied insurance because of your health condition**

Coverage for Pre-existing Conditions

- **You must be a U.S. citizen or legal resident**

Alabama's Pre-existing Condition Plan

- Pre-existing condition health plans operate until 2014, when insurers will no longer deny coverage based on health condition
- Alabama residents participate in the federally run program and have three health plans to choose from

Alabama's Pre-existing Condition Plan

For more information:

1 – 866 – 717 – 5826

www.pcip.gov/apply.html

National Finance Center
Pre-existing Condition Insurance Plan
PO Box 60017
New Orleans, LA 70160-0017

Help for Small Employers

- Tax credits for small business, including farmers
 - These credits cover up to 35% of the cost of employee health insurance, beginning in 2010
 - For nonprofit employers, the maximum credit is 25%

Help for Small Employers

- The tax credit rises to a maximum of 50% in 2014
 - Rises to 35% for nonprofits

Help for Small Employers

- Eligibility for the credit:
 - An employer must pay at least half the cost of health coverage for workers based on the individual rate

Help for Small Employers

- Maximum credit is available to employers with fewer than the equivalent of 10 full-time workers and average wages of less than \$25,000 a year
- The credit phases out as the number of employees rises beyond 10 and the average wages rise beyond \$25,000 a year

Help for Small Employers

- Credit ends at 25 employees or average annual wages of \$50,000

Improving Access to Insurance

- Young adults can now stay covered under a parent’s health plan until age 26, if the plan covers dependents
 - Coverage available even if the child is in school or married
 - This is especially important for recent graduates, young adults in entry-level jobs and graduate students

Improving Access to Insurance

- Until 2014, a narrow exception exists for adult children who have an offer of employer-sponsored insurance
 - 39,417 young adults in Alabama gained coverage through this provision last year

Filling the Gaps: Children

- Children under age 19 can no longer be denied insurance coverage because of pre-existing conditions
- Funding for the Children’s Health Insurance Program (CHIP) is increased and extended through 2015
 - Covers children from homes modestly above the poverty level

Filling the Gaps: Children

- Beginning in 2014, Medicaid will cover foster children who have aged out of the foster care system until age 26

Improving Health Insurance

- The Patient’s Bill of Rights
- For most individual and group health plans that begin or renew after September 23, 2010:
 - Lifetime limits on benefits are eliminated

Improving Health Insurance

- Annual dollar limits on insurance coverage are phased out and end in 2014
- No more dropping coverage based on an unintentional mistake on an application
- You have the right to see how insurers plan to spend any rate increase larger than 10%

Making Insurance More Affordable

- More bang for your buck:
 - Beginning this year, insurers serving individuals and small employers must spend at least 80% of premiums on health care services for improving the quality of care

Making Insurance More Affordable

- Insurers serving large employers must spend at least 85% of premiums on health care or quality improvement
- Insurance companies that fail to meet these standards must pay rebates to customers
 - First rebates go out summer 2012

Lowering Costs by Improving Care

- Chronic conditions account for:
 - 76% of U.S. health care spending
 - 7 of every 10 deaths in the U. S.

Lowering Costs by Improving Care

- Many chronic conditions are preventable
 - Americans, however, receive only about half the clinical preventable services recommended

Lowering Costs by Improving Care

- To encourage preventive care:
 - Most private health insurance plans are now required to cover preventive services with no co-pay, no deductible, and no out-of-pocket cost
- 819,000 Alabama residents became eligible last year

Lowering Costs by Improving Care

- Medicare began covering preventive care with no co-payments or deductibles on January 1, 2011
- 628,391 Medicare patients in Alabama received at least one free preventive service in 2011

Keeping Men Healthy

- Preventive care with no cost sharing
- These services include:
 - Colonoscopies
 - Vaccinations for flu, tetanus, measles, hepatitis A and B

Keeping Men Healthy

- No-cost screenings for:
 - Diabetes
 - Depression
 - Aspirin therapy
 - A wide range of sexually transmitted infections

Keeping Men Healthy

- HIV screening for adults at higher risk
- High blood pressure and cholesterol levels
- Alcohol abuse
- Diet counseling for adults at higher risk

Strengthening Medicare

- New Medicare benefits in 2011:
 - A free annual wellness visit
 - Lower cost for prescription drugs

Strengthening Medicare

- In 2012, Medicare participants receive:
 - A 50% discount on brand-name drugs once they hit the doughnut hole coverage gap
 - A 14% discount on generic drugs

Strengthening Medicare

- In 2011, 3.5 million seniors saved an average of \$605 each because of this discount
 - A total of more than \$2.1 billion
 - In Alabama, 50,119 seniors saved a total of \$29.8 million
- The discount rises every year until the coverage gap is gone in 2020

What's Ahead

Expanded Coverage

- In 2014, the Affordable Care Act takes full effect:
 - Insurance companies will no longer deny coverage for people with pre-existing conditions
 - Health Insurance Exchanges will provide individuals and small businesses with a range of insurance options

Expanded Coverage

- Insurers must cover children for basic pediatric services
 - Including dental and vision care

Health Insurance Exchanges

- Beginning in 2014, these marketplaces will allow you to look for the plan that is best for you
 - You might think of these as a Travelocity for health insurance
 - Insurance options available at your fingertips

Health Insurance Exchanges

- These will be the same exchanges where members of Congress will buy their health insurance plans

Health Insurance Exchanges

- Insurance Exchanges allow small businesses with fewer than 100 employees to pool their risk
 - By buying as a group, small employers will get the kinds of discounts that large employers already receive

Health Insurance Exchanges

- The larger number of people in the plan will lower administrative costs
- The larger pool will reduce the impact on rates of one worker with high medical costs

Making Insurance Affordable

- Beginning in 2014:
 - Workers without health benefits receive tax credits to help buy insurance through the exchanges
 - Credits available up to 400% of poverty level
 - Maximum income of:
 - \$44,600 for 1 person
 - \$92,200 for family of 4

Making Insurance Affordable

- The IRS estimates the average credit will be more than \$5,000
 - Credits will be paid directly to insurers to reduce the premium that families pay

Making Insurance Affordable

- These tax credits allow family farmers, self-employed, and small business owners to compete for employees with large companies that provide generous benefits

Expanding Access to Insurance

- For people with incomes too low to buy health insurance:
 - Medicaid expands to cover families with income up to 133% of the poverty level
 - Single adults will be eligible as well as families with children

Expanding Access to Insurance

- Hospitals will no longer shift the cost of this care to people with insurance
- Maximum annual income of:
 - \$14,856 for 1 person
 - \$30,656 for family of 4

Expanding Access to Care

- The Affordable Care Act provides \$11 billion for community health centers over the next 5 years
 - \$1.5 billion for expansion and renovation projects
 - \$9.5 billion for new health centers in underserved areas and expansion of primary care services

Expanding Access to Care

- \$1.5 billion for National Health Service Corps
 - These scholarship programs repay student loans for providers who agree to work in underserved areas
- In FY 2011, these programs placed 61 new primary care providers in Alabama

Expanding Access to Care

- The goal: 16,000 new primary care providers nationwide by 2016

Improving Quality Health Care

- Future hospital payments will be based on treatments that work
 - Begins in October 2012
 - Hospitals will be evaluated on 12 clinical criteria and on patient satisfaction

Improving Quality Health Care

- Hospitals will be penalized for medical errors and when patients are re-admitted within 30 days for a condition that could have been prevented

Improving Quality Health Care

- Doctor's fees will be based partly on keeping patients healthy and how well their patients recover from illness or injury
 - Begins January 2015

What's Ahead: Corporate Responsibility

- In 2014:
 - Almost everyone will be required to contribute to the health care system
 - Large employers – more than 50 full-time workers – can choose either to:

What's Ahead: Corporate Responsibility

- Provide health insurance benefits to their employees
- Make shared responsibility payments to help employees buy private insurance
 - \$2,000 per employee (excluding first 30 employees)

What's Ahead: Corporate Responsibility

- More than 96% of firms with more than 50 workers already offer health insurance to their employees
- Small employers – those with 50 or fewer full-time workers – are exempt from any shared responsibility payments

What's Ahead: Individual Responsibility

- In 2014:
 - Individuals can choose to:
 - Carry health insurance
 - Pay a fee to offset the cost of treating the uninsured
 - \$95 or 1% of income in 2014
 - \$325 or 2% of income in 2015

What's Ahead: Individual Responsibility

- \$695 or 2.5% of income in 2016 and thereafter
 - Maximum per household is 3 times the flat fee
- 32 million newly insured should help lower the average

Fighting Fraud

- The law boosts funding for investigations by \$350 million
- The new emphasis is already paying off:
 - In fiscal year 2009, anti-fraud efforts recovered:
 - \$2.51 billion for Medicare, up 29% from 2008

Fighting Fraud

- \$441 million for Medicaid, up 28%
- In 2010 and again in 2011, total recoveries for Medicare and Medicaid rose to more than \$4 billion
- Whistle-blower lawsuits recovered a record \$2.5 billion in 2010, up 49% from the previous year

www.Healthcare.gov

- New one-stop consumer site for information on insurance options
- Details about the new protections under the Affordable Care Act
- Information at your finger tips allows you to shop for insurance based on benefits, prices, insurer ratings