

National and State Health Reform Updates

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Agenda

- 2012: Potentially a Year of Big Changes
- National Health Reform Update
 - Standardize benefit information forms
 - Coverage of women’s preventive services
 - Health exchanges
 - Supreme Court Case
 - Provider restructuring
- State Payment Reform Update
 - Global Payment
 - Variation in payments to providers
- Implications for Municipalities

2012: Potentially a Year of Big Changes

- Health Reform: Supreme Court challenge
- States: budget pressures continue for state and local governments
- Federal Deficit: may force more Medicaid and Medicare cuts
- Industry Changes: payment reform, provider mergers, increase shifting of costs to enrollees
- The Election: healthcare policy direction could turn around depending on outcome of presidential and senatorial races

ACA Implementation: Standardized Information Forms

- ACA requires plans and employers to provide easy-to-understand information about coverage
- Intention is to facilitate comparison of benefit coverage across plans and promote better consumer understanding of benefits
- Department of Health and Human Services issued regulations on August 17 requiring insurers and group health plans to distribute two forms:
 - Summary of Benefits and Coverage
 - Uniform glossary of commonly used health insurance coverage terms, e.g., “deductible” and “co-pay.”
- Implementation date: March 23, 2012

Form (cont'd)

- Summary of Coverage includes information on how much a plan pays for the average national cost of
 - maternity care,
 - diabetes treatment and
 - breast cancer treatment
- Proposed rules include detailed instructions for completing the Summary of Coverage
 - Includes co-pay estimates, so will necessarily require utilization assumptions
 - Anticipate that insurers will be taking the lead on developing these forms

Women's Preventive Services

- ACA requires that non-grandfathered plans cover specified evidence-based preventive services with no member cost share
- Based on Institutes of Medicine panel recommendation, DHHS issued regulations requiring non-grandfathered plans to cover 8 women's preventive services in plan year that begins on or after August 1, 2012
- DHHS believes that rate impact will be "minimal"

Preventive Services Covered

- Annual well-woman visits
- Screening for gestational diabetes
- Human papillomavirus testing
- Counseling for sexually transmitted infections
- Counseling and screening for HIV
- Contraceptive methods and counseling (religious exemption)
- Breastfeeding support, supplies and counseling
- Screening and counseling for interpersonal and domestic violence

Closing Donut Hole

- Pharmaceutical manufacturers are covering costs of brand drugs used by Medicare beneficiaries who are in the Part D drug plan donut hole
 - Medicare beneficiaries covered by individual (non-group) plans only pay 50% of brand drug costs
- Employers may reduce premiums by pairing their Medicare supplement plans for medical coverage with a PDP Rx plan
 - Tufts is offering a coordinated plan; other payers offer pieces separately
 - Member has two cards; may be some formulary differences
- Cost savings to continue as donut hole continues to close

SHOP Health Exchanges

- New Regs on 8/17/11 that allow Exchanges new options and incentives for small businesses to obtain coverage
 - Provides tax credits for obtaining coverage through Exchanges
 - Increases size of businesses to 100 employees by 2016
 - Plans may not consider health status, gender or claims experience in setting premiums
 - Offers plans with minimum benefit package
- Creates a nation-wide healthcare pool, regulated by Department of Health and Human Services

Health Exchanges

- States move forward with creating health exchanges.
 - 17 states have enacted legislation governing health exchanges
- Very politicized process
 - A few states (such as Kansas) have rejected federal funding for developing exchanges.
 - In some states there is fighting between executive and legislative branches (Minnesota) on governor's authority to use federal funds to develop health exchange.
- Mass received \$35 million innovator grant to develop infrastructure to bring exchange into compliance with the ACA. Also has a health exchange planning grant.

Legal Challenges to ACA

- Supreme Court will hear legal challenges on three key issues
 - Individual mandate requiring people to have health insurance coverage or receive an exemption
 - Expansion of Medicaid benefits to individuals whose income is 133% of Federal Poverty Level
 - Severability: if one or more provision of the ACA is found unconstitutional, do the remaining provisions remain in effect

Provider Restructuring

- Lots of activity “under the radar”
- 5 Massachusetts health care systems (Atrius, Beth Israel PHO, Mt Auburn Cambridge IPA, Partners, and Stewart Health Care) named CMS pioneer ACOs
 - Moving towards global payments
 - Requires creating integrated care delivery system
- State-wide efforts to obtain CMS funds to improve patient transitions from hospitals to community providers so readmissions are reduced
- Provider consolidations and realignment
 - Physician group leaves BI to join Stewart
 - Milton Hospital joins BI Deaconess
 - New England Sinai for sale

Massachusetts Payment Reform

- Strong belief in health care policy circles that health care providers should be paid based on quality and promote integrated health care delivery
- AG study found that higher prices (reimbursement rates negotiated with payers) were not explained by:
 - differences in quality
 - teaching status or complexity of services
 - proportion of government patients
 - Underlying cost pressures (rather higher payments resulted in fewer cost constraints)
- AG found that higher prices are explained by market leverage

Payment Commission

- Multi-stakeholder Payment Commission began meeting in July 2011 with goal of developing set of strategies to reduce provider price variation
- November 2011 report to legislature recommended:
 - Promote payment reform
 - Increase transparency regarding price variation
 - Ensure competitive market behavior
 - Consider use of products that incentivize consumers to make cost effective decisions
 - Study what are acceptable/unacceptable determinants of variation and apply findings to reduce variation
 - Take short terms steps to more closely tie payments to quality

Status of Legislation

- Governor Patrick introduced bill promoting global payments a year ago
- Senate and House members report having each drafted their own bills regarding payment reform
- Policy wonks believe that bill(s) may finally be introduced sometime this month and will address both global payment and reduction of payment variation

Implications for Municipalities

- **National Health Care Reform**
 - Most directly impacted by new requirements regarding use of new summary of benefit forms
 - Opportunity to benefit from shrinking donut hole
- **Stay informed on provider restructuring as that will ultimately have the biggest impact on health care costs**
 - Watch for provider consolidation to create successful ACO structure (Fallon joining Atrius; physicians joining Stewart, Milton joining BI Deaconess);
 - Increased push by payers to move to global payments: Partners negotiating AQC with BCBSMA
- **Watch for legislation on payment reform**
 - May provide an opportunity for comment during legislative process

Discussion