

A blurred background image of a stage. On the left, there is a microphone stand with a microphone. In the center, a spotlight is shining on the floor. The overall scene is dimly lit, with the spotlight providing the main source of light. The text is overlaid on this background.

Spotlight on the Federal Health Care Reform Law

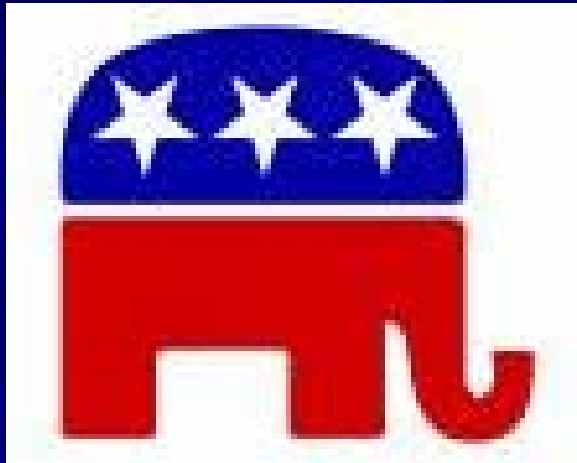
April 27, 2010



On March 23, the Patient Protection and Affordable Care Act was signed into law. The Health Care and Education Affordability Reconciliation Act of 2010 was signed March 30, 2010.



Health Care is Very Political



Three Major Parts of Reform Law

- Health Insurance Coverage Expansions
 - 32 million more insured
 - Expands public programs
 - New requirements on employers and individuals
- Insurance Reforms
 - New requirements on insurance companies
- Health Care Delivery Reforms
 - New ways to pay hospitals and physicians
 - Establishes pilot programs



What the Law Does Not Change

- Today, most people obtain private health insurance through their employers
- This will continue in the future



Coverage Expansions



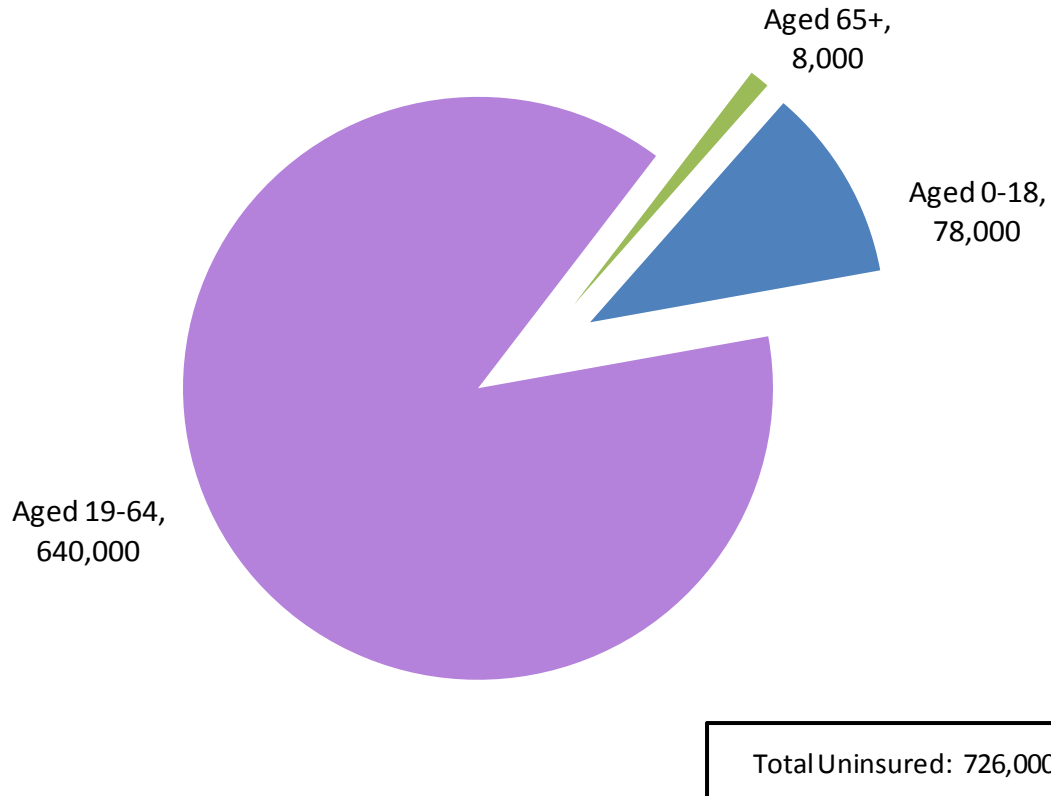
Current System Problems: Coverage

- More than **700,000** people are uninsured in Washington State
- Insurance is expensive for individuals and small businesses
- Medicaid, the program for the poor, does not cover all low income uninsured
- Hospitals are seeing many more underinsured and uninsured people



Uninsured by Age Group in 2008

Washington State

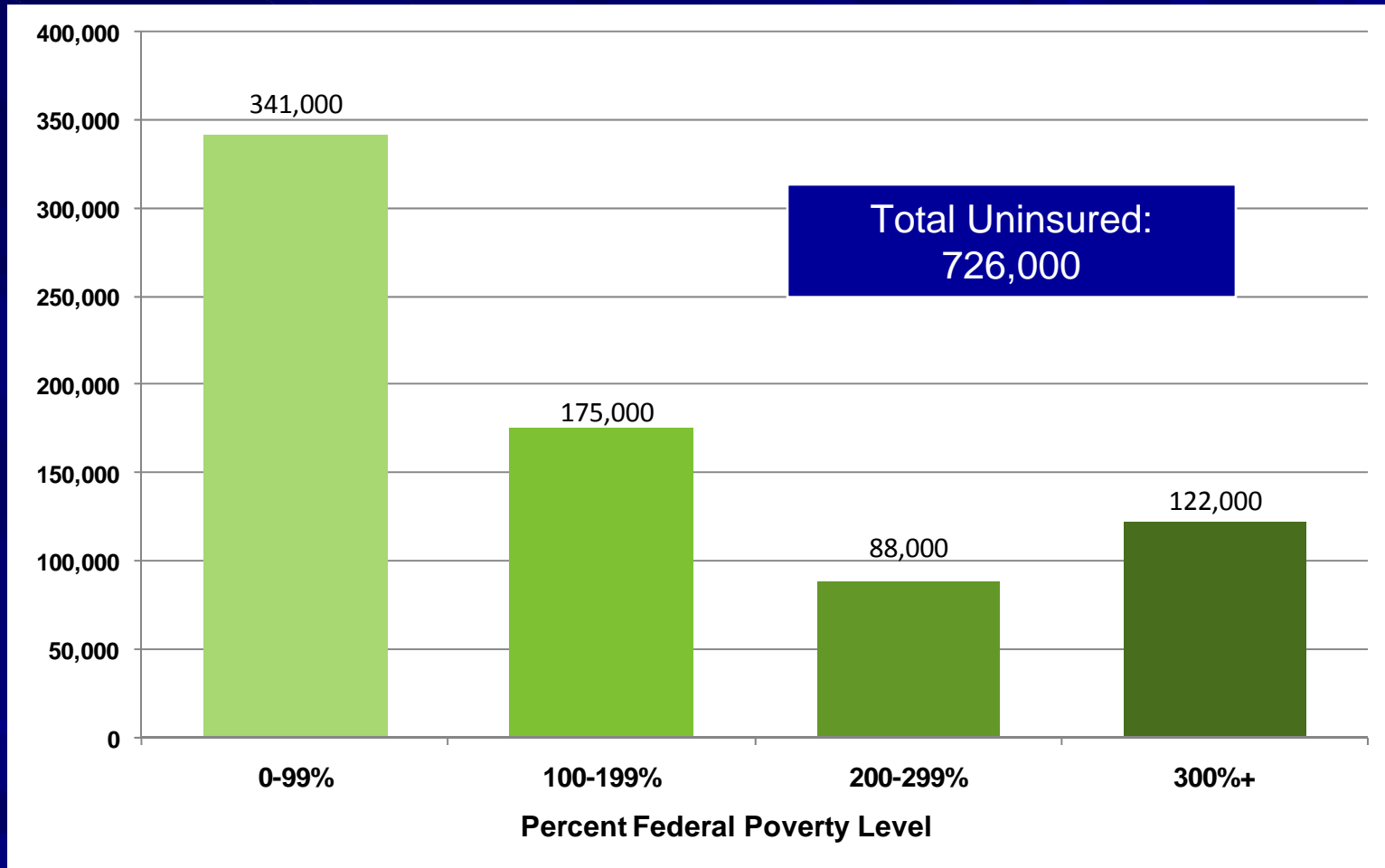


Data Source: Washington State Office of Financial Management



Uninsured by Income in 2008

Washington State



Data Source: Washington State Office of Financial Management



Medicaid Expansion

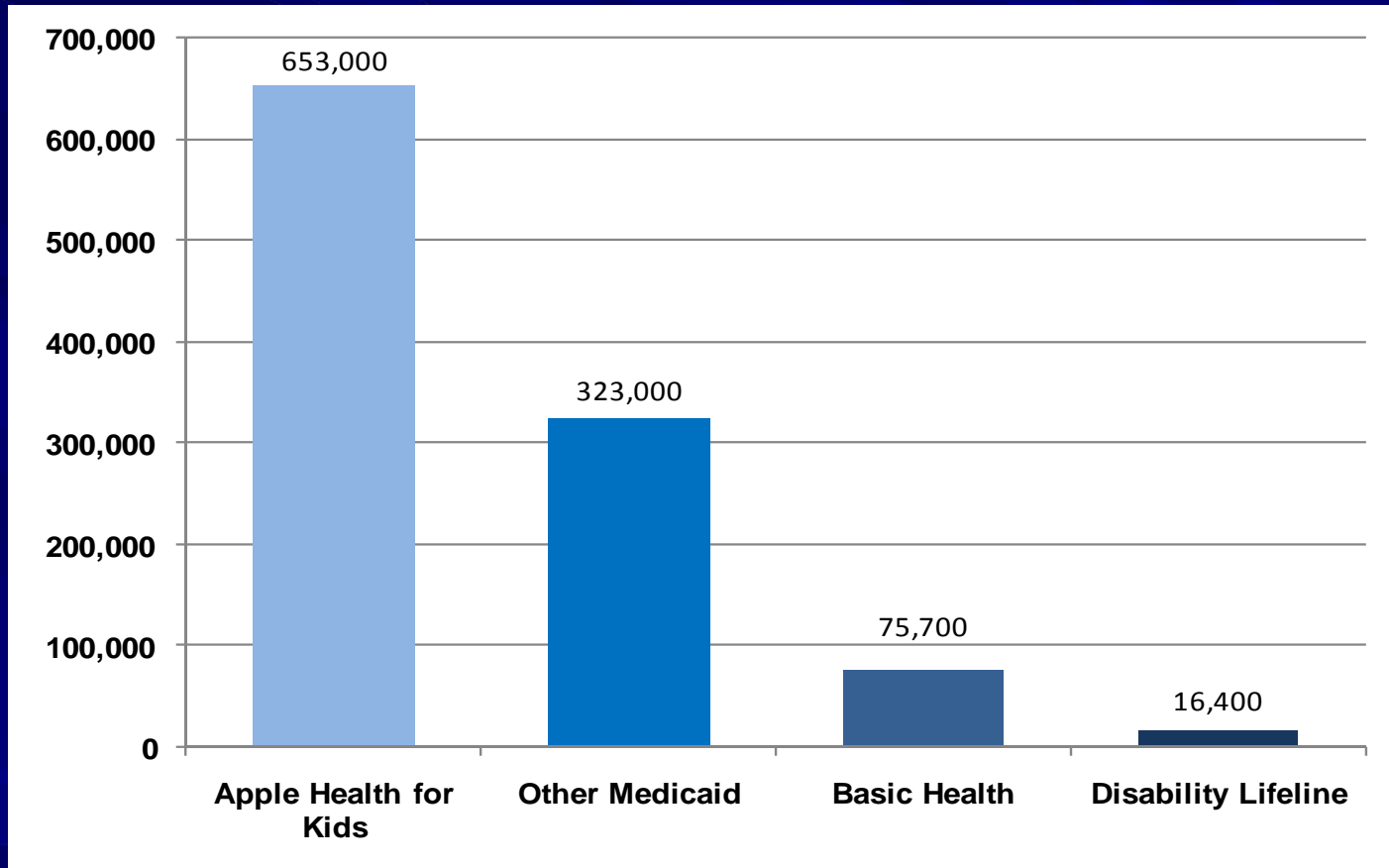
- Expands Medicaid coverage to many more low income residents
 - Expands who qualifies for Medicaid up to 133 percent of the poverty level (except illegal residents)
 - Estimates are an additional **500,000** low income people may now qualify in Washington State
 - Significant federal dollars will help fund this expansion



2014

State Subsidized Coverage in 2008

Washington State



Data Source: Washington State Health Care Authority,
Washington State Department of Social and Health Services, and
Health Resources and Services Administration



Individual Mandate

- Intended to encourage all to purchase insurance, even when healthy
- Requires all American citizens not covered by an employer or governmental plan to purchase health insurance or pay a penalty
- Provides credits to help low income, uninsured people and families purchase insurance



2014

Employer Requirement

- Assesses penalties for not providing health insurance
- Applies to large employers (more than 50 employees)
- Fines could be as high as \$2,000 per employee, multiplied by all employees



2014

Small Employer Tax Credit

- Provides tax credits for small employers providing health insurance to employees
- “Small” is defined as fewer than 25 employees

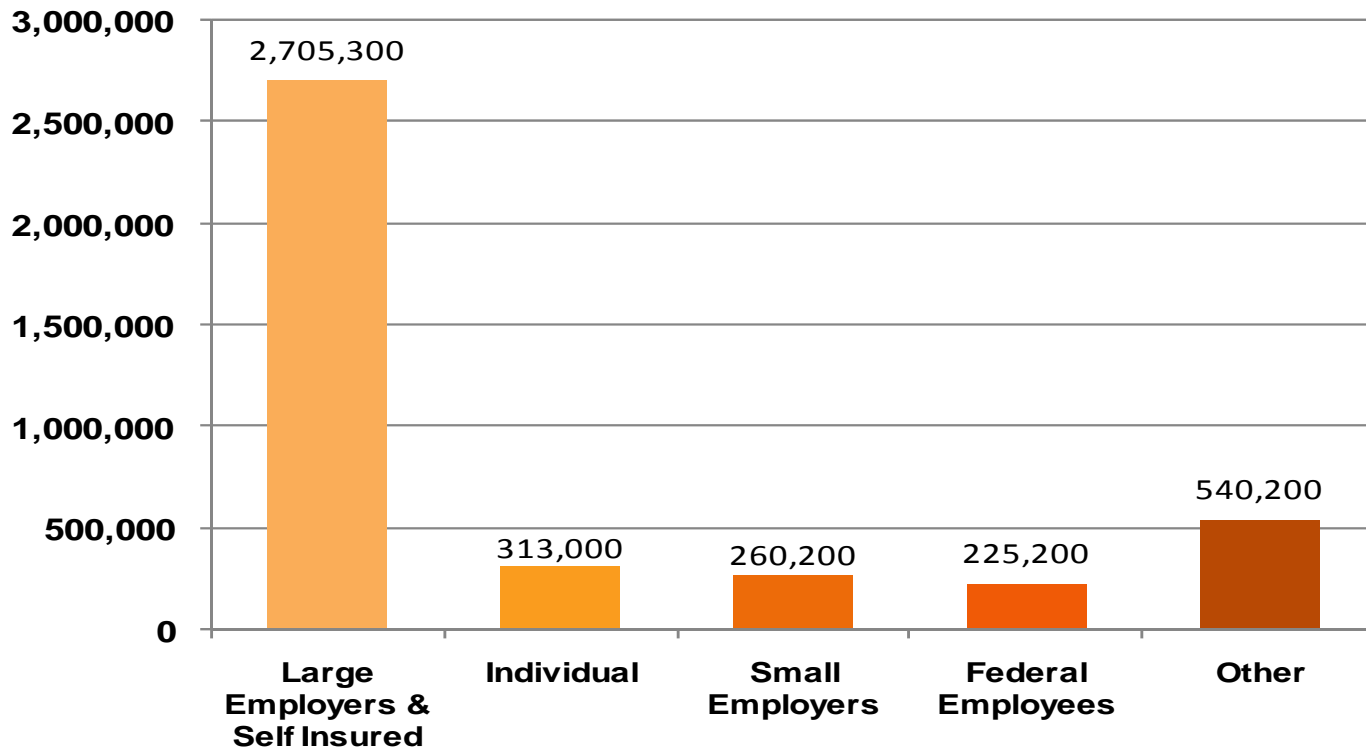


2014

Insurance Reforms



Private Insurance Coverage: Washington State in 2008



Data Source: Washington State Office of the Insurance Commissioner



Current Insurance Problems

- Insurance status is usually tied to employment
- Insurers deny people coverage when they are sick
- Insurance will not work if people only sign up when they are sick



Health Insurance Exchanges

- Requires states to create exchanges to make it easier to shop and compare policies
 - Will serve individuals and businesses with fewer than 100 workers
 - May include a multi-state insurance plan
 - Will offer coverage to larger businesses beginning in 2017



2014

Insurance Reforms

- Changes in 2010

- No cancellation of coverage when an insured person becomes sick
- No denial of coverage for **children** with pre-existing conditions (?)
- Young adults may remain on parents' policies up to age 26
- No **lifetime** limits on coverage

- Changes in 2014

- No denial of coverage for **any person** with pre-existing conditions



2010/2014

Examples of These Changes

- Individual working at Boeing with insurance = no change
- Minimum wage, full-time employee with no health insurance = premium subsidies
- A contractor with no health insurance making \$65,000 per year = enroll in a health plan or pay a fine



Health Care Delivery Reforms



Problems in our Current System: Quality and Value

- Quality of care varies significantly
- Focuses on paying for health services, not outcomes
- Does not promote collaboration among hospitals, physicians, nursing homes and other providers
- Regional variation in the amount of health services used



Medicare and Medicaid Cuts

- Payments to Washington hospitals will be reduced by ***\$1.9 billion***
- Additional cuts to supplemental payments to hospitals serving low-income people
- Cuts start in 2010 and phase in until 2019

*Expansion of insurance coverage
will help offset these cuts*



Increasing Primary Care

- Provides Medicare bonus payments to primary care physicians and general surgeons practicing in shortage areas
- Increases Medicaid payments to primary care physicians in 2013 and 2014
- Increases graduate medical education slots for primary care by redistributing unused slots



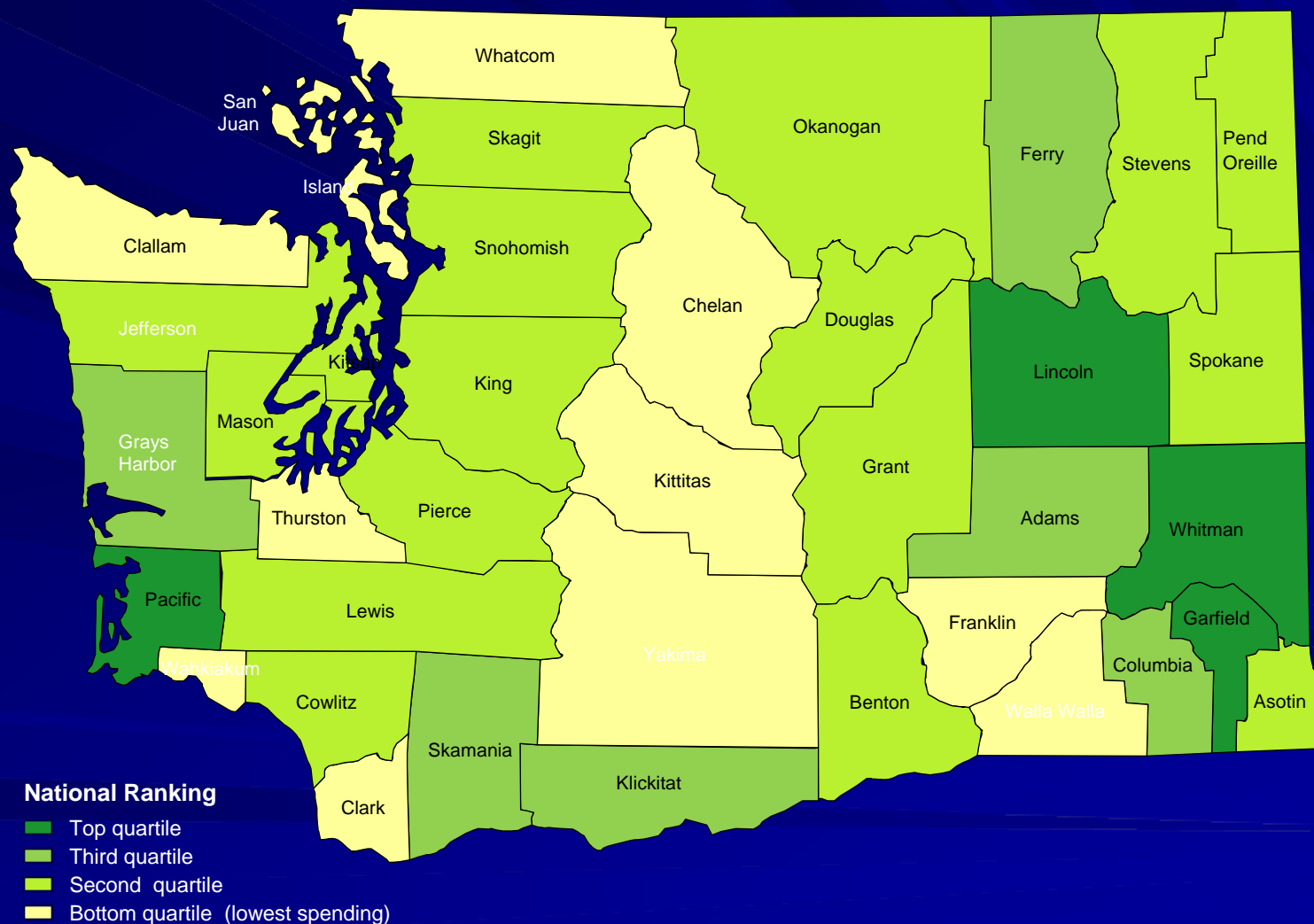
Geographic Variation

- Hot debate topic for the health care community
- Sets aside **\$800 million** for hospital and physician payments to counties in the lowest quartile of Medicare spending
- Institute of Medicine will conduct two studies and recommend changes
- Some counties in our state should qualify



2011/2012

Geographic Variation: Medicare Spending by County per Enrollee



Medicare Readmissions Policy

- May lower payments for hospitals with higher rates of patients readmitted within 30 days
- Based on readmissions for heart failure, heart attack, and pneumonia in the first two years



2013

Value Based Purchasing

- Medicare currently requires hospitals to report a variety of quality measures
- Changes policy to pay for results on those measures
- Highest performing hospitals will be paid more and lowest performers paid less



2013

Hospital Acquired Conditions

- Expands to Medicaid the Medicare policy of non-payment for conditions contracted in the hospital
- Increases Medicare's penalty for hospitals with more acquired conditions



2015

Pilot Programs

- **Accountable Care Organizations (2012)**
 - Establishes national pilot program allowing groups of providers to be recognized as Accountable Care Organizations
 - These organizations would be paid overall set rates per enrollee for health services
 - Hospitals can lead in the formation and share in the cost savings with Medicare
- **Medicare Payment Bundling (2013)**
 - One payment for all providers from pre-admission to post discharge



Next Steps for Implementation

- The new law contains broad concepts and requirements, but the details will come with regulations.
- State laws and regulations will need to be changed as well.
- There will be changes proposed to the law.
- ***In short, there is still a lot of work to be done!***



Remaining Questions

- Will the penalties work or will persons wait until they are sick to purchase coverage?
- Will health care quality and delivery improve?
- Will our current system be able to treat all the newly insured?
- What about cost control? Will we be able to afford the new law in the future?



QUESTIONS and COMMENTS

