National and State Health Reform Updates

January 21, 2012
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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

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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
Paragraph 1

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”.

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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

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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

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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.

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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

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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
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
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

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