

# **Federal Health Reform: What Does It Mean for You, Your Family & California?**

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# Understanding Health Reform

- **The Problems:** California's Crisis
- **The Policy:** How will federal health reform impact the health coverage of California families?
- **The Pressure Points:** What are the next steps? What else do we need to do to implement and improve health reform?

# Why Health Reform?

- **Californians are concerned that their health coverage will not be there when they need it.**
  - Californians are more likely to be uninsured than most Americans – over 8 million Californians are uninsured this year, and thus live sicker, die younger, and are one emergency away from financial ruin.
  - Californians are less likely to get coverage from an employer, and such coverage is eroding.
  - Californians are more likely, as a result, to have to buy coverage as individuals, and thus more Californians have a lack of affordable coverage options, and more can not get coverage at any price, due to pre-existing conditions.
  - California has a high cost-of-living, and a greater percentage of lower-wage workers, meaning more Californians need help to afford coverage
  - Californians rely on public health insurance programs and the health care safety net, but budget cuts are taking their toll.
  - Californians need protection from inadequate coverage and discriminatory practices by insurers and employers.

# What Did We Win?

President Obama's goals for health reform, including:

- **Reducing long-term growth of health care costs** for businesses and government
- **Protecting families from bankruptcy or debt** because of health care costs
- **Guaranteeing choice** of doctors and health plans
- **Investing in prevention and wellness**
- **Improving patient safety and quality of care**
- **Assuring affordable, quality health coverage for all** Americans
- **Maintaining coverage** when you change or lose your job
- **Ending barriers to coverage** for people with pre-existing medical conditions

# The Biggest Reforms of Our Era

**1) Provides new consumer protections** to prevent the worst abuses of the insurance industry.

- Biggest reform of insurance practices ever: no denials for pre-existing conditions; no rescissions; no lifetime or annual caps on coverage; no “junk” insurance; a “patient’s bill of rights on steroids”

**2) Ensures security** for those with coverage, and **new and affordable options** for those without coverage.

- Biggest expansion of coverage in 45 years; Would bring US from 85% to 95% coverage.
- Expansion of Medicaid and a new exchange, with affordability tax credits so premiums are tied to income, not how sick we are.

**3) Begins to control health care costs**, for our families and our government.

- Multiple efforts to ensure quality & reduce cost
- Biggest deficit reduction measure in a generation.
- Big investments in prevention, with unbooked savings

# **“A Patient’s Bill of Rights... On Steroids”**

## **Consumer Protections in Health Reform**

1. No Discrimination for Pre-Existing Conditions
2. No Exorbitant Out-of-Pocket Expenses, Deductibles or Co-Pays *(yearly caps on for out-of-pocket costs)*
3. No Cost-Sharing for Preventive Care
4. No Dropping of Coverage for Seriously Ill
5. No Gender Discrimination
6. No Annual or Lifetime Caps on Coverage
7. Extended Coverage for Young Adults *(family coverage thru 26)*
8. Guaranteed Insurance Renewal

# Ensuring Affordable Coverage & Essential Benefits

In each of the ways people get coverage today, through

- 1) an employer
- 2) a public program, or
- 3) buying it as an individual

coverage will include:

## ■ **Affordability**

- Premiums not to exceed above a percentage of income—sliding scale up to 9.5% of income.
- No lifetime limits, no annual limits
- Cap on out-of-pocket costs (co-pays, deductibles) of \$5,950 individual/\$11,900 family (2010 dollars)
- No co-pays for preventive services like mammograms and prostate cancer screening.

## ■ **Basic Benefits**

- Covers doctors, hospitals, prescription drugs, mental health parity.
- Comparable to most large employers now. (Knox/Keene+Rx)

## ■ **Consumer Protections**

- Example: Medical Loss Ratio: 85 cents of premiums must be spent on care

## ■ **Purchasing Power of Group Coverage**

# Securing On-the-Job Coverage Subsidies and Standards

- Around half of all Californians (18 million) already have coverage through their employer, and **reform will make on-the-job coverage more secure and reliable**
- **Many small employers of low-wage workers will receive significant subsidies** (tax credits up to 35% of premiums) to help pay for coverage.
- Larger employers (over 50 FTEs) will either cover their workers, or may have to contribute to their care—setting a standard much like the minimum wage does for pay:
  - Provide Health Benefits for Full-Time, Non-Seasonal workers OR
  - Pay a penalty for Full-Time, Non-Seasonal worker in exchange (\$2,000/\$3,000 depending on coverage offer)
  - Full-Time and Non-Seasonal Defined:
    - Full-Time=Average 30 hours per week in month
    - Non-Seasonal=120 days for one employer in a year

# Securing On-the-Job Coverage: A New Floor

- Employers that offer coverage must:
  - Cover 60% of the cost of covered benefits
  - Require an employee contribution of less than 9.5% of taxable income for household
  - Have benefits that satisfy individual mandate
- If an employer covers less than 60% of cost or requires employee to pay more than 9.5% of income, then the employee is eligible for the exchange and the employer faces penalty
- Waiting periods of more than 90 days are banned
- Small employers have other requirements and self-insured plans largely exempt
- Existing employer plans grandfathered in

# Improving Public Programs: Medicare

- Nearly a third of Californians (10 million+) get coverage thru Medicare, Medicaid, SCHIP, etc.
- For seniors, **Medicare** will remain intact and be strengthened so it is more stable
  - **No reductions in Medicare benefit package, some improvements:**
  - Closes “donut hole” gap in prescription drug coverage
    - Right now, coverage runs out at around \$2,250/year; doesn’t kick back in until over \$5,000.
    - In 2010, impacted seniors will get \$250 rebate
    - Annual improvements until drug coverage becomes complete
  - No cost-sharing for preventative screenings & care
  - Roots out waste, fraud, and abuse, especially overpayments to insurance companies in Medicare Advantage.
  - Extends solvency of Medicare for nearly a decade

# Improving Public Programs: Medicaid

- **Medicaid** (Medi-Cal in CA) will be expanded to cover lowest-income families, including adults without dependent children
  - Expands Medicaid for all under 133% of the federal poverty level (excluding undocumented immigrants)
  - Before reform, adults without kids at home excluded
  - Up to two million additional Californians on Medi-Cal
  - For newly-eligible population, federal government will pay 100% of costs for 2014-2016; By 2020, will stick pick up 90% of cost
  - Reduces paperwork and eligibility barriers
    - Example: Removes complicated “asset test” that is barrier to enrollment, and that prevents poor families from saving

# Providing New, Affordable Choices

- For those who still must buy coverage as individuals (2 million Californians currently—many more in the future), health reform will create an **Health Insurance Exchange** that will offer a number of affordable coverage options.
  - **Affordability credits** will be provided for coverage purchased on the Exchange for families earning up to 400% FPL (~\$73K for family of 3).
  - Unlike current individual market, **no denials or different premiums for pre-existing conditions.**
  - The Exchange can use its **bargaining power to provide the “group rate”** for individuals and small businesses, to get the best possible price.
  - The Exchange will make it **easier to understand** and get a quality, affordable health plan, offering a range of easy-to-compare insurance products, with basic benefits.

# Help for Individual Purchasers

- Under health reform, in and out of the exchange:
  - Guaranteed Issue:
    - No refusal to cover individuals because of pre-existing conditions
  - Modified Community Rating
    - Age: 3:1 rate band between young and old
    - Family size
    - Tobacco use: 1.5:1
    - Geographic Region
- Minimum essential benefits:
  - Doctors, hospitals, prescription drugs, mental health and substance abuse parity
- Minimum actuarial value: 60%
- Maximum out of pocket costs: \$5,950 individual/\$11,900 family
- No lifetime limits, no annual limits

# Cost Containment

- **Prevention:** Change delivery system to promote care; no cost-sharing for preventative care to encourage use; and research comparative effectiveness of treatments.
- **Bulk Purchasing** through group coverage, and a new exchange, to bargain for better rates.
- **Abolishing Underwriting** and its expense and incentives, getting insurers to compete on cost & quality rather than risk selection.
- **Information Technology** to foster electronic records, reduce bureaucracy, get better data on cost & quality
- **Better Research from Transparency Efforts** on prices and health outcomes; and on **comparative effectiveness** of key treatments.
- **Patient Safety** measures to reduce hospital-acquired infections, reduce hospital re-admissions, etc.
- **Payment Reforms** to reward quality & better health outcomes, including better care coordination and disease management;
- **Coverage for all** both directly (prevention, reduces cost-shift) reduces costs and helps provides policy tools for further efforts.

# A Focus on Prevention

## ■ A Prevention Agenda

- First dollar coverage for preventive services, narrowly defined (mammograms, immunizations, etc)
- Menu Labeling
- Building Healthy Communities: Food Deserts, Walkable Communities
- Healthy Aging
- Tobacco cessation programs

# Financing Health Reform

- Health reform will cost money upfront, but is an **investment to get savings in the long run.**
- Cost is half **Medicaid expansion** and half **affordability subsidies** for low- and moderate-income families.
- Congressional Budget Office estimates that reform will cost \$950 billion over 10 years. CBO says **it will be paid for**, and actually **reduce the deficit** by \$150 billion in the first ten years, and by a trillion in the 2<sup>nd</sup> ten years.
- Over half of the financing is **savings in the existing health system** (e.g., reducing the overpayments to insurers in Medicare Advantage program).
- Based on “**shared responsibility**” mandates, sliding-scale contributions for individuals, and an employer requirement.
- **Additional financing** for health reform include: upper-income Medicare tax; an excise tax on high-cost insurance products; and other revenue sources (e.g., a 10% tanning salon tax).

# **HEALTH REFORM: What It Means for Californians**

# Health Reform and You

- **IF YOU ARE INSURED**, nothing requires you to change it; but it will make your coverage more secure and stable:
  - It makes it more likely your employer continues to offer coverage, set minimum standards for such coverage.
  - It improves Medicare and expands Medicaid.
  - It fixes the “individual market” of coverage in multiple ways.
  - It ensures that even if your life situation changes (job change, divorce, graduation), you have access to affordable coverage.
  - It provides the foundation to bring down the overall costs of health care

# Health Reform and You

- **IF YOU ARE UNINSURED**, you will need to get coverage, but there will be new help and new options to ensure coverage is:
  - **AVAILABLE:** No denials or different rates for pre-existing conditions.
  - **AFFORDABLE:** Subsidies/affordability credits for low & mid income families, so we don't have to pay more than a certain percent of their income on care, plus other efforts to bring down the cost of coverage.
  - **ADEQUATE:** Minimum benefit standards and a cap on out-of-pocket costs, so no one goes into significant debt or bankruptcy.
  - **ADMINISTRATIVELY SIMPLE:** The Exchange provides choice and convenience, making it easy to sign up for and compare plans.
  - Note that the individual mandate includes **exemptions** for affordability and hardship.

# **HEALTH REFORM: Next Steps**

# What We Won in Health Reform

1. **Near-universal coverage for all**, with expansions of group coverage, both public and private.
2. **New consumer protections**: New rules and oversight on insurers that include the abolition of underwriting and limits on age-based rates and on premiums dollars going to administration and profit.
3. **The biggest expansion of Medicaid** since its creation 40 years ago.
4. **Sliding scale subsidies tied to income**: Consumers will pay for coverage not based on how sick they are, but what they can afford.
5. **The end of most junk insurance** and bankruptcies due to medical bills, with a cap on out-of-pocket costs.
6. **Fair share financing**, including an employer assessment as important in concept as the minimum wage.
7. **Assistance for small business** and their workers to be able to afford coverage.
8. **Improvements for existing public programs**, such as filling donut hole in Medicare & simplifying Medicaid.
9. **The tools for cost containment and quality improvement** in health care generally, from prevention to IT to bulk purchasing.
10. **Momentum to do more** in the future, politically and policy-wise, in health care and beyond

# Immediate Improvements in 2010

- Small business tax credits of up to 35%
- Rebates to begin to close the Medicare Part D Doughnut Hole
- No discrimination against children with pre-existing conditions
- End Rescissions
- Bans lifetime limits on coverage,
- Restricts annual limits on coverage
- First dollar coverage of preventive care

# Immediate Improvements

## (cont.)

- Expands High Risk Pool
- Covers Young Adults through Age 26 on parents' coverage
- Reduce cost of early retiree coverage
- Increased funding for Community Clinics
- California already provides:
  - Independent appeals process
  - Fair grievance process
  - Health consumer information

# Fulfilling the Promise

- The work explodes:
  - To implement and to improve
  - Policy and political; defense and offense
  - State and federal
  - Legislative and regulatory
- Many decisions will be made at the state level with respect to implementing federal health reform provisions. California will determine the outcome of 1/7<sup>th</sup> of national health reform.
- This creates a responsibility for Californians, but also an opportunity to lead, to improve health reform...
- **What do we need to fight for?**
- A legislative agenda that implements; goes early; goes beyond

# Fulfilling the Promise: Transforming Medi-Cal

California's "Medicaid waiver" is being negotiated this year, to determine the next five years of the program, which covers 7 million Californians.

While there is concern this may be used as a vehicle to cut, some shared goals include:

- Be ready for health reform: through early enrollment and other efforts, have over one million in Medi-Cal on Day 1: January 1, 2014
- Help bring in additional federal funds to California
- Incorporate other delivery system reforms, around coordinated care
- Ensure key consumer protections for Medicaid patients

# Fulfilling the Promise: Ensuring Access

## ■ No Denials for Pre-Existing Conditions

- Prohibiting children with pre-existing conditions to be denied coverage, and limiting/phasing out additional charges: AB 2244 (Feuer)
- Regulating rescissions and medical underwriting: AB 2470 (De La Torre)
- Securing funding for MRMIP, California's "high-risk" pool for those denied for pre-existing conditions: SB 227 (Alquist)

## ■ Extending Coverage

- Allowing young adults to stay on the parents' coverage: SB 1088 (Price)
- Keeping kids on Medi-Cal coverage with no mid-year status

# Fulfilling the Promise:

## Creating a Transparent, Consumer-Friendly Marketplace

- **Creating an Exchange** that is transparent, consumer-friendly, easy-to-use, fairly governed, and that negotiates to provide the best value to consumers: AB 1602 (Bass) & SB 900 (Alquist)
- **Reforming the individual insurance market** to offer specific plans with basic benefits so consumers can do “apples-to-apples” comparisons: AB890 (Alquist)
- **Setting basic insurance market standards**, labeling health insurance policies in categories, and set a minimum standard that requires coverage of doctor and hospital care and an overall limit on out-of-pocket costs, thus eliminating deceptive “junk” insurance: AB 786 (Jones)
- **Ensuring maternity care:** AB 1825 (De La Torre)
- **Requiring mental health parity:** AB 1600 (Beall)

# **Fulfilling the Promise: Keeping Insurers Accountable**

- **Requiring review & approval for rate hikes:** AB 2578 (Jones)
- **Disclosing insurance rate and denial decisions:** SB 1163 (Leno)
- **Ensuring premium dollars go to patient care,** rather than administration and profit, setting a “medical loss ratio.”: SB 316 (Alquist)
- **Prohibiting mid-year rate hikes:** AB 2042 (Feuer)
- **Extend the grace period for paying premiums:** AB 2110 (De La Torre)
- **Facilitating a public health insurance option,** by authorizing county-organized health plans and other health benefits programs to form joint ventures: SB 56

# So Much More To Do: What Can You Do?

- 1. Call/write/fax/visit your member of Congress** and either thank them or express your disappointment for their vote on health reform.
- 2. Support state & federal legislative efforts to implement and improve health reform**
- 3. Use your voice:**
  - Share your health care story, with us!
  - Write Letters to the Editor of your local paper
- 4. Join a campaign for health care:**
  - Sign up at [www.health-access.org](http://www.health-access.org) for E-mail updates
  - Check out our daily blog, at [blog.health-access.org](http://blog.health-access.org)
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