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

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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

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

• 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

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

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

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

– 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

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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

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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

• 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

• 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

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

• 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
• 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:
    - 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)
  - 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
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


• 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

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