HEALTH CARE REFORM:
An Overview of the The Patient Protection and Affordable Care Act (PPACA)

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Today’s Topics

• The Patient Protection and Affordable Care Act (PPACA)
• Why did we spend so much time on reforming health care in US
• Near term policies (fall 2010)
• Longer term policies (2014 and beyond)
• Discussion
Where did everyone go?

What have we created?
The Patient Protection and Affordable Care Act (PPACA)

- Signed into law March 2010
- Emphasis on:
  Individual insurance market
  Small business insurance market

- Few implications for large employer-based insurance
  Already self-insured

Market-based reform

- Right of center approach to reform:
  Similar to proposals by Richard Nixon, Robert Dole and Mitt Romney
  Left of center approach-single payer

- Uses primarily private insurance companies:
  Some Gov't program expansion
Coverage in new plan

- Net 32 million more insured
- Decline of 3 million from employers
- Decline of 5 million from non-group

New insureds

16 million

24 million

- Private insurance
- Public insurance

Source: CBO report to Congress, March 2010

Cost of reform
Cost of reform

• Total cost: $940 billion first ten years

• Impact on deficit:
  $124 Billion in reductions in the deficit first ten years
  $1.2 Trillion second ten years

Source: Congressional Budget Office, March 2010

Cost of reform

• Impact on Medicare/SS solvency:
  Extend Medicare trust fund solvency 12 years (2017 to 2029)
  - higher payroll taxes (0.9%) on those making over $200,000
  - lower hospital payment rates
  SS improved by taxing highest benefit plans in 2018

Source: Medicare and Social Security Trustee Report, August 2010
Payment for reform

- Medicare payroll tax on investments (2012):
  3.8% on investment income for families > $250,000
- Excise tax on investments (2019):
  40% on “Cadillac” plans
- Tanning tax (2010):
  10% on indoor services

Source: Congressional Budget Office, March 2010

Why Reform Health Care in US

- Cost
- Access to Care – right vs. privilege
- Quality
Health care reform 2010 Style

The Patient Protection and Affordable Care Act (PPACA)

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Health Care Reform Process 1993-94

- Top down approach (White House developing proposal)
  - Expert panels working in secret
  - Tried to avoid special interest influence
- Many competing proposals working way through Congress
  - No buy-in from Congress and public
- Change more due to expected legislation than the legislation itself

Health Care Reform Process 2009

Bottom up approach
- 3 House Committees produced one bill HF 3200
  - Now working on differences
- 2 Senate Committees with separate bills
  - Health, Education, Labor and Pensions (HELP) (Sen. Harkin now chair)
  - Budget Committee-Senator Grassley ranking minority member
One perspective

Near term policies

Fall 2010
Near term policies (fall 2010)

• Coverage of children up at age 26 on parent’s policies
• Development of state/federal high risk pools
• Elimination of pre-existing conditions for children
• Requires insurance companies to pay out at least 80% of premiums for services

Near term policies (fall 2010)

• Insurance companies banned from rescinding coverage because of illness and imposing yearly and lifetime caps on coverage.
• Small-business tax credits: Small businesses (fewer than 25 employees and average wages under $50,000) that offer health care benefits eligible for tax credits of up to 35% of premiums for 2 years
Near term policies (fall 2010)

• Preventive care: All new group and individual health plans will be required to provide free preventive care for proven preventive services.

Near term policies (fall 2010)

• Establish process for reviewing health plan premium increases and justify increases.

• Require states to report on trends in premium increases and recommend if plans should be excluded from Exchange based on unjustified premium increases.
Near term policies (2011)

- Establish Center for Medicare and Medicaid Innovation
  - Could develop new payment and delivery options including new pay for performance programs
  - Could incorporate private payers in demonstrations

Policies Already in Place

25 reforms enacted in 2010
18 of 21 enacted in 2011
Policies in place (2010)

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Financing and taxes (2010)

- 10% tax on Indoor Tanning Services
- Non-profit hospitals must conduct community needs assessment and develop a financial assistance policy or face $50,000 tax for failure to meet this

Policies in place (2011)

- Discounts to fill doughnut hole
  - 50% discount on brand name drugs
- Minimum Medical Loss Ratios
  - requires reporting proportion of dollars spent on clinical services/quality
  - must be at least 85% large group
  - 80% individual and small group
  - debate about agent fees
Policies for this year (2011)

- Establish Center for Medicare and Medicaid Innovation
  - Could develop new payment and delivery options including new pay for performance programs
- Medicare prevention benefits

Financing and taxes (2011)

- Reduced deductions for OTC drugs for Flex or Health Saving Accounts
- Reduced deductions for non-medical distributions from Flex or Health Saving Accounts
“States’ Right?”

Longer term policies

2014-19
Longer term policies (2014)

• Individual mandate begins.
• Large employer mandate begins (over 50 employees only)
• Medicaid expansion begins.
• Health insurance Exchanges begin to operate.
  Individual
  Small businesses

Exchanges generally

• Health insurance marketplace (bazaar)
• Offer regulated products that meet standards
• Require two multi-state plans in each Exchange (federal employee plans)
• At least one plan must be offered by a non-profit entity
Coverage for children

- Medicaid: up to 133% of FPL
  No change for Iowa
- CHIP: up to state approved level
  300% FPL in Iowa-no change
- Exchange: 300% of FPL and up

Coverage for Adults

- Medicaid: up to 133% of FPL
  Gets rid of categorical eligibility
  Eliminates IowaCare program (probably)
- Exchange: 133% of FPL and up
Income eligibility for subsidy (%FPL)

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- Exchange
- CHIP
- Medicaid

Health Insurance Exchange

- American Health Benefit Exchanges

**Individuals**

100-200% FPL: $1,983/individual and $3,967/family;
200-300% FPL: $2,975/individual and $5,950/family;
300-400% FPL: $3,987/individual and $7,973/family
Health Insurance Exchange

- Small Business Health Options Program (SHOP) Exchanges
  Up to 100 employees

Current Views of Law

- 42 percent have a favorable view and 40 percent have an unfavorable view
  - fewer (25%) now say that they expect their own families to be better off due to the law than in past tracking polls.
- Overall, a broad partisan divide remains about the health reform law. More than two-thirds (68%) of self-identified Democrats hold a favorable view of the law, while 71 percent of self-identified Republicans hold an unfavorable view of it.

Source: Kaiser November 2010 Health Tracking Poll
Current View of the Law

- Strong support to repeal the individual mandate, with two-thirds (68%) of the general public supporting it.
- Among those that view the law unfavorably, nearly half (45%) say their views are based on the specifics of the law, while a third (33%) say they are motivated more by what the law symbolizes for them about the general direction of Washington.

Source: Kaiser November 2010 Health Tracking Poll

Election Results

What influenced their vote,

- Health care was fourth (17%).
  Economy/jobs; Party; Candidate
- The 17% were
  - More likely to vote Republican for Congress (59% vs. 44%)
  - Say they have a "very unfavorable" view of the law (56% vs. 33%).
  - Seniors did vote in disproportionately higher numbers, but same percentage concerned with health care as under age 65 voters.

Source: Kaiser November 2010 Health Tracking Poll
Opinions from here

Public split about what lawmakers should do
• 21 percent expand the law,
• 19 percent leave as is,
• a quarter (25%) repeal parts of the law,
• a quarter (24%) repeal the entire law.
• Voters split sharply along partisan lines,
• two-thirds of those who voted for Democratic candidates wanting the law expanded or left as is
• eight in ten of those who voted Republican supporting full or partial repeal.

Options for Future

Among those who support repeal
• a majority want to keep key provisions tested in the poll, except the individual mandate and the Medicare payroll tax increase.
• Solid majorities of supporters of repeal would like to keep tax credits for small businesses offering coverage (68%), the prohibition on insurance companies from denying coverage based on medical history or health condition (62%), the gradual closing of the Medicare prescription drug “doughnut hole” (60%), and financial subsidies to low and moderate income Americans to help purchase coverage (55%).
Post Election Efforts to Modify Law

Efforts to Repeal/Replace

- Challenge: do you take things away from people that they like?

Major approaches:

- House effort to repeal entire law
  Would be vetoed

Medium approaches:

1. Block funding for DHHS/IRS and stall implementation of bill
- Difficult to get support in Senate
- Much of the implementation at state-level

1. Repeal “unpopular” components
   - 1099 tax-reporting small businesses
     Bipartisan support
   - Repeal individual mandates
     Undercuts private sector role
Post Election Efforts to Modify Law

Efforts to Repeal/Replace

Medium approaches:
1. Eliminate comparative effectiveness research (rationing)
   - Hurt efforts to reduce costs and improve quality
1. Eliminate Independent Payment Advisory Board (IPAB) (hurt provider payments)
   - Hurts efforts to reduce costs

Minor approaches:
1. Hold hearing after hearing
   - Hurts administration ability to do their work on implementation
   - Could look like they are not trying to solve problems
Devil is in the details

- Implementation is critical
  State and Federal level
- Cost containment critical
  Care and premiums in the exchange

Discussion