The Affordable Care Act (ACA), Medicare, and the November Election
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Know the truth, or suffer the consequences!
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YOU HAVE AN INSURANCE DEFICIENCY.
Milestones in National Health Insurance Proposals, 1912–2010

- T. Roosevelt Progressive party platform (1912)
- Social Security Act (1935)
- Truman Health Message (1945)
- Eisenhower insurance market reform (1954)
- Medicare and Medicaid enacted (1965)
- Kennedy–Griffiths (1970)
- Nixon CHIP plan (1971)
- Carter, HIP (1979)
- Pepper Commission (1990)
- Bush vouchers, tax subsidies (1992)
- Clinton Health Security Act (1993)
- CHIP (1997)
- Affordable Care Law (2010)
WHY NOW?
Projected Premium Increases in Family Coverage 2009-2019

- 5 Yr. Av.
- 10 Yr. Av.
WHY NOW?
Health Insurance Coverage and Uninsured Trends

Millions uninsured

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions Uninsured</th>
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<tr>
<td>2000</td>
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<td>2018</td>
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<td>2020</td>
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Projected
Thirty Months Ago...

The Patient Protection and Affordable Care Act (ACA) narrowly passed both Houses and was signed into law.
- Debate was acrimonious and highly partisan
- Inflated claims were made on both sides
- Public confusion concerning the content of the law increased
- The law was immediately the focus of campaigning for the midterm elections
The new law immediately came under attack by a variety of interests as a government takeover of the health system and a new source of job-killing taxes. Opponents cited provisions that they said would:
- Create “death committees” that would withhold care from the elderly
- Gut the Social Scrutiny program to pay the costs of ACA
- Take away individual choice of physician
Summer 2010

Opponents of the ACA did several things in the immediate aftermath of passage:

- Lawsuits were filed in several jurisdictions challenging the constitutionality of the ACA or key provisions
- A massive and well-funded anti-ACA public relations campaign was launched
- Candidates for office in the November 2010 elections (including some Democrats) campaigned on opposition to the ACA, vowing “repeal and replace” if elected
November, 2010

Midterm elections shifted the House of Representatives from a Democratic to a Republican majority and narrowed the Democratic majority in the Senate. Several members of the new majority in the House had campaigned on repeal of the ACA.
ACA Events Last 24 Months

- The House has voted repeal or downsizing for the ACA 33 times (all died in the Senate)
- After a mixed set of findings from lower courts, the Supreme Court upheld the constitutionality of the ACA
- All Republican candidates for President vowed “repeal and replace” during their debates
ACA Events Last 24 Months

• Despite all the rhetoric opposing the ACA, the law has been implemented
• A constituency has been created for the ACA among millions of individuals already benefitting from ACA programs
ACA Provisions in Effect

• Underwriting of children in the individual market is prohibited.
• Young adults are able to stay on their parents' health plans to age 26.
• Insurance companies are prohibited from revoking coverage when people become ill, and from setting lifetime limits on benefits.
• Small businesses are eligible for new tax credits to offset their premium costs.
ACA Provisions in Effect

- People with preexisting conditions are eligible for subsidized coverage through a national high-risk pool.
- The percentage of premiums that insurers can spend on non-medical costs is limited and carriers that exceed those limits must offer rebates to enrollees.
- Medicare provides rebates to beneficiaries who reach the doughnut hole.
- Cost-sharing for preventive services in Medicare and private plans has been eliminated.
ACA Provisions in Effect

- Copays for selected highly-rated preventive exams and services for women are now prohibited
- Similarly, Medicare recipients can receive preventive exams and services without additional payment
ACA Provisions in Effect

- The Prevention Fund has been providing substantial new financial support for public health and prevention activities.
- Development of new approaches to delivery of coordinated cost-effective care through Medical Homes and Accountable Care Organizations is under way.
- Funding to community health centers has been expanded.
By the numbers...

- 12.8 million insured share in $1.1 billion in rebates from insurance companies that did not meet the 80/20 ratio.
- 2.5 million additional young adults are now insured under parental policies.
- 50,000 people with pre-existing conditions who could not get insurance are in pools awaiting the 2014 prohibition on preexisting condition exclusions.
- 105 million people who were under lifetime exclusions because of costly illness are no longer blocked from benefits.

- Individual responsibility requirement.
- Insurance exchanges.

These will be the focus of political rhetoric around the ACA for the next two months, along with competing claims about the impact of the ACA on Medicare.

What are the facts without the spin???
MR. ROMNEY, THE DNA TESTS INDICATE THE CHILD IS YOURS. MR. OBAMA IS JUST RAISING IT.
Individual Responsibility Requirement

The ACA requires that many Americans be insured or pay a penalty (a tax, according to SCOTUS)

Note that:
• It is MANY Americans, not every American that are subject to the penalty if they fail to get health insurance.
• Several categories are exempt from the requirement, while others meet the requirement by maintaining coverage from current sources.
Individual Responsibility Requirement

You are exempt from the requirement if:

- You have a religious prohibition against accepting health benefits
- You are an undocumented alien
- You are a member of a Native American tribe
- Your family income is below the tax filing threshold
- You have to pay more than 8% of your income for health insurance (after considering employer contributions and government subsidies)
Individual Responsibility Requirement

You meet the requirement if you are insured through the whole year through:

- Medicare
- Medicaid or CHIP
- TRICARE
- VA health programs
- An employer plan
- Insurance purchased individually that meets minimum coverage requirements
- A grandfathered plan
Individual Responsibility Requirement

Those who are neither exempt nor meet the requirement through coverage are subject to the penalty, which is collected through the tax system.

The penalty ranges from a maximum of $285 for a family in 2014 to a maximum of $2,085 for a family in 2016 and beyond.
THE GOVERNMENT CAN'T MAKE ME BUY HEALTH INSURANCE...

AND WHY WOULD I WHEN I CAN JUST GO HERE AND YOU'LL PAY FOR IT?

EMERGENCY ROOM
The cartoonist gets the point of the individual responsibility requirement—to assure that the insurance pools are as large and diverse as possible to spread risk and keep premiums reasonable.

Allowing people to “opt out” distorts the pool and pressures ERs, among others, who are required to treat and who then shift the costs to those who pay or are insured.

If you are old enough, you may remember this as “community rating” practiced by Blue Cross plans before other insurers began to apply underwriting and take the healthiest out of the Blue Cross pool.
The Insurance Exchange

Under the ACA, each state must operate an insurance exchange or, failing to do so, the Federal government will operate an exchange in that state.

The concept is familiar in many settings but not in the insurance market.

• Insurers offer their products in the exchange, and must meet requirements concerning content, scope clarity and transparency in order to do so.

• Eligible buyers shop in the exchange for the product and insurer that best meets their medical and price needs.
The Insurance Exchange

Commercial Insurers

Regulated Compete Simplify

INSURANCE EXCHANGE

Compare Choose Subsidized

- Individuals & families w/ no employment-based insurance or Medicaid
- Large business optional
- Small businesses
- Individuals & families with employment-based insurance costing >8% of income

Individuals & families w/ no employment-based insurance or Medicaid

Optional
Assertion:
The ACA cuts Medicare benefits by $716 Billion.
Reality:
The ACA cuts the rate of increase in Medicare expenditures by $716 Billion.
Where do the savings come from?

Eliminating excess payments to:
Insurance companies $156 b.
Hospitals $260 b.
Other institutional providers $122 b.
Other cost containment measures $178 b.

As a result of the savings, the life of the Medicare Trust Fund is extended by seven years.
Medicare Advantage: Whose Advantage???

The government is overpaying private insurance companies for Medicare Advantage.

The federal government pays private insurance companies on average 14 percent more for providing coverage to Medicare Advantage beneficiaries than it would pay for the same beneficiary in the traditional Medicare program.
Medicare Advantage: Whose Advantage???

All seniors in Medicare subsidize private insurance companies.

- All Medicare beneficiaries pay the price of these excessive overpayments through higher premiums – even the 78 percent of seniors who are not enrolled in a Medicare Advantage plan.
- Subsidies will add $3.60 per month to premiums for all Medicare beneficiaries in 2010.
- This means that a typical couple in traditional Medicare will pay on average nearly $90 more next year to subsidize private insurance companies that do not provide their Medicare benefits.
Medicare Advantage: Whose Advantage???

The ACA provisions will rein in the excess payments to insurance companies for Medicare Advantage, saving $156 B. This single provision will extend the life of the Medicare Trust Fund by 17 months.
As a result of the ACA changes, what happens to benefits to enrollees? Tempting to say nothing, but that wouldn’t be completely true, because….

Benefits to the individual enrollee actually increase:

- Closing the “donut hole” in Medicare Part D.
- Expanded preventive services without copay.
The preceding are some of the issues that will occupy the political debate for the next few weeks. None of them are the key issue in health care in 2012 and beyond—how to deal with the costs in the system.

Politicians talk about “bending the cost curve” but that is not enough. None seem willing to confront the real cost issues that are driving health care beyond affordability.
What contributes to the cost problem in the U.S.?

- Prices for branded drugs are 25 to 100 percent higher.
- Specialists earn 100 to 200 percent more than specialists in other countries.
- Hospital stays are 100 to 200 percent more expensive than in other countries.
  - Greater administrative expenses in the United States dealing with a multipayer system
  - Much higher salaries paid to administrators and hospital staff, and
  - Greater use of medical technology

Costs must be controlled not just “bent”
In the U.S.,

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- Specialists earn 100 to 200 percent more than specialists in other countries.
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Strategies Known but not Widely Applied

CARE-RELATED COSTS
- Prevent medical errors
- Prevent avoidable hospital admissions
- Prevent avoidable hospital readmissions
- Improve hospital efficiency
- Decrease costs of episodes of care
- Improve targeting of costly services
- Increase shared decision making

ADMINISTRATIVE COSTS
- Use common billing and claims forms
- Mandatory payouts for care

RELATED REFORMS
- Medical liability reform
- Prevent fraud and abuse
<table>
<thead>
<tr>
<th>Traditional Terminology</th>
<th>New Terminology</th>
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<tbody>
<tr>
<td>Based on the service-expenditure facet of the health care sector</td>
<td>Based on the employment/income facet of the health care sector</td>
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<td>2. The demand for health services</td>
<td>2. The supply of health incomes</td>
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<tr>
<td>3. The supply of health personnel</td>
<td>3. The demand for health care incomes</td>
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<td>4. Health care cost containment</td>
<td>4. Health care income containment</td>
</tr>
<tr>
<td>5. Increased efficiency in production of health care services</td>
<td>5. Reduction in employment per unit of health service</td>
</tr>
<tr>
<td>6. Federal subsidies to health professions training</td>
<td>6. Federally stimulated increase in demand for health care incomes</td>
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Are you crazy! A government healthcare system would be a bureaucratic nightmare!