Health Care Policy and Financing

Colorado Department of Health Care Policy and Financing

Overview of Federal Health Care Reform

Improving access to cost-effective, quality health care services for Coloradans

Federal Health Care Reform

- The Patient Protection and Affordable Care Act (H.R. 3590) was signed into law on March 23, 2010 by President Obama.
- Provisions can be categorized into 4 broad buckets:
  - Medicare Reform
  - Insurance Reform
  - Medicaid Reform
  - Other Provisions

Medicare Reform

- Provides a $250 rebate for Medicare beneficiaries (102,000 in CO) who reach the Part D coverage gap in 2010 and eventually eliminates the prescription drug "donut hole" with 50% discounts on brand-name drugs.
- Freezes Medicare Advantage (MA) payments in 2011 and reduces MA benchmarks relative to current levels. Bonus payments for quality, performance improvement and care coordination beginning in 2014.
- Reduces Medicare DSH payments beginning in 2014.
- Increases funding for the Health Care Fraud and Abuse Control Fund by $250 million over the next decade.

Insurance Market Reform

- All U.S. Citizens are required to have qualifying health care coverage by 2014.
- Requires guarantee issue and renewability, prohibits pre-existing condition exclusions.
- Prohibits lifetime limits on the dollar value of coverage.
- Provides dependant coverage for children up to age 26.
- Creates a temporary national high-risk pool for individuals with pre-existing conditions, effective through January 2014.
- Creates temporary reinsurance program for plans that cover high-risk individuals, effective January 2014 through December 2016.

Insurance/Medicaid Reform

- Creates state-based American Health Benefit and Small Business Health Options Program (SHOP) Exchanges through which individuals and small businesses can purchase qualified coverage.
- Individuals between 133%-400% FPL receive federally financed premium credits to purchase insurance through the Exchanges, as well as cost-sharing credits.
- Eligibility for subsidies and public coverage based on Modified Adjusted Gross Income (MAGI), which conforms to income tax definitions.

Medicaid Reform

- Medicaid is expanded to all individuals with incomes up to 133% FPL.
- All newly eligible adults are guaranteed a benchmark benefit package that provides at least essential health benefits.
- Federal funding for newly eligible:
  - 100% from 2014 through 2016
  - 95% in 2017
  - 94% in 2018
  - 93% in 2019
  - 90% in 2020 and thereafter

Medicaid Reform

- Requires Medicaid rates for primary care services be no less than 100% of Medicare rates in 2013 and 2014, with 100% federal funding for the incremental cost from July 1, 2009.
- Increases the Medicaid drug rebate to 23.1% for brand-name drugs and 13% of AMP for non-innovator, multiple source drugs; extends the drug rebate to Medicaid managed care plans.
- Reduces Medicaid DSH payments beginning in 2014.

Medicaid Reform

- Medicaid State Plan options
  - Offer HCBS through the State Plan rather than through a waiver and permit states to extend full Medicaid benefits to individuals receiving HCBS under a State Plan.
  - Permit Medicaid enrollees with chronic conditions to designate a provider as a health home, with 90% FMAP for two years; effective Jan 2011.
  - Improve prevention by covering only proven preventive services and eliminating cost-sharing for preventive services in Medicaid and Medicare, with a 1% increase in FMAP for these services.

Other Provisions

- Demonstration grants and Pilot Programs:
  - Develop, implement and evaluate alternatives to current tort litigations
  - Develop and evaluate bundled payments in Medicare and Medicaid
  - Tax credits to small businesses that provide insurance to low-wage workers (68,000 in CO)
  - Establishment of wellness programs by small employers

Other Provisions

- Improve access to care by increasing funding for Community Health Centers and the National Health Services Corps by $11 billion over 5 years and establishing new programs to support school-based health centers and nurse-managed health clinics.
- Increase the number of Graduate Medical Education training positions.
- Increase workforce supply and support training of health professionals through scholarships and loans and establishing a public health workforce loan repayment program.

Conclusion

- The Colorado Health Care Affordability Act (CHAA) lays a good foundation for implementing federal health care reform in Colorado.
- If we implement CHAA as proposed, the current provider fee level is sufficient to cover expected costs of the planned expansions. Because Medicaid expansions will be implemented after enactment, the State will be able to maximize federal revenue. This will reduce the amount of fee needed for the Medicaid expansions under CHAA and will most likely allow for the fee to fund the federal expansions.
- Under CHAA, the State will be able to cover 130,000 more individuals under Medicaid and CHP+ by 2014 at an estimated total cost of $750 million.

Conclusion

- Once federal health care reform begins in 2014, Colorado will be able to cover approximately 130,000 more individuals in Medicaid by 2017. The total cost of covering these additional individuals is estimated to be $625 million, with no General Fund cost to the State.
- Under the reconciliation plan for federal health care reform, there will be no cost to the State for the expansions until 2017. At that time, a revenue source will need to be found to cover estimated costs for medical services of:
  - 2017: $31.0 million
  - 2018: $39.1 million
  - 2019: $48.2 million
  - 2020: $72.3 million