

HAP

THE HOSPITAL & HEALTHSYSTEM
ASSOCIATION OF PENNSYLVANIA



Health Reform

Transitioning to the Future



Health Reform

Understanding the New Law



Health Reform

The Legislation

- **The Patient Protection and Affordable Care Act (PPACA)**
P.L. 111-148 — Signed into law by the President on March 23, 2010

- **Amended by the Reconciliation Act of 2010**
H.R. 4872 — Signed by the President on March 30, 2010.

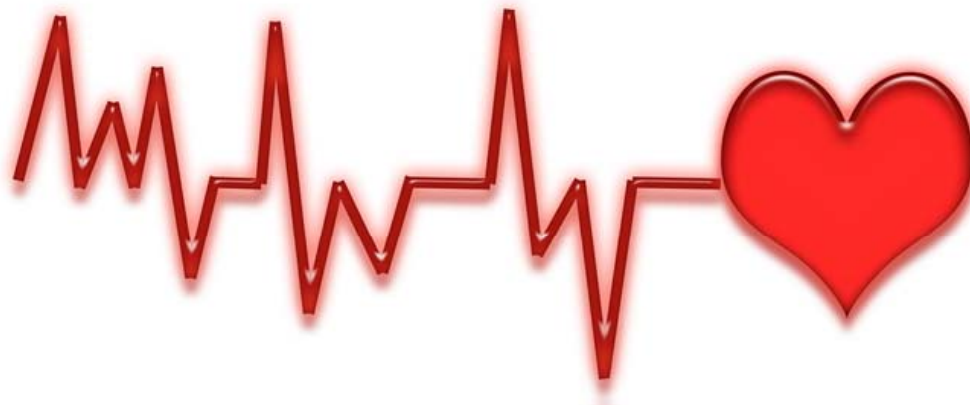
Hospital Community Support for Health Reform

- The legislation moves the country forward on key goals to expand health coverage, reform health insurance, and transform health delivery.
- Hospitals have long-supported assuring access to care, and expanding health care coverage is key to access.
- The legislation includes shared responsibility of individuals, employers, hospitals and other health care providers, insurers, and government in expanding health coverage .
- Hospitals recognize the need for health care delivery system changes.



The Alternative— Without Health Reform . . .

- Budget and deficit pressures could have resulted in reductions in provider payments without the benefits of expanded coverage.
- Without reform, by 2019 the number of uninsured people could grow by 10 to 30 percent.



Insurance

Highlights of Health Reform Law

- Expands health insurance coverage to 32 million people through a combination of private and public sector initiatives.
- Enacts insurance reforms including prohibitions on lifetime limits, pre-existing conditions, and insurance cancellation when individual becomes sick.
- Creates state health insurance exchanges for individual and small group coverage.
- Simplifies administrative requirements between insurers and providers.
- Establishes individual and employer requirements for health care coverage.



Delivery System

Highlights of Health Reform Law

- Includes incentives for delivery system reform:
 - ✓ Accountable health care organizations.
 - ✓ Bundling of payment for services.
 - ✓ Creation of medical homes.
 - ✓ Hospital value-based purchasing.
- Creates programs to help improve quality, such as comparative effectiveness research.
- Eliminates self-referral for new physician-owned hospitals.
- Provides funding to increase the supply of health care workers.
- Redistributes unused medical residency slots to encourage increased training of primary care physicians and general surgeons.

Medicare and Medicaid Highlights of Health Reform Law

- Restructures Medicare payments to managed care plans.
- Reduces annual Medicare market basket updates for hospital, home health, skilled nursing facility, and other Medicare providers.
- Implements new payment policies regarding readmissions and hospital-acquired conditions.
- Reduces Medicare and Medicaid disproportionate share payments.
- Improves care coordination for dual eligibles.



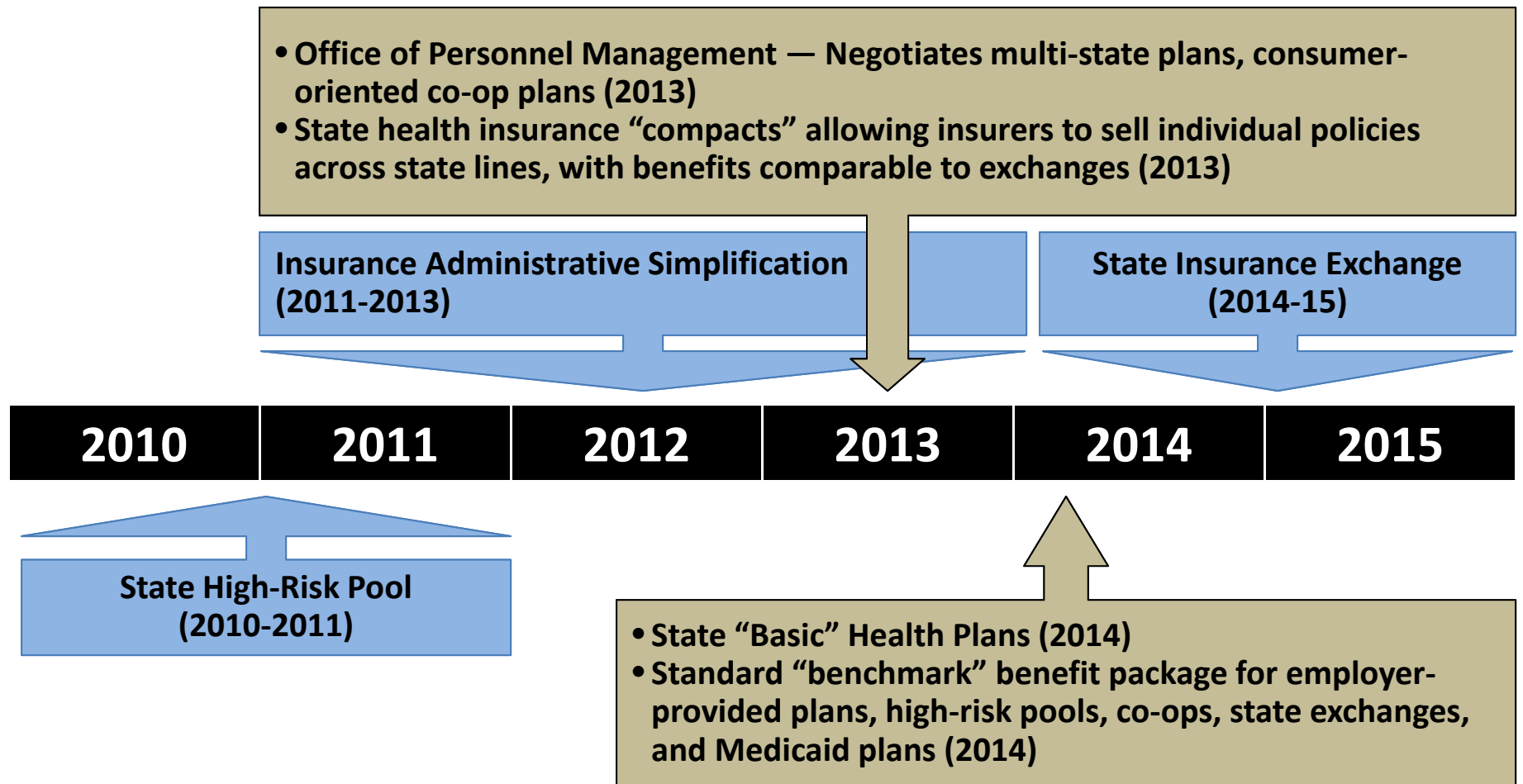
What Is Not in the Law . . .

- No public option.
- Plans participating in the new insurance exchanges will not be required to pay providers Medicaid or Medicare rates.
- There are no cuts in indirect medical education funding.
- Prospective payment system hospitals are not under the jurisdiction of the new independent payment advisory board established under the legislation.
- There is not a specific charity care percentage requirement for tax-exempt hospitals.

Timeline for Implementing Health Reform



Insurance Market Reforms



Projected Federal Agencies:

New Health Insurance Reform Implementation fund within Department of Health & Human Services; Centers for Medicare & Medicaid Services; Employee Benefits Security Administration; Internal Revenue Service; Office of Personnel Management.



Medicare Payment Reforms

VBP=Value-Based Purchasing
HAC=Health Care-acquired Condition
ACO=Accountable Care Organization

Annual market basket update **cuts** for most providers, including hospitals; includes cuts authorized through health care reform and the “behavioral offset” (2010 and thereafter)

Medicare DSH
hospital cuts
(FY14)

1% reduction
to certain
hospitals for
HACs (FY15)

2010

2011

2012

2013

2014

2015

10% bonus payment to primary-care physicians and general surgeons practicing in a health professional shortage area (2011-2015)

Projected Federal Agencies:

Centers for Medicare & Medicaid Services



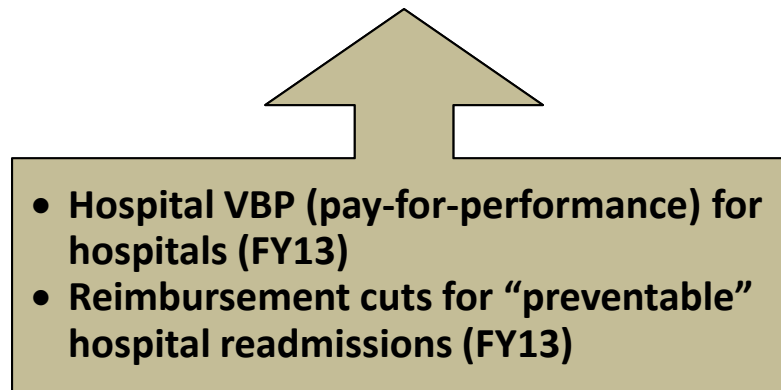
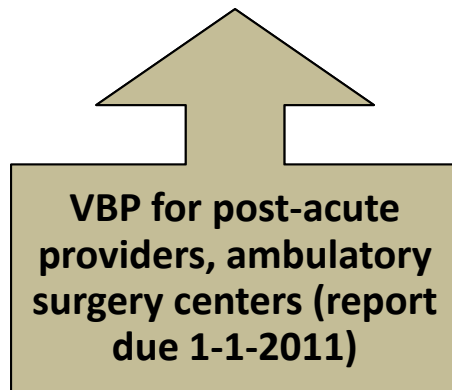
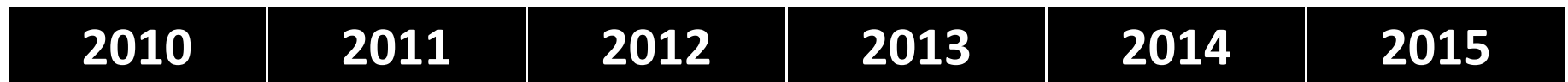
Medicare Delivery System Reforms

Pilot Projects:

- Provider ACOs (regs FY2010-11, program begins FY12)
- Acute & Post-acute Payment Bundle (regs by CY12, pilot begins CY13)

“Independence at Home” demonstration project (CY12)

VBP=Value-Based Purchasing
ACO=Accountable Care Organization



Projected Federal Agencies:

Centers for Medicare & Medicaid Services



Medicaid Reforms

DSH=Disproportionate Share
HAC=Health Care-acquired Condition
ACO=Accountable Care Organization

- Medicaid DSH cuts based on methodology that makes largest reductions to states with lowest number of uninsured, and states that do not directly associate DSH payments to those treating the most uninsured. Smaller reductions to apply to low-DSH states and DSH allotment funding 1115 waivers (regulations in FY11, effective FY12).
- Prohibit federal portion of Medicaid payment to states for services related to HACs (2011)

Bundled Payment Demonstration Project (2012-2016)

2010

2011

2012

2013

2014

2015

2016

Pediatric ACO Demonstration Project (2012-2016)

Hospital Capitated Care
Payment Demonstration
Project (FY2010-12)

Projected Federal Agencies:

Centers for Medicare & Medicaid Services

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Public Disclosure and Accountability

- Require nonprofit hospitals to conduct community needs assessment every three years;
- Adopt and publicize financial assistance policy; and
- Make modifications to billing/collection practices for patients who qualify for financial assistance;
- Impose \$50,000 per-year tax for non-compliance (2011)

Skilled-nursing facilities to disclose information regarding ownership, accountability requirements, and expenditures; and make this information publicly available. (Implementation timeframe varies)



HHS to collect patient demographic information to monitor trends in health disparities (2012)

Hospitals, drug and device manufacturers, and other providers to disclose financial relationships with physicians (report due to Congress in 2013)

Projected Federal Agencies:

Centers for Medicare & Medicaid Services; HHS Office of the Inspector General; IRS



Workforce Training & Development

- Multi-stakeholder Workforce Advisory Committee develops national workforce strategy (FY2011)
- Redistribute unused resident slots (2011)
- Add flexibility to law/regulation to allow greater resident training in ambulatory settings (2011)

Development of training programs focused on primary-care models (FY10)

- Increase workforce supply through increasing scholarship and loan availability; expanding Public Health Service Corps; improving primary-care and public health training in medical schools and residencies; promoting cultural competence training; promoting training a diverse health workforce.

2010

2011

2012

2013

2014

2015

Teaching Health Centers, defined as Community-based primary-care resident training sites (2010)

- Improve resident availability in rural and underserved settings.
- Increase nurse training capacity through enhancing training programs; increasing access to student loans, grants and scholarships, including retention grants.

Projected Federal Agencies:

Health Resources & Services Administration; Centers for Medicare & Medicaid Services



Health Reform Implications



Health Reform

Implications for Pennsylvania



Expansion of Medicaid Program

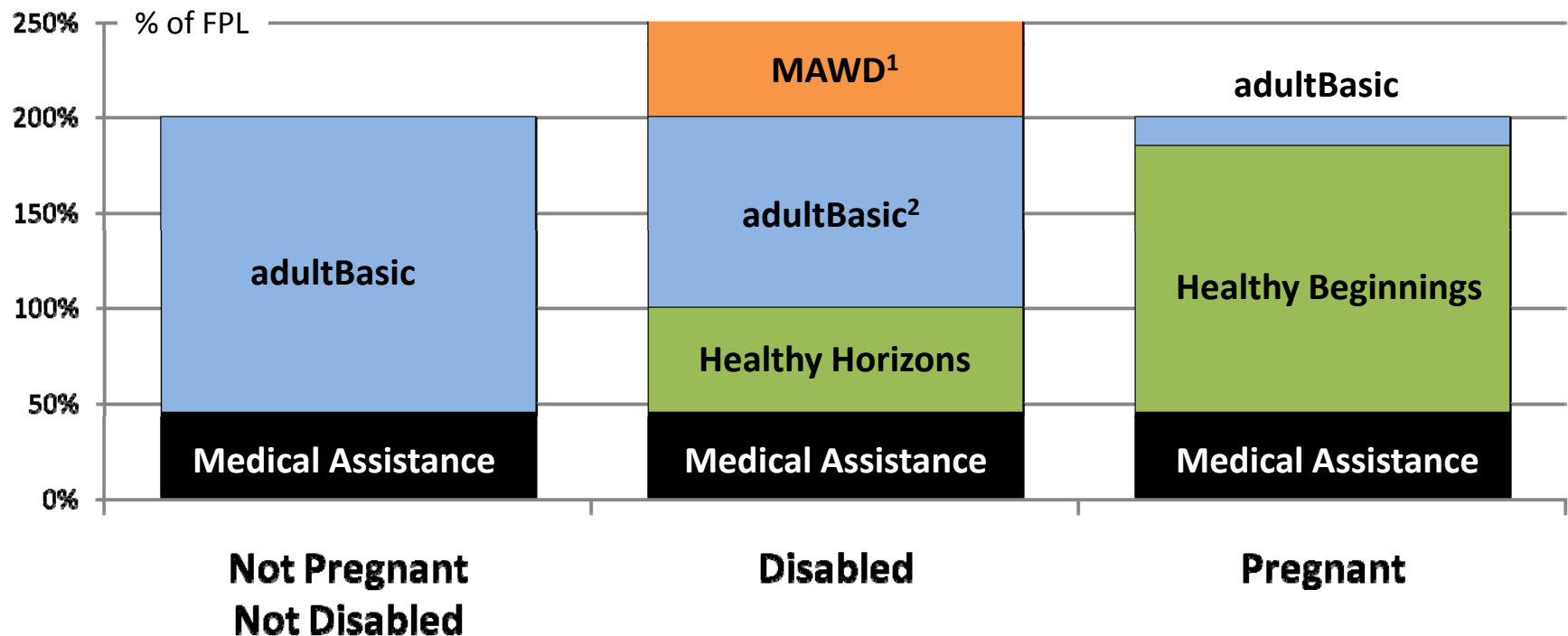
- The income limit for eligibility for Medicaid increases to 133% of the poverty level and people like childless adults can qualify.
- Federal government is funding all of the costs of newly eligible members for the first few years before lowering their rate of support to 90% support by the end of the decade.
- States must retain current requirements for Medicaid eligibility.

Health Reform

Implications for Pennsylvania

Impact of Expansion of Federal Medicaid Program on Existing PA Programs -

Programs - In Pennsylvania, the new law will permit individuals to move from adultBasic to Medical Assistance.



¹Medical Assistance for Workers with Disabilities

²Eligible for adultBasic only if they do not qualify for any category of Medical Assistance.

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Implications for Hospitals as Employers

- Employer-provided health plans must provide “minimum essential coverage.”
- Insurance reform requirements will apply to self-insured plans and to group health plans.
- Employers will have the choice to offer compliant health coverage for employees or pay penalties.
- Group health plans in existence as of March 23, 2010 are grandfathered in.

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Implications for Hospitals as Employers

On or after September 23, 2010, grandfathered plans are subject to the following:

- ☑ No lifetime benefit limits.
- ☑ No revocations of coverage (except for fraud/intentional conduct).
- ☑ No restrictions on annual limits on the dollar value for “essential health benefits” as determined by the Department of Health and Human Services ("HHS").
- ☑ Requirement for coverage of certain preventive health services and immunizations without cost to covered individuals.
- ☑ No discrimination in favor of higher-wage employees (self-insured plans continue to be subject to prior non-discrimination rules).
- ☑ No preexisting condition exclusions for enrollees under age 19.
- ☑ Requirement for plan coverage of dependent children up to age 26.

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Other Insurance Reforms in 2010

- **HHS is required to implement a program to reimburse employers whose group health plans cover individuals who:**
 - ☑ Retire.
 - ☑ Do not currently qualify for Medicare.
 - ☑ Are between the age of 55 and the date on which the individual is eligible for Medicare.
- **State may establish high-risk pools for individuals with pre-existing conditions that have not had insurance for six months.**
- **Programs expire on January 1, 2014.**

Health Reform

Preparing for Delivery and Payment System Reforms

Hospitals need to assess and strategically plan for:

- ☑ Clinical integration across the continuum of care.
- ☑ Capacity of outpatient and emergency services and health care workforce needs as coverage expands and demand for primary and preventive care increases.
- ☑ Care coordination to reduce readmissions.
- ☑ Provision of cost-effective care within a bundled payment.
- ☑ Data and information needs to evaluate delivery system reform options.
- ☑ Managing costs as Medicare and Medicaid payment reductions are implemented.

Health Reform

What Comes Next Politically?

Democrats:

- ☑ Selling the plan to the public.
- ☑ Protecting those that took tough votes.

Republicans:

- ☑ Overall repeal.
- ☑ Constitutional challenges.
- ☑ Incremental efforts to repeal provisions.



Health Reform

Pennsylvania Politics

PA Congressional Delegation

19 House Seats (all open)

- 11 Ds, 7 Rs, 1 Vacant

Two U.S. Senators

- Casey
- Specter – running for re-election

PA Gubernatorial Election



Health Reform

HAP's Next Steps



Health Reform

HAP:

- Is committed to being a strong advocate for Pennsylvania hospitals as health care reform is implemented.
- Will seek changes through Congress if implementation reveals problems or unintended consequences that impede the delivery of health care.
- Will conduct educational programming to help hospitals and their patients adapt to new delivery models.
- Will work with member hospitals and health systems as they make the most of opportunities in the law to improve patient care.



Health Reform

HAP's Next Regulatory and Legislative Advocacy Steps—

Pennsylvania Insurance Department

- Ensure fair and equitable rate negotiation process with health plans in insurance exchange.
- Ensure exchange benefit packages are reasonable.

Medicaid

- Ensure that payment bundling models include appropriate providers and payment distribution.
- Minimize the amount of DSH cuts.
- Provide input for appropriate Medicaid payment models.



Health Reform

HAP's Next Regulatory and Legislative Advocacy Steps—

Medicare

- Advocate to align physician and hospital incentives to maximize delivery system reform.
- Refine readmissions policy to reflect truly preventable readmissions.
- Ensure hospital acquired conditions policy reflects appropriate best practices and PA statute.
- Minimize payment reductions.
- Minimize the amount of DSH cuts.
- Refine behavioral offset PPS reductions.

Beyond Health Reform — Other Key Federal Advocacy Issues

- Extend the federal matching percentage for Medicaid to give states much-needed relief.
- Improve federal health IT rules.
- Fix the Medicare physician payment issue.
- Pension reform.
- Labor Issues.

Health Reform – Other Resources

www.CareforPA.org

- Information about issues that affect Pennsylvania's hospital community.
- Offers ability to sign up to receive the monthly *Know the Issues* e-newsletter and *Action Alert* emails.
- Tracks key legislative proposals that impact hospitals and health care.
- Contact lawmakers as part of HAP advocacy campaigns.



The Hospital & Healthsystem Association of Pennsylvania

April 2010