Overview
Affordable Care Act

House Health & Social Services Committee

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Presentation Overview

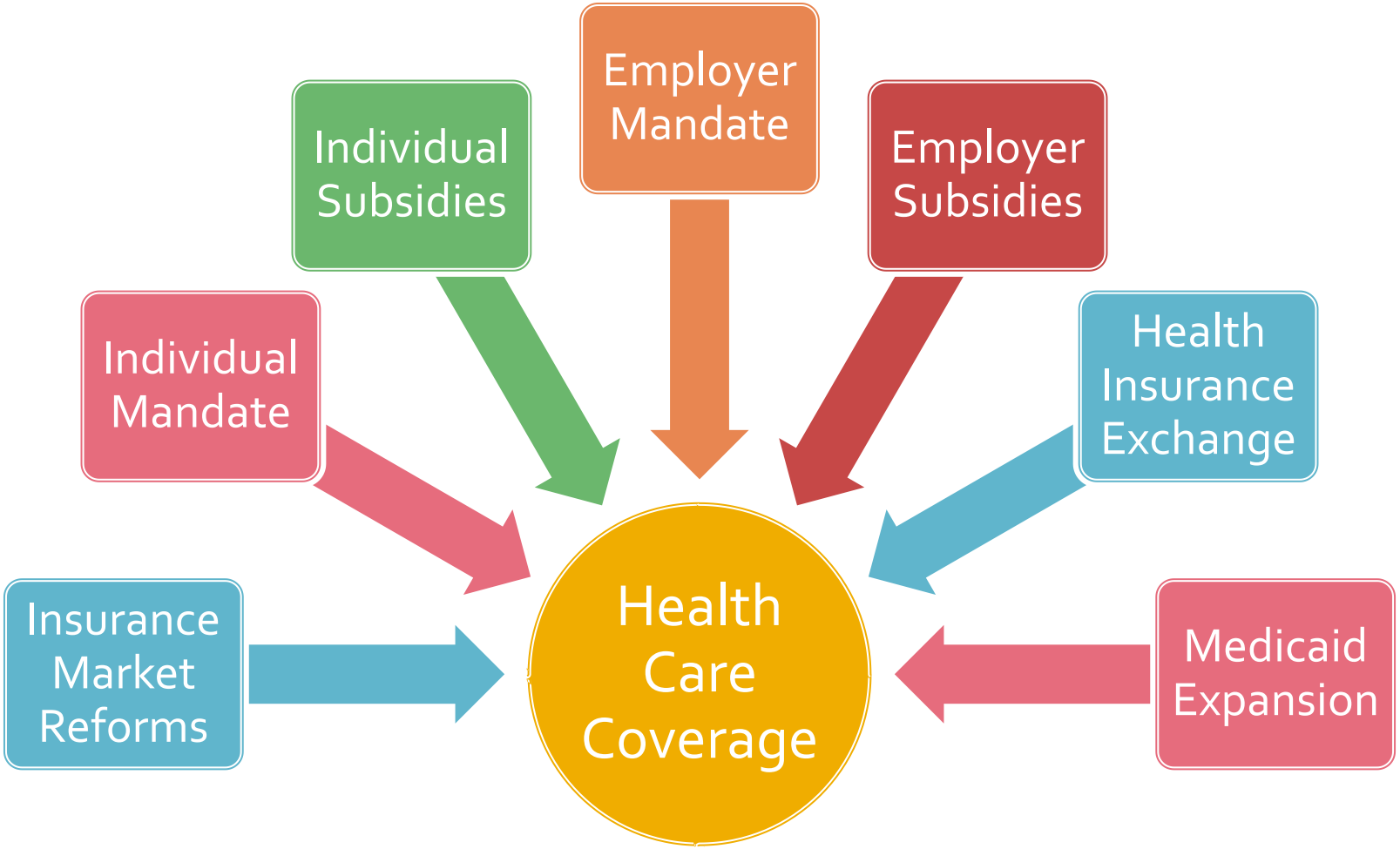
- Structure of the Affordable Care Act
- Key Provisions in the Act
- Alaska Impact
- Legal Challenges & Political Realities
- Implementation Status
- Timeline

Federal Health Reform Law

- Patient Protection & Affordable Care Act (P.L. 111-148) enacted March 2010, as amended by
  - P.L. 111-152: The Health Care and Education Reconciliation Act
  - P.L. 111-159: TRICARE Affirmation Act

- Structure of the Act
  - Health Care Coverage (Titles I & II)
  - Health Care Delivery & Payment Reform (Title III)
  - Prevention and Public Health (Title IV)
  - Health Care Workforce (Title V)
  - Fraud and Abuse (Title VI)
  - Medical Technology (Title VII)
  - Community Living Assistance (Title VIII) *(Repealed 1/1/13)*
  - Taxes and Fees (Title IX)
  - Amendments (Title X)

Health Care Coverage



Insurance Market Reforms

- New Private Insurance Market Rules
  - Exclusions for pre-existing conditions prohibited
    - For children in 2010
    - For adults in 2014
  - Dependent coverage extended to 26 years of age (2010)
  - Lifetime limits prohibited (2010)
  - Annual limits restricted (2010), then prohibited (2014)
  - Prohibition on rescissions (2010)
  - Medical Loss Ratio: Reporting (2010); Restricted (2011)
  - Guaranteed issue and renewal rules (2014)
  - Adjusted community rating rules limit variations in premiums to region, tobacco use, age, and family composition (2014)
  - Gender discrimination prohibited

Insurance Market Reforms

- New Insurance Plan Options
  - Temporary high-risk health insurance pool (2010 - 2014)
  - Co-Ops (Consumer Operated and Oriented Plans) (2013)
    - Non-profit member-operated health insurance companies created through loans and grants
  - Multi-state health plans (2014)
  - Health Choice Compacts (2016)
- State Insurance Oversight and Consumer Assistance
  - Review of Health Plan Premiums (2010)
  - State Consumer Assistance Programs (2010)

Individual Mandate

- Individuals must have a qualified health plan or pay a tax penalty (2014)
  - Tax penalty phase-in (family penalty capped at 3x individual penalty):
    - 2014: $95/year or 1.0% of household income (whichever is greater)
    - 2015: $325/year or 2.0% of household income
    - 2016: $695/year or 2.5% of household income
    - 2017 and beyond: penalty increased based on cost-of-living adjustment
  - Exemptions include:
    - Financial hardship
    - Religion
    - American Indians/Alaskan Natives
    - Lowest cost option exceeds 8% of income

Individual Subsidies

- Premium Credits (2014)
  - Refundable/Advanceable credits for purchase of insurance through the Exchange
  - Individuals/families with incomes between 133%-400% FPL
  - Amounts tied to cost of plan and set on sliding scale based on income level
- Cost Sharing Subsidies (2014)
  - Individuals/families between 100% - 400% FPL

Employer Mandate

- < 50 full-time equivalent (FTE) employees: Exempt
- > 50 FTEs, if 1 or more employee receives subsidy:
  - And employer does not offer coverage, employer required to pay fee of $2,000/FTE (1st 30 FTEs excluded)
  - And employer provides coverage, employer required to pay fee of $2,000/FTE or $3,000 per subsidized employee (whichever is less)
- Report value of health care benefits on W-2

Employer Subsidies

- Tax Credit (2010)
  - For businesses with <= 25 FTEs , average annual wages < $50,000, and that contribute at least 50% towards premiums
  - Pays up to 35% (25% for non-profits) of employer contribution through 2013, and up to 50% (35% for non-profits) beginning 2014
    - Varies based on employer size and average wage
      - Full credit for employers with <= 10 FTEs and avg wages ,<=$25,000

Health Insurance Exchange (HIX)

- Electronic Market Place for Purchasing Insurance
  - State-based; Multi-state option
  - May be administered by gov't agency or non-profit
  - State gov't opt-out provision (fed gov't will then establish state's exchange) (2013)
  - For individuals and small business (<100 employees) (2014)
    - Federal subsidies for individuals will be applied through the exchange
    - Interface with State's Medicaid eligibility and enrollment system required
    - Large businesses allowed to participate starting 2017
  - Required to be self-sustaining (2015)
- State innovation waiver (2017)

Medicaid Expansion

- State option to expand eligibility to all individuals/families under 65 years of age up to 133% FPL (+ 5% income disregard) (2014)
  - Fed match (FMAP) funding contribution 100% until 2017
    - State share phased in 2017-2020 (max 10%)
  - Partial expansion not permitted; no deadline for expansion decision; option to discontinue expansion at a later date
  - State innovation waiver alternative (2017)

- Eligibility determination
  - States required to convert to Modified Adjusted Gross Income (MAGI) for eligibility determination for all eligibility groups, not just expansion population, effective 1/1/14
  - States required to coordinate eligibility determination with the Health Insurance Exchange

Health Care Delivery

- Quality Improvement
  - Patient-Centered Outcomes Research Institute (2010)
  - National Health Care Quality Improvement Strategy (2011)
  - Medicaid Adult Quality Measurement & Improvement (2012)
- Care Coordination and Service Integration
  - Community-Based Care Transitions Program
  - Primary Care & Behavioral Health Service Integration
  - Health Care Innovation Challenge
- Primary Care Enhancement
  - Medicare 10% bonus to primary care physicians (2011–2015)
  - Medicaid Medical Home State Plan Option (90% FMAP for 2 years) (2011)
  - Increase Medicaid payment to Medicare rate *(n/a in AK)*
- Enhanced funding for Community Health Centers

Payment Reform

- Center for Medicare & Medicaid Innovation (2011)
- Multi-Payer Advanced Primary Care Practice Demo (2011)
- Medicare Payment Reform Provisions
  - Independent Payment Advisory Board (2011; 1st rpt due 2014)
  - Federally Qualified Health Center Advanced Primary Care Provider Demo (2011)
  - Hospital readmission reduction program (2012)
  - Hospital value-based purchasing program (2012)
  - Medicare Shared Savings Program (Accountable Care Organizations) (2012)
  - Bundled payment (episodes of care) pilot (2013)
  - Physician fee schedule value-based payment modifier (2015)
  - Payment adjustments for hospital-acquired conditions (2015)
- Medicaid Payment Reform Provisions
  - Non-payment for healthcare-acquired conditions (2011)
  - Pediatric Accountable Care Organization demonstration (2012)
  - Hospital bundled payment demonstration (2013)
  - State Innovation Models Initiative (2013)

Prevention & Public Health

- National Prevention Council and Fund
- Coverage of clinical preventive services
- Nutrition labeling on menus
- Public health infrastructure
- Community wellness grants
- Healthy lifestyles incentives (Medicare and Medicaid)
- Immunization program
- Epidemiology & public health laboratory capacity
- Childhood obesity demonstration project
- Maternal and child health programs

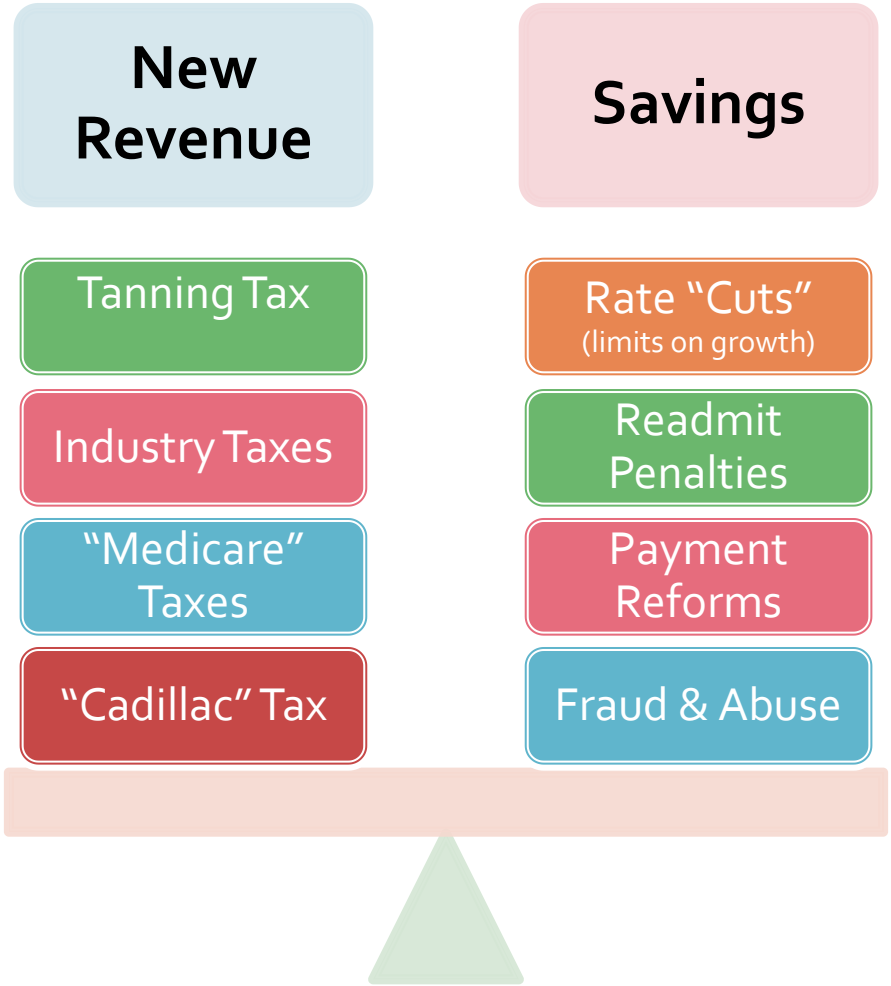
Health Care Workforce

- Health Care Workforce Commission
- National health care workforce assessment
- National Health Service Corps increased
- State health care workforce plans
- Health Profession Opportunity Grants for TANF (Temporary Assistance for Needy Families) Recipients; and for Tribes
- Recruitment and retention programs
- Training and education programs

Fraud & Abuse

- 32 sections on health care fraud and abuse and program integrity (2011)
  - New Provider Enrollment Processes
  - Data Sharing Across Federal Programs
  - Overpayment Recovery Expanded
  - Increased Penalties
  - Disclosure of Financial Relationships Required
  - Compliance Plans Required
  - New Medicaid Recovery Audit Contractor Program
  - National Background Check Program for Long Term Care Facilities and Providers

How the Act Pays for Itself



New Fees & Taxes

- 10% sales tax on indoor tanning (2010)
- $2.8 billion annual fee on pharmaceutical industry (2012; increasing over time)
- 2.3% sales tax on medical devices (2013)
  - Glasses, contacts, hearing aids exempt
- Medicare payroll tax increased from 1.45% to 2.35% for individuals >$200K and couples >$250K; no increase to employer share (2013)
- New 3.8% Medicare tax on unearned income for individuals >$200K and couples >$250K (2013)
- Tax deduction for employers receiving Medicare Part D retiree subsidy eliminated (2013)
- $8 billion annual fee on health insurance industry (2014; increasing over time)
- Excise tax on employer-sponsored high-value insurance plans (2018)
  - "Cadillac Plans" tax imposed on plans valued at more than $10,200 for an individual plan and $27,500 for family coverage

Other Provisions

- Alaska Federal Health Care Access Task Force
- Elder Justice Act
- Indian Health Care Improvement Act Reauthorized
- New IRS Requirements for Tax-Exempt Hospitals

Alaska Impact 2019 (ISER/MAFA Projections)

- Increase in health care spending: +$289 M
  - State of Alaska: $41 M
  - Alaska Households: $124 M
  - Federal Gov: $124 M

- Increase in insurance coverage: +53,000 Alaskans
  - Medicare: 0
  - Medicaid: +38,000
  - Employer sponsored: - 45,000
  - Exchanges: +78,000 (60% supported by fed subsidies)
  - Other Private: - 18,000
  - Other Public: 0

Legal Challenges & Political Realities

- Supreme Court Ruling June 2012:
  - Individual mandate requiring individuals to purchase health insurance or pay a penalty – UPHELD
  - Medicaid expansion – LIMITED
  - Anti-injunction Act – DOES NOT APPLY
  - Severability – NOT CONSIDERED

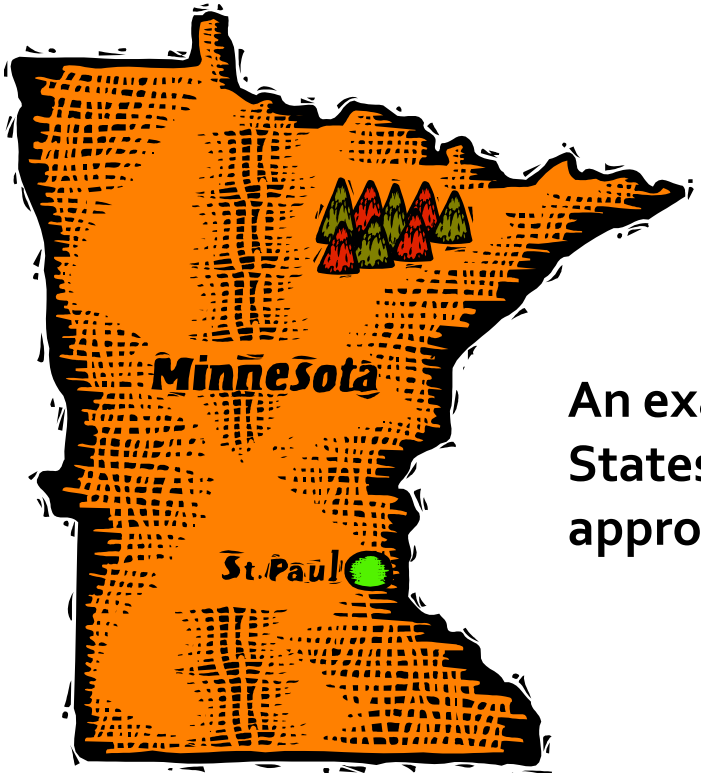
Legal Challenges & Political Realities

Before Supreme Court Ruling

State governments play a significant role – not in deciding *IF* ACA will be implemented in their state, but *HOW*.

After the Ruling

States will also decide if the Medicaid expansion will be implemented in their state or not.



An example of two States' various approaches….

Legal Challenges & Political Realities

- and….Federal Budget Constraints
  - Fiscal Cliff deal passed January 1, 2013.
    - $1.7 billion in available funding cut from the Co-Op Program
    - Title VIII of the ACA, the CLASS Act, repealed
  - Sequester took effect March 1, 2013 (cut $85 billion for FFY 13).
    - Direct impacts to ACA funding include:
      - - $44 million Insurance Exchange grants
      - - $51 million Prevention & Public Health Fund
      - - $57 million Health Care Fraud & Abuse Control
      - - $6 million Small Business Health Insurance Tax Credit

Federal Implementation To-Date

- Over $18 billion in grants awarded to-date
- Over 40 Regulation packages released to-date
- New website live – www.healthcare.gov
- Four new federal offices established
  - Center for Consumer Information and Insurance Oversight (CCIIO)
  - Center for Medicare and Medicaid Innovation
  - Coordinated Health Care Office
  - Office of Community Living Assistance Services and Supports
- One new non-profit established
  - Patient-Centered Outcomes Research Institute
- Six new councils/boards/committees formed
  - National Prevention, Health Promotion, and Public Health Council
  - Committee to Review Criteria for the Designation of Medically Underserved/Health Prof. Shortage Areas
  - Consumer Operated and Oriented Plan (CO-OP) Advisory Board
  - National Health Care Workforce Commission
  - Advisory Committee on Breast Cancer in Young Women
  - Interagency Working Group on Health Care Quality
  - Pending: Medicare Independent Payment Advisory Board (funded Oct 2011, members not appointed)

Summary of December 2012 to March 2013 Updates

- Insurance Co-Ops:
  - The federal Center for Consumer Information & Insurance Oversight (CCIIO) issued an additional award on December 21, bringing the total to $1,980,728,696 in low-interest loans awarded to 24 non-profits offering coverage in 24 states since the program began (the first awards were made February 2012).
  - A group of private individuals submitted a loan application on December 31 to CCIIO for the creation of a multi-state Co-Op that would include Alaska* , but available federal funding for this program was eliminated in the fiscal cliff deal on January 1. (* per Alaska Public Radio Network story)
- High Risk Pool/Pre-Existing Conditions Insurance Plans (PCIPs):
  - Total Alaskans enrolled in the PCIP on December 31, 2012: 45; As of January 2013 the total number of Alaskans enrolled in the PCIP since inception was 101.
  - CCIIO directed state-run, federally-funded PCIPs created under the Affordable Care Act (including Alaska's, administered by the Alaska Comprehensive Health Insurance Association (ACHIA)) to discontinue accepting applications for new enrollees after March 2, 2013 due to funding constraints. The federally operated PCIP suspended acceptance of new enrollee applications February 16, 2013.
    - Note: The federal decision on the federally-funded plan does not affect ACHIA's state-funded high-risk pool plan, which continues to accept applications for new enrollees.

Summary of December 2012 to March 2013 Updates

- Health Insurance Exchange (HIX): February 15 was the deadline for States to file a blueprint with the federal government for a State-Federal partnership Exchange. As of March 1, 2013:
  - 17 States (+ WA DC) will operate a state-based exchange
  - 7 States will operate a partnership exchange
  - 26 States (including Alaska) will participate in the federally-facilitated exchange
    - AK DHSS awarded a contract to Deloitte February 2013 to replace the Alaska's Eligibility Information System (EIS). 1st phase will include Medicaid eligibility determination features compliant with ACA HIX requirements and will be operational by October 2013.
- Medicaid expansion decisions, as of March 11, 2013:
  - 26 States (+ WA DC) have announced they will expand in 2014
  - 18 States have announced they will not expand at this point in time
    - CMS issued guidance to States on December 10 clarifying that there is no deadline by which a State must let the federal government know its intention regarding the Medicaid expansion.
    - Governor Parnell announced on February 28 that he would not ask the Legislature for funding or authorization to expand Medicaid in Alaska during SFY 2014, and that his next decision point on this question will be December when he releases his SFY 2015 budget. He will be considering additional information, investigating federal openness to state flexibility, and weighing the options between now and next December.
  - 6 States are undeclared

Summary of December 2012 to March 2013 Updates

- Federal regulations and guidance released since December 7, 2012:
  - 3/1/2013: Proposed regulations released by HHS on enrollment for small businesses purchasing coverage through the insurance exchange.
  - 3/1/2013: Final regulations released by HHS on health benefit payment parameters.
  - 3/1/2013: Final regulations released by the Office of Personnel Management on the Multi-State Plan Program.
  - 3/1/2013: Guidance released by IRS on new health insurance issuer tax.
  - 2/22/2013: Final regulations released by HHS on health insurance market reforms that implement five key ACA provisions applicable to non-grandfathered health plans: guaranteed availability, community rating, guaranteed renewability, single risk pool and catastrophic plans. Also addresses rate review program.
  - 2/21/13; 2/11/13; 12/28/13: Guidance for state implementation of the modified adjusted gross income conversion for Medicaid released.
  - 2/20/2013: Final regulations released by HSS on essential health benefits – includes standards for insurers, core package of benefits inside and outside the exchange.
  - 2/8/2013: Final regulations released by HSS on transparency, requiring applicable manufacturers of drugs, devises, biological, or medical supplies to report certain payment to physicians and teaching hospitals; also requiring certain organizations to report certain physician ownership or investment interests.
  - 2/7/2013: Proposed regulation released by HSS reducing and streamlining certain Medicaid and Medicare regulations.
  - 2/1/2013: Guidance for States issued by CMS on claiming enhanced 1% FMAP (Federal Medical Assistance Percentage, i.e., federal match for Medicaid), effective 1/1/2013, for certain preventive services and adult vaccines.
  - 2/1/2013 Final regulations released by IRS governing health insurance premium tax credits, including the test for determining whether employer-sponsored coverage is affordable (which will determine whether workers will be able to access premium tax credits or not).
  - 1/30/2013: Proposed regulations released by CMS and the IRS on minimum essential coverage and payment by non-exempt individuals for not maintaining minimum essential coverage.
  - 1/28/2013: Request for comment issued by CMS on new single, streamlined application to purchase private insurance and assess eligibility for Medicaid or premium tax credits.
  - 1/22/2013: Proposed regulation released by CMS on eligibility and enrollment provisions for Insurance Exchanges and Medicaid.
  - 1/15/2013: Guidance released by CMS related to "health homes" (primary care medical homes), focused on recommended health care quality measures for assessing this service delivery model.
  - 1/14/2013: Proposed regulations released by CMS on coordination of eligibility between Medicaid and the Insurance Exchange.
  - 1/3/2013: Guidance on State-Federal Partnership Insurance Exchange released by CCIIO/HHS.
  - 12/10/2012: Guidance released by HHS on Medicaid expansion.
  - 12/7/2012: Proposed regulation released by HHS on reinsurance and risk corridors, risk adjustment, premium tax credits and cost-sharing reductions, and user fees for health insurance issuers participating in a federally-facilitated insurance exchange.

Timeline

- **2010**
  - Smallest employers (<=25 FTEs) eligible for tax credits
  - Medicaid Maintenance of Effort imposed (March)
  - Temporary high-risk insurance pool program established (June)
  - Temporary reinsurance program for early retirees established (June)
  - Feds establish website to facilitate insurance information (July)
  - Grants to states for Exchange planning, insurance consumer assistance and premium review, public health, and workforce programs
  - 1st Phase Insurance Market Reforms Implemented
- **2011**
  - Certain Medicaid options & requirements implemented
  - Insurance Market Reform: Medical Loss Ratio requirement imposed
  - New Fraud & Abuse Rules Implemented
- **2012**
  - Health Care Delivery System & Payment Reforms
  - Insurance Market Reform: Uniform summary of coverage and benefits
- **2013**
  - U.S. DHHS determines State readiness to establish Exchange

Timeline

- **2014**
  - Remainder of Insurance Market Reforms implemented
  - Individual and employer mandates and subsidies implemented
  - Insurance Exchanges implemented
  - Optional Medicaid expansion may be implemented
  - States required to establish at least one reinsurance entity
- **2015**
  - Insurance Exchanges must be self-sustaining
- **2016**
  - Health Care Choice Compacts may take effect
- **2017**
  - States begin funding share of Medicaid expansion
  - States may operate an alternative program in lieu of federal coverage reforms if waiver obtained in previous year
  - Large companies (>100 employees) permitted to participate in Exchange
- **2018**
  - Excise tax on high-value health insurance plans imposed