



2010 Policy Forum  
WEST MICHIGAN

# Rapid Exchange Session:

## The Impact of National Health Care

*Moderator:*

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# The Impact of National Health Care

## Panelists:

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**Center for Health  
Transformation**

[www.healthtransformation.net](http://www.healthtransformation.net)

# **Health Reform and Health Transformation: What Happened, What's Next, What's Needed**

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**Vincent L. Frakes**

Center for Health Transformation



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# **Health Reform**

- **Lower Costs**
- **Improve Quality**
- **Expand Coverage**



# **Expand Coverage**

## **Health “Insurance” Reform**

- Individual mandate
- Employer mandate/penalties
- Medicaid expansion
- Subsidies
- 50+ insurance exchanges



# Financing

- **Taxes - \$500 billion**
  - Payroll taxes, investment income, employer penalties
  - “Cadillac” plans
  - Device manufacturers, pharma, health plans
- **Medicare Cuts - \$500 billion**
  - Home health (\$39 billion); hospitals (\$131 billion); skilled nursing facilities (\$22 billion); Medicare Advantage benefits (\$101 billion)



# Top Down – What's Next

- 2,733 pages
- \$2+ trillion full implementation
- How many new agencies, offices, departments, commissions, programs?

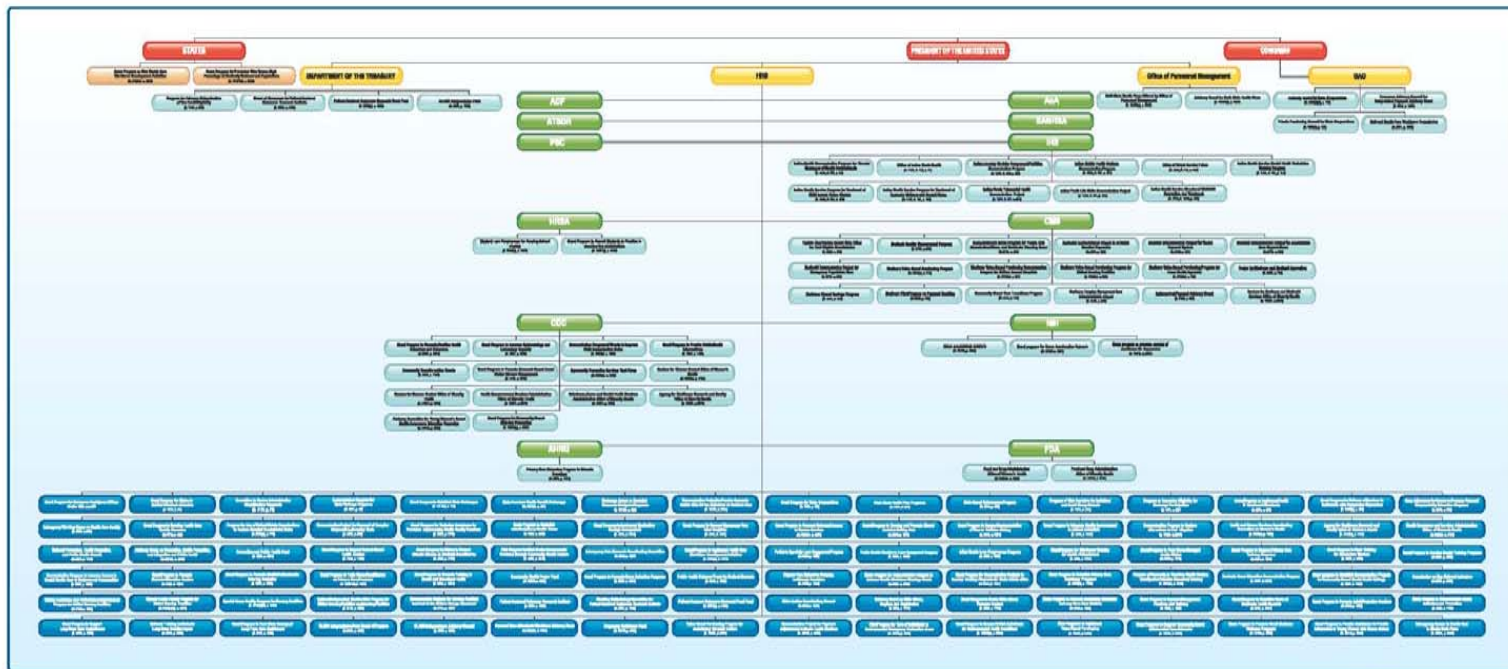
**159**



159 New Federal Government Programs, Bureaucracies and Offices Created by the Obama Healthcare Law of 2010

Center for Health Transformation Wall Chart Series  
Chart 1, Version 1

April 2010





## **Who Is Affected?**

- **Businesses (Large and Small)**
- **Doctors and Hospitals**
- **Medicare Beneficiaries**
- **States**
- **Insurers**
- **Individuals**



# Immediate Impact

- Rescissions prohibited
- Lifetime coverage limits eliminated and annual limits restricted
- Insurers will be barred from excluding children with preexisting conditions from coverage
- Medicare Part D beneficiaries in the “doughnut hole” get an immediate \$250 rebate
- \$5 billion program created for employers to provide coverage for retirees between 55-64



## **Immediate Impact (Cont.)**

- Young adults can remain on their parents' health plans until they are 26
- Tax credit available for some small businesses (under 25 employees) for employee coverage
- \$5 billion high-risk pool created to provide insurance to individuals with qualifying preexisting conditions who have been uninsured for at least 6 months
- 10% tax on indoor tanning services that use ultraviolet lamps



# 2011

- 10% Medicare bonus payment to primary care physicians and general surgeons for certain services
- Medicare Advantage payments to insurers frozen at 2010 levels
- Pharmaceutical companies will provide a 50% discount on prescription products for Medicare beneficiaries who fall into the doughnut hole (will increase over 9 years to close the doughnut hole by 2020)
- Annual fee of \$2.5 billion imposed on pharmaceutical manufacturers with annual revenue below \$5 million according to market share
- Health insurance plans will be required to provide rebates to enrollees if they spend less than 85% of large-group premium dollars and 80% of individual and small-group premiums on healthcare expenditures as opposed to administrative costs



# 2012

- Medicare and Medicaid Accountable Care Organization pilots on shared savings and coordinated care are created
- CMS to begin tracking hospital readmission rates and reduce payments for preventable readmissions
- Annual fee on pharmaceutical manufacturers increases to \$3 billion annually
- Medicare tax rate increases by 0.9% to 2.35% on earnings over \$200,000 for individuals and \$250,000 for families
- Threshold for deducting unreimbursed medical expenses increases from 7.5% of adjusted gross income to 10%
- CLASS program created
- Employers required to release value of health benefits on W-2 forms



# 2013

- Medicare Bundled Payment pilot is created
- A 2.9% excise tax is imposed on the sale of medical devices – anything generally purchased at the retail level by the public is excluded from the tax
- New fee assessed on health insurance plans to fund comparative effectiveness trust fund
- The existing employer tax deduction for the Part D subsidy is eliminated
- Limit of \$2500 imposed on how much an individual can contribute to a Flexible Spending Account



# 2014

- Individual mandate requires individuals to purchase health insurance or pay a fine of \$95 for each family member without qualifying coverage or pay a percentage of household income (up to 2.5% in 2016), whichever is greater
- Federal subsidies based on household income will be available for qualified individuals/families
- Health plans can no longer exclude people from coverage based on pre-existing conditions
- An annual fee totaling \$8 billion will be imposed on health insurance plans
- State-based health care exchanges are created and opened
- Medicaid eligibility for low-income individuals under the age of 65 would expand to 133% of the federal poverty level (\$29,327 for a family of four)
- Large companies (50 or more employees) will pay a fine of \$2000 per employee if any of their full-time employees qualified for federal healthcare subsidies (first 30 employees are subtracted from the calculation)



## **2015**

- Penalties for not having health insurance increases to \$325 for each family member
- The annual fee on health insurance plans increases to \$11.3 billion

## **2016**

- Penalties for not having qualified health insurance increases to \$695 for each family member up to \$2085 per family or 2.5% of taxable household income, whichever is greater

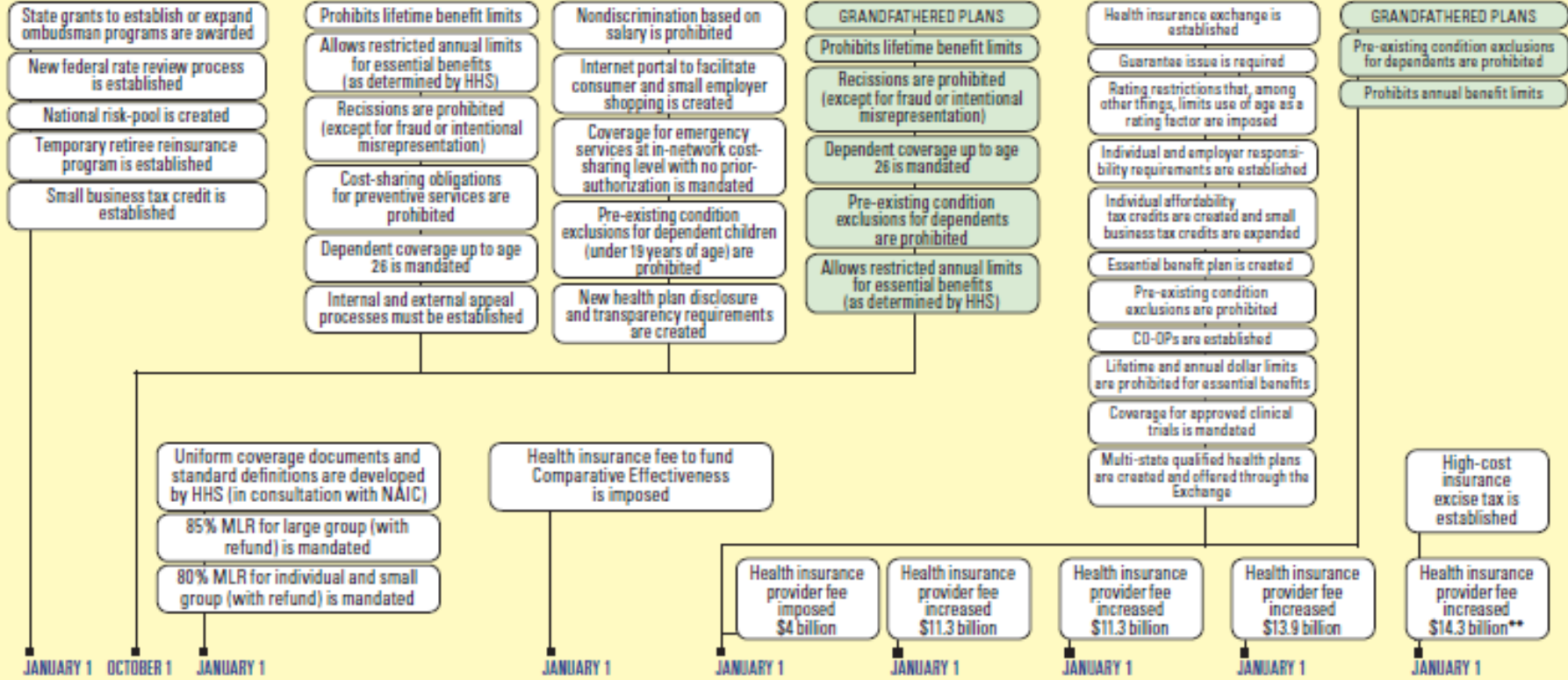


## **2016-2018**

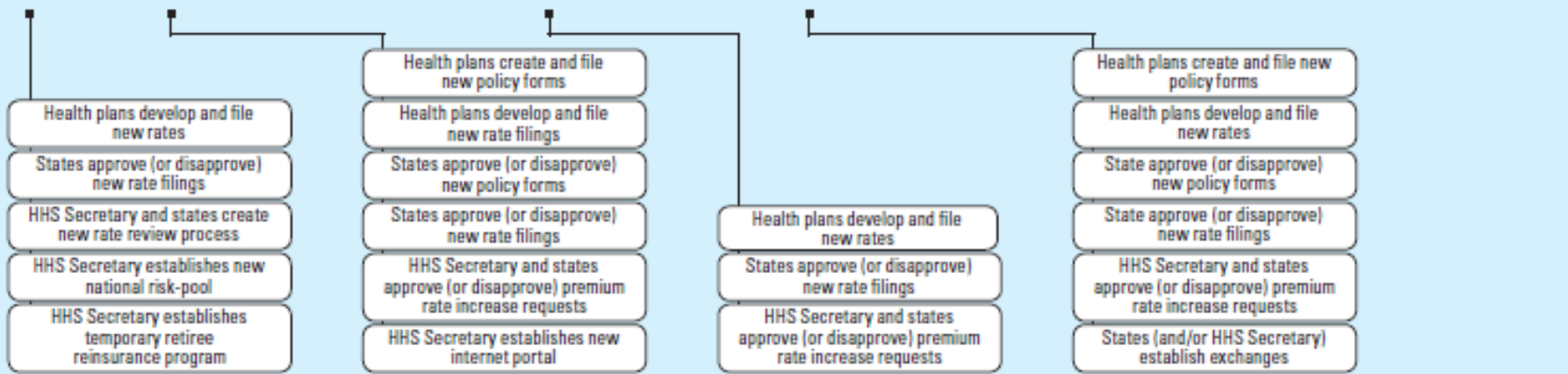
- Penalties for not having health insurance increases to \$695 for each family member up to \$2085 per family or 2.5% of taxable household income, whichever is greater
- A 40% excise tax on high-cost employer-provided plans (a.k.a. Cadillac plans) is imposed
  - The first \$27,500 of a family plan and \$10,200 for individual coverage is exempt; higher levels are set for plans covering retirees and people in high risk professions
- The annual fee on pharmaceutical companies increases to \$3.5 billion in 2017 and \$4.2 billion in 2018
- The annual fee on health insurance plans increases to \$13.9 billion in 2017 and \$14.3 billion in 2018

# Health Care Reform Bill Timeline (as revised by the House Reconciliation Bill)\*

SUMMARY OF SELECT REQUIREMENTS



IMPACT



\*Assumes April 1, 2010 enactment

\*\*In years following 2018, the tax amount would increase in an amount proportionally equal to overall premium growth.



# **What's Needed – Bottom Up**

- Transparency
- Consumerism
- Better delivery of care



# Top Down and Bottom up

- Policy changes
  - Delivery/payment, liability reform, FDA, Medicare
- Market
  - Information and incentives to seek highest-quality, lowest-cost care



## **Healthcare that Works**

- **Public and Private Migration to Best Practices**
- **Nationwide EHR System**
- **Reducing Fraud & Abuse**
- **Science and Investment Based Budgeting**



## **Best Practices**

- **Prevention and Wellness**
  - SimplyWell
- **Improving Delivery of Care**
  - CMS Premier Hospital Quality Demonstration
- **Lowering Costs**
  - Gundersen Lutheran
- **Increasing Access to Care**
  - Pfizer – Amigos en Salud



## Key Metrics

- Nearly 75% of healthcare executives say healthcare reform will have negative financial impact on their facilities (AMN Healthcare, 4/23/10)
- More than 60% say reform will have somewhat or very detrimental effect on their quality of care (AMN Healthcare, 4/23/10)
- 56% percent of Americans favor repealing the law (Rasmussen Reports, 9/06/10)



# Where Do We Go From Here?





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