

# **Implementing The Affordable Care Act: Understanding the Possibilities and the Limitations**



# Contact Information

**Thomas McAuliffe**  
**tmcauliffe@mffh.org**  
**(314) 345-5574**



# Asking the “Big Questions”

- Should all Americans have the right to health care?
- Why does the US have below average health care outcomes?
- What is the best way to insure all Americans?
- Will the ACA make America a healthier nation?



# America: Health System Facts

- Most expensive care in the world; some of poorest outcomes relative to cost
- Our economy cannot keep spending so much on health care / insurance
- Employers cannot afford to offer insurance, and are increasing dropping coverage / passing cost on
- Being without insurance makes us ill & poor
- System focuses on health crisis, when we need disease management



# Major Themes of the Affordable Health Care Act (ACA)

- Expanding Health Insurance Coverage
- Insurance Regulations
- Prevention, wellness, and chronic disease management
- Increasing Quality over quantity
- New Models of Care & payment reform

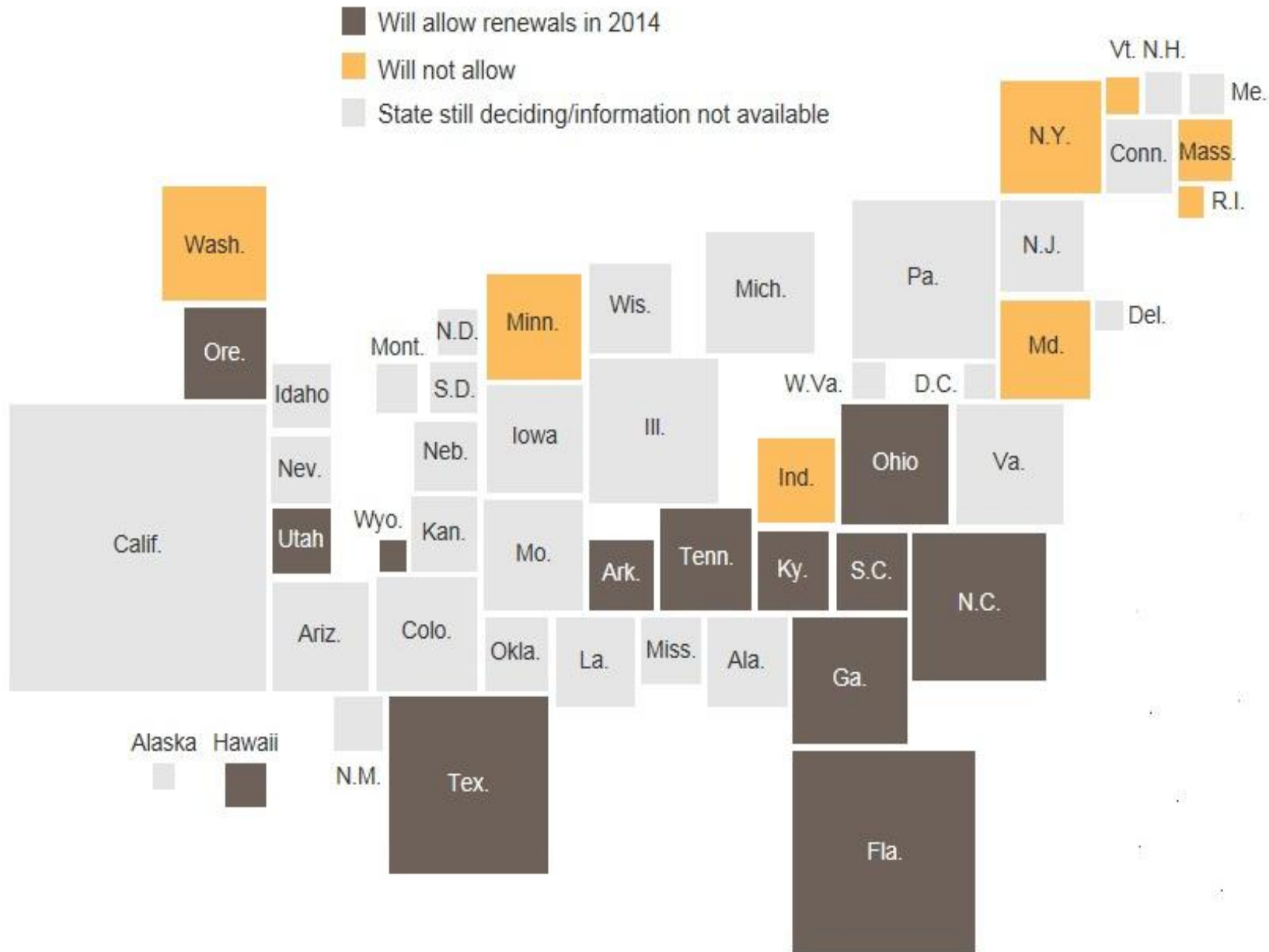


# 25 of most asked questions

	Y	N	D	
1. Do All Americans have to purchase health insurance?		X		<ul style="list-style-type: none"><li>93%; religious/cost exemptions</li></ul>
2. Will fewer people be without health insurance?	X		X	<ul style="list-style-type: none"><li>Everyone will have an offer--affordability is key.</li></ul>
3. Are there penalties for individuals not purchasing health insurance?	X			<ul style="list-style-type: none"><li>\$95/1%; \$325/2%; \$695/2.5%</li></ul>
4. Will health insurance exchanges benefit consumers?	X		X	<ul style="list-style-type: none"><li>Some will (price/quality); some not (price choice)</li></ul>
5. Does ACA allow people to keep their current coverage?			X	<ul style="list-style-type: none"><li>Yes; No; Varies by state</li></ul>



# States That Will and Will Not Allow Policyholders to Renew in 2014



# 25 of most asked questions

	Y	N	D	
6. Can adults get health insurance coverage despite having a pre-existing condition?	X			
7. Can children up to age 26 remain on their parent's health insurance?	X			<ul style="list-style-type: none"> <li>If child works and has an offer cannot remain</li> </ul>
8. Are retiree health plans required to cover children up to age 26?		X		
9. Will individuals currently covered by veterans' health benefits be considered covered?	X			<ul style="list-style-type: none"> <li>Medicare, Medicare, TriCare, Veterans ALL Acceptable</li> </ul>
10. Is dental coverage required for children? Adults?	C		A	<ul style="list-style-type: none"> <li>Yes; No; Varies by state</li> </ul>





# 25 of most asked questions

	Y	N	D	
<b>11. Can children &amp; spouse get assistance to purchase insurance if member of family has ESI?</b>	X	X		<ul style="list-style-type: none"> <li>If there is an offer, cannot get subsidy</li> </ul>
<b>12. Can individuals to appeal medical service denials?</b>	X			<ul style="list-style-type: none"> <li>72 hour; third-party participant</li> </ul>
<b>13. Does Independent Patient Advisory Board (IPAB) ration Medicare or create “death panels”?</b>			X	<ul style="list-style-type: none"> <li>No “DP”; how do you define rationing?</li> </ul>
<b>14. Will the quality of care from public health programs such as Medicare and Medicaid improve?</b>	X	X	X	
<b>15. Does ACA add new tools to help fight health care fraud?</b>	X			<ul style="list-style-type: none"> <li>New public-private-state-federal partnerships</li> </ul>



# 25 of most asked questions

	Y	N	D	
16. Will the primary physician shortage worsen?	X			<ul style="list-style-type: none"> <li>Not enough to see ALL insured.</li> </ul>
17. Are there penalties for small businesses (<49 employees) which do not provide insurance for their employees?		X		<ul style="list-style-type: none"> <li>50 and above</li> </ul>
18. Is free preventive care required ?	X			<ul style="list-style-type: none"> <li>3 yearly visits</li> </ul>
19. Will insurance premiums increase?			X	<ul style="list-style-type: none"> <li>For some yes; for some no; and for most ?</li> </ul>
20. Are out-of-pocket charges (co-payments/deductibles) that insurance policies can collect limited?	X			<ul style="list-style-type: none"> <li>Not on Out of Network care</li> <li>HSAs can change the amount</li> </ul>



# 25 of most asked questions

	Y	N	D	
<b>21. Is this financially burdensome for businesses?</b>			X	
<b>22. Are insurance companies' profits capped?</b>		X		<ul style="list-style-type: none"> <li>Medical Loss Ratio: 80/20</li> </ul>
<b>23. Will this lead to decline in employment-based health insurance?</b>			X	<ul style="list-style-type: none"> <li>Could over time</li> </ul>
<b>24. Are insurance companies still exempt from federal antitrust laws?</b>			X	<ul style="list-style-type: none"> <li>Insurance &amp; baseball</li> </ul>
<b>25. Will the federal deficit be reduced?</b>			X	<ul style="list-style-type: none"> <li>Don't know; rearranges money is the system in favor of insurance &amp; hospitals</li> </ul>



# 30<sup>th</sup> Anniversary **Bonus** Questions

	Y	N	D	
26. Are members of Congress required to purchase insurance plans through the Marketplaces?	X			
27. Will fewer people rely on emergency rooms for health care?			X	<ul style="list-style-type: none"> <li>Follows previous Fed regulations; Also grants rule-making authority</li> </ul>
28. Are unauthorized immigrants covered ?		X		<ul style="list-style-type: none"> <li>Non-legal immigrants excluded from services &amp; Marketplaces</li> </ul>
29. Is single-payer inevitable?			X	<ul style="list-style-type: none"> <li>Arc of costs suggests so</li> </ul>
30. Why haven't the Marketplaces worked?				



# Using the Marketplace

## One Application

- Enroll in coverage
- See if you can get financial help

## Compare plans

- Plain language
- Estimated costs for care (ex.- having a baby)



1



Visit [www.healthcare.gov](http://www.healthcare.gov)

2



### Create an account

Give your name, address and other basic information to get started.

3



### Fill out the application

Share more about you and your family, such as household size, income, and other information to see your plan options.

4



### Compare

Review health insurance plans side-by-side and see if you qualify for lower premiums.

5



### Get covered

Pick the plan that best meets your needs.



## 1. Create an Application

Consumers provide basic information to set up accounts. They can apply for a plan as well as for financial assistance, which can be in the form of tax credits or government assistance programs.

### PROBLEM

Consumers have difficulty creating online accounts and are unable to compare plans.



*A spokesman for **Quality Software Services**, the contractor that was responsible for one component of the user registration and will now manage repair of the site, said that one reason for the logjam in user account creation was that the government made "a late decision requiring consumers to register for an account before they could browse for insurance products."*

### FIXES

The government creates a virtual waiting room to deal with traffic overloads.



NOT FIXED

It only causes more confusion, and the feature is eventually removed.

Urges people to apply by mail, by phone or in person.



Phone operators reportedly use HealthCare.gov and have the same issues.

Allows users to compare plans before creating an account.



Many users receive quotes that are incorrect because the feature uses prices based on just two age groups.





## 2. Verification

The application is sent through a data hub, which checks the consumer's identity against data from at least nine federal agencies.

State exchanges also use the hub to verify the identity of their applicants.

*On Thursday, the spokesman from **Quality Software Services**, which is also responsible for the data hub, said that it was working. "When occasional discrete bugs in the data services hub were identified, we promptly corrected them," he said.*



### PROBLEM

Some state-run exchanges, like those in Rhode Island, Minnesota and Nevada, initially have problems using the hub.

Social Security Administration to verify Social Security Number, citizenship and other information.

Department of Homeland Security to make sure the applicant is a citizen or legal resident.

Veterans Health Administration, Defense Department, Office of Personnel Management, Medicare, Peace Corps and the applicant's state Medicaid agency to check that they are not already enrolled in other health insurance programs.

Internal Revenue Service and a government contractor to verify applicants' incomes if they are seeking financial assistance.



## 4. Confirmation of Enrollment

The exchange sends the applicants' information to the insurance companies.  
The companies send confirmation back to the federal exchange.

### PROBLEM

Insurers receive few enrollment files from the federal exchange, and many files are incomplete, or missing crucial information on the consumers who signed up.



As part of a "technology surge," the White House said that experts from government and industry were working together "to iron out kinks" in the enrollment transactions.



As of Friday, insurance executives report that they are still seeing problems in the enrollment data.

*When asked about these problems at the hearing, a spokeswoman for **CGI**, the contractor that developed the software for the site, said, "We have uncovered a number of those scenarios ... and we are in the process of making corrections. It is more isolated than widespread."*



# New Rules for Insurance Companies

Consumer Protections



# Changes to Private Insurance

- No annual or lifetime limits on essential health benefits
- No dropping coverage if you get sick
- No pre-existing conditions exclusions
- Rating rules
- Guaranteed issue
- Young adults can stay on parents' coverage up to age 26
- 80-85% of premium \$ must be spent on health services



# Individual Mandate

An incentive to buy coverage



# Individual Mandate

All individuals must have “qualifying” coverage

Those without coverage will pay a penalty:

2014	2015	2016 and Beyond
The fee is \$95 per adult and \$47.50 per child (up to \$285 for a family) OR 1% of family income, whichever is greater	The fee is \$325 per adult and \$162.50 per child (up to \$975 for a family) OR 2% of family income, whichever is greater	The fee is \$695 per adult and \$347.50 per child (up to \$2,085 for a family) OR 2.5% of family income, whichever is greater

There are some exemptions – financial hardship, certain religions denominations

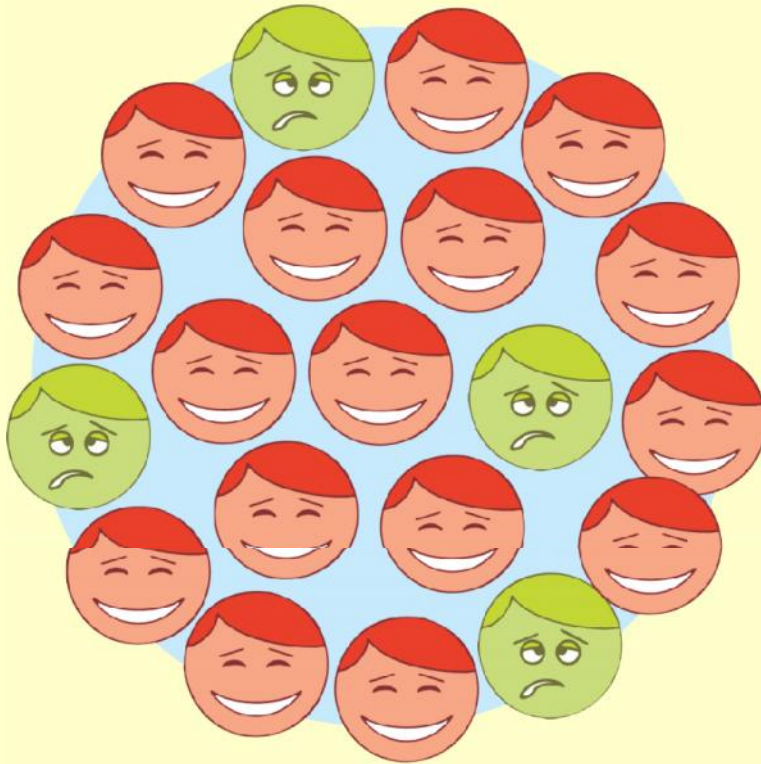


# Health Insurance Marketplace

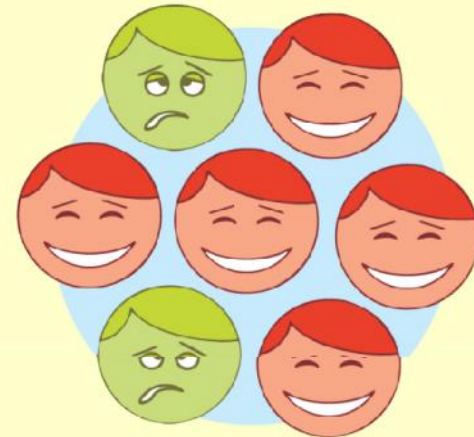
New way to buy coverage



## Large Employer



## Small Employer



## Individual or Family



# Health Insurance Marketplace

- Like a farmers market for health insurance
- Individuals and small businesses ( $\leq 50$ )
- Larger employers in 2016 ( $\leq 100$ ) and 2017 ( $> 100$ )
- Creates four benefit plans, plus catastrophic plan
- Guarantee issue and renewability
- Rating rules – only for age, tobacco, etc.



**Lowest out-of-pocket  
costs & Highest  
monthly premium**

**PLANTINUM**

**You pay 10% on covered  
health services**

**GOLD**

**You pay 20% on covered  
health services**

**SILVER**

**You pay 30% on covered  
health services**

**Highest out-of-pocket  
costs & Lowest monthly  
premium cost**

**BRONZE**

**You pay 40% on covered  
health services**







## Individual health plans win the “tin”; Group health plans win the gold

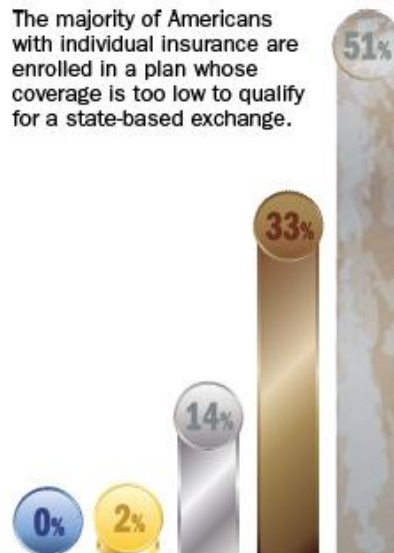
A majority of those now buying health insurance on their own  
will gain better coverage under the Affordable Care Act in 2014

The Affordable Care Act sets up four tiers of health plans that people will be able to purchase through the exchanges. Each tier covers the same benefit package, but cost-sharing varies. The tiers are defined by their actuarial value, or the average percentage of costs that are covered by the plan.

Platinum	Gold	Silver	Bronze	“Tin”
90% +	80%–89%	70%–79%	60%–69%	< 60%
Highest level for sale on exchanges in 2014			Lowest level for sale on exchanges in 2014	Will not qualify for sale on exchanges in 2014

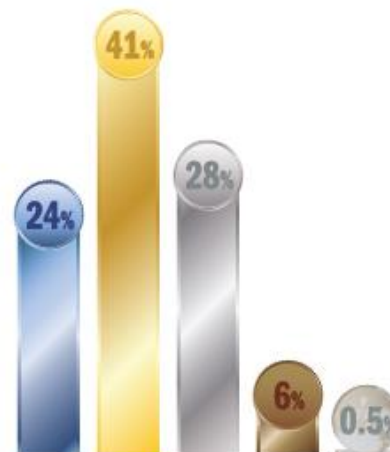
### Individual Plans in 2010

The majority of Americans with individual insurance are enrolled in a plan whose coverage is too low to qualify for a state-based exchange.



### Group Plans in 2010

Group insurance plans have better coverage than those in the individual market.



Percent of enrollment by benefit tier

Source: J. R. Gabel, R. Lore, R. D. McDevitt, More Than Half Of Individual Health Plans Offer Coverage That Falls Short Of What Can Be Sold Through Exchanges As Of 2014, Health Affairs Web First, May 23, 2012.



# Benefit Design

## Benefit Features

- No annual or lifetime dollar limits on essential health benefits
- No cost-sharing for preventive care
- Coverage for dependents up to age 26



## Essential Health Benefits

- Chronic disease management
- Emergency services
- Hospitalizations
- Laboratory services
- Maternity & newborn care
- Mental Health & substance use services
- Pediatric oral & vision care
- Prescription drugs
- Preventive & wellness services
- Rehabilitative services

# Premium Subsidies for Individuals/ Families

## Tax Credits: Maximum Percent of Income Paid for Premiums

Income for a Family of Four			Percent Paid for Premiums
FPL Range	From:	To:	
100-133%	\$23,550	\$31,322	2% of Income
133-150%	\$31,322	\$35,325	3-4% of Income
150-200%	\$35,325	\$47,100	4-6.3% of Income
200-250%	\$47,100	\$58,875	6.3-8.05% of Income
250-300%	\$58,875	\$70,650	8.05-9.5% of Income
300-400%	\$70,650	\$94,200	9.5% of Income

# 2013 Federal Poverty Levels (FPL)

Family Size	18%	85%	100%	185%	300%
1	N/A	\$9,767	\$11,490	\$21,257	\$34,470
2	\$2,808	\$13,184	\$15,510	\$28,694	\$46,530
3	\$3,504	\$16,601	\$19,530	\$36,131	\$58,590
4	\$4,104	\$20,018	\$23,550	\$43,568	\$70,650



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250-300%	\$58,875	\$70,650	8.05-9.5% of Income
300-400%	\$70,650	\$94,200	9.5% of Income

# Premium Subsidy Example 1

\$47,100 – Annual income for a family of four at 200%  
x 6.3% of federal poverty level

\$2,967 – Family's share (\$247/month)

Silver Plan (2 <sup>nd</sup> lowest cost)	\$10,000
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Family's Share	<u>- \$2,967</u>
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Premium Tax Credit	\$7,033
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# Premium Subsidy Example 2

Silver Plan \$10,000

Family's Share - \$2,967

Premium Tax Credit \$7,033

Gold Plan \$12,000

Family's Share - \$2,967

Premium Tax Credit - \$7,033

Additional Family Share \$2,000

**Total Family Share for Gold Plan: \$4,967 or \$414/month**



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# Health Insurance Marketplace Update

## Federally facilitated exchange/marketplace

- Initial enrollment: October 1 thru March 31, 2014
- Coverage starts January 1, 2014 (if enroll by 12/15)
  - Or current coverage can be extended for one year
- Navigators, Counselors, and Brokers

## Delays

- Employer Mandate
- Employee Choice in SHOP Marketplace
- Marketplaces are currently 60% functional (11/20/13)



# New Rules for Businesses

## Employer-Sponsored Insurance



# Small Businesses

**NO** requirement for small businesses to offer health insurance or pay a fine (<50 employees)

**Sliding scale tax credits for smallest employers (<25 employees)**

**Can use Marketplace starting October 2013**

- Tax credit can only be used in the Marketplace starting in 2014



# Employer Requirements

Employers with >50 employees may pay a penalty if...

Does NOT Offer Coverage		Offers Coverage	
No FTEs receive Marketplace tax credit	1 or more FTEs receive Marketplace tax credit	NO FTEs receive Marketplace tax credit	1 or more FTEs receive Marketplace tax credit
No penalty	$\$2,000 \times [(\# \text{ of FTEs}) - 30]$	No Penalty	$\$2,000 \times [(\# \text{ of FTEs}) - 30]$ <b>OR</b> $\$3,000 \times (\# \text{ of FTES receiving tax credit})$

# Employer Requirements

**Notify employees about Health Insurance Marketplace**

**Report Health Coverage on W-2 forms**

**Employers with >200 employees**

- Automatically enroll workers into health plan



# Medicaid



# Expansion of Public Programs

**Expand Medicaid to 133% of FPL for non-Medicare individuals and families**

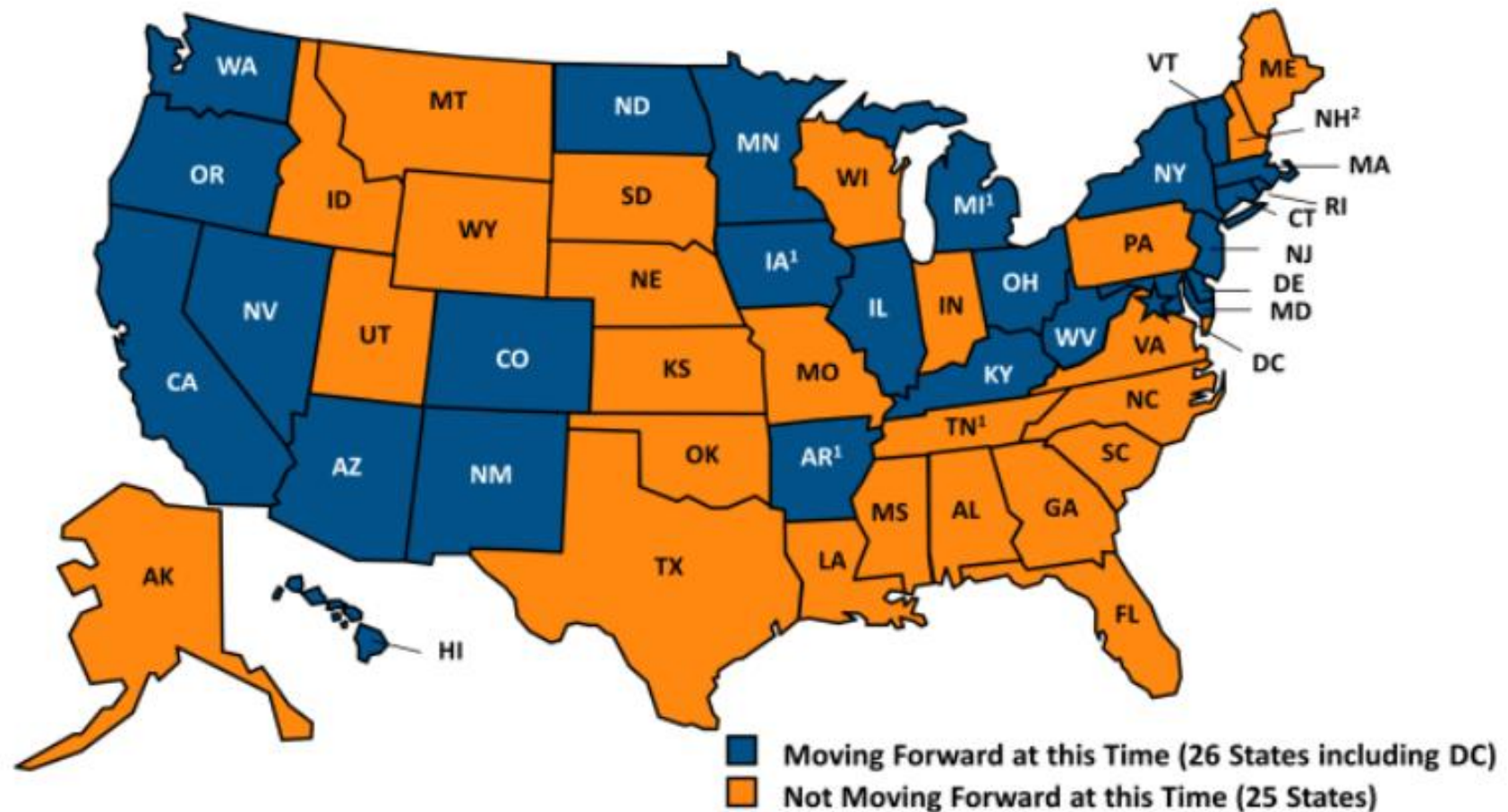
**Guaranteed benchmark benefit package**

**100% federal funds at first, then step-down to 90%**

**Medicaid payments to primary care physicians for primary care services at 100% of Medicare rate**



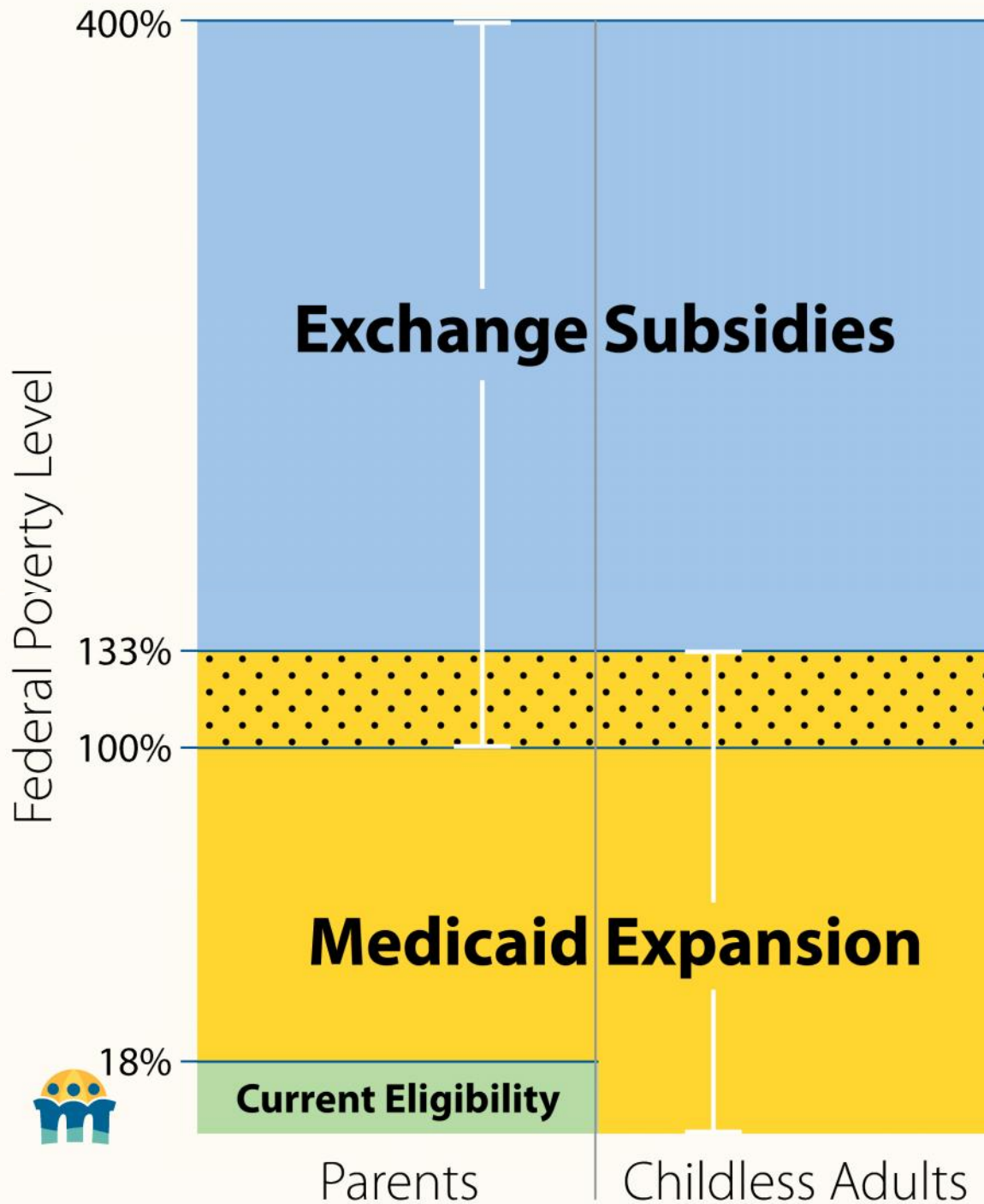
# Current Status of State Medicaid Expansion Decisions, as of October 22, 2013



NOTES: 1 - Exploring an approach to Medicaid expansion likely to require waiver approval. 2- Discussion of a special session being called on the Medicaid expansion.

SOURCES: State decisions on the Medicaid expansion as of October 22, 2013. Based on data from the Centers for Medicare and Medicaid Services, available at: <http://medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Medicaid-and-CHIP-Eligibility-Levels/medicaid-chip-eligibility-levels.html>. Data have been updated to reflect more recent activity.



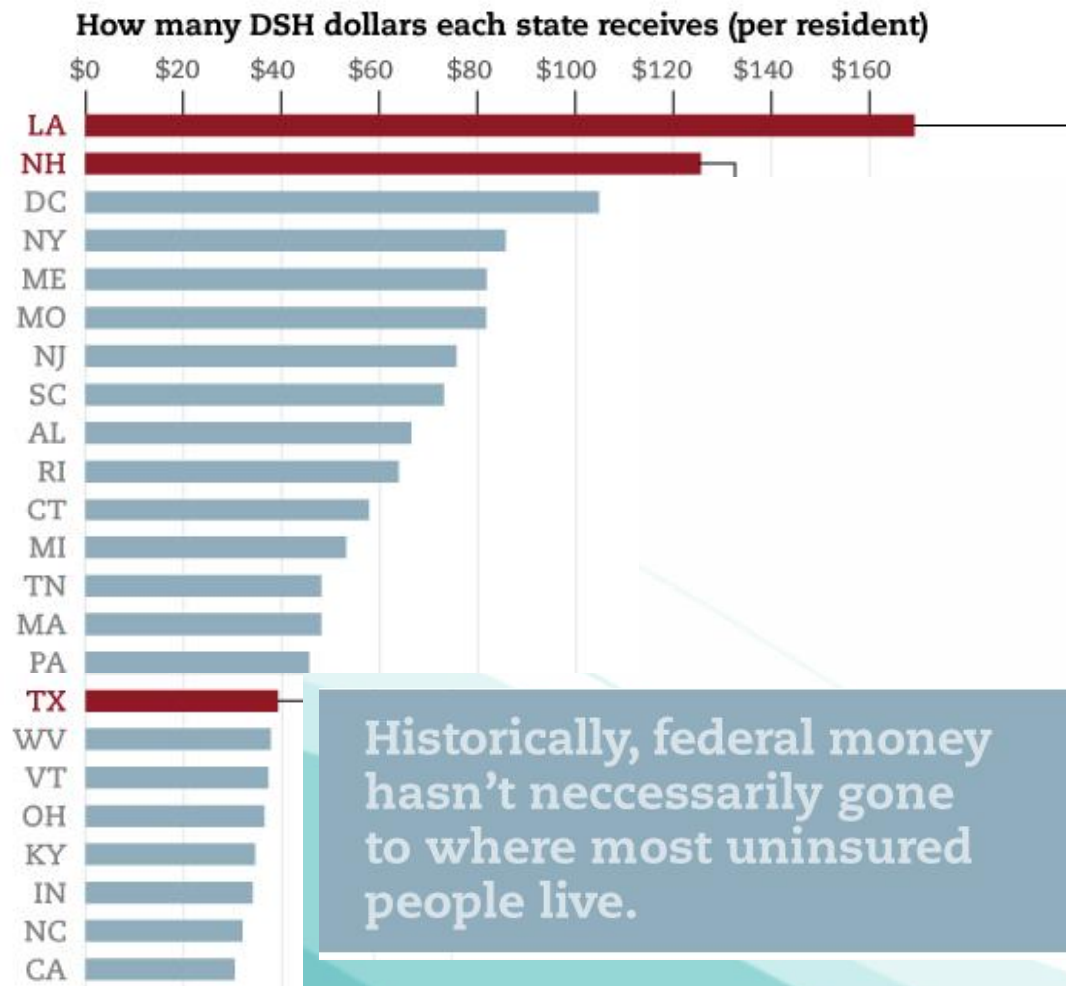


90% of the currently uninsured have incomes below 400% of poverty.

66% of the currently uninsured have incomes below 200% of poverty.

# Where does federal money go?

States that receive the most federal dollars for their uninsured residents



- This monies will begin be reduced starting in 2014.
- State that have not expanded Medicaid will have to deal with the health and economic consequences.



# Considerations



# Possibilities

- **Smaller business will be able to afford**
- **Greater transparency of cost of insurance**
- **Focus on prevention**
- **Better delivery of care**
  - New payment models
- **More individuals will be obtaining medical care**
  - Early diagnosis
- **Less medical debt**
  - Insurance
  - Hospital requirements
  - “Skin in the Game”—Families can plan better
  - Price comparison



# Medical Debt

- Medical bills= 60% personal bankruptcies
- $\frac{3}{4}$  of bankrupt have health insurance
- 10% Americans have a medical bill they couldn't pay
- Nearly half of Americans who have medical debt owe less than \$2,000
- It is not uncommon for insurance companies to get hospitals to knock their bills down by up to 95% (uninsured/uninformed are left out)
- 12% of all medical claims received by insurance carriers were out-of-network = Medical Debt



# Medical Debt: ACA

- More people on insurance = less debt
- NFP hospitals must be transparent about assistance
- IRS: hospitals to take reasonable efforts to ensure people are eligible for assistance before selling their debt to collection agencies
- Patients: 120 days after a bill has been issued before it goes to collections and 240 days if they apply for financial assistance after receiving the bill



# Medical Debt: Planning

- **Out of pocket expenses still a problem—but knowing insurance puts pressure to plan**
- **Non-emergent procedures: Price Comparison**
- **Ask for assistance: before and after**
- **Better insurance choices**
- **Financial planning and medical debt remediation?**
  - Baby Boomers retirement: less money; more debt
  - Bronze plan ≠ absence of out of pocket / deductables

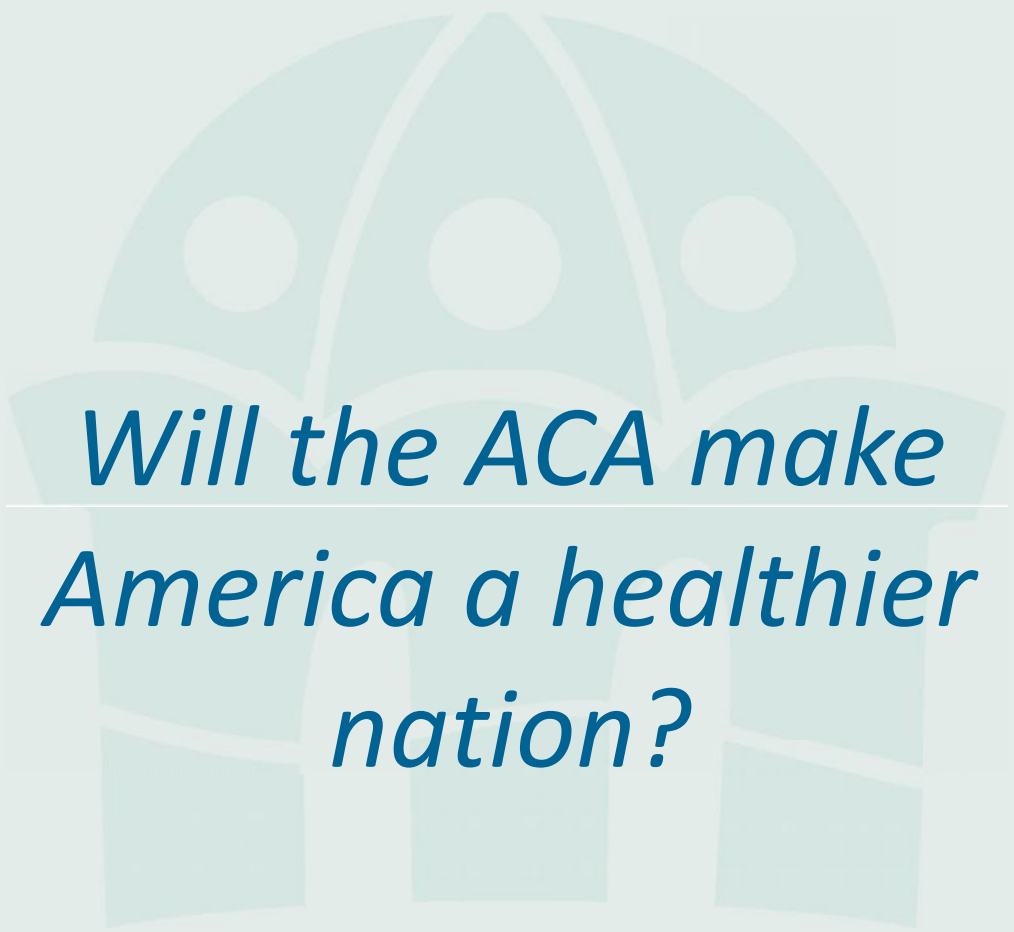


# Limitations

- **Cost of insurance only partially addressed**
- **Cost of care not addressed**
- **More individuals will be obtaining medical care**
  - Not enough health professionals
  - Early diagnosis: More people on drugs for longer: COST?
  - Will people be responsible for their care? Do financial incentives work? Mixed results
- **Public education: Taxes and finances**
- **What happens after Obama?**







*Will the ACA make  
America a healthier  
nation?*

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