Health Care Reform: Does anyone know where we’re going?

HFMA Dixie Institute

February 17, 2010

Thornton Kirby
AND NOW, AFTER A YEAR-LONG SURGICAL MARATHON, WE'RE TAKING YOU TO A SPECIAL RECOVERY AREA.
I don’t care how much it costs, I want the best care available.

Everyone in America should have appropriate access to health care.

Government should fix it.

It costs what? That’s outrageous!

I am not willing to pay any more taxes, and I don’t want socialized medicine.

Let the market fix it.
Evolution of U.S. Health Care Policy

Our current health care system is based on major policy decisions that have taken America in two very different directions –

1. employer-based coverage
2. government-sponsored coverage
Will We Make History?
Health Care Reform

General Direction

• “Pay or play” for large employers coupled with individual mandate
• Medicaid expansion
• Tax credits for small employers that purchase coverage for their employees
• National Insurance Exchange
• Payment reform… “coordinated care”
• Public plan
**Health Insurance “Exchange”**

Links buyers and sellers of insurance

- Uninsured
  - (Not eligible for Medicaid/CHIP)
- Self Employed
- Small Business
- Others?

Insurance “Exchange” or “Connector”

- Private Plan
- Private Plan
- Private Plan
- Private Plan

New Public Plan?

American Hospital Association
Reform Appears Imminent

- More than 90% of residents covered
- Uncompensated care reduced approximately $150 billion per year
- Major consumer-oriented insurance reform
- Delivery system reform to improve quality and efficiency of care and control costs
- Emphasis on prevention
How will we cover the uninsured?

- Insurance exchanges
- Medicaid expansions
- “Pay or play” for large employers
- Tax credits to small employers
- Individual mandate
- Premium assistance for low income persons
- Insurance reforms
Health Insurance Reforms

For plan years beginning 6 months after enactment, insurance companies

- can’t rescind coverage when insured becomes sick
- can’t set lifetime limits on coverage
- must provide 1st dollar coverage for prevention
- must allow dependent child coverage up to 26
- must report share of premium income spent on medical care
Health Insurance Reforms

In 2014, insurance companies will be prohibited from refusing to sell or renew policies due to health status or pre-existing conditions. Insurers cannot charge higher rates due to health status, gender, or other factors. Premiums can only vary for age (3:1), geography, family size, and smoking (1.5:1).
Prevention costs less than treatment
Meeting Future Workforce Needs
New approaches to quality health care
Activity thus far

• Staff level discussions to clear the brush

• Major discussions closely held at the highest levels
  – Scope of coverage
  – Financing
    ➢ Cadillac plans
    ➢ HI tax on earned income
  – No public option
  – National exchange
  – Additional provider reductions

• Multiple outstanding issues
  – Immigration
  – Abortion
  – McCarran-Ferguson
Senator-Elect Scott Brown
Option 1

- Democrats reach deal...and pass before Brown sworn in
  - Action must take place within 7-15 days before final certification of election results
  - Opposition to this approach by certain Senate Democrats
Option 2

- House passes Senate bill with no changes...with promise to fix later (using reconciliation process)
  - House must accept many provisions:
    - Tax on Cadillac plans
    - Less expansive coverage provisions
    - State based exchanges
    - IMAB
    - No Rx doughnut hole closure
    - No ARRA FMAP extension
    - Immigration restrictions
    - No Stupak amendment
    - Special “deals”
Option 3

• Attract GOP support in the Senate to get 60 votes
Option 4

- Reset using the reconciliation process
Option 5

- Restart with scaled-down (and possible bipartisan) package
Option 6

• No health care reform
Should reform fail…

What Comes Next?

• Deficit reduction commission

• Cuts in Medicare and Medicaid reimbursement rates
Medicare physician payments

FY 2010 Defense Appropriations Bill

• Prevents Medicare physician payment reduction of 21.5 percent until February 28, 2010

• No provision currently in either the House or Senate reform bills
Coming our way...regardless

Medicare/Medicaid budget cuts (federal)

Financial penalties for certain hospital readmissions within 30 days

Bundled payments (pilot programs at first)

State budget crisis as stimulus funding runs out and Medicaid budget deficit approaches $500 Million in FY 2011-12
South Carolina General Fund Revenue

General Fund Collections

$7,000,000,000

$6,000,000,000

$5,000,000,000

$4,000,000,000

$3,000,000,000

$2,000,000,000

$1,000,000,000

$0


Slide Used with Permission from South Carolina Senate Finance Committee, State Budget Outlook Presentation
The Freefall of State Revenue
SFY 2009 through November SFY 2010

Total Lost Revenue:
$1,553,185,067 or 23%

Data Source: South Carolina Senate Finance Committee
Medicaid State Appropriations Were Relatively Protected (Primarily Due to Stimulus Requirements & Proviso 89.96)

However, increasing annualizations create a problem when the stimulus runs out.
What does the future hold for hospitals?

“We will never be paid more than we are today. I don’t mean to give you the good news all at once. The days of playing the revenue game are over, and the days of playing the cost reduction game are here.”

Rich Umbdenstock
President

American Hospital Association
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